

Profoto Annual Report 2021



Profoto Annual Report 2021

The Board and CEO of Profoto Holding AB (publ), corporate registration number 556810-9879, hereby submit the annual report of 2021 for the Parent Company and the Group. The annual report consists of the Directors' Report (pages 33–40), Corporate Governance Report (pages 41–48) and the financial reports together with notes (pages 49–68). The consolidated statement of profit and loss and financial position, together with the income statement and balance sheet for the Parent Company are revised at the Annual General Meeting.

Overview

History	04
Profoto in brief	05
Highlights 2021	07
CEO comments	09
Market	11



PHOTO JESPER GRÖNNEMARK

Sustainability

Sustainability	26
Focus area: Employees	27
Focus area: Customers' first choice	29
Focus area: Suppliers	30
Statutory reporting areas	31
Auditor's opinion	31



PHOTO MIRA & THILDA



PHOTO DENIS KLERO

Operations

Business model	14
Strategies	15
Product development	16
Case Pro-11	17
Case B10X Plus	18
Brand	19
Case Victoria Will	20
Focusing	21
Financial targets	22
The share	23
Investment case	24



Annual Report

Directors' Report	33
Risks	37
Corporate Governance Report	41
Financial Reports	
Group	49
Parent Company	51
Notes	54
Signatures	69
Auditors' Report	70
Definitions	73
Explanations for alternative performance measures	74
Financial information	75
Addresses	76

Overview

04 History

05 Profoto in brief

07 Highlights 2021

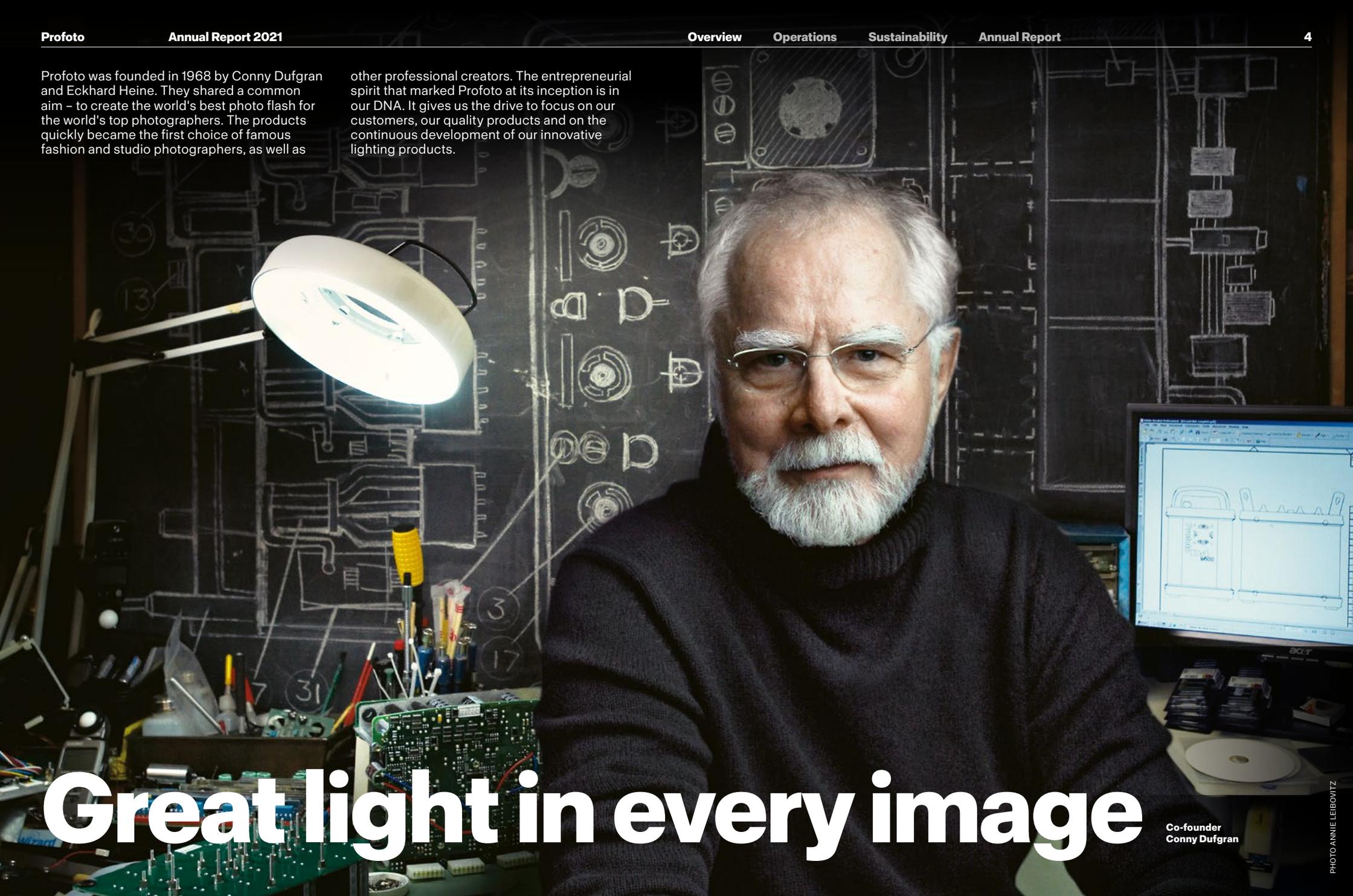
09 CEO comments

11 Market



Profoto was founded in 1968 by Conny Dufgran and Eckhard Heine. They shared a common aim – to create the world's best photo flash for the world's top photographers. The products quickly became the first choice of famous fashion and studio photographers, as well as

other professional creators. The entrepreneurial spirit that marked Profoto at its inception is in our DNA. It gives us the drive to focus on our customers, our quality products and on the continuous development of our innovative lighting products.



Great light in every image

Co-founder
Conny Dufgran

Profoto in brief

Light makes the difference

Profoto develops, markets and sells lighting systems for professional photography, such as flashes and light shaping tools. We are a global company that helps photographers realize their ambitions.

What

World leader with innovative lighting products. Flashes and light shaping tools to create and shape light regardless of situation, location, or camera.



Why

We help photographers realize their vision through beautiful light in every image.



Who

For those who need high-quality images, mainly professional photographers.



Where

Sales in more than 60 countries. The products can be purchased through our more than 270 dealers worldwide, rented from local rental companies, or purchased directly via profoto.com.



World-leading at light shaping

Profoto develops, markets and sells lighting systems for professional photography, such as flashes and light shaping tools. Today, we are a global leader in the premium segment, helping photographers to realize their ambitions. End users are professional photographers and commercial customers, such as large consumer-oriented brands and e-commerce companies.

Product development captures customer needs

Packed with innovative technology, the lighting solutions are robust, high quality and easy to use. The products are designed based on customer needs and use. Over the years, we have been able to meet new needs from new customer

groups – from analogue to digital, from studio to on-location photo shoots, and from DSLR to compact mirrorless cameras to smartphones – by consistently delivering fabulous products.

Global sales

Profoto is a global company with sales in more than 60 countries. The products can be purchased from more than 270 active dealers or via the company's online store, profoto.com, or they can be rented through local rental companies. We are headquartered in Stockholm and we have 93 employees worldwide. Our main markets are the US, the UK, Germany, France, the Nordic countries, Japan and China, where we have our own subsidiaries.

Global sales organization





PHOTO: DAVID BICHO

Our strategy is for Profoto to continue to grow organically in professional still photography. Innovation is embedded in our DNA. It represents a significant part of our heritage and is crucial for continued growth.

Organic growth

For a long time, Profoto has combined organic growth with strong margin development. The goal is to grow organically in professional still photography, primarily by continuing our systematic product development strategy and driving growth through launches. The strategy involves creating increased customer value through the products that are developed and launched. For example, we offer better performance and better communication systems between products within the ecosystem, which enables us to grow in both new and current customer groups.

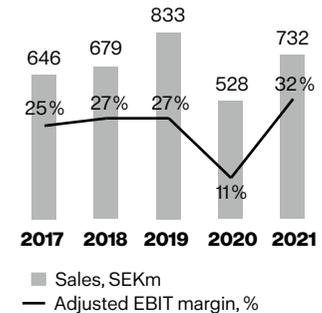
Innovation initiatives

Continuous investment in innovation has contributed to the company's robust growth. Today, 36 people work in web and technical development and since 2018, an average of 10 percent of sales has been invested in R&D. Our extensive innovation initiatives will continue both in current customer groups and in related growth areas where we see exciting development opportunities.

Efficiency throughout

Along with the spirit of innovation, the quest for efficiency is integral to Profoto's DNA. This approach allows us to dedicate our resources to areas where we can add the most value, such as product development/R&D, sales and marketing. Areas such as production, warehousing, logistics and support services are outsourced. This division gives us exactly the flexibility and operational efficiency we want.

Sales and adjusted EBIT margin



Highlights 2021

A year of recovery

Profoto has continued to develop the product offerings by launching new products with AirX technology as well as hybrid products for on-location photographers who shoot both photos and video.

+39%

Net sales for 2021 totaled SEK 732m (528), an increase of 38.6 percent. Sales were, of course, affected by continued restrictions during the year, but there were fewer of them compared with 2020, which contributed to sales growth.

The rapid and continued digital shift in the sale of consumer products highlights a growing structural need for high-quality images – especially in photography for e-commerce. The increased need to take more photos, in a variety of ways, created a demand for light shaping products during the year.

Profoto Camera

In 2021 a dedicated new Profoto Camera app for iPhone and Android was launched. The previous Profoto remote control and camera app was revamped in 2021 into a dedicated remote flash control app to provide a better and easier user experience.

The Profoto Camera is optimized for Profoto's professional flashes. It allows photographers to create professional images whether they choose to use a traditional system camera or a smartphone.

In addition to enabling professional flash photography via Profoto's AirX technology, Profoto Camera provides perfect automatic flash exposure based on an AI algorithm.

In 2021 ProfotoRAW was also launched. An image format that simplifies the editing workflow for smartphone photography.



Pro-11

February 2021 Pro-11 was launched, the successor to Pro-10, which, like its predecessor, enables freezing of motion in an image. The Pro-11 is upgraded with Profoto's built-in Bluetooth-based AirX technology, which allows users to wirelessly update new software, functions and features directly in the flash, along with the ability to control it using the Profoto Control app. Read more on page 17.

Three-year overview¹

	2021	2020	2019
Net sales, SEKm	732	528	833
Adjusted EBIT, SEKm	237	56	222
Adjusted EBIT margin, %	32.3	10.6	26.7
Net profit/loss for the period, SEKm	158	-17	177
Cash flow from operating activities	240	153	171
Average number of employees	95	122	140

1) For information and explanations regarding alternative performance measures, see page 74.

Listing in July

On July 1, 2021, Profoto's share was listed for trading on Nasdaq Stockholm's Mid Cap list. Profoto's Board of Directors decided to list the company's shares as a logical and important step in the development of Profoto to broaden the company's shareholder base and to provide access to the Swedish and international capital markets.



Highlights 2021

Share the Light™

293

How I got the shot

This lighting set is my "go to" technique when I need to recreate a natural light look in my images. Sometimes you don't want to make it obvious that you used studio lights to lit the image. This setup is simple and yet so beautiful. As usual, I used two Profoto B10 Plus. One was strobe I placed on the side of the model, right by the camera backdrop and directed it high into the ceiling to bounce back that huge amount of light onto the set. It was my main light. I set my camera on tripod to prevent the camera shake and opened up the shutter to 1/40s to let in as much of ambient light as possible. Making the strobe light with ambient makes it look more even, yet with some direction from the strobe. And since the model was sitting on the ground, it was necessary to tilt him more from front. For that I placed another Profoto B10 Plus with OCF White BeautySkin double diffusers, camera tilt 45 degrees and slightly angled down. It worked as a spot light to brighten up the subject's face.

Share the Light

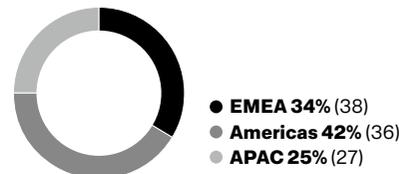
In November 2021, Profoto launched Share the Light BETA: a platform focused on learning and creativity where photographers can develop, be inspired and share their lighting skills with other photographers from around the world.

Every day, images from different genres of photography are shared, along with behind-the-scenes photos, lighting diagrams and short texts about how the image was created by the photographer. Information about the camera, lens and settings is also shared, along with which Profoto products that have been used. Share the Light BETA is free of charge for both those who want to be inspired and those who share their photos to inspire others.

32%

Adjusted EBIT and adjusted EBIT margin amounted to SEK 237m (56) and 32.3% (10.6), respectively. Adjustments for the period related to IPO expenses of SEK 25m. The improvement was due to increased sales, as well as improved operational efficiency, which in turn was a result of the cost-saving program carried out in the second half of 2020.

Sales per region



B10X and B10X Plus

our compact and powerful hybrid lights for both flash photography and video were launched in September 2021. The light units have been given a faster recycling time (flash) and more light for video (LED) compared with earlier versions. The products are versatile, intuitive to use and have an optimal balance between power and weight, making them easy to bring to on-location assignments. Read more about the B10X and B10X Plus on page 18.

CEO comments

Profoto stepped into the spotlight

2021 was a special year in Profoto's history. It was the year we went public. It has been an exciting journey – both preparing the company for the new public life, but also meeting many new investors and telling our story.

We were listed on July 1 at a price of SEK 66.00 per share. On December 30, the share stood at SEK 104.80 – up 59 percent in six months. We have welcomed 1,449 new shareholders and started producing quarterly reports, presentations and now our first annual report as a listed company.

It has been an extremely intense and stimulating experience to be able to tell our story and describe our great company and our journey, but this is all just the external work. Of course, the most important thing for us and for our shareholders is our core business: developing and selling light shaping products. All aimed at enabling our customers – professional photographers – to create great images.

Continued leadership in innovation and quality

During the year, we carried out four global launches, two of which can be considered major. These were the Pro-11, a new generation of the Pro-10, our flagship product used in studios, as well as the B10X and B10X Plus used by on-location photographers. We continue to invest heavily in research and development to stay ahead of the game; that's what we're known for with our customers: innovation, quality and ease of use.

Strong year despite limiting factors

Net sales for the year amounted to SEK 732m, representing growth of 39 percent. Sales were affected by the pandemic and the restrictions imposed in most countries during the year. Many of our products are used at physical events such as weddings, trade fairs and fashion shows. Such events have largely been cancelled or postponed during the year, which has affected our sales. At the same time, there were fewer restrictions than in 2020, which contributed to sales growth for the year. The biggest improvement was seen in the

Americas, the region that was most negatively impacted in 2020 and thus the one with potential for the greatest recovery, with an increase of 62 percent. APAC and EMEA grew by 27 and 24 percent, respectively.

We also experienced difficulties in obtaining deliveries of certain components, as well as delays and higher shipping costs. Nevertheless, we were able to deliver a full-year result measured as adjusted EBIT of SEK 237m (56) with an adjusted EBIT margin of 32 percent.

Faster than expected sales growth

Indeed, the profit we achieved, measured in EBIT or EBIT margin, was very good. It was stronger than what we had set as our financial target.

I want to clarify that we do not intend for the margin to remain at this level in the long term, since we plan to invest more in marketing and product development to maintain our long-term growth. I am proud that we have managed to achieve this excellent performance despite the component shortages and logistics problems that are still present. Many employees have dedicated their full focus to these challenges, which are not over yet.

However, we have reviewed the financial net sales target we set at the time of our IPO in July 2021. We said then that we expected to reach a level of over SEK 800m in sales by the end of 2023. Since we have already reached SEK 732m, and strongly believe in our target of 10 percent organic growth, we should reach a level above SEK 800m sooner.

Rising need for professional photography

The rapid and continued digital shift in the sale of consumer products highlights a growing structural need for high-quality images – especially in photography for e-commerce. Our clients are



PHOTO: ANDERS MANNOLA

CEO comments



often high-profile fashion companies that shoot image-generating clothing on models in studios. The big difference now is that the images don't just end up on a full-page spread in a fashion magazine, but are also used online. This trend is an effect of the closure of many shops in well-established locations during the pandemic and the solution for these businesses will be to accelerate their e-commerce, which will in turn increase the need for high-quality images. These images may be used on the company's own website, on other e-commerce retailers, and/or on social media. Regardless, high-quality images are needed for pure product photography, on models, for marketing in social and traditional media. The images need to be as close to reality as possible to increase sales conversions and reduce costly returns for those selling and marketing the products. The quality and details in the images of the products regarding fabrics, materials, etc., are essential. Having the right light and lighting in the photography process is crucial to the quality of the images!

Thank you to everyone who contributed in 2021

2022 has started well in terms of business and we see a positive impact of lifted restrictions. We are closely following the development of the war in Ukraine and are appalled by the human suffering that is going on. The situation in Ukraine currently has a limited effect on our operations.

In conclusion, 2021 has been a very intense and interesting year. I would like to take this opportunity to thank everyone who has joined us on our journey during the year: our employees who have fought in difficult circumstances, and all the new investors who believe in us and support us.

Anders Hedebark
President and CEO

Market

Flash and continuous light for professional photographers

Profoto operates in the market for flash solutions for professional photographers, which is growing with increasing e-commerce.

Lighting - a key component

Flashes, to create and shape light, are an essential part of professional photographers' equipment and account for a large proportion of the annual investment they make in camera equipment. The total market for lighting solutions in 2019 was worth SEK 8.2 billion and comprises mainly three segments.¹

- Off Camera Flash accounts for 30 percent of the market.
- Camera flashes mounted directly on the camera account for 25 percent of the market.
- Continuous lights that emit light for a longer period of time account for 45 percent of the total market.

Examples of other lighting solutions are light shaping tools, such as umbrellas, reflectors, reflective screens and radio units for image synchronization and control of lights.

Focus on flash

The flash market is divided into three areas, with Profoto operating in the premium segment.

- Premium flash brands
- Low-price flash brands
- Global camera flash manufacturer

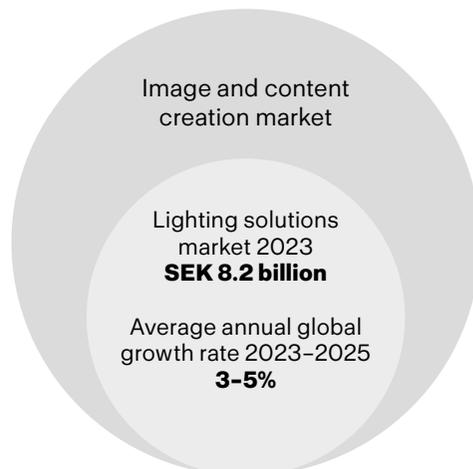
The premium products are aimed at high-end photographers who mainly work for fashion studios and e-commerce companies. Flash brands that compete based on price target both professional photographers and amateurs, while global camera flash suppliers cover a broader customer base.

In recent years, the flash market has consolidated, resulting in a few leading brands in each segment. The five largest players are estimated to account for approximately 65 percent of the market.

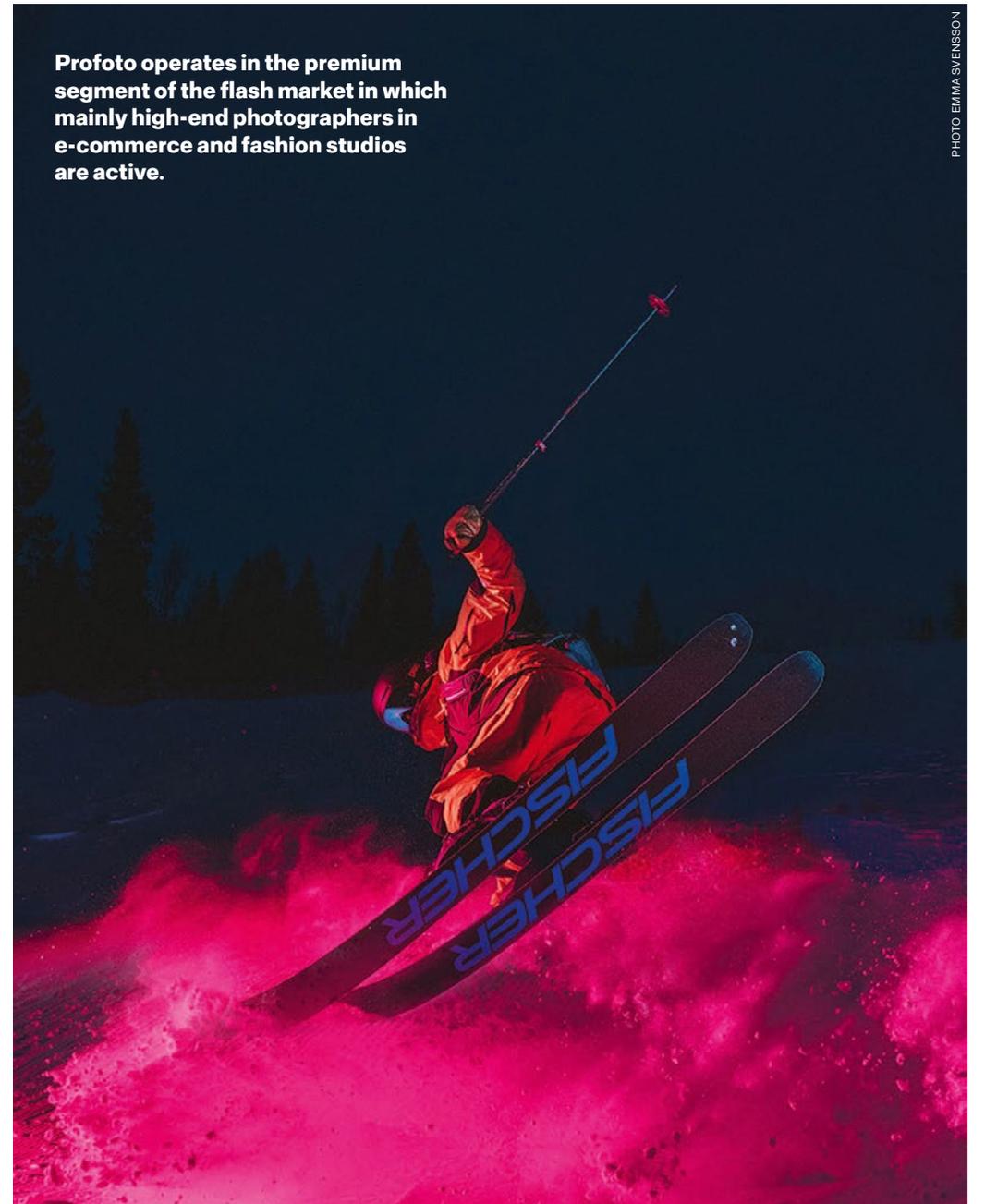
E-commerce drives growth

As a result of the pandemic, the growth of e-commerce has accelerated. This trend in turn has increased the demand for high-quality images and therefore lighting solutions. The background is that lockdowns and other societal restrictions reduced the influx of customers into physical stores. As a result, fashion houses have invested heavily in their e-commerce sites in order to meet customers through this sales channel instead. With the need to present products and offers in a broader way than previously, the quantity of images produced has also increased. Some

Global image and light market



Profoto operates in the premium segment of the flash market in which mainly high-end photographers in e-commerce and fashion studios are active.



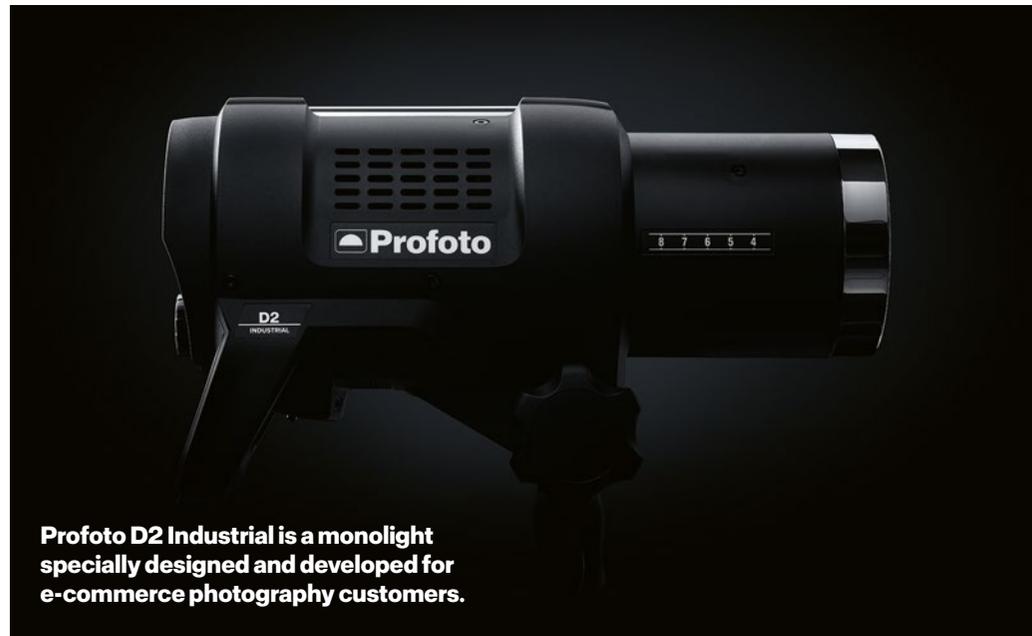
¹) <https://investors.profoto.com/en/wp-content/uploads/sites/2/2021/05/ey-market-review-report.pdf>

fashion houses have even chosen to set up their own photo studios to provide the images that depict their products. Meanwhile, given the increased focus on e-commerce, many companies have chosen to launch products more frequently than before – which has also increased the need for product images. All in all, lighting solutions benefit from this trend.

With a view to increasing investments

The market for lighting solutions has historically been stable, especially in the premium segment.

Overall, sales were negatively impacted by Covid-19 in 2021. At the same time, customer investment in lighting solutions is expected to increase globally. One reason for this is the trend to upgrade to better solutions combined with a desire for products with improved functionality. In 2023, the market is expected to have returned to SEK 8.2 billion, after which it is expected to grow by 3-5 percent CAGR to SEK 8.9 billion by 2025.¹



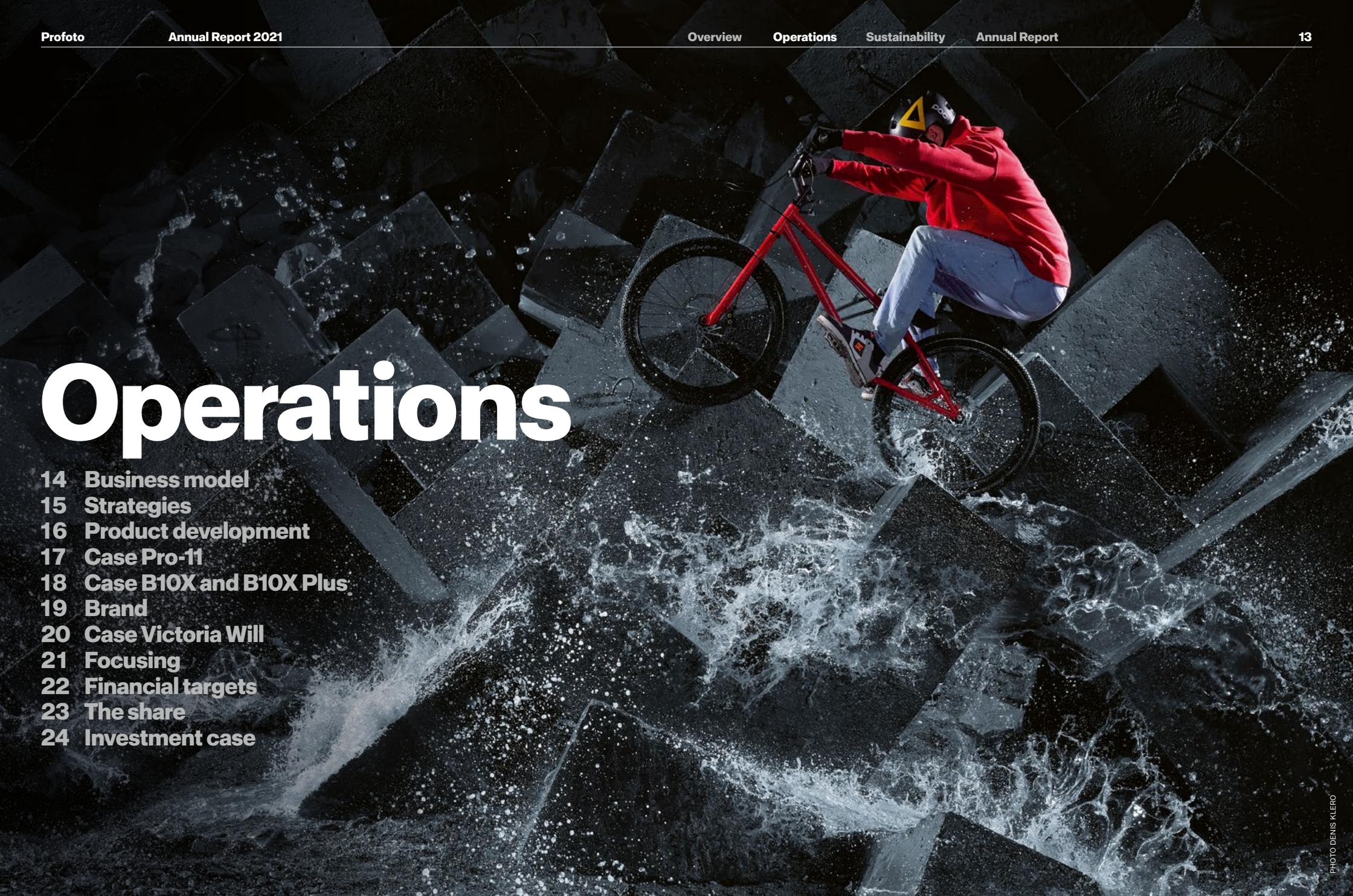
Profoto D2 Industrial is a monolight specially designed and developed for e-commerce photography customers.

Areas and trends in the lighting solutions market

Market drivers	Key market trends	Market impact	Description
Addressable users of lighting solutions	Growth in e-commerce	↗	The rapid growth of e-commerce 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.
	The effects of declining digital camera sales are offset by sales of high-end digital cameras	→	Digital camera sales have declined in recent years; however, because of the resilience of premium camera sales, this trend is expected to have only a marginal impact on lighting solutions.
	Increasing smartphone adoption	↗	Smartphone use has led to an increase in the number of creators, thereby broadening the market for lighting solutions for smartphones.
Penetration of lighting solutions	Increase in penetration of lighting solutions	↗	The majority of professional photographers and creators already use lighting solutions, and ~70 percent of those who do not do so indicate a high likelihood that they will in the future.
	Decreasing use of speedlights	→	Sales of speedlights are expected to decline through 2025. End users are indicating increased interest in the premium segment.
	Growing use of continuous light	↗	End users are migrating toward becoming “hybrid users,” creating both still images and video content. This trend will drive demand for continuous lighting solutions.
Spend on lighting solutions	End users plan to spend more on lighting solutions	↗	A majority of end users expect to increase their spend on lighting solutions over the next five years, with the highest expectations for increased spending in China.
	Polarization of pricing	→	Premium brands have an opportunity to capture a larger share of the market as mid-tier competitors drop out of the market because of price decreases in the low-end segment.
	Upgrading of solutions	↗	~25 percent of end-users expect to increase spend on lighting solutions in order to upgrade to a better brand with improved functionality and durability.

Sources: CIPA, IDC, Statista, B&H, Market participant interviews, End-user web survey, EY-Parthenon Market Study, <https://investors.profoto.com/en/ipo/>

¹ <https://investors.profoto.com/en/wp-content/uploads/sites/2/2021/05/ey-market-review-report.pdf>



Operations

- 14 Business model
- 15 Strategies
- 16 Product development
- 17 Case Pro-11
- 18 Case B10X and B10X Plus
- 19 Brand
- 20 Case Victoria Will
- 21 Focusing
- 22 Financial targets
- 23 The share
- 24 Investment case

Business model

Scalability by focusing on what we do best

By focusing on what we do best, we deliver on our vision: “Great light in every image.” It also entails investing in technology and innovation. At the same time, we improve efficiency by outsourcing more common tasks, while attracting new customers through our powerful marketing strategy. Our focus enables simpler lines of

command which provides a more scalable business.

Our unwavering attention to our core business and our values has enabled us to deliver standout products year after year, and to build our brand to be the preferred choice of the world’s best photographers.

Our mission

We make it easier to create amazing images by offering education and light shaping products to all ambitious photographers worldwide, enabling them to expand their creativity and fulfill their vision.

Our values

- We are passionate about our customers
- We drive change
- We focus on people first
- We are profitable in everything we do
 - we make choices
- We believe that leadership carries great responsibility

Indirect sales drive revenue streams

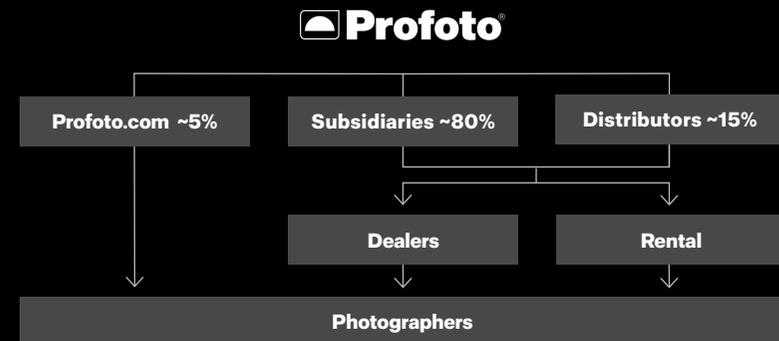
Profoto's main sales channels are dealers and rental companies that sell or rent professional equipment to photographers and other end users. These indirect sales currently account for about 95 percent of Profoto's revenue. In the largest markets, Profoto's subsidiaries work with dealers and rental companies, while their external distributors do so in smaller markets.

Regardless of if the distributor is a subsidiary or an external distributor, the sales strategy is designed to support our approximately 270 dealers and 300 rental companies.

Direct contact with customers

The company has established a direct channel to customers through its online store Profoto.com, which accounts for about 5 percent of sales. Ties with loyal end customers can be strengthened through Profoto.com. The online store is also used to analyze buyer behavior and customer preferences. The results of these analyses are then also used to further develop retail-level sales initiatives.

Profoto's sales channels



Strategies

Cornerstones for growth and development

Profoto's successful growth journey is based on three strategies. They contribute greatly to our ability to work efficiently and develop innovative new products that are in demand by the world's leading photographers.



Product development

Since its inception in 1968, we have strengthened our position as a leader in lighting technology and successfully launched new product innovations. Through changing eras and various technology shifts, we have maintained our market-leading position, constantly adapting our products to new applications and customer needs.



Brand

Profoto is a premium brand used by leading photographers and is perceived to have higher product quality than its competitors. We have a large base of loyal end customers. They are not particularly price-sensitive; they use the products in their profession and they consider light to be one of the most important aspects of image creation.



Focusing

We focus our resources on a number of core activities where we add the most value. Other parts of the business are outsourced. This focus is accompanied by a flexible and adaptable approach that enables us to continuously monitor our activities and ensure operational efficiency.

Product development

Innovation that drives growth

Product development and innovation are integral to Profoto's DNA. It is our heritage and crucial for our future development. Through innovation, we can offer customers new products and solutions, thereby generating growth.

Since its inception in 1968, the aim has always been to create the world's best flashes. We have gone through different eras, technological shifts and photographic trends, but have always stayed ahead of the curve through continuous innovation and forward-thinking product development. The strategy is to continue to develop and launch new products with enhanced customer value, including better performance, product control and design. Through new products and by upgrading current products, we can keep pace with the changing needs and requirements of our current customers, while reaching out to new customer groups.

Broadening through innovation

Profoto's product offering originated with flashes for professional photographers in the studio environment. Since then, it has been broadened through innovation and technological improvements that have enabled a wider range of applications.

Through this strategy, we have successfully expanded into current and new product categories and customer segments, such as on-location photographers and products for truly demanding shooting conditions and high-volume photography.

Today's products are divided into the areas of Lights and Accessories. The overall offering combines hardware and software to create lighting systems consisting of lights and light shaping tools. Solutions such as AirX and AirTTL also enable synchronized communication between devices for optimal performance. In addition, the products have embedded software that is wirelessly updated to ensure that the customer always has access to the latest version with the best performance.

Product development in practice

All strategic research and product development is done in-house. Profoto has expert teams in the areas of Image Technology, Power Electronics, Connectivity, Embedded Software and Product Design or Mechanics. The team consists of about forty people who work with tech and web development.

New product ideas and plans are formulated through a continuous idea generation process and quarterly reviews of the product plan. This systematic process of new product development is combined with detailed life cycle management, where all products in the range are covered by a strategy – from initial launch through updates to decommissioning. This approach has enabled successful growth in different customer groups.

New launches

The plan is to drive additional growth in the market through continued product launches.

Several innovations have been launched in recent years in software and connectivity, such as AirX which provides improved communication between the products and the photographer's camera, Profoto Camera (for iPhone and Android) with Smart-TTL and Profoto RAW. With these solutions, professional photographers can benefit from a seamless smartphone workflow from start to finish.



Research and development

> 50 Number of years of experience

4 Number of global launches

36 Employees in R&D

19 Active patents

Research and development share of sales

> 7%

The Pro-11 delivers unmatched power and speed for the best light quality in every image, with simplicity of user interface at its core. This flagship product was also upgraded with our Bluetooth-based AirX feature during the year.

Pro-11

The perfect studio light

With Bluetooth-based AirX, users can control and monitor their Pro-11 via the Profoto Control app, available for iPhone and Android. In addition, AirX makes it possible to connect and sync the world's fastest light, the Pro-11, with Profoto Camera, available for iPhone and Android, to create professional images regardless of camera type.

Robust and uncompromising

The Pro-11 offers great power, speed and the same high, consistent light quality, flash after flash. The clean user interface with large high-resolution displays provides relevant information with clarity and simplicity. This makes the rugged, reliable and uncompromising Pro-11 a real workhorse. It is built to last and may well be the perfect studio light.



Regardless of whether a photographer takes stills or records video, the B10X and B10X Plus deliver world-class light. The battery-powered flashes are optimized for on-location photography with an optimal balance between power and weight. These qualities make them appreciated by photographers around the world.

B10X and B10X Plus Flexible and powerful on-location lights

The B10X and B10X Plus are the next generation of lights for on-location photography. Their large, user-friendly interfaces make them easy to use, allowing photographers to focus on creating the perfect light in an image, instead of fiddling with settings.

They have increased continuous light output – from 2,500 to 3,250 lumens and faster recycling times than their predecessors.

Creative light shaping

The B10X and B10X Plus are compatible with up to 120 of Profoto's light modifiers, so the creative light-shaping possibilities are virtually infinite.

The Profoto app makes it easy to view and control all light settings in a smartphone and install new updates in just seconds.



Brand

For the best and for those who want to be the best

The Profoto premium brand should always be the first choice for the world's leading photographers. They choose Profoto for its high quality, ease of use and global availability.

Profoto products are used by the world's best photographers, as well as by those who aspire to be the best. This makes our brand synonymous with premium products, giving it a premium position in the market. This position is based on the high quality and reliability of the products, which provide photographers with uniquely good light in their images, every time.

The leading-edge technology enables short burn times, fast flash recycling and a wide power range, always delivering the same high quality. Moreover, the products are intuitive, robust and easy to use, allowing the photographer to focus on being creative to achieve the best images.

Inspire and educate

To inspire and educate the best photographers, we focus on digital marketing activities that help photographers discover exciting, new products and guide them in their purchasing decisions. Through these activities, we also create a direct relationship with customers at the same time that we drive traffic to our e-commerce site, Profoto.com.

Inspiration and training are also offered through the Profoto Academy, our photography school with online courses. Aimed primarily at photographers new to flash, it gives these photographers the opportunity to explore the craft of photography through light and light shaping.

In November 2021, Profoto launched Share the Light BETA, a free knowledge hub focused on learning and creativity where photographers can develop, be inspired and share their lighting skills with other photographers.

Globally available

The best photographers want access to Profoto's flash solutions, regardless of where they are in the world. To meet this demand, our products are available for sale and rental in over 60 countries

worldwide. We carefully select the dealers and rental stores as part of our targeted channel distribution strategy. This approach ensures that they can offer the appropriate availability, service and expertise that are associated with premium products.

The more than 270 dealers remain the main sales channel. They deliver a value-add to photographers and other end users by functioning as a one-stop-shop for everything photo related – cameras, flashes and accessories.

Reflected in premium price

Our premium products reflect everything from quality and reliability to ease of use and global availability. Taken together, these customer values allow our products to be priced at premium levels. We apply uniform pricing globally and in our focused sales to selected dealers, both discounts and price reductions are extremely limited.

In this context, it should be noted that our high-quality products have resulted in many loyal end customers. Our flash solutions enable photographers to set themselves apart from their competitors in terms of creativity.



She traded photojournalism for a brilliant freelance career and has won awards and recognition for her stunning photography. Meet Victoria Will – in her work, light is everything!

Victoria Will **When light is everything!**

“What I appreciate most is when clients call and ask for my creative input. That’s when I can help make something dynamic and bring the project to life.”

Victoria believes she had the best training a photographer can get: she was a photojournalist at a daily paper in New York, where she was able to explore through trial and error and learn the basics. Then her freelance career took off. Today, she takes on prestigious assignments for the entertainment industry and fashion and lifestyle magazines, in addition to advertising assignments, movie posters and much more.

“You can sum it up by saying that I photograph people. The core of everything I do is portraiture, where I use my eye to create imagery that emphasizes various emotions.”

“In my photos, light is everything,” she says. “To produce an emotion, the perfect photo requires just the right lighting. It creates a mood that conveys what I want to say in that moment.”

Adjusting the light

Today, Victoria is inspired primarily by the natural light that surrounds us, but this hasn’t always been the case. In the beginning of her career, she stuck to a few creative approaches and technical solutions.

“Looking back, it feels like I used too much light. I work differently now, and sometimes people wonder if the pictures are even lit at all.”

She recently took a group photo of six women and needed more, faster, and stronger light. In the end, she used about a dozen flashes to take the photo.

“So the truth is that I use more light now, but it’s less obvious in the pictures. And that’s because I’ve learned more and I’ve become more adept at adjusting the light.”

Creating the perfect light

Victoria uses Profoto equipment and the reason is simple.

“Because I get great support in all types of photography, where the possibilities are endless. The products are compact, but they’re also so powerful that I

can shape the light exactly as I want it.”

Every assignment is different and Profoto gives her the breadth and flexibility to create the perfect light in any situation. Her standard equipment includes Profoto B1, Profoto B10, various flashes and strip lights, which she supplements as needed through rental companies around the world that offer Profoto products.

“Before an assignment, I always have a vision for how the photos will turn out. The creative process at the shoot is organic, and I want to make something even better than the original idea. That’s when the work starts and the magic hopefully happens – by testing the boundaries of the light and in interaction with the person in the picture.”

Light shaping can create magic, but Victoria also chooses Profoto because the products are easy and intuitive to use.

“Profoto gives me the tools so that I can concentrate on making the image itself, creatively and artistically – not on how to handle the lighting equipment.”



Focusing An efficient and flexible Profoto

Profoto focuses resources on areas where we add the most value. Other parts of the business are outsourced. This makes us resource-efficient, flexible and ensures the availability of the right external expertise.

By focusing on core activities, we can dedicate our own resources to product development/R&D and sales and marketing. Functions and services that are outsourced include production, warehousing, logistics, accounting, IT, services and repairs, as well as the research and development that is not part of the core business. This allocation is further supported by our flexible and adaptable approach with a focus on operational efficiency and effective governance. Everything routine and non-value-adding is eliminated from the organization, leaving Profoto's resources to be used efficiently and effectively.

The strong focus on product development and R&D can be attributed to the key role that innovation and an entrepreneurial spirit have always played in our growth and expansion. Profoto has been a customer-centric company since its inception, focusing on developing new products. Through major product launches, the company has gradually fortified its position as one of the leaders in technology, added new customer groups and expanded Profoto's market.

Outsourcing as a business model

Outsourcing mainly involves low-cost countries. This practice gives us a more scalable business model with an increased focus on cost controls. Despite outsourcing, we retain strategic control over all activities that are important to Profoto's business development. At the same time, we free up time and resources internally because the actual execution is outsourced to external specialists. We gain increased flexibility and access to expertise in the areas that are outsourced.

The business model supports this flexible and adaptable approach, where the focus is always on ensuring operational efficiency. In addition to scalability, this model has enabled strong growth in volumes and new products, while also improving

margins. An additional effect of the scalability and adaptability of the business model was that we identified the issues associated with Covid-19 early on and were able to mitigate its impact through reduced volumes, organizational changes, reduced operating expenses and improved efficiency.

Ensuring the right skills

In order for the business model to work, we have developed a highly educated organization with a wide range of competences and capabilities across many fields, including finance, purchasing, supply chain and quality. At the same time, our focus on certain core activities helps to attract and retain talented employees with relevant skills. With the mundane tasks outsourced, everyday work can focus on more challenging projects and stimulating tasks. In addition, outsourcing allows us to select the best and most suitable experts in these areas as well.

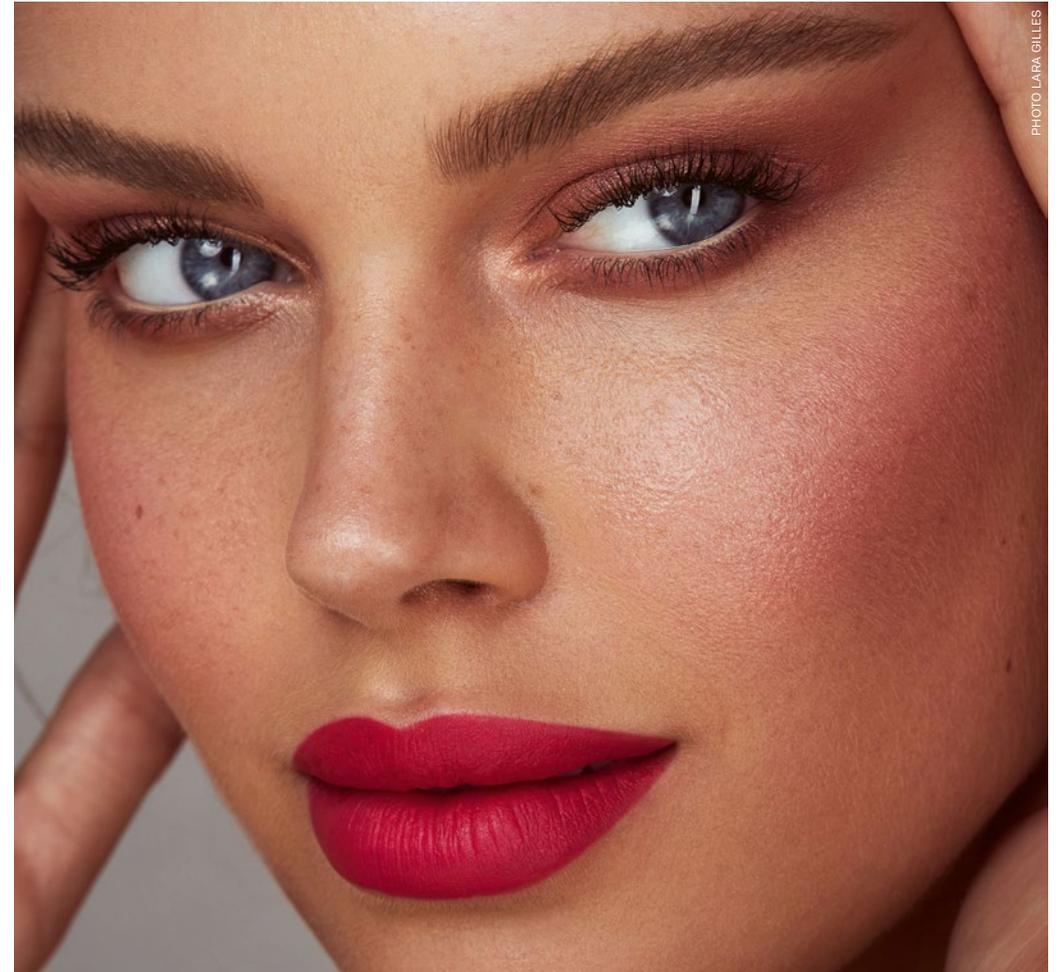


PHOTO LARA GILLES

Financial targets and target achievement

The following targets were set by the Board of Directors at the time of the IPO and were revised in connection with the 2021 year-end report.

Target	Outcome	Target achievement
<p>Net sales growth</p> <p>Profoto aims to, over time, achieve a constant currency annual organic growth in net sales of above 10 percent.</p>	<p>44%</p>	<p>Sales growth in 2021, measured in constant currency, was 44.1 percent (-35.0). Growth was mainly driven by more open communities, product launches and increased demand from branded companies accelerating their e-commerce.</p>
<p>Profitability</p> <p>Profoto aims to maintain an EBIT margin within 25-30 percent whilst growing EBIT year-over-year.</p>	<p>32%</p>	<p>Adjusted EBIT margin for the full year was 32.3 percent (10.6). The increase was the result of higher sales and improved operational efficiency.</p>
<p>Dividend policy</p> <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>	<p>89%</p>	<p>The Board of Directors proposes a dividend of SEK 3.50, which amounts to a total of SEK 140m and corresponds to 89 percent of net profit. The proposal is based on Profoto's strong financial position, while taking future investment and liquidity needs into account.</p>



The share

The Profoto share

Profoto Holding AB (publ) has been listed on the Nasdaq OMX Stockholm Mid Cap list since July 1, 2021. The data below are as of December 31, 2021.

Share trading and share performance in 2021

The closing price on December 30, 2021 was SEK 104.80, for a market capitalization of SEK 4,192m. The price performance since listing on July 1 at SEK 66.00 in 2021 was 59 percent, which can be compared with the OMX Stockholm PI, which increased by 12 percent in the second half of 2021. The highest price quoted during the fiscal year was SEK 125.00 and the lowest was SEK 77.40. The number of shares amounts to 40,000,000.

Share capital & share capital trend

The share capital of Profoto amounts to SEK 500,000 divided into 40,000,000 shares, with a quota value of SEK 0.0125 per share. There is only one class of shares and all shares carry equal rights (see table). In preparation for the listing on July 1, 2021, a bonus issue and split were carried out in May and June 2021. According to the Articles of Association, the 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.

Shareholders

On December 31, 2021, Profoto had 1,449 shareholders. The ten largest shareholders held shares corresponding to 79.5 percent of the votes and capital in the company (see table). Foreign owners accounted for 8 percent of shareholders.

Stock market information

Profoto strives to provide the stock market with clear and relevant information. Financial information is mainly provided in the annual report, the year-end report and three interim reports. Prior to the publication of the reports, the company holds a 30-day quiet period. Profoto's annual report is distributed via the Group's website. Interested parties can subscribe online to receive financial reports.

Dividend proposal

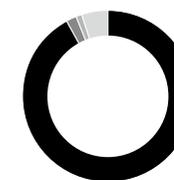
The Board proposes a dividend of SEK 3.50 per share, totaling SEK 140m.

Financial targets

- Profoto aims to, over time, achieve a constant currency annual organic growth in net sales of above 10 percent.¹
- Profoto aims to maintain an EBIT margin within 25-30 percent whilst growing EBIT year-over-year.
- 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 The previous financial target for net sales, to "over time, achieve a constant currency annual organic growth in net sales of above 10 percent and reach net sales exceeding SEK 800 million by 2023" has been updated since the company believes the target will be achieved earlier. The target has been updated to: "over time, achieve a constant currency annual organic growth in net sales of above 10 percent".

Shareholders by geographic location



- Sweden 92%
- Finland 2%
- Denmark 1%
- Other 5%

Ownership category



- Swedish private individuals 63%
- Swedish institutional shareholders 23%
- Foreign institutional shareholders 5%
- Anonymous ownership 3%
- Other 6%

Top ten shareholders

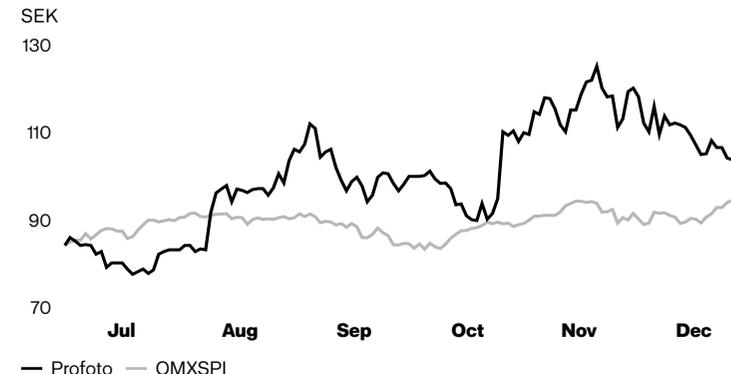
Shareholders	Number of shares	Capital, %	Votes, %
Anders and Helén Hedebark ¹	15,127,321	37.8	37.8
Conny Dufgran	6,000,000	15.0	15.0
Lannebo Fonder	3,051,119	7.6	7.6
Herenco Holding AB	1,615,151	4.0	4.0
Svolder	1,515,151	3.8	3.8
Enter Fonder	1,312,648	3.3	3.3
Hans Eckerström	1,230,508	3.1	3.1
Nordnet Pensionsförsäkring	941,802	2.4	2.4
Strand Fonder	507,066	1.3	1.3
Investering & Tryghed A/S	488,259	1.2	1.2
Total top 10 shareholders	31,789,025	79.5	79.5
Total other shareholders	8,210,975	20.5	20.5
Total shares outstanding	40,000,000	100.0	100.0

¹ Ownership through Burken Invest AB

Ownership by holding

Size class	Number of shares	Number of shareholders
1-500	132,368	1,224
501-1,000	64,041	75
1,001-50,000	841,872	112
50,001 - (including anonymous ownership)	38,961,719	38
Total	40,000,000	1,449

The Profoto share



Investment case

5 reasons to invest in Profoto

Profoto benefits from the entrepreneurial spirit and drive originating from its founders, Conny Dufgran and Eckhard Heine. 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 well educated, many with dual university degrees.

Leading position in a global niche of the rapidly changing and growing image and content creation market.

3–5%

Estimated market growth

Source: EY Marknadsanalysrapport
<https://investors.profoto.com/sv/wp-content/uploads/sites/3/2021/05/ey-marknadsanalysrapport.pdf>

Premium brand used by leading photographers.

2x

Profoto's market share is twice that of its nearest competitor in the premium segment

Source: EY Marknadsanalysrapport
<https://investors.profoto.com/sv/wp-content/uploads/sites/3/2021/05/ey-marknadsanalysrapport.pdf>

Scalable business model with continuous focus on core operations and innovation to drive profitable growth and expand the addressable market.

6.1%

Annual increase in EBIT margin since 2001

Global market strategy with an efficient sales organization.

>270

Dealers

- 8 main markets
- 62 countries
- High barriers to entry for small local operators

Long-term organic growth combined with exceptional profitability.

Proven ability to grow organically with increasing profitability

	2021	2001 ¹	CAGR ²
Sales	732	89	11.9%
Adj. EBIT margin ³	32.3%	9.8%	6.1%

1) Non-IFRS data and not adjusted

2) Compound annual growth rate

3) EBIT margin 2021 adjusted for IPO expenses of SEK 25m

A woman with her hair styled up and a flower in it, wearing a dress entirely composed of various types of flowers like roses and hydrangeas. She is holding a large bouquet of similar flowers. The background is a simple studio backdrop with a light fixture visible on the right side.

Sustainability

- 26 Overview
- 27 Focus area: Employees
- 29 Focus area: Customers' preferred choice
- 30 Focus area: Suppliers
- 31 Statutory reporting areas
- 31 Auditor's opinion

Sustainability Report 2021

Our three material areas

Profoto's sustainability efforts go hand in hand with our overall business model where strong values and a rewarding work environment pave the way for efficient delivery of quality products and services, and ultimately securing the strength of our brand.

This Report is prepared in accordance with the Swedish Annual Accounts Act 6:10-14 and is not reviewed by the company's auditors. It covers the Profoto Group.

Profoto stakeholder dialogue and materiality assessment

To strengthen Profoto's sustainability effort and ensure alignment with the business model and stakeholder priorities, sustainability consultants Enact helped us update our stakeholder and materiality analysis during the fall of 2019.

Methodology

Initially, internal governance documents, industry sustainability focus and trends were analyzed and a benchmark of peer companies was performed.

Using this analysis as a point of departure, 20 relevant sustainability issues were identified.

This was followed by a stakeholder dialogue, in which ten key employees and one Board member/owner were interviewed. The purpose was to gather information about their views on the company's sustainability efforts and which sustainability issues Profoto should focus on going forward.

Thereafter, a workshop involving a number of key employees discussed Profoto's social, environmental and economic impact. The outcome was analyzed for each sustainability issue.

Issues that were seen as important or very important by stakeholders, and where Profoto has a high or very high impact, were defined as Profoto's material sustainability issues.

Finally, these were grouped under three headings, defined as focus areas critical to ensuring a long-term sustainable business:

1. Competent and engaged employees
2. Products that are the customers' preferred choice
3. Transparent supply chain

Governance

The Board has overall responsibility for sustainability and policy approval. The Board has delegated coordination of our efforts within environment, employee, human rights and anti-corruption issues to the Chief Executive Officer, who is ultimately responsible for these issues. In addition, responsibility for day-to-day activities concerning equality and the work environment has been delegated to the HR manager and is monitored by the work environment and equality working group, consisting of employees from different branches of the company.

Profoto bases its sustainability work on the following four documents: Supplier Code of Conduct (SCoC), Anti-bribery and anti-corruption policy, Anti-stress policy and Work environment policy. The Anti-bribery and anti-corruption policy has been adopted by the board, while the other policies are internal policies. In addition, Profoto relies on management processes and its close ties with professional photographers when designing new products and services to ensure ease of use, functionality and quality. Risk analysis and mitigation actions are performed for the three focus areas.

Our sustainability priorities

Focus area	Employees	Customers' preferred choice	Suppliers
Priorities	<ul style="list-style-type: none"> • Growth opportunities • Work/life balance • Equal opportunities • Work environment 	<ul style="list-style-type: none"> • Sustainable product development • Focus on the customer 	<ul style="list-style-type: none"> • Environment • Chemicals • Human rights • Quality
Objectives and target achievement	Employee engagement 1-5 (Target 4.0) <div style="text-align: right;">4.0</div>	Percentage of repairable light sources (Target 90%) <div style="text-align: right;">79%</div>	Percentage that signed the SCoC (Target 75%) <div style="text-align: right;">82%</div>
		Number of complaints (Target < 0.5%) <div style="text-align: right;">0.35%</div>	

Focus area

Employees

Being able to recruit and retain competent and committed employees is our most important opportunity and challenge. Our business model is based on a high degree of outsourcing of routine tasks and the employees we attract must have a high level of expertise and relevant skills.

In practice, this means that we look for individuals who love to be challenged and grow professionally; people with drive, spirit and the courage necessary to support the company's overarching mission: to provide the industry's leading light shaping products.

We focus on

- recruiting and developing our employees
- the company's values
- gender balance and
- target management processes.

Recruiting and developing employees

Profoto is always on the lookout for talented and motivated individuals who want to be part of a growing, fast-paced business where they are prepared to take responsibility early on. English is the corporate language, and we have broadened our search internationally.

We have a solid and evidence-based recruitment process, using objective and validated selection methods. This approach will ensure fairness and diminish the impact of cultural differences.

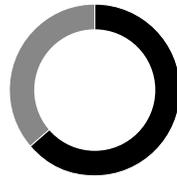
Profoto wants to recruit unique individuals who share our values. We always look for high-caliber people to support us in our mission to not only maintain, but surpass the high standards we have set for ourselves. Profoto only hires individuals with the capacity and energy to drive a highly efficient and agile business. In return, we offer challenging and exciting positions with great responsibility and opportunities to grow. In living our values, we expect our employees to be bold, take leadership and pursue personal development in pace with the increased responsibility.

All employees carry out a quarterly individual development plan with their manager that contributes to the direction and goals of the organization. Going forward, we will strengthen our employee

93

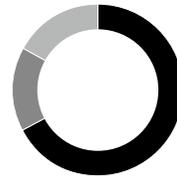
Employees at year-end

Gender distribution at year-end



● 60 men
● 33 women

Employees per region



● EMEA 62
● APAC 15
● Americas 16

branding by highlighting our strong career development opportunities.

Our employees are part of a dynamic and global employment market that consistently offers new and challenging opportunities. As important as it is to attract the right talent, we also constantly strive to develop and to retain our employees. In this context, we place personal development ahead of the company and rely on our talented employees in a helpful culture with supportive leadership to realize the growth of individuals – in line with our values, while implementing targets and adhering to our policies.

To ensure that the company has a good working environment and motivated employees, extensive health screens and examinations are conducted every other year.



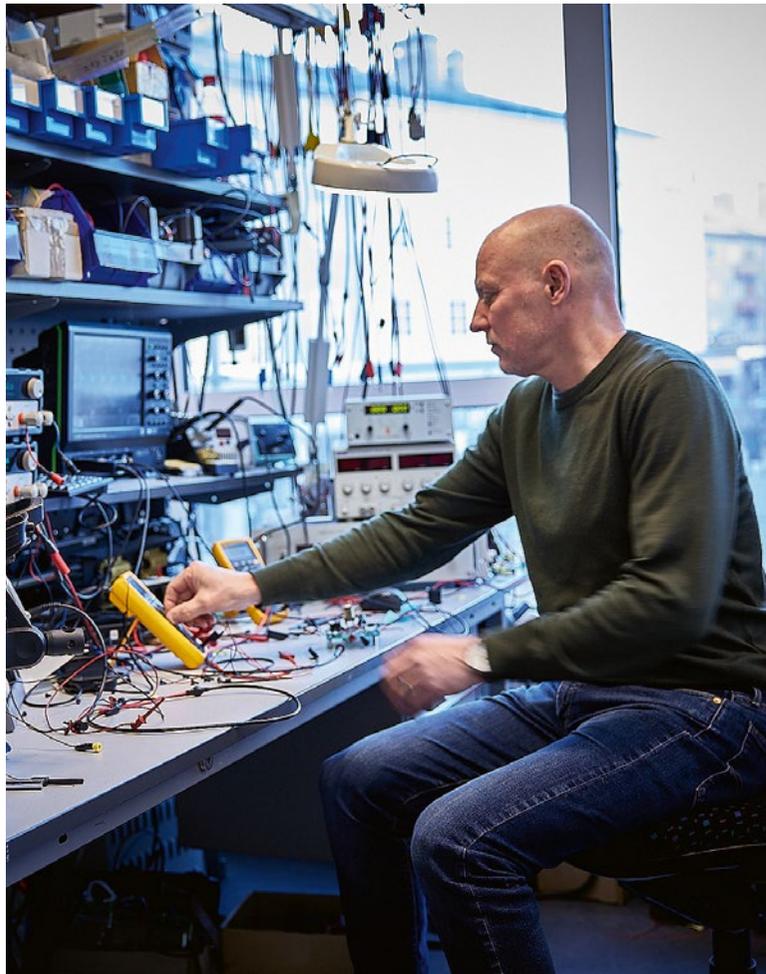
Values

Profoto views diversity as a strategic asset. Our policies clearly state zero tolerance to any type of discrimination including age, ethnic background, religion, sexual orientation and disabilities. This applies to recruitment as well as in our day-to-day operations. With employees from all over the world, we rely on our leadership in the implementation of our various policies. It is

crucial that everyone is guided by the same values and goals.

We embrace and follow up on Profoto's policies regularly as part of the work environment and equalitygroup agenda and as part of the annual review process. Our expectations are clearly communicated in our policies: the Anti-bribery and Anti-corruption Policy, the Anti-stress Policy and the Work Environment policy.

Focus area: Employees



Gender distribution

In general, Profoto has a good gender balance for a tech company. However, in our largest department – Research and Development – achieving gender balance is a challenge, although our ratio is currently better than that of recent university graduates in tech fields. In cases where we face two equally qualified candidates, we actively choose a woman. Four of nine members of the management team are women. Profoto ensures equal pay for individuals in equivalent positions, regardless of gender. We strive to make sure that employees are not in any respect disadvantaged due to parenthood, including salary levels. We have a positive view on parental leave for both men and women, and offer the opportunity to work flextime.

Policies and follow-up processes

The 2021 HQ employee engagement survey represented 98 percent of all employees and the result was 4.0 out of a maximum of 5.

The goal going forward is to increase overall employee satisfaction and to ensure the highest possible participation level.

All managers are trained in stress management and in maintaining a safe and healthy work environment.

Potential misconduct can be reported to the company’s whistleblower system. In 2021 one incident was reported, which did not require any corrective action.

Activities 2021

During the year, Profoto implemented several initiatives to strengthen our attractiveness as an employer. We established a new target management system, formulated quarterly skills development plans, improved the feedback process and provided more information.

Risk

Our biggest challenge involves securing the right talent.

Our values

- We are passionate about our customers
- We drive change
- We focus on people first
- We are profitable in everything we do – we make choices
- We believe that leadership carries great responsibility

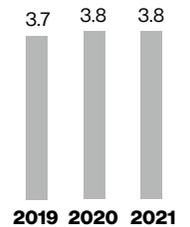
Policies

- Anti-bribery and Anti-corruption Policy
- Anti-stress Policy
- Work environment policy

To ensure knowledge and visibility of company policies, Profoto management presents them regularly in meetings. The Work environment and Anti-stress policies are regularly on the safety committee agenda, where safety deficiencies are addressed quickly. An electrical safety document is signed by all new employees and it is the department manager’s responsibility to ensure compliance.

Target: Satisfied employees (NMI) > 4.0

We have been measuring employee satisfaction since 2016 and in 2022 we will move fully to measuring employee engagement.



Target: Employee engagement (eNPS) should be > 4.0

Employee engagement is one of our important KPIs. In 2021, we switched from the Satisfaction Index to the Engagement Index as a more modern way to measure the health of the organization. The maximum score is 5.



Focus area

Customers' preferred choice

Profoto has focused on delivering the best light shaping tools since its inception. Our strong focus, supported by continuous dialogue with professional photographers, has led to world-leading products that are easy to use, functional, durable, and safe.

We focus on ensuring customer proximity, designing for functionality and durability and having processes for powerful product development.

Ensuring customer proximity

A key success factor has been Profoto's ability to deliver products that simplify a photographer's everyday life. Ease of use is not only important to attract new customers, it is essential when the photographer quickly needs to convert creativity into an amazing image. To ensure customer proximity, Profoto uses various communication methods, such as ambassadors, focus groups, databases where customers can download materials, social media and online courses.

Over the years, Profoto has been successful in achieving early and growing adoption when introducing new products and solutions.

Design for functionality and durability

Functionality extends the product lifecycle. Profoto places large focus on the ability for new releases to interact with earlier product versions and add-on products. We take pride in making sure the Profoto "eco system" stays intact, enabling upgrades and new products without losing functionality or functioning of earlier products.

Strong new product development

We design for durability and ease of repair in order to limit a product's impact on the environment. Our success in the distribution channel Rentals is a clear sign that Profoto has been successful in delivering products that are not only the customers' preferred choice, but are also robust and repairable. Quality and complaints management is handled by the quality and service departments as described in the section covering supplier management.

Safety

Many safety aspects are meticulously governed by industry rules and regulations such as REACH, RoHS and other regulations under the CE marking. Profoto's design process includes a rigorous risk analysis and comprehensive testing of all parts throughout the design process using third-party testing institutes. Safety is of paramount importance in the design of electronic products that are repairable and in the documentation of the service strategy, which is only available to certified Profoto service workshops. One area identified as a potential risk is the use of Li-ion batteries. These are externally sourced from well-established European suppliers governed by our Supplier Code of Conduct and by comprehensive public safety regulations. No serious safety incidents were reported in 2021.

Activities 2021

In 2021, further improvements identified in the 2020 lifecycle assessment were implemented. We have reviewed and reduced all printed material sent with the products and switched to more environmentally friendly paper. The packaging in which the product is delivered has also been reviewed and optimized to reduce the environmental impact of transport.

In 2022, Profoto will carry out additional lifecycle assessments to better understand the impact of the recycling phase as well.

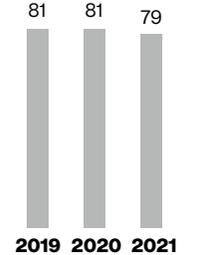
Risk

The largest risk in the area is damage to our reputation caused by any failure to live up to our customers' expectations when it comes to product leadership. Reputational damage would result in lower sales and a reduced ability to invest in more sustainable products.

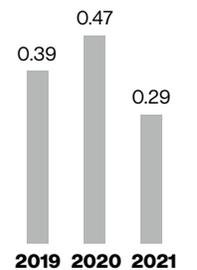


PHOTO CAMILLA KRANS

Target: Percentage of repairable light sources should be >90%



Target: Percentage of products that do not meet customer expectations should be < 0.5%



”

The simple user interface, outstanding design and reliability make Profoto's products the preferred choice for our customers in Europe.

Michael Kraft, 711rent – European light and camera equipment rental company

Focus area

Suppliers

The ability to identify capable partners is critical to Profoto's success. Our Supplier Code of Conduct, the Anti-bribery and Anti-corruption policy, as well as other guidelines and procedures, together ensure responsible sourcing and business conduct.

Weekly yield reviews ensure sustainable production

Currently, all component and product manufacturing is outsourced to Poland, Russia and Thailand. The suppliers are all reputable electronics manufacturing services (EMS) companies. To ensure manufacturing efficiency, Profoto's production and quality department reviews production yields on a weekly basis – including the volume of components to minimize waste and to catch any design flaws.

We focus on

- procedures to ensure product reliability and dependability
- implementation of the Supplier Code of Conduct (SCoC)
- supplier screening and audit processes.

Procedures to ensure reliability

Profoto's current process for tracking supplier product quality lies with the quality department. As a result of Profoto's growth, quality procedures are being tightened to better cope with changes. These procedures include New Product Development (NPD) and Production Part Approval Process (PPAP), inspired by those used in the automotive industry. True to our commitment to customer satisfaction, out-of-the-box problems almost always result in immediate replacement, while products with other issues are delivered to the closest point of repair. All complaints are registered by the service department and followed up weekly by cross-functional teams. Security issues are prioritized and handled immediately.

SCoC implementation, including anti-bribery and anti-corruption measures

Profoto's SCoC is based on the ten principles of the UN Global Compact and outlines our minimum expectations regarding human rights, labor rights, the environment and anti-corruption. Currently, our SCoC processes are prioritized to cover our production suppliers. Compliance will be monitored through spot checks during future supplier audits.

Supplier screening and audit processes

Profoto's manufacturing supply base is regularly audited in accordance with the company's audit plan. Profoto requires each supplier to comply with the established SCoC or equivalent code. During the year, 82 percent of the manufacturing supplier base agreed to follow the Code.

Audit plans are formulated each quarter to follow the agreed annual plan and are determined based on supplier risk, level of expenditure and audit frequency.

The audit focuses on adherence to SCoC; however, most time is dedicated to quality, where the approach follows a process similar to ISO 9001. Suppliers of standard components are usually not audited. The ambition is to audit prioritized suppliers at least every other year.

In 2021 the audited of key suppliers started, which was performed as online reviews given global travel restrictions. The work continue during 2022 and the company expect to gradually be able to perform physical reviews.

Activities 2021

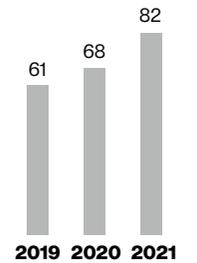
Over the past year, the supplier base continued to be audited using digital audits to ensure compliance with the annual audit plan. A project to specifically monitor compliance with the SCoC has begun and will continue on an ongoing and recurring basis for our manufacturing suppliers, including requirements for supporting documentation.

Risk

The greatest risk is inadequate product quality and reputational damage caused by a poor work environment and social safety net for suppliers' employees. Profoto requires all suppliers to either sign our SCoC or, if Profoto is a minor customer, to ensure that an alternative Code is in place.

For a more detailed description of the Group's risks and risk management, see the section Risks and risk management in the administration report on pages 37–40.

Target: Percentage of our manufacturing suppliers that have signed the SCoC should be > 75%



Statutory reporting areas

According to the Annual Accounts Act, Chapter 6, §10-14, information is required on the four areas listed below. Information on how the company is managing these areas is integrated into Profoto's three focus areas on previous pages.

- **Environmental impact mainly occurs** through contract manufacturers and other suppliers, and is governed contractually through the SCoC and screening processes when on-boarding new suppliers. More information about this can be found in the supplier management section; see page 30.
- **Social aspects and employees** are mainly discussed as part of the section Competent and engaged employees and when describing our various policies; see pages 27-28.
- **Respect for human rights** is described in the SCoC, the Anti-stress policy and the Work environment policy, and is covered in our section Competent and engaged employees, as well as in the Transparent supply chain section; see pages 28-30.
- **Prevention of bribery** and corruption are described in our Anti-corruption and anti-bribery policy, as well as in the Transparent supply chain section; see page 30.

Auditor's opinion regarding the statutory sustainability report

To the general meeting of the shareholders of Profoto Holding AB (556810-9879)

Engagement and responsibility

It is the board of directors that is responsible for the statutory sustainability report for 2021 and that it has been prepared in accordance with the Annual Accounts Act.

Scope of the audit

Our examination has been conducted in accordance with FAR's standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*.

This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A sustainability report has been prepared.

Stockholm April 4, 2022

Deloitte AB

Therese Kjellberg

Authorized public accountant

Annual Report

- 33 Directors' Report**
- 37 Risks**
- 41 Corporate governance**
- 49 Financial Reports**
- 54 Notes**
- 69 Signatures**
- 70 Auditors' Report**
- 73 Definitions**
- 74 Explanations for alternative performance measures**
- 75 Financial information**
- 76 Addresses**



Directors' Report

The Board of Directors and the CEO of Profoto Holding AB (publ) hereby submit the following Annual Report and consolidated financial statements for fiscal year 2021.

Key figures	2021	2020	2019	2018
Consolidated statement of income				
Net sales, SEKm	732	528	833	679
EBIT, SEKm	212	-12	222	183
EBIT margin, %	28.9	-2.2	26.7	26.9
Adjusted EBIT, SEKm	237	56	222	183
Adjusted EBIT margin, %	32.3	10.6	26.7	26.9
Profit/loss for the period, SEKm	158	-17	177	148
EBITDA LTM, SEKm	269	76	264	207
Net debt, SEKm	-134	-91	23	49
Net debt/EBITDA LTM	-0.50	-1.20	0.09	0.24
Cash flow from operating activities, SEKm	240	153	171	242
Earnings per share, SEK*	3.95	-0.44	4.43	3.71

* Calculated based on 40,000,000 ordinary shares, retroactive adjustment.

For definition of key figures and how they are calculated, refer to page 74 "Explanations for alternative performance measures".

Business, organization and market

Profoto Holding AB (publ) with subsidiaries ("the Group") is a Swedish limited company with company identification number 556810-9879 and headquartered in Sundbyberg.

Profoto is a global leader in the premium segment of lighting solutions for photographers and caters primarily to business-to-customer companies. Profoto develops, markets and sells lighting systems for professional photography, such as flashes and light shaping tools. End users are professional photographers and commercial customers, such as large consumer-oriented brands and e-commerce companies. Profoto's products combine hardware and software, incorporate leading-edge technology and are robust and easy to use, allowing end users to focus on what's important – being creative and taking the best photos. All end users are *image creators* rather than just *picture takers*, and for them light shaping is an essential part of the process. The Company sells its products through dealers worldwide. Profoto has also

had its own online store, Profoto.com, since 2018, where sales are direct to end customers.

The Profoto Group had 93 employees at the end of 2021. Profoto has subsidiaries in Tokyo, Hamburg, Paris, London, New York, Shanghai, Hong Kong and Stockholm. The subsidiaries are tasked with serving as sales companies, with the exception of Hong Kong, which is a holding company. Profoto currently has sales in more than 60 countries. Although the company is Swedish, only roughly 3 percent of its revenue is derived from Sweden.

Profoto has adopted a scalable business model and outsources all non-core activities. These activities include outsourcing of production, warehousing, accounting, IT, service and repairs, and non-core R&D. This model allows greater flexibility, as well as access to experts in the outsourced fields, while allowing the Group to focus on core activities such as sales, research and development and marketing. Profoto believes that focusing on what it does best, product development, product design and all aspects related to brand manage-

ment, is what will ensure the company's position as the premier provider of light shaping products.

In 2021, in the wake of the pandemic, the market has been marked by component shortages and supply chain disruptions, which in turn has resulted in higher purchase prices. The impact of this trend has been limited, however, and managed in part by additional price increases during the year.

Significant events during the year

- Launch of the Pro-11, a new generation studio flash, and the B10X and B10X plus, which are off-camera flashes that can be used for both still photography and video.
- An owner dividend of SEK 156m was resolved by the Annual General Meeting on May 7, 2021 and was paid out to the former ultimate Parent Company Profoto Invest AB.
- The Board of Directors decided on financial targets, see the "financial targets" section.
- The Parent Company Profoto Holding AB (publ) increased the share capital to SEK 0.5m through a bonus issue, which was decided on May 7, 2021.
- The Parent Company Profoto Holding AB (publ) on June 18, 2021 carried out a share split that increased the number of shares to 40 million.
- The Parent Company (Profoto Holding AB (Publ)) entered into a loan agreement in June for an RCF loan with a total credit limit of SEK 250m, the conditions for which were met in July.
- The Parent Company Profoto Holding AB (publ) was listed on Nasdaq Stockholm's Mid-cap list with its first trading day on July 1, 2021.
- On July 5, 2021, the former Parent Company Profoto Invest AB transferred all remaining shares in Profoto Holding AB (publ), which were not sold at the listing, to the shareholders of Profoto Invest AB.

Significant events after the end of the fiscal year

- The Board of Directors has proposed a dividend of SEK 3.50 per share, corresponding to a total amount of SEK 140m.

- The previous financial target for net sales, "To achieve, over time, a constant currency annual organic growth in net sales of above 10 percent and reach net sales exceeding SEK 800m by 2023," has been updated since the company believes the target will be achieved sooner. The target has been updated as follows: "To achieve, over time, a constant currency annual organic growth in net sales exceeding 10 percent."
- It is the company's assessment that, at the time this report is issued, the war in Ukraine has had no significant impact on Profoto's profit or business. The war has created an uncertainty in many parts of the world economy and can bring risk of interruptions in delivery chains, higher purchase prices and a general financial drop. It is too early though to assess the longterm effects of the conflict but the company continues to carefully follow the development.

Revenue and profit trend

In 2021, the Group showed increased sales and improved operating profit (EBIT) compared with 2020.

Revenue for full-year 2021 amounted to SEK 732m (528), an increase of 38.6 percent. Adjusted for currency effects, sales increased by 44.1 percent. Growth was mainly driven by more open communities, product launches and increased demand from branded companies accelerating their e-commerce. Growth by region amounted to: Americas 62.0 percent, APAC 27.3 percent and EMEA 24.1 percent.

Operating profit/loss (EBIT) for the full year totaled SEK 212m (-12), an increase of 1,887.4 percent as a result of increased sales and improved operational efficiency. Profit for the year amounted to SEK 158m (-17), an increase of 1,006.1 percent. Adjusted EBIT for the full year totaled SEK 237m (56), with an adjustment of SEK 25m for IPO expenses in the first two quarters. Adjustments for the period in 2020 related to government grants (SEK -7m), impairment of inventories (SEK 48m), and impairment of property, plant and equipment and intangible assets (SEK 27m).

In 2020, the Group implemented a comprehen-

sive cost-cutting program with the aim of keeping costs at a lower level in an effort to cope with the reduced sales in 2020. As a result of this cost-cutting program, costs remained at a lower level in 2021 and did not increase in line with sales. Other external expenses amounted to SEK 142m (126) for the year; the increase is mainly attributable to higher external consultancy costs related to the IPO.

Total depreciation and amortization during the year amounted to SEK 58m (59). In 2020, impairment charges and obsolescence provisions totaling SEK 75m related to consignment inventories (SEK 42m), finished goods inventory (SEK 6m), property, plant and equipment (SEK 9m) and capitalized development expenditure (SEK 19m) were taken for product lines C1 and C1+. No corresponding obsolescence provisions were made in 2021.

Other operating income amounted to SEK 11m (3), while other operating expenses amounted to SEK 5m (3), mainly attributable to realized and unrealized foreign exchange gains and losses on accounts receivable and accounts payable. Financial expenses amounted to SEK 3m (8), mainly attributable to interest expense on loans. Total tax expense amounted to SEK 51m at the end of the year, compared with SEK -2m for the previous year, including income tax of SEK 49m (8) and a change in deferred tax of SEK 2m (-11). The effective tax rate for the year was 24.4 percent (-12.5) and was among other things affected by listing related costs of SEK 22m that was handled as non deductible. If the tax effect of these costs were excluded, the effective tax rate for 2021 would have been 21.9%.

Financial position

On December 31, 2021, the Group's equity amounted to SEK 331m (334). Consolidated net debt as of December 31, 2021 amounted to SEK -134m (-91). Interest-bearing liabilities totaled SEK 72m (100), attributable to lease liabilities totaling SEK 52m (56) and liabilities to credit institutions of SEK 20m (44). Amounts owed to credit institutions, SEK 20m (44), decreased as a result of repayment of intra-group loans to the former Parent Company Profoto Invest AB in connection with the IPO, repayment of external loans and reduced use

of overdraft facilities. Cash and cash equivalents decreased from SEK 254m to SEK 206m; this change is explained in greater detail in the "Liquidity and cash flow" section. Lease liabilities decreased mainly due to the termination of leases for local offices in the UK and Germany during the year.

Current receivables totaled SEK 80m (103) and other current liabilities, excluding interest bearing liabilities, were SEK 121m (182). The decrease is mainly due to repayment of intra-group loans to the former Parent Company Profoto Invest AB in connection with the IPO. Current tax liabilities increased to SEK 9m (-) as a result of the improved net profit. Accrued expenses and deferred income amounted to SEK 55m (41).

Liquidity and cash flow

Cash flow from operating activities for the full year totaled SEK 240m (153). The year-on-year change is mainly due to improved operating profit. Operating profit for the year was SEK 212m (-12); the change is attributable to improved sales. Change in working capital during the year amounted to SEK 5m (45), mainly due to an increase in other current liabilities.

Cash flow from investing activities amounted to SEK -146m (38), of which the largest item is intra-group loans of SEK 116m given to the former Parent Company Profoto Invest AB. Cash flow from financing activities amounted to SEK -135 (16), of which the largest item is repayment of intra-group loans of SEK 103m to the former Parent Company Profoto Invest AB.

Research and development

Research and development aims to create new products that can be launched on the market and to develop mobile applications that complement the user experience. The systematic process for new product development coupled with detailed product life cycle management, where all products in the range are provided a strategy, has driven sales and enabled Profoto's successful growth within existing customer groups.

Core research and development activities – strategic research and product development – are handled internally. Profoto has experts, including both employees and full-time consultants, in the

fields of Image Technology, Power Electronics, Connectivity, Embedded Software and Product Design and Mechanics in the tech areas of web development and technical development.

Research and development focuses on a steady and high rate of product launches, typically including one to two major launches per year and several smaller launches. The department develops and manages unique, patented technology solutions, mainly in flash control, mobile photography and photography accessories, such as light shaping tools. In 2021, development has also focused on designing modular working methods to increase efficiency.

New product ideas and plans are formulated through a continuous idea generation process and quarterly reviews of the product plan. Knowledge of project management, electronics, mechanics and product design are traditionally critical competencies. In the last three years, there has been growing demand for embedded software, as well as image processing, UX design and app development to provide a good user experience. Research and development designs products for all categories of photography in which the Group is active, for use both inside and outside the studio. Examples include commercial campaign photos, portraits, product photography, weddings and events, and mobile applications with camera and control functionality for the Group's products.

Total product development expenses for the full year amounted to SEK 47m (54). Total capitalized development expenditure during the year amounted to SEK 22m (21), relating to ongoing product development projects. The Group's expensed research and development expenditure amounted to SEK 25m (33). The expensed research and development expenditure mainly related to costs incurred in the feasibility phase, as well as project-wide administrative expenses that cannot be attributed to the development of specific products. During the full year, SEK 6m (7) were invested in tools and equipment mainly related to ongoing development projects.

New products launched during the year were the Pro-11, a new generation studio flash, and the B10X and B10X plus, which are off-camera flashes that

can be used for both still photography and video; for more information about these products, see pages 17 and 18.

For more information on research and development expenses, see Note 17 Intangible assets, as well as the Intangible Assets section of Note 2.

Financial targets

The Group's financial targets focus on growth, profitability and dividend level and are defined as:

1. Growth: Profoto's objective is to achieve, over time, a constant currency annual organic net sales growth in excess of 10 percent. The previous financial net sales target to obtain an annual organic net sales growth of 10 percent in constant currency and reach an annual net sales exceeding SEK 800m at the end of 2023 at the latest has been adjusted on the 10th of February 2022 as the target is estimated to be obtained sooner.
2. Profitability: Profoto's objective is to achieve an EBIT margin of 25 to 30 percent, while maintaining year-on-year growth in EBIT.
3. Dividend level: Profoto aims to pay out at least 50 percent of net profit, while taking into account other factors such as financial position, cash flow and growth opportunities.

Corporate Governance Report

The Corporate Governance Report for 2021 is presented on pages 41–48 of this Annual Report.

Sustainability

The 2021 sustainability report can be found on pages 26t–31 of this Annual Report.

The Profoto share

Until July 1, 2021, Profoto Holding AB was a wholly owned subsidiary of Profoto Invest AB (company ID no. 559099-2326). Full group contributions were permitted between the group companies and their holding company. On July 1, 2021, the Parent Company Profoto Holding AB (publ) was listed on Nasdaq OMX Stockholm's Mid-cap list. The former ultimate Parent Company Profoto

Invest AB distributed all of its shares in Profoto Holding AB (publ) to its shareholders on July 5, 2021.

The number of shares in Profoto Holding AB (publ) at the end of 2021 is 40 million fully paid ordinary shares. Each share carries one vote for resolutions at the general meeting. The Articles of Association do not contain any restrictions on the transferability of shares. The quota value (nominal value) of the share is SEK 0.0125.

The ten largest shareholders at the end of 2021 are presented in the table below:

Shareholders	Number of shares	%
Anders and Helén Hedebark ¹	15,127,321	37.8
Conny Dufgran	6,000,000	15.0
Lannebo Fonder	3,051,119	7.6
Herenco Holding AB	1,615,151	4.0
Svolder	1,515,151	3.8
Enter Fonder	1,312,648	3.3
Hans Eckerström	1,230,508	3.1
Nordnet Pensionsförsäkring	941,802	2.4
Strand Fonder	507,066	1.3
Investerings & Trygghed A/S	488,259	1.2

1) Ownership through Burken Invest AB

The Extraordinary General Meeting held on May 7, 2021, adopted new Articles of Association. The new Articles of Association are published here: <https://investors.profoto.com/en/articles-of-association/>.

The Articles of Association do not contain any provisions regarding the appointment or dismissal of Board members. The general meeting authorized the Board of Directors to issue new shares for a total number not to exceed 10 percent of the total number of outstanding shares after this authorization has been exercised.

Employees

The average number of employees in the Profoto Group during the year was 95 (122), of which 34 (46) were women and 61 (76) were men.

The Board of Directors' proposal for guidelines for remuneration to senior executives

The current guidelines were adopted by the Extraordinary General Meeting on May 7, 2021.

The board of Profoto Holding AB (publ) proposes that the 2022 Annual General Meeting decides on guidelines on remunerations to senior executives as follows:

The suggested adjustments of the guidelines includes that i) guidelines should include remunerations paid out to board members for work on Profoto's behalf beyond the board assignment, ii) that so called extraordinary remuneration can be paid out as onetime payments at extraordinary circumstances, and iii) that it should be possible to compensate senior executives for anti-competitive commitments.

These guidelines apply to the CEO and other senior executives of Profoto Holding AB (publ). The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting on May 5, 2022. These guidelines do not apply to any remuneration decided by the General Meeting.

To the extent a board member performs work for Profoto that goes beyond the board assignment, these guidelines should be applicable for such remunerations (e.g for consultancy work) as well

The guidelines' promotion of Profoto Holding's business strategy, long-term interests and sustainability

Briefly, the company's business strategy is to design and sell light source and light shaping equipment mainly to the professional photography market and more recently also to the ambitious non-professional photographers' market. For more information on the company's business strategy, see page 15. A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the senior executives a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

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 shall annually evaluate whether share-related or share price-related long-term incentive programs shall be proposed to the general meeting. The fixed cash salary shall be individual and based on the responsibility and role of the senior executive, as well as the executive's competence and experience in the relevant position.

In the event that certain targets are met, senior executives shall be entitled to variable cash remuneration. Such variable cash remuneration shall not exceed twelve months' salary.

For the Chief Executive Officer, pension benefits shall be defined contribution and shall not exceed 35 percent of the pensionable remuneration (fixed and variable cash remuneration). For other senior executives covered by the ITP plan, the pension premium shall be equal to that applicable under the ITP plan. For other senior executives, the pension premium shall not exceed 25 percent of pensionable remuneration (fixed and variable cash remuneration).

Other benefits may include health insurance and car benefits. Such benefits shall be of limited value in relation to other compensation and be consistent with what is customary in the respective geographical market. The total amount of other benefits may not exceed 10 percent of the fixed annual cash salary.

For employments governed by rules other than Swedish rules, 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.

Termination of employment

In the event of termination by the company, the period of notice for the Chief Executive Officer may not exceed 24 months, and in the event of termination by the Chief Executive Officer, the period of notice may not be less than six months. For other senior executives, the notice period may not exceed 12 months in the case of termination by the company and at least three months in the case of termination by the executive. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for two years for the Chief Executive Officer and one year for other senior executives.

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualized, quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being linked to the business strategy or promoting the executive's long-term development.

The fulfilment of the criteria for payment of variable cash remuneration shall be measured over a period of one calendar year. To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. The Remuneration Committee is responsible for the evaluation so far as it concerns variable cash remuneration to the CEO. For variable cash remuneration to other senior executives, the Chief Executive Officer is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

Salary and employment conditions for employees

In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information

on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Board has established a Remuneration Committee. The Committee's tasks include preparing the Board's decision to propose guidelines for senior executive remuneration. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration to the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the Remuneration Committee are independent of the company and its executive management. The Chief Executive Officer and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters, which includes any resolutions to derogate from the guidelines.

Parent company

Profoto Holding AB (publ) is the holding company in the Group, and its business is to own shares in the other companies in the Group, and to provide Group-wide services. The company has sales of SEK 11.7m (11.7) and profit before tax is SEK 177.6m (156.8). The holding company has two employees: the CEO and the CFO. For risks and risk management, see pages 37–40.

Expected future developments

The coronavirus pandemic continues to have a noticeable impact on future forecasted sales, but Profoto expects the recovery to continue in fiscal year 2022. Increasing sales and continuous investments in new products are expected to secure future growth.

Proposed appropriation of profits (SEK)

The following profit is available to the Annual General Meeting

Retained earnings	28,450,000
Profit/loss for the year	167,916,917
	196,366,917

The Board of Directors proposes that:

SEK 3.50 per share be distributed to the shareholders	140,000,000
to be carried forward	56,366,917
	196,366,917

Regarding the earnings and position of the Parent Company and the Group in general, please refer to the following income statements, balance sheets and additional disclosures below. All amounts are stated in millions of Swedish kronor unless otherwise stated.

Directors' Report

Risks

The Profoto Group is an international group exposed to operational risks, industry and market-related risks, legal and tax risks, as well as financial risks. Below is a description of the risks identified within each category, the risk value and a description of how the risk is managed within the organization.

The objective of risk management is not to eliminate risk completely, but rather to prioritize internal risk management to ensure that the focus is on the most significant risks, with the aim of helping to limit the negative financial impact that may be associated with the risk.

The level of risk is assessed annually for a three-year period, based on the likelihood of the risk occurring and the financial impact of the risk according to a predetermined materiality level.

The risk score is defined as low, medium, high or very high, where a risk score at the low level indicates that the probability of the risk occurring is low or would have a low, non-material financial impact. In contrast, a risk score of very high indicates that the risk is certain or highly likely to occur during the time horizon and the financial impact will be material.

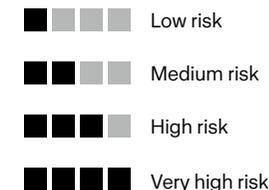
Risk management is based on the internal control framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and consists of five basic components: control environment, risk assessment, control activities, information and communication, and monitoring.

Risk management is a normal part of the business and helps to create added value. Risk

management is reported to the Board, which bears ultimate responsibility. The Board is responsible at an overarching level for ensuring compliance with policies and guidelines related to internal control. The annual risk assessment is carried out by the management team. In the risk assessment, the management team identifies the risks based on the Group's overall objectives and strategies. As part of the risk assessment, measures and controls related to risk management are identified, along with who is responsible for managing the risk and how it is monitored.

For a more detailed description of Profoto's financial risks, see note 4. For a description of Profoto's sustainability risks, see the sustainability report on pages 26–31.

Risk values



RISK CATEGORY	RISK	DESCRIPTION OF RISK	RISK VALUE	MANAGEMENT OF RISK
FINANCIAL	Currency risk, translation exposure and transaction exposure	Profoto's operations are exposed to foreign exchange risk, i.e. the risk of fluctuations in the fair value of future cash flows. Currency risk arises mainly as a result of foreign currency cash flows and foreign currency borrowings.	■ ■ ■ ■	Profoto mainly has flows denominated in SEK, EUR, USD, CNY, JPY and GBP and borrowings in USD, JPY and CNY. Risk related to translation exposure is not hedged in accordance with the financial policy. The aim is to have net cash flows in currencies that offset each other, with the remainder exchanged into the Group currency SEK to minimize any loss due to currency fluctuations.
	Liquidity and financing risk	Profoto is exposed to the risk that the necessary financing may not be available to Profoto, resulting in significantly increased costs. If Profoto faces this risk in the future, Profoto may be forced to raise capital through alternative resources, or be forced to reduce other important costs, such as costs related to product development, or personnel expenses.	■ ■ ■ ■	The Parent Company has an available undrawn credit facility of SEK 250m. In addition, the local companies have available credit facilities which can be used to cover temporary liquidity problems. In accordance with the financial policy, Profoto shall maintain a liquidity reserve of at least SEK 30m, which shall consist mainly of an unused overdraft facility. The size of the liquidity reserve is set taking into account relevant risks related to the ability of customers to pay, other financing and expected profit and liquidity growth.
	Interest rate risk	Interest rate risk refers to the risk of fluctuation in variable interest rates associated with borrowings in the Group.	■ ■ ■ ■	A significant part of the borrowing follows a fixed interest rate and this risk is therefore not considered to be significant.
	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 fulfil its contractual obligations, with reference to accounts receivable and cash and cash equivalents.	■ ■ ■ ■	To mitigate the risk, quarterly credit assessments of customers are performed. In addition, Profoto strives to use banks with good credit ratings.
	Capitalized development expenditure	Changes in the value of capitalized development expenditure could have a negative impact on Profoto's earnings and financial position if impairment testing shows that it is necessary to take an impairment charge on capitalized development expenditure.	■ ■ ■ ■	Profoto performs quarterly impairment testing to identify any need for impairment at the earliest possible stage, minimizing the risk that the financial impact of any impairment need is material.

RISK CATEGORY	RISK	DESCRIPTION OF RISK	RISK VALUE	MANAGEMENT OF RISK
INDUSTRY- AND MARKET-RELATED RISK	Declining market for still photography	Profoto sells premium lighting systems for professional still photography. There is a risk that the market for traditional still photography is declining at the expense of video recording, which may result in the obsolescence of the Group's products, with a shrinking market resulting in a loss of revenue.	■ ■ ■ ■	Profoto's products are already adapted to be used for video production. It is also the company's view that although video is growing in importance, the trend is that high-quality still images will continue to be needed as a complement. Should video increase in importance to our existing customers in a way that current products do not fully address, Profoto is prepared with plans for organic growth in the video segment.
	Competition	Profoto's future competitive opportunities depend on future product development, the successful launch of new products on the market and the preservation of intellectual property rights. Competition from companies in low-wage countries may force Profoto to reduce prices, which would result in a lower level of profitability. Large competitors in the international market may have more financial and operational resources than Profoto, which may lead them to present more advantageous products and services to customers.	■ ■ ■ ■	To mitigate this risk, Profoto has an action plan linked to investments in research and development, as well as a growth strategy on how to continuously strengthen the brand. In addition, the company conducts market analysis of existing and new customers and competitors.
	Covid-19	The Covid-19 outbreak has negatively impacted the global economy and may continue to have a negative impact on the Profoto's sales figures, financial position and future revenues due to the photo industry's heavy reliance on travel and events.	■ ■ ■ ■	Profoto is closely monitoring the development of the pandemic and current restrictions in all regions.
	Political environment	The Company's international operations expose it to certain risks, such as the risk that Profoto's sales will be adversely affected by changes in political situations, the emergence conflicts/wars and trade barriers, and changes in customs and trade regulations. If these risks were to materialize, it could have a material adverse effect on Profoto's earnings and financial position.	■ ■ ■ ■	Profoto's current exposure to risks resulting from the political environment, trade barriers/wars and customs barriers is considered limited. Profoto constantly monitors current situations and tries to find alternative solutions if problems arise. In addition to this all customers, existing and new, are reviewed against updated sanction lists.
LEGAL AND TAX	Risk related to control and interpretation of laws and regulations	There is a risk that Profoto does not comply with EU laws and regulations, for example due to inadequate internal controls or misinterpretation of regulations, which may result in penalties or fines. There is also a risk that the necessary certifications for new products cannot be obtained without unreasonable cost or delay, which could result in adverse financial consequences. Disruptions or errors in the company's IT systems may affect the handling of personal data. There is a risk that the measures Profoto has taken to comply with the GDPR and any other privacy policies worldwide may prove to be inadequate, leading to unauthorized disclosure or improper processing of personal data, which may result in fines, claims, and/or adversely affect customer perception.	■ ■ ■ ■	Profoto cooperates with various legal specialists. In addition, annual scoping of internal controls is carried out, minimizing the risk of control deficiencies, as well as an annual internal audit of GDPR compliance.

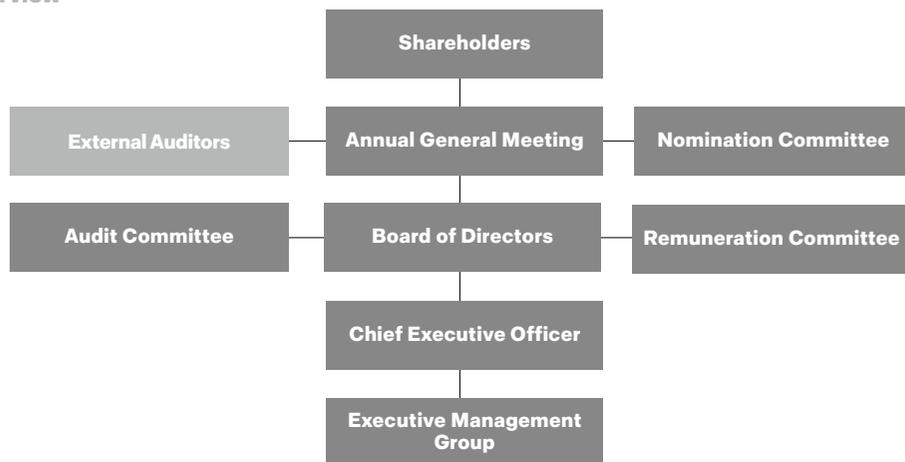
RISK CATEGORY	RISK	DESCRIPTION OF RISK	RISK VALUE	MANAGEMENT OF RISK
LEGAL AND TAX cont.	Patents and trademarks	There is a risk that Profoto's protection of registered intellectual property rights, such as patents and trademarks, will prove insufficient or that current applications will not be granted. If Profoto fails to protect and enforce its intellectual property rights, or if it is accused of infringing upon the intellectual property rights of third parties, it could result in extensive litigation, disputes, claims and other legal proceedings, along with legal and financial liability that would result in financial losses, which could also adversely affect the company's brand and reputation.		Profoto has secured in-house intellectual property expertise and also uses legal advisors to minimize risk.
	Tax, VAT and customs issues	This risk includes the risk of incorrect interpretation of tax rules and/or incorrect handling of customs which may result in incorrectly reported tax or customs declarations.		Profoto has various internal controls in place to minimize the occurrence of risks in these areas. In addition, annual training sessions are held to ensure staff competence in the field, as well as collaboration with external consultants with key expertise.
OPERATIONAL	Component shortage	Profoto is dependent on the supply of components for its products in order to be able to deliver to customers. Risks include loss of key suppliers, delayed or non-delivery of products due to supply chain problems and/or component shortages, or failure to meet customer quality requirements.		Price increases to customers to compensate for increased purchase prices, securing purchases in higher volumes, closer coordination with suppliers, monitoring the market to seize buying opportunities when they arise.
	Poor quality	There is a risk that Profoto's products will be defective or otherwise fail to meet relevant product requirements, which could have a material adverse effect on Profoto's brand, reputation and relationships, which could materially result in an inability to maintain the premium price market position, which in turn will result in reduced profitability and revenue. Safety defects are a high risk and the company has a producer responsibility; any faulty products could cause physical damage and would expose the company to criticism and negative media statements, as well as legal action.		Profoto is working to consolidate the global and comprehensive quality situation across the company and is working to improve and ensure action on quality issues reported from the market. The aim is to increase management attention to quality issues.
	Loss of key personnel	Profoto's ability to achieve its business objectives depends on its ability to recruit, retain and train qualified employees with specific skills and experience, especially in management positions and in research and development. There is a risk that one or more key people will leave Profoto. If Profoto is unable to attract key employees, consequences may include an adverse effect on the company's product development activities and growth, failure to drive innovation, reduced efficiency, a significant negative impact on the competitive position, missed business opportunities that may result in reduced revenue and failure to maintain the premium market position.		Profoto has development plans for employees with the aim of securing employee competence, development and motivation. Profoto conducts annual employee surveys for all employees and based on the survey results, relevant change plans are formulated both in Profoto as a whole and at departmental level. Profoto has developed plans to attract and retain employees with critical skills, especially technical skills in Research and Development.
	Lack of innovation	Profoto faces the risk of losing its category leadership position due to its inability to produce a constant flow of innovations with real customer value to increase sales through new and existing customers in still photography. This risk may be the result of insufficient resources for research and development activities, or product portfolios that do not meet customer requirements due to Profoto's failure to predict and analyze market trends.		Profoto works continuously to identify new business opportunities. Profoto does not rely on a single idea, but conducts several different feasibility studies and tests of early business concepts in parallel, often in close dialogue with customers, to avoid overdependence on a single venture.

RISK CATEGORY	RISK	DESCRIPTION OF RISK	RISK VALUE	MANAGEMENT OF RISK
OPERATIONAL cont.	Failed growth strategy	In the future, Profoto may seek further growth through acquisitions of other businesses, which entails the risk of additional costs or losses in investments, the risk that any legal or financial risks are not identified in the acquired company prior to the acquisition, and challenges when integrating businesses into existing operations. Profoto may have to contribute additional capital to the acquired companies, become involved in costly legal proceedings, or be unable to realize expected synergies, which may adversely affect Profoto's operating results or financial position.		The extent of the risk is highly dependent on the size of the acquired company. Profoto has an integration plan in place to ensure successful integration, expert support for the acquisition process, and extensive due diligence to minimize the possibility of legal and financial risks arising.
	IT systems and cybersecurity	It is essential that Profoto and its IT suppliers are able to maintain and update existing IT systems, firewalls and anti-virus software to reduce the risk of loss of important product data or other critical sensitive data due to malicious software or viruses. This risk can result in unauthorized access, increased costs, breaches of regulatory requirements, dissatisfied customers, unavailability of the system and adversely affect the business and Profoto's financial position.		Profoto has standardized its IT processes, performs an annual risk scoping of actual risks, and the technical solutions are constantly updated to ensure effective IT protection.
	Outsourcing	A scalable business model with a focus on outsourcing carries the risk that external staff will not be able to meet Profoto's high quality standards; there is also a risk of non-delivery of products on time, as well as the risk of increased costs and disruptions in the product chain, which can lead to loss of customers.		This risk is minimized by creating redundancy in outsourcing partners and ensuring that core competencies are available in-house.
	Sales channels	Dealers are the main sales and rental channel for Profoto's products. In addition, online sales are made directly to end customers. Profoto may be adversely affected if dealers are involved in financial, legal, or operational problems, or have other limitations in their operations. The dealer network is diverse both in terms of geography and size. There is a risk that the measures Profoto implements in relation to its dealers are not appropriate for all of them, which may result in a material adverse effect on Profoto's sales, financial position and growth.		Profoto strives not to be dependent on a single dealer. With existing dealers, the risk is managed by maintaining good relationships and, where possible, ensuring that there are several resellers in the same country to reduce dependency. In addition, Profoto has launched its own website through which it sells directly to end customers. Existing dealers are constantly evaluated.

Corporate Governance Report

Corporate governance

Overview



Corporate governance

Profoto Holding AB (publ) is a Swedish public limited company listed on the Nasdaq OMX Stockholm's Mid Cap list. Profoto complies with the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's Nordic Main Market Rulebook for Issuers of Shares and the Swedish Corporate Governance Code ("the Code"). The Code applies to all Swedish companies with shares listed on a regulated market in Sweden, and must be applied in full. The Code itself allows for deviation from the rules, provided that any such deviations and the chosen alternative solution are described and the reasons for doing so are explained in the corporate governance report (according to the "comply or explain principle").

Profoto has applied the Code from July 1, 2021, when the shares were listed on Nasdaq Stockholm. Profoto deviates from the Code on one point, which is explained in the section on the Nomination Committee.

In addition to these external regulations, Profoto also follows internal rules and guidelines, including

the Articles of Association, the Rules of Procedure for the Board of Directors and the CEO, instructions for the Remuneration and Audit Committees, as well as internal Board policies, other policies and standard operating procedures. Profoto's complete Articles of Association can be found on the website: <https://investors.profoto.com/en/articles-of-association/>.

The Board of Directors approves the Board policies on an annual basis. These policies regulate operations on an overarching level. Other policies provide the basis to guide decisions and achieve reasonable results, including information on what should be done and by whom. Standard operating procedures (SOPs) are process descriptions that explain work practices at a more detailed level. Management is responsible for other policies and standard operating procedures.

In addition to the above internal guidelines and regulations, Profoto has also implemented a whistleblowing process in early 2021 with the aim of mitigating risks and ensuring that confidence in the business can be maintained. The whistleblowing

process makes it possible to act in response to possible misconduct within the organization at the earliest possible stage.

Annual General Meeting

Under the provisions of the Swedish Companies Act (2005:551), the Annual General Meeting of shareholders is the company's highest decision-making body. At the Annual General Meeting, shareholders exercise their right to vote on major decisions, for example, adoption of the income statement and balance sheets, distribution of the company's profit, decision to discharge the Board members and the Chief Executive Officer from liability, election of Board members and auditors, and decisions on remuneration to the members of the Board and the auditors.

According to the Articles of Association, the Annual General Meeting is convened by advertising in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and by posting the notice on the company's website. At the same time, a notice must be published in the Dagens Industri newspaper stating that notification has been made.

The Annual General Meeting shall be held no later than six months after the end of the fiscal year. The 2022 Annual General Meeting of Profoto Holding AB (publ) will be held by postal voting on May 5, 2022 in accordance with the temporary law (2020:198) on general meetings.

Right to participate in the Annual General Meeting

Shareholders who wish to participate in the proceedings at the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden six business days before the meeting, and must register for participation in the Annual General Meeting no later than the date specified in the notice of the meeting. Shareholders may attend Annual General Meetings by postal voting, digitally, in person or by proxy and may also be assisted by up to two persons. Usually, shareholders can register for the Annual General Meeting in several ways, which are specified in the notice of the meeting. Shareholders are entitled to vote for all shares held by the shareholder.

Shareholder initiatives

Shareholders who wish to have a matter addressed at the Annual General Meeting must submit such proposal to the Board of Directors (at the company's address) no later than March 17, 2022 in order to be certain that the request will be considered.

2021 Annual General Meeting

The 2021 Annual General Meeting was held on May 7, 2021 in Sundbyberg. During the AGM, the following decisions were made:

- Adoption of the income statement and balance sheet for 2020.
- Payment of a total of SEK 156m as a dividend and SEK 28m to be carried forward in accordance with the Board's proposal.
- Discharge the members of the Board of Directors and the Chief Executive Officer from liability in respect of their management of Profoto's affairs during the 2020 fiscal year.
- Fees to the members of the Board of Directors and Profoto's auditor.
- Number of members of the Board of Directors
- Election of Board members and auditor for the period until the end of the next Annual General Meeting.

Extraordinary General Meetings 2021

The Extraordinary General Meeting, held on March 15, 2021 in Sundbyberg, decided to elect two additional Board members, Pernilla Ekman and Helena Holmgren, to the Board.

The Extraordinary General Meeting held on May 7, 2021 took decisions on:

- Nomination Committee: Profoto shall have a Nomination Committee, which will be appointed in accordance with the guidelines described in the Nomination Committee section.
- Guidelines for remuneration to senior executives.
- Authorization of the Board of Directors to decide to issue new shares for a total number not to exceed 10 percent of the total number of outstanding shares after this authorization has been exercised.

- Bonus issue that increases share capital by SEK 450,000 through a transfer from unrestricted equity.
- Change of the legal form of Profoto Holding AB to a public company.
- Adoption of new Articles of Association, which are published on the company's website: <https://investors.profoto.com/en/articles-of-association/>.

Nomination Committee

The tasks of the Nomination Committee include submitting proposals for fees to the Chairman and other members of the Board, submitting proposals for election of and fees to auditors and submitting proposals for election of the Chairman and other members of the Board.

The Annual General Meeting resolved on May 7, 2021, that the Nomination Committee will consist of Profoto's Chairman of the Board and representatives from the company's three largest shareholders based on Euroclear Sweden's printout of the share register as of September 30 each year. The Chairman of the Board of Profoto shall convene the Nomination Committee.

The member representing the largest shareholder shall be appointed as chairman of the Nomination Committee unless the Nomination Committee unanimously appoints another member. In the event that one or more of the shareholders who appointed a member to the Nomination Committee is no longer among the three largest shareholders at the latest two months before the Annual General Meeting, the member appointed by such shareholder shall resign and the shareholder who has joined the three largest shareholders shall be entitled to appoint a representative.

If a member resigns from the nomination committee before completion of the mandate and if deemed appropriate by the Nomination Committee, the shareholder who has appointed the 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. Shareholders who have

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. Profoto shall reimburse such necessary expenses as the Nomination Committee may incur for its work. The mandate period for the Nomination Committee shall extend until a new nomination committee has been appointed.

Nomination Committee for the 2022 Annual General Meeting

Information about the representatives of the largest shareholders in terms of voting rights who have chosen to participate in the Nomination Committee was published by press release and on Profoto's website on September 24, 2021.

Johan Lannebo (Lannebo Fonder) was appointed Chairman of the Nomination Committee; the other representatives on the Nomination Committee are Anders Hedebark (Burken Invest AB and Conny Dufgran), Carl-Mikael Lindholm (Herenco Holding AB) and Hans Eckerström, Chairman of the Board.

An evaluation process of the Board's work was presented during the year. The evaluation was carried out through a Board survey, where each Board member was asked to answer a number of questions relating to the company's strategy and objectives, investments, financial reporting, risk and internal control, information to the market, organization and compensation, Board rules of procedure, Board composition and function.

Profoto deviates from the Code on point 2.3. in the section Nomination Committee. Point 2.3. recommends that the Chief Executive Officer of the company should not be a member of the Nomination Committee. The members of the Nomination Committee agreed that it is reasonable to deviate from the Code in this respect in view of Anders Hedebark's large shareholding in Profoto.

Composition of the Board of Directors

The Board of Directors is the highest decision-making body of the company after the Annual General Meeting. Board members are normally appointed by the Annual General Meeting for the period until the end of the next Annual General Meeting. According to Profoto's Articles of Association, the members of the Board of Directors elected by the Annual General Meeting shall be at least three and at most ten members.

According to the Code, the chairman of the Board of Directors is to be elected by the Annual General Meeting and have special responsibility for leading the work of the Board and for ensuring that the work of the Board is efficiently organized.

Profoto's Board of Directors currently consists of six ordinary members elected by the Annual General Members, who are presented in the "Board of Directors" section.

Responsibilities and tasks of the Board

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 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 is also responsible for ensuring that the annual and interim reports are prepared in a timely manner

and for approving Board policies. In addition, the Board appoints the company's Chief Executive Officer and evaluates the performance of the CEO. At least once a year, the Board of Directors shall meet with the company's auditor without the presence of the CEO or senior management.

The Board follows written rules of procedure which are revised annually and adopted at the inaugural Board meeting each 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 accordance with the Board's rules of procedure, the ordinary meetings of the Board address:

- Financial reporting by the CEO in accordance with the financial reporting instructions
- Investment issues
- Remuneration issues and strategic plan
- Reports from the audit and remuneration committee

The main areas addressed by the Board during the year were preparations for listing, strategic and operational issues, corporate governance and risk management. The Board meets with the compa-

Attendance at meetings

Name	Position	Board meetings	Audit Committee meetings	Remuneration Committee meetings
Hans Eckerström	Chairman of the Board	17/17	2/11	2/2
Magnus Brännström	Board member	17/17		2/2
Pernilla Ekman	Board member	16/17	9/11	
Anders Hedebark	Board member	17/17		
Helena Holmgren ¹⁾	Board member	15/17		
Helene Willberg	Board member	17/17	11/11	
Total		17	11	2

¹⁾ Elected to the Board of Directors March 15, 2021

ny's auditor annually. In addition to the regular Board meetings, additional Board meetings may be convened to address matters that cannot be referred to a regular Board meeting. In addition to the Board meetings, the Chairman of the Board and the Chief Executive Officer continuously discuss the management of the company.

Audit Committee

Profoto has an Audit Committee, which until March 31, 2021 consisted of Helene Willberg (Chair) and Hans Eckerström. Since March 31, 2021, the Audit Committee consists of Helene Willberg (Chair) 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 related to the financial reporting, keep informed of the auditing of the annual report and the consolidated accounts, review and monitor the impartiality and independence of the auditor and pay close attention to whether the auditor is providing other services besides audit services for the company, as well as assist in the preparation of proposals for the Annual General Meeting's decision on election of auditors.

The Audit Committee follows adopted rules of procedure and an annual calendar. During the year, the Audit Committee held 11 meetings. Significant areas covered by the Audit Committee during the year include preparations for the IPO, review of audit reports, audit plan and auditor independence, review of financial statements, review of the year-end plan, review of internal control and risk matrix for financial reporting and inventory valuation issues.

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.

During the year, the remuneration committee held 2 meetings. Issues presented during the year

included the remuneration and employment contract for the CEO, bonus results for the management, overview of compensation and proposals for bonus targets for 2022.

Chief Executive Officer and other senior executives

The CEO reports to the Board of Directors and is responsible for the day-to-day management and operations of the company. The division of labor between the Board and the CEO is set out in the Rules of Procedure for the Board of Directors and the Instructions to the CEO. The CEO is also responsible for preparing reports and compiling management information for Board meetings and for presenting such documents at the Board meetings.

According to Profoto's financial reporting instructions, the CEO is responsible for financial reporting and, accordingly, is to ensure that the Board receives sufficient information for the Board to be able to continuously evaluate the company's financial position.

The CEO keeps the Board continuously informed of developments in Profoto's operations, sales trend, results and financial position, liquidity and credit status, important business events and all other events, circumstances or conditions that can be assumed to be of significance to Profoto's shareholders.

The CEO and other senior executives are presented in the "Board of Directors" and "Management" sections.

Remuneration of Board members, the Chief Executive Officer and senior executives Remuneration to members of the Board of Directors

Fees and other remuneration to the members of the Board of Directors, including the chair, are resolved by the Annual General Meeting. At the Annual General Meeting on May 7, 2021, it was resolved that the remuneration to the Board of Directors, for the period until the end of the next Annual General Meeting, shall amount to SEK 900,000, of which the Chairman of the Board shall receive SEK 300,000 and the other mem-

Name	Board fee	Basic salary	Variable salary	Other benefits	Pension costs	Total
Anders Hedebark, Chief Executive Officer	-	3,802,800	1,055,356	347,618	1,281,000	6,486,774
Other senior executives	-	8,052,988	2,225,768	75,817	2,658,039	13,012,612
Total	-	11,855,788	3,281,124	423,435	3,939,039	19,499,386

bers who are not employees of Profoto shall receive SEK 150,000 each.

The Annual General Meeting further resolved that fees for work in the Board's committees shall be paid as follows: the Chairman of the audit committee shall receive SEK 50,000 and the other members shall receive SEK 50,000 and that the Chairman of the remuneration committee shall receive SEK 25,000 and the other members shall receive SEK 25,000.

The table below presents an overview of remuneration to the Board of Directors elected by the Annual General Meeting for the 2021 fiscal year.

Name	Position	Board fee (SEK)
Hans Eckerström	Chairman of the Board	325,000
Magnus Brännström	Board member	175,000 ¹
Pernilla Ekman	Board member	200,000 ²
Anders Hedebark	Board member (and Chief Executive Officer)	-
Helena Holmgren	Board member	150,000
Helene Willberg	Board member	200,000 ²
Total		1,050,000

1) Including SEK 25,000 for work in the Remuneration Committee.

2) Including SEK 50,000 for work in the Audit Committee.

Guidelines for remuneration to senior executives

The Extraordinary General Meeting, held on May 7, 2021, resolved to adopt guidelines for remuneration to the CEO and other members of 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 Annual General Meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration. The Board of Directors shall annually evaluate whether share-related or share price-related long-term incentive programs shall be proposed to the Annual General Meeting.

The fixed cash salary shall be individual and based on the responsibility and role of the senior executive, as well as the executive's competence and experience in the relevant position.

In the event that certain targets are met, senior executives shall be entitled to variable cash remuneration. Such variable cash remuneration shall not exceed twelve months' salary.

For the Chief Executive Officer, pension benefits shall be defined contribution and shall not exceed 35 percent of the pensionable remuneration (fixed and variable cash remuneration). For other senior executives covered by the ITP plan, the pension premium shall be equal to that applicable under the ITP plan. For other senior executives, the pension premium shall not exceed 25 percent of pensionable remuneration (fixed and variable cash remuneration).

Other benefits may include health insurance and car benefits. Such benefits shall be of limited value in relation to other compensation and be consistent with what is customary in the respective geographical market. The total amount of other benefits may not exceed 10 percent of the fixed annual cash salary.

Remuneration to the Chief Executive Officer and other senior executives

The table above presents an overview of remuneration to the CEO and other members of executive management for the 2021 fiscal year.

Current employment contract for the Chief Executive Officer and other senior executives

The current remuneration levels and other terms of employment for the CEO and other senior executives have been decided by the Board.

The employment contract with the CEO provides for a mutual notice period of 12 months. For other senior executives, the notice period is 3-6 months. The agreements also contain customary competition clauses and provisions preventing the parties from engaging in competing activities.

Shares and shareholders

Profoto Holding AB (publ) had 1,449 shareholders at the end of 2021. The largest owners at the end of 2021 were Anders and Helén Hedebark (through Burken Invest AB), with 37.8 percent of the capital and votes. The next three largest shareholders were Conny Dufgran with 15.0 percent, Lannebo Fonder with 7.6 percent and Herenco Holding AB with 4.0 percent. There is no limit to the number of votes each shareholder may cast at the AGM.

Auditing

The auditor is elected annually at the Annual General Meeting. The auditor shall review the company's annual reports and accounting, as well as the management of the Board of Directors and the CEO. This is done on behalf of the shareholders. Following each fiscal year, the auditor shall submit an audit report and a consolidated audit report to the Annual General Meeting.

Pursuant to Profoto's Articles of Association, the company shall have not less than one and not more than two auditors. Profoto's auditor is Deloitte AB, with Therese Kjellberg as auditor in charge.

In 2021, the total remuneration to the auditor amounted to SEK 3m, of which SEK 1m were other audit duties which consisted of review of the prospectus in connection with the listing of the parent company, review of the interim report for the first quarter and related services as part of the IPO.

Investor Relations

Profoto has established an IR (investor relations) function. The purpose of Profoto's IR function is to

build long-term knowledge and trust in Profoto's operations and value creation, while ensuring Profoto's compliance with applicable regulations. Profoto's IR function manages regular contacts with shareholders, analysts, investors, financial journalists, Nasdaq Stockholm, Finansinspektionen and other capital market participants and coordinates general meetings, analyst meetings and capital market presentations. The Head of Investor Relations is responsible for this function together with the CFO and CEO. The Head of Investor Relations reports to the CEO.

Statement regarding internal audit

Profoto does not have a separate internal audit function. The Board has evaluated the efficiency of the internal control system and found it to be working well. Consequently, the Board has decided that there is currently no need for a separate internal audit function.

BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL REGARDING FINANCIAL REPORTING

Pursuant to the Swedish Companies Act and the Swedish Corporate Governance Code (the Code), the Board of Directors is responsible for internal control. Internal control over financial reporting includes control of the organization, procedures and support measures of the company and the Group.

Objective

The objective of internal control over financial reporting is to ensure that reliable and accurate financial reporting is achieved, that the financial statements of the company and the Group are prepared in accordance with the law and applicable accounting standards, that the assets of the company and the Group are safeguarded, and that there is compliance with other requirements. The system for internal control over financial reporting is also designed to monitor compliance with company and Group policies, principles and instructions. Internal control over financial reporting also includes analysis of risks and monitoring of embedded information and business systems.

Profoto has adopted a Board policy on risk management and internal control in order to describe the overall control environment and risk management, applicable to all legal and operational entities within Profoto. The CFO is responsible for the content of, and compliance with, the policy.

Profoto's internal control process for financial reporting and risk management is based on the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) framework for internal control, focusing on the five components – control environment, risk assessment, control activities, information and communication, and monitoring. These are described in detail below.

Control environment

The control environment gives direction to how internal control is implemented and influences employees' awareness and understanding of internal control. Profoto has created internal processes, guidelines and policies that are key elements of the process. Profoto's control environment is based on clear guidelines communicated to all subsidiaries in the Group to ensure compliance with adopted rules and principles throughout the organization.

The Board is ultimately responsible for internal control over financial reporting and an important part of the Board's work is to ensure an effective control environment. The Rules of Procedure of the Board, and the instructions to its committees and the Chief Executive Director, aim to define a division of responsibilities to ensure effective risk management within the organization. The Board also reviews and approves on an annual basis certain governance documents that are important to the organization's internal control environment, including Profoto's financial policy and insider policy. In addition, Profoto has other internal policies and processes that affect the organization's control environment, such as authorization instructions, business objectives, strategy, business plan and forecasts.

Risk assessment

Risk assessment entails actively identifying and assessing the magnitude of both internal and external risks in financial reporting. This risk

assessment provides a basis for managing the identified risks. Profoto conducts an annual risk assessment with the aim of identifying, assessing and managing financial reporting risks that threaten the Group's vision and objectives.

The risk assessment is performed by Management and is then together with the risk management reviewed annually by the Board. The focus of the risk assessment is on significant areas of the balance sheet and income statement that have a material impact on financial reporting. Significant accounts are identified on the basis of significant amounts, frequency and/or complexity of transactions, a high degree of subjective judgement, or risk of fraud. The identified areas are mapped against business-critical risks that have a significant impact on financial reporting.

Risks related to financial reporting shall be comprehensive and documented in a consistent format and assessed based on specific impact and likelihood criteria. Impact and likelihood criteria are measured using a "risk score." Profoto uses this risk score as the basis for allocating resources to the most relevant and prioritized risks. Risk management strategies include accepting, monitoring and mitigating identified risks. All risks that exceed a certain specified risk score are referred to as key risks and must be mitigated. The key risks identified for 2021 are in the areas of order-to-cash, purchase-to-pay, product life cycle management, accounting and intellectual property rights (IPR), legal and taxes.

Control activities

Based on the risk assessment, objectives and activities are designed to reduce and prevent the risks from occurring. These activities are called control activities.

Profoto has established specific control activities to reduce the identified risks that have been assigned the highest risk score, as well as key controls to reduce inherent risks in critical processes. Key controls include controls that are considered important for reducing key risks. These controls can be divided into automatic, IFS and other controls. IFS is the company's business system. Automatic controls are preventive controls in the form of a

technical solution that sets limits when a process is carried out, while IFS controls are manual controls that are followed up after the event and documented directly in the ERP system by selected, independent users. Any identified process errors and deficiencies are communicated and addressed in conjunction with the IFS control.

Other controls are controls that have a technical limitation in a system other than the ERP system, but can also be preventive measures carried out by an external party. Risk assessment and control activities related to financial reporting are updated annually and approved by management; significant changes to the risk and control matrix are reported back to the Audit Committee and the Board. This is further described in the section "Follow-up and monitoring."

Information and communication

Information and communication entails identifying and communicating relevant information in compliance with the requirements of a listed company. Profoto's Board of Directors has adopted a communication policy, information security policy and insider policy, which address Profoto's handling and communication of inside information, information security and other information. The insider trading policy is intended to reduce the risks of insider trading and other illegal behavior and to facilitate Profoto's compliance with applicable rules regarding the handling of inside information.

The information security policy is designed to protect Profoto, employees, customers and partners from harm resulting from inadequate information management and dissemination. The

communication policy describes Profoto's overall focus on communication issues. Information that Profoto provides to the market shall be accurate, relevant and reliable and shall be provided in accordance with Nasdaq Stockholm's Nordic Main Market Rulebook for Issuers of Shares.

Follow-up and monitoring

Profoto has established procedures for testing controls. Control measures for operational and financial monitoring are carried out on a monthly and quarterly basis by selected independent individuals within the organization. Any identified internal control weaknesses are reported upwards in the organization. Ongoing monitoring includes meetings and written documentation. Testing of efficiency in the internal control regarding financial reporting is evaluated and updated annually. CFO should, based on the evaluation, submit reports to the Audit Committee and the Board, enabling the Board to conduct its annual review of risks and risk management.

Board of Directors

PHOTO RICKARD L. ERIKSSON



Hans Eckerström
Chairman of the Board

Chairman of the remuneration committee

Elected: 2018

Education: MSc Mechanical Engineering, Chalmers University of Engineering, and MSc Business Administration, University of Gothenburg.

Born: 1972

Other assignments: Chairman of Henri-Lloyd. Member of Swedbank and Thule Group. Chief Investment Officer APAC.

Previously: Chairman of the Board of Nobia. Board member of Nordstjernan. Partner and employee of Nordic Capital.

Independent of company: Yes

Independent of owners: Yes

Shares in Profoto Holding: 1,230,510 shares, 500,000 call options



Anders Hedebark
Board member

Elected: 2010

Education: MSc Electrical engineering, Royal Institute of Technology (KTH) and MBA INSEAD.

Born: 1964

Other assignments: President and CEO of Profoto.

Previously: Chairman of the Board of VK i Sweden and VK i Gävle-Dala. Board member of Lipac Holding, VK i Järfälla, Lipac Liftar and VK i Huddinge. Alternate member of the Board of Directors of VK i Isaberg and ITEX Rental.

Independent of company: No

Independent of owners: No

Shares in Profoto Holding: 15,127,321 shares indirectly together with related parties.



Magnus Brännström
Board member

Member of the remuneration committee

Elected: 2018

Education: MSc Uppsala University.

Born: 1966

Other assignments: CEO Oriflame Holding. Chairman of the Board Molimb.

Previously: Chairman of World Federation of Direct Selling Associations. Board member of APAC.

Independent of company: Yes

Independent of owners: Yes

Shares in Profoto Holding: 250,494 shares, 125,000 call options



Pernilla Ekman
Board member

Member of the audit committee

Elected: 2021

Education: MSc Business Administration, Stockholm University and Executive Management Program, Stockholm School of Economics.

Born: 1972

Other assignments: Chairman of the Board of Aarke and Stronger. Board member Fractal Gaming Group.

Previously: CEO and CFO Zound Industries International, CFO Tiger of Sweden, CFO Svenskt Tenn.

Independent of company: Yes

Independent of owners: Yes

Shares in Profoto Holding: 0 shares, 62,500 call options



Helena Holmgren
Board member

Elected: 2021

Education: MSc Business Administration, Lund University and MBA, University of Ottawa.

Born: 1976

Other assignments: Board member of Hexatronic Group.

Previously: CEO and CFO of Pricer, CFO of Edgware.

Independent of company: Yes

Independent of owners: Yes

Shares in Profoto Holding: 3,000 shares, 125,000 call options



Helene Willberg
Board member

Chair of the audit committee

Elected: 2018

Education: Master's degree in Accounting and Finance, Stockholm School of Economics.

Born: 1967

Other assignments: Chairman of the Board of Footway Group. Board member of Thule Group, Nordic Paper Holding, Infrea, Indecap Holding, Byggfakta Group Nordic HoldCo, X shore, Enzymatica, Renewcell, APAC.

Previously: Board member and CEO of Alvarez & Marsal Sweden. Board member and CEO of KPMG.

Independent of company: Yes

Independent of owners: Yes

Shares in Profoto Holding: 250,494 shares, 150,000 call options

Management

PHOTO RICKARD L. ERIKSSON



Anders Hedebark
President and CEO

Employed at Profoto: 1997

Education: MSc Electrical engineering, Royal institute of Technology (KTH) and MBA, INSEAD.

Born: 1964

Shares in Profoto Holding: 15,127,321 shares indirectly together with related parties.



Petter Sylvan
VP Finance (CFO)

Employed at Profoto: 2005

Education: MBA, Stockholm School of Economics and MSc Marketing and Industrial Economics, Chalmers University of Technology.

Born: 1974

Shares in Profoto Holding: 339,920



Ulrika Björk
VP Product R&D

Employed at Profoto: 2016

Education: MSc Mechanical Engineering, University of Technology at Linköping University.

Born: 1979

Shares in Profoto Holding: 24,586



Patrik Bluhme
VP Global Sales

Employed at Profoto: 2014

Education: MSc Mechanical Engineering, Royal Institute of Technology (KTH).

Born: 1962

Shares in Profoto Holding: 65,595



Tobias Lindbäck
VP Strategy & Alliances

Employed at Profoto: 2015

Education: MSc Mechanics, University of Technology at Linköping University.

Born: 1968

Shares in Profoto Holding: 65,595



Martina Nillenstedt
VP Product Marketing & Brand

Employed at Profoto: 2017
Education: MBA Stockholm School of Economics and Bachelor of Science in Business Administration from Jönköping University.
Born: 1973
Shares in Profoto Holding: 20,254



Gilles Rossi
VP Operations & Quality

Employed at Profoto: 2017
Education: MSc Mechanical Engineering, ENSAIS.
Born: 1976
Shares in Profoto Holding: 65,595



Sara Strid
VP Profoto.com

Employed at Profoto: 2011
Education: BFA in Photography, Parsons School of Design and MBA, Rutgers University.
Born: 1975
Shares in Profoto Holding: 21,605



Amanda Åström
Head of Investor relations since 2022

Employed at Profoto: 2018
Education: Master of Science in Engineering (Industrial Economics), Royal Institute of Technology (KTH) and MBA, Quantic School of Business and Technology.
Born: 1994
Shares in Profoto Holding: 1,150

Financial Reports Group

Consolidated statement of profit and loss

SEKm	Note	Jan. 1, 2021 Dec. 31, 2021	Jan. 1, 2020 Dec. 31, 2020
Net sales	5, 6	732	528
Other income	7	11	3
Total revenue		744	531
Capitalized work for own account	17	22	21
Goods	19, 24	-232	-228
Other external expenses	8, 9	-142	-126
Personnel expenses	10, 24	-117	-120
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	17, 18, 24	-57	-88
Other operating expenses	11	-5	-3
Operating profit/loss		212	-12
Finance income and costs			
Finance income	12	0	0
Finance costs	13	-3	-8
Profit/loss before tax		209	-20
Tax	15	-51	2
Profit/loss for the year		158	-17
<i>Attributable to:</i>			
Parent Company shareholders		158	-17
Earnings per share basic and diluted*		3.95	-0.44

* Calculated based on 40,000,000 ordinary shares, basic and diluted (retroactive adjustment due to share split)

Consolidated statements of comprehensive income

SEKm	Note	Jan. 1, 2021 Dec. 31, 2021	Jan. 1, 2020 Dec. 31, 2020
Profit/loss for the year		158	-17
Other comprehensive income, items that may be reclassified to the consolidated statement of profit and loss:			
Translation differences for the year		-5	4
Comprehensive income for the year		153	-13
<i>Attributable to:</i>			
Parent Company shareholders		153	-13

Condensed consolidated statement of financial position

SEKm	Note	Dec. 31, 2021	Dec. 31, 2020
ASSETS			
Non-current assets			
Intangible assets	17		
Capitalized development expenditure		91	98
Software		13	19
Licenses		3	1
Total intangible assets		106	118
Property, plant and equipment	18		
Leased assets	9	49	54
Equipment, tools and installations		23	27
Leasehold improvements		2	4
Total property, plant and equipment		75	86
Financial assets		2	2
Deferred tax assets	15	16	16
Total non-current assets		199	222
Current assets			
Inventories	19	99	94
Current receivables			
Accounts receivable	4, 20	69	67
Current tax assets		–	5
Current receivables from Group companies	30	–	20
Other current assets		5	3
Prepayments and accrued income	21	6	8
Total current receivables		80	103
Cash and cash equivalents	22	206	254
Total current assets		386	451
TOTAL ASSETS		585	673

cont. Condensed consolidated statement of financial position

SEKm	Note	Dec. 31, 2021	Dec. 31, 2020
Equity			
Share capital	23	1	0
Reserves		-6	-1
Retained earnings including profit/loss for the year/period		336	335
Total equity		331	334
Non-current liabilities			
Liabilities to credit institutions	4, 26	6	8
Lease liabilities	9	43	47
Provisions	25	7	5
Deferred tax liabilities	15	54	52
Total non-current liabilities		110	112
Current liabilities			
Liabilities to credit institutions	4, 26	14	36
Lease liabilities	9	9	9
Provisions	25	5	7
Accounts payable		46	45
Current liabilities to Group companies	30	–	83
Current tax liabilities		9	0
Other current liabilities		6	6
Accrued expenses and deferred income	27	55	41
Total current liabilities		144	227
TOTAL EQUITY AND LIABILITIES		585	673

Consolidated statement of changes in equity

SEKm	Share capital	Translation reserve	Retained earnings including profit/loss for the year	Total equity*
Opening balance January 1, 2020	0	-5	352	347
Profit/loss for the year			-17	-17
Total other comprehensive income		4	–	4
Total comprehensive income	0	4	-17	-13
Contributions from owners			22	22
Group contributions paid, before tax			-27	-27
Tax on group contributions			5	5
Closing balance December 31, 2020	0	-1	335	334
Opening balance January 1, 2021	0	-1	335	334
Profit/loss for the year			158	158
Total other comprehensive income		-5	–	-5
Total comprehensive income	0	-5	158	153
Bonus issue	1	–	-1	0
Dividends to Parent Company			-156	-156
Closing balance December 31, 2021	1	-6	336	331

* Attributable to Parent Company shareholders

Financial Reports

Parent Company

Consolidated statement of cash flows

SEKm	Note	Jan. 1, 2021 Dec. 31, 2021	Jan. 1, 2020 Dec. 31, 2020
Cash flow from operating activities			
Operating profit/loss		212	-12
<i>Adjustments for non-cash items:</i>	28		
Depreciation, amortization and impairment		57	88 ¹
Adjustments for other non-cash items		4	46 ¹
Interest received		0	0
Interest paid		-2	-3
Income tax paid		-36	-10
Cash flow from operating activities before changes in working capital		235	108
Changes in working capital			
Decrease (+) / increase (-) in inventories		-6	44
Decrease (+) / increase (-) in accounts receivable		-2	29
Decrease (+) / increase (-) in other receivables		0	0
Decrease (-) / increase (+) in accounts payable		0	-12
Decrease (-) / increase (+) in other current liabilities		13	-16
Cash flow from operating activities		240	153
Investing activities			
Investments in intangible assets		-24	-22
Acquisition of property, plant and equipment		-6	-7
Intra-group loans given ²		-116	0
Intra-group loans repaid ²		-	67
Cash flow from investing activities		-146	38
Financing activities			
Repayment of intercompany liabilities ³	28	-103	-
Repayment of other external loans		-34	-12
Amortization of lease liability		-11	-8
New loans		13	36
Cash flow from financing activities		-135	16
Cash flow for the year		-42	208
Cash and cash equivalents at beginning of the year		254	52
Exchange rate differences in cash and cash equivalents		-7	-5
Cash and cash equivalents at year-end		206	254

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) Intra-group loans given and repaid in investing activities relate to lending to and repayment from the former Parent Company Profoto Invest AB.

3) Repayment of intercompany liabilities in financing activities refers to the repayment of the loan from the former parent company Profoto Invest AB, which was settled in full at the end of Q2 2021. The dividend that was approved from 2020 to Profoto Invest AB of SEK 156m is included in the residual debt that was repaid and settled in full.

Parent Company Income Statement

SEKm	Note	Jan. 1, 2021 Dec. 31, 2021	Jan. 1, 2020 Dec. 31, 2020
Net sales	30	11.7	11.7
Operating expenses			
Other external expenses	8	-26.5	-2.0
Personnel expenses	10	-12.4	-9.3
Other operating expenses		0.0	0.0
Operating profit/loss		-27.3	0.5
Profit/loss from financial items			
Income from participations in Group companies		153.0	183.8
Interest and similar expenses		0.0	0.0
Profit after financial items		125.7	184.3
Appropriations	14	51.9	-27.5
Profit/loss before tax		177.6	156.8
Tax on profit/loss for the year		-9.7	5.5
Profit/loss for the year		167.9	162.3

Parent Company Statement of Comprehensive Income

SEKm	Note	Jan. 1, 2021 Dec. 31, 2021	Jan. 1, 2020 Dec. 31, 2020
Profit/loss for the year		167.9	162.3
Other comprehensive income		-	-
Comprehensive income for the year		167.9	162.3

Parent Company balance sheet

SEKm	Note	Dec. 31, 2021	Dec. 31, 2020
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	16	32.0	32.0
Total non-current assets		32.0	32.0
Deferred tax assets	15	1.3	6.1
Current assets			
Current receivables from Group companies	30	199.5	233.3
Other current receivables		0.5	0.6
Prepayments and accrued income		0.9	0.1
Total current receivables		200.9	234.0
Cash and cash equivalents		0.0	0.3
Total current assets		200.9	234.3
TOTAL ASSETS		234.2	272.4

cont. Parent Company balance sheet

SEKm	Note	Dec. 31, 2021	Dec. 31, 2020
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		0.5	0.1
Total restricted equity		0.5	0.1
Unrestricted equity			
Retained earnings		28.0	22.0
Profit/loss for the year		167.9	162.3
Total unrestricted equity		195.9	184.3
Total equity		196.4	184.4
Current liabilities			
Accounts payable		0.3	0.4
Liabilities to Group companies	30	24.7	82.8
Current tax liabilities		4.9	–
Other current liabilities		1.2	1.0
Accrued expenses and deferred income	27	6.7	3.8
Total current liabilities		37.8	88.0
TOTAL EQUITY AND LIABILITIES		234.2	272.4

Parent Company statement of changes in equity

SEKm	Restricted equity	Unrestricted equity		Total equity
	Share capital	Profit or loss brought forward	Profit/loss for the year	
Opening balance January 1, 2020	0.1	0.2	0.0	0.3
Transfer of previous year's profit/loss		0.0	0.0	–
Profit/loss for the year			162.3	162.3
Other comprehensive income			–	–
Total comprehensive income			162.3	162.3
Contributions from owners		21.8	–	21.8
Closing balance December 31, 2020	0.1	22.0	162.3	184.4
Opening balance January 1, 2021	0.1	22.0	162.3	184.4
Transfer of previous year's profit/loss		162.3	-162.3	
Profit/loss for the year			167.9	167.9
Other comprehensive income			–	–
Total comprehensive income			167.9	167.9
Contributions from owners				
Dividend to shareholders		-155.9	–	-155.9
Bonus issue	0.4	-0.4	–	–
Closing balance December 31, 2021	0.5	28.0	167.9	196.4

Parent Company statement of cash flows

SEKm	Note	Jan. 1, 2021 Dec. 31, 2021	Jan. 1, 2020 Dec. 31, 2020
Cash flow from operating activities			
Operating profit/loss		-27.3	0.5
Income tax paid		0.2	0.0
Cash flow from operating activities before changes in working capital		-27.1	0.5
Changes in working capital			
Decrease (+) / increase (-) in other receivables		-0.8	-0.1
Decrease (-) / increase (+) in accounts payable		-3.1	-0.2
Decrease (-) / increase (+) in other current liabilities		3.1	-0.3
Cash flow from operating activities		-27.9	-0.2
Cash flow from investing activities		0.0	0.0
Financing activities			
Change in intercompany liabilities		27.6	0.0
Change in short-term financial liabilities		–	0.5
Cash flow from financing activities		27.6	0.5
Cash flow for the year		-0.3	0.3
Cash and cash equivalents at beginning of the year		0.3	0.0
Cash and cash equivalents at year-end		0.0	0.3

Notes

All figures are in SEK millions unless otherwise stated.

Note 1 General information

Profoto Holding AB, corporate registration number 556810-9879, is a limited company registered in Sweden with its registered office in Sundbyberg. The company's headquarters is located at Landsvägen 57, Box 1264, 172 25, Sundbyberg, Stockholm, Sweden. The company and its subsidiaries ("the Group") are active in a global market and 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 16.

Profoto Holding AB (publ) was a wholly owned sub-

siary of Profoto Invest AB, corp. reg. no. 559099-2326, with its registered office in Sundbyberg until July 1, 2021.

As a consequence of the listing of Profoto Holding AB (publ) on Nasdaq OMX Stockholm's Mid Cap list, with the first trading day on July 1, 2021, all remaining shares in Profoto Holding AB (publ) that were not sold at the listing and were held by the former Parent Company, Profoto Invest AB, were transferred to the owners of Profoto Invest AB on July 5, 2021. As of this date, Profoto Invest AB is therefore no longer the Parent Company of Profoto Holding AB (publ).

Note 2 Significant accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, the recommendation of the Financial Reporting Council 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 have 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 Swedish Annual Accounts Act and with regard to the relationship between accounting and taxation.

The Annual Report and the Consolidated Financial Statements were approved for issuance by the Board of Directors and the Chief Executive Officer on April 4, 2022. The financial statements of the Group and the Parent Company are subject to adoption by the Annual General Meeting on May 5, 2022.

New and amended standards applied for the first time

The Group applies the amendments made by IAS 39, IFRS 7, IFRS 4, IFRS 9 and IFRS 16 regarding the benchmark interest rate reform phase 2 as from January 1, 2021. The Group has an overdraft facility which at a limited extent can be affected by the reform. Management's assessment is that the change in the standards has not had any impact on the Group during the year.

New and amended standards and interpretations not yet in force

New and amended IFRS standards with application from 2022 are not considered to have had any impact on the Group's reporting.

Consolidated accounts

The consolidated accounts include the Parent Company Profoto Holding AB (publ) and the companies over which the Parent Company has controlling influence. A controlling influence occurs when the Group is exposed to, or has the right to variable returns from, its involvement in a company and can exert its influence over the company to influence its return. A controlling influence is usually achieved by owning or controlling, directly or indirectly, more than 50 percent of voting rights.

Subsidiaries are included in the consolidated financial statements from the time of the 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 and reporting currency

The consolidated financial statements are presented in Swedish kronor (SEK). The Parent Company's functional and reporting currency is Swedish kronor (SEK). All amounts have been rounded to the nearest million SEK unless otherwise stated. For the Parent Company, amounts are expressed in millions of SEK to one decimal place. Rounding may occur in tables and calculations, for which reason reported amounts are not always an exact sum of rounded amounts.

Assessments and estimates in the financial statements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and assumptions are based on historical experience and other factors that are believed to be relevant. Estimates and assumptions are reviewed on a regular basis and compared with actual outcomes. Significant estimates and judgements are presented in more detail in Note 3.

Classification

Non-current assets consist of amounts expected to be recovered or paid after more than twelve months from the balance sheet date. Non-current liabilities consist of amounts falling due for payment more than twelve months after the balance sheet date and other amounts for which the company has an unconditional right to defer payment until more than twelve months after the balance sheet date. Other assets and liabilities are recognized as current assets and 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 at the time of acquisition. Costs related to acquisitions are recognized in the statement of comprehensive income as incurred. The identifiable acquired assets and assumed liabilities are recognized at the acquisition-date fair value. In cases where the acquisition does not relate to 100 percent of the subsidiary, non-controlling interests arise.

For business combinations where the total of the purchase consideration transferred, any non-controlling interests, and the acquisition-date fair value of the

acquirer's previous equity interest in the acquiree, exceeds the acquisition-date fair value of identifiable net assets, the difference is reported as goodwill in the statement of financial position. When the difference is negative, it is recognized directly in the statement of comprehensive income. Transaction costs for business combinations are expensed at the acquisition date. Contingent consideration is recognized at fair value at the acquisition date. Contingent consideration is remeasured at each reporting date and the change is recognized in profit or loss, as other operating income or other operating expenses.

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 Chief Executive Officer is the chief operating decision-maker. All follow-up of the Group is carried out in the Photographic segment, which thereby becomes the Group's only reportable segment. The Group also has a Digital Business segment, but does not report this as a separate segment as long as sales are not at a material level. The accounting policies of the reportable segment are consistent with the policies applied by the Group in its entirety.

Revenue from contracts with customers

Revenue is recognized at the consideration to which the Group expects to be entitled in exchange for the transfer of 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 accordance with a five-step model based on when control of a good or service is transferred to the customer, which means recognition of revenue at a point in time and not accrued over time. 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 stream below, courses and training programs are also sold. However, the courses account for an insignificant part of the Group's total revenue.

The Group essentially recognizes revenue only from the sale of goods. Revenue from the sale of goods to the distributor or directly to the customer is reported at the time the products are transferred to the distributor or the customer, i.e. when the distributor or the customer gain control of the goods. Taking the underlying agreed delivery terms into account, control will pass when the

Note 2 cont.

goods have been delivered to the respective freight forwarder/shipping company. Payment terms for invoiced sales are normally 30 days after commencement of delivery. Corporate and private customers shopping in the Group's online shop are charged directly by credit card when the order is registered and the purchase is made. Customers shopping in the Group's online shop have full right of return if the goods are returned within 14 days of receipt. This sales channel represents less than 5 percent of the Group's total sales and the impact of returns is considered to have an insignificant impact on the Group's total sales (1 percent of total sales in 2021), for which reason no current provisions for costs related to returns are made. The Group reassesses its estimate of expected returns at each balance sheet date and updates the asset and liability amounts accordingly.

Government grants received

Government grants are accounted for in accordance with IAS 20 and recognized in the statement of comprehensive income when there is reasonable assurance that the entity will comply with the conditions attached to the grant, and that the grant will be received. Grants received for short-term work are recognized as a reduction of personnel expenses, while other grants received are recognized under Other operating income.

Leases

Profoto's leases consist mainly of the rental of premises and, to a lesser extent, of cars and certain equipment. A right-of-use asset and a lease liability are recognized at the commencement date of the lease, which is the date Profoto obtains access to and is able to commence use of the underlying asset. The right of use is initially measured at cost, which consists of the initial value of the lease liability plus any lease payments made on 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 – which is split into a non-current and a current portion – is initially measured at the present value of the remaining lease payments over the estimated lease term. The lease term is the non-cancellable period plus any additional periods in the agreement if, at the commencement date, it is reasonably certain that they will be used.

Lease payments are normally discounted using the Group's marginal borrowing rate, which in addition to the Group's credit risk reflects the lease term, currency and quality of the underlying asset as collateral. However, where the implicit rate of the lease can be readily determined, that rate is used, as may be the case for some car leases.

The value of the debt is increased by the interest

cost for the respective period and reduced by the lease payments. The interest cost is calculated as the value of the debt multiplied by the marginal loan interest.

The lease liability for premises with index-linked rent is calculated on the basis of the rent in force at the end of each reporting period. Once the rent level has been indexed, the liability is adjusted, based on the new rent level, by a corresponding adjustment to the carrying amount of the right of use. Similarly, the value of the liability and the asset is adjusted when the lease term is reassessed. This occurs when the final termination date within the previously assessed lease term for premises leases has passed or when significant events occur or circumstances change in a way that is within the Group's control and affects 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 right-of-use asset and lease liability are recognized. Lease payments for these leases are recognized as an expense on a straight-line basis over the lease term.

Profoto subleases some space to a lesser extent. Where applicable, the lease term of the subleases has been deemed to be significantly shorter than the lease term of Profoto's head lease, resulting in the subleases being classified as operating leases. Profoto's right of use is then recognized in the balance sheet and the rents received are recognized as income on a straight-line basis over the lease term in the sublease.

Foreign currency

Items included in the financial statements for the various units of the Group are presented in the currency used in the primary economic environment in which each unit mainly operates (functional currency).

Transactions in foreign currencies are translated at the respective unit to the functional currency of the unit at the exchange rates prevailing at the transaction date. Monetary items in foreign currency are translated on each balance sheet date at the closing day rate. Non-monetary items that are valued at historical cost in a foreign currency are not translated; rather, the historical exchange rate is used. Non-monetary items, which are measured at fair value in a foreign currency, are translated at the exchange rate on the date the fair value was determined.

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 to SEK at the closing day rate. Revenues and expenses of a foreign operation are translated into Swedish kronor at an average rate that approximates the exchange rates at the respective dates of the transac-

tions. Translation differences arising on the translation of foreign operations are recognized in other comprehensive income and accumulated in a separate component of equity, called the translation reserve. On the sale of a foreign subsidiary, 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 holidays, paid sick leave, etc. and pensions are recognized as an expense 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, 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, which means that the employer undertakes to pay a pension at a certain benefit level. The defined benefit plans within the Group consist of the ITP 2 plan for civil servants in Sweden, which is insured by Alecta. The ITP 2 pension plan, which is secured by insurance in Alecta, is a defined benefit plan covering several employers. However, the plan is accounted for as a defined contribution plan because Alecta cannot provide information that would allow accounting for each member company's proportionate share of the plan's obligations, plan assets and expenses. Otherwise, there are no defined benefit pension plans.

Pension contracts with endowment insurance

There are pension plans where the Group has acquired endowment insurance which is hedged in favor of employees through pledges. The employee is only entitled to compensation equal to the value of the endowment insurance upon redemption. The endowment insurance is valued at fair value on an ongoing basis, while the pension liability is revalued to the corresponding value of the endowment insurance. Endowment insurance and pension liabilities are presented net. The provision for special payroll tax is calculated on the basis of the fair value of the endowment policy.

Taxes

The tax expense comprises 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 recognized 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 sheet 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 the calculation of 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 and it is likely that this will take place within the foreseeable future.

The carrying amount of deferred tax assets is tested at the end of each reporting period and is reduced to the extent it is no longer likely that sufficient taxable profit will be available for offsetting, in whole or in part, against the deferred tax asset.

Deferred tax is calculated using the tax rates that are expected to apply for the period in which the asset is

Note 2 cont.

received or the liability settled, based on the tax rates (and tax legislation) that apply or have been announced on the balance sheet 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 where the Group intends to settle the tax net.

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.

Acquisition value comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be used, as well as estimated expenses for dismantling and removing 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 item will flow to the Group and the cost of the item can be measured reliably. All other subsequent expenses are recognized as 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 item of property, plant and 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 least 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 or retirement/disposal. The gain or loss arising from the retirement or disposal of an asset consists of the difference between any net profit on disposal of the asset and its carrying amount, recognized in the statement of comprehensive income in the period in which the asset is derecognized.

Intangible assets

Capitalized development expenditure arising from the Group's product development are recognized only if the conditions listed below 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 capitalized development expenditure, development costs 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 is dependent on the asset, between 2–6 years. Estimated useful life and amortization method are reviewed at least at the end of each fiscal year, and the effects of any changes in assessments are reported prospectively.

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 that the expenses are associated with customization. After initial recognition, other intangible assets are recognized in the same way as all other intangible assets. The estimated useful life for customization of business systems is 5 years. Estimated useful lives and depreciation/amortization methods are reviewed at least 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, excl. goodwill

At each balance sheet 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 intan-

gible 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 costs to sell, and value in use. When measuring 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 an asset is determined to be lower than the carrying amount, the carrying amount of the asset is written down to the recoverable amount. An impairment loss is immediately recognized 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 may not exceed the carrying amount that would have been determined had no impairment loss 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 lower of cost and net realizable value. Cost is calculated by the first-in, first-out (FIFO). Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs required to affect a sale.

Provisions

A provision differs from other liabilities in that there is uncertainty about the timing or amount of payment to settle the provision. A provision is recognized in the statement of financial position when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits 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 expenditure required to settle the present obligation at the balance sheet date. If the payment date has a significant effect, provisions are calculated through discounting of the expected future cash flow at a pre-tax interest rate that reflects current market assessments of the time value of money and, where applicable, the risks associated with the liability.

A warranty provision is recognized when the underlying products or services are sold. The provision is based on historical data concerning warranties and consideration of possible outcomes in relation to the probabilities associated with the outcomes.

Financial instruments

A financial asset or financial liability is recognized on 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 (other than an accounts receivable with no significant financing component) or financial liability is measured initially at fair value plus, in the case of financial instruments not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue. An accounts receivable without a significant financing component is measured at the transaction price.

A financial asset or financial liability is recognized in the statement of financial position when the entity becomes a party to the contractual provisions of the instrument. A receivable is recognized when the entity 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 liability is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are recognized when an invoice has been received. A financial asset is derecognized from the statement of financial position when the contractual rights are realized or expire, or the company loses control of them. The same applies to a portion of a financial asset. A financial liability is derecognized from the statement of financial position when the contractual obligation is fulfilled or otherwise extinguished. The same applies to a portion of a financial liability. No financial assets and liabilities are offset in the statement of financial position since the criteria for offsetting have not been met. On-demand acquisitions and on-demand sales of financial assets are recognized on the transaction date.

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 amount outstanding, the asset is measured at amortized cost. The expected maturity is short, so these assets are carried at cost equal 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 at initial recognition less repayments, plus or minus any cumulative amortization using the effective interest method on any difference between the

Note 2 cont.

initial amount and the maturity amount and, for financial assets, adjusted for any allowance for losses.

If the business model's objectives can be achieved by both collecting contractual cash flows and selling financial assets 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 amount outstanding, 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, holding 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 a business model for cash and cash equivalents, accounts receivable, other current receivables and other financial assets where the company's business model is "hold to collect" which means that the asset is carried at amortized cost.

Financial liabilities are recognized at fair value through the statement of comprehensive income if they are 1) a contingent consideration within the scope of IFRS 3, 2) held for trading, or 3) if the liability is initially identified as a liability at fair value through the statement of comprehensive income. Other financial liabilities are classified at amortized cost.

Accounts payable are measured at amortized cost. The expected terms of accounts payable are short, however, so the liability is recognized at nominal amount without discounting. Interest-bearing bank loans, overdraft facilities 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 term 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 specifically stated otherwise.

Amortized cost and effective interest method

The amortized cost of a financial asset is the amount at which the financial asset was initially recognized less the principal amount, plus accumulated amortization. Any difference between the principal amount and the outstanding principal amount is calculated using the effective interest method, adjusted for any impairment. The recognized gross value of a financial asset is the amortized cost of a financial asset before adjustments for any loss allowance. Financial liabilities are recognized at amortized cost using the effective interest rate method or at fair value through the statement of comprehensive income.

The effective interest rate is the rate at which the discounting of all future expected cash flows over their expected maturity results in the initial carrying amount of the financial asset or the financial liability.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and recognized net on 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 impairment rules. On each reporting date the Group recognizes in the statement of comprehensive income the change in expected credit losses since initial recognition. The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk 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 from 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 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 entire life of the asset. Expected credit losses for accounts receivable and contract assets are measured over the remaining life of the asset. For all other financial assets, where there has been no material increase in credit risk, the Group measures the loss allowance at an amount that corresponds to 12 months of expected credit losses. For financial assets for which the credit risk has increased significantly since

initial recognition, a reserve is recognized based on the expected credit losses of the asset over the remaining life of the asset.

The Group's exposure to credit risk is primarily attributable to cash and cash equivalents. The simplified approach is used to calculate credit losses on the Group's accounts receivable. The expected credit losses for accounts receivable are calculated with the aid of a provision matrix based on previous events, current conditions and forecasts for future economic conditions and the time value of the 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 gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Dividends and interest income

Dividend income is recognized when the owner's right to receive payment has been established.

Interest income is recognized over the term using the effective interest method.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to prepare for the 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 and loss in the period incurred.

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 cash for a known amount and are exposed to an insignificant risk for fluctuations in value.

Parent Company accounting policies

The main differences between the accounting policies of the Group and the Parent Company are described below. The accounting policies for the Parent Company have been consistently applied to all periods presented in the Parent Company's financial statements. The differences between accounting policies of the Parent Company and the Group are described below:

Classification and presentation

The Parent Company's income statements and balance sheet are presented in accordance with the Swedish Annual Accounts Act. The difference in relation to IAS 1 Presentation of financial statements applied in preparation of the Group's financial statements is primarily recognition of capitalized work for own account, finance income and costs, non-current assets and equity.

Leases

All leases where the company is the lessor are accounted for as operating leases, regardless of whether the contracts are finance or operating leases. Lease charges are recognized as costs evenly over the lease period, as long as an additional systematic way doesn't better reflect the economic use for the lessor over time in accordance with RFR 2.

Subsidiaries

Investments in subsidiaries are carried at cost. Dividends from subsidiaries are recognized as income when the right to receive the dividend is considered to be established and the amount can be reliably measured.

Anticipated dividends from subsidiaries are recognized in cases where the Parent Company unilaterally may determine the size of the dividend and provided that the Parent Company has made such a decision before it published its financial statements. Principles for impairment testing of shares in subsidiaries follow the same principles as the Group applies for property, plant and equipment and intangible assets.

Financial instruments

The Parent Company applies the exception in RFR 2, which means that the rules on financial instruments in IFRS 9 are not applied in the Parent Company as a legal entity. In the Parent Company, non-current financial assets are measured at cost less impairment and current financial assets and liabilities are measured at the lower of cost or net realizable value. However, some of the principles in IFRS 9 still apply - such as those relating to impairment, recognition/ derecognition, criteria for applying hedge accounting and the effective interest method for interest income and interest expense.

Group contributions and shareholder contributions

Group contributions are recognized as an appropriation. Shareholder contributions paid are recognized as an increase in the item participations in group companies with the donor. The recipient recognizes shareholders' contributions directly against equity.

Note 3 Important estimates and assessments

Listed below are the key assumptions concerning the future and other key sources of estimation of uncertainty at the balance sheet date, which involve a significant risk of material adjustments to the carrying values of assets and liabilities within 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 quarterly and whenever events or changes in circumstances indicate that the value of these development costs may have decreased.

In order to determine whether the value of Internally generated development costs has decreased, future cash flows arising from them must be analyzed and assessed by discounting cash flows. In cash flow assessments for the coming twelve months the by Management latest approved forecast, where known risks and uncertainties such as Covid-19 related risks, are used. The assessment of longterm cash flows emanate from the Group's financial targets.

When applying this method, the company assess a

number of factors, including the discount rate, future sales, costs and changes in working capital.

The assessment has been based on a high discount factor and a life span based on depreciation period, instead of actual life span for the products in question. The risk of impairment is considered to be, based on these assumptions, limited. However, changes in the conditions for these assumptions and estimates could have a material effect on the value of capitalized development expenditure. The assessment is that this uncertainty will not have any significant impact on the Group in the coming years.

Valuation of inventories

Inventory in stock or at supplier's warehouses are at risk of being impaired, for example because it becomes obsolete before being sold, or cannot be sold with a profit for other reasons. Consequently, an obsolescence reserve is used to reflect this risk. The size of the reserve is impacted by estimates regarding future sales volumes and prices, as well as future products. Changes in these estimations 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 risks such as market, liquidity and credit risks. Market risk mainly consists of currency risk. The company's Board of Directors has ultimate responsibility for the exposure, management and monitoring of the Group's financial risks in accordance with the company's finance policy. The Board of Directors of the company approves the policy once a year and the company's CFO is responsible to the company's CEO and Board of Directors for compliance with the policy. Financial risk management and controls regarding the financial risks is reported one time per year to the Audit Committee and the Board.

Market risk

Currency risk

Currency risk refers to the risk of fluctuation in fair value or future cash flows as a result of changes in exchange rates. Exposure to currency risk arises mainly from 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 fluctuations in exchange rates for the cash flows that take place in foreign currency. The Group's outflows mainly consist of Swedish kronor (SEK), Euro (EUR) and US Dollar (USD), while the Group's inflows mainly consist of euro (EUR), US dollar (USD), Chinese yuan (CNY), Japanese yen (JPY) and British pound (GBP). The Group is thus affected by changes in these exchange rates. The company's policy is not to hedge forecasted 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 stated based on the Group's payment flows in the most significant currencies.

Currency	2021	2020
Euro (EUR)	171	139
US Dollar (USD)	172	17
Chinese Yuan (CNY)	42	21
Japanese Yen (JPY)	55	44
British Pound (GBP)	36	25

Interest rate risk

Interest rate risk refers to the risk of fluctuation in variable interest rates associated with borrowings in the Group. Interest rate risk is considered low since a significant part of borrowing follows a fixed interest rate. An increase or decrease in the market interest rate by 0.5 percentage points, based on the Group's current external borrowing, would not have a material impact on comprehensive income as the overall result would change by SEK 0.1m (0.2). This calculation is based on current borrowings totaling SEK 20m (44).

Translation exposure

Translation exposure involves a risk that the value of the Group's net investments and earnings in foreign currency will be adversely affected by changes in exchange rates. The Group consolidates net assets and earnings in SEK on the balance sheet date. This risk is referred to as 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. The amounts below are stated in SEKm at the closing day rate.

Currency	Dec. 31, 2021	Dec. 31, 2020
Euro (EUR)	2	8
US Dollar (USD)	7	19
Chinese Yuan (CNY)	2	2
Japanese Yen (JPY)	4	4
British Pound (GBP)	1	5

The table below shows the translation exposure for profit/loss before tax in foreign operations. The amounts below are expressed in SEKm at average exchange rates.

Currency	2021	2020
Euro (EUR)	0	1
US Dollar (USD)	8	5
Chinese Yuan (CNY)	1	0
Japanese Yen (JPY)	1	1
British Pound (GBP)	1	1

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 a 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 sheet 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 in the exchange rate of 10 percentage points. For translation exposure, the effect on the Group's profit after tax and on its equity in the event of a change in exchange rates is shown.

	2021 Effect on profit/loss	Dec. 31, 2021 Effect on equity	2020 Effect on profit/loss	Dec. 31, 2020 Effect on equity
Sensitivity analysis of currency risk				
Transaction exposure				
EUR +5%	9		7	
USD +5%	9		1	
CNY +5%	2		1	
JPY +5%	3		2	
GBP +5%	2		1	
Translation exposure				
Euro (EUR) +10%		0		1
US Dollar (USD) +10%		1		2
Chinese Yuan (CNY) +10%		0		0
Japanese Yen (JPY) +10%		0		0
British Pound (GBP) +10%		0		0

Note 4 cont.

Liquidity and financing risk

Liquidity risk refers to the risk that the Group will have problems meeting its obligations in relation to the Group's financial liabilities as a consequence of insufficient liquidity. Financing risk refers to the risk that the Group will be unable to arrange adequate financing at a reasonable cost. In accordance with the Group's finance policy, the company shall perform monthly liquidity forecasts for the next 60 days. The finance policy also requires the company to maintain a liquidity reserve of at least SEK 30m at all times, consisting mainly of unused overdraft facilities. The size of the liquidity reserve is set taking into account relevant risks related to the ability of customers to pay, other financing and expected profit and liquidity growth. The ongoing assessment of risks associated with current inflows and outflows of liquidity determines the size of the liquidity reserve. Expected cost and sales levels in the Group are adjusted on an ongoing basis in 12-month forecasts

December 31, 2021	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities to credit institutions	6	8	6	–	21
Lease liabilities	3	7	31	15	56
Accounts payable	34	–	–	–	34
Other current liabilities	14	–	–	–	14
Total	57	15	37	15	124

December 31, 2020	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities to credit institutions	9	27	9	–	44
Lease liabilities	2	7	29	22	60
Accounts payable	45	–	–	–	45
Other current liabilities	6	–	–	–	6
Total	62	34	37	22	155

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 fulfil its contractual obligations. The Group's exposure to credit risk is attributable to accounts receivable and cash and cash equivalents. In order 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 in order to identify warning signs at an early stage. The Group has established a credit policy under which each new customer is individually analyzed for creditworthiness before the Group offers its general payment and delivery terms. The

carried out four times a year and may be adjusted to reflect an expected change in sales levels. Customer credit limits are also reviewed quarterly as part of ensuring an efficient ongoing flow of payments from customers.

The maturity distribution of contractual payment obligations relating to the financial liabilities of the Group and the Parent Company, are shown in the tables below. The figures in these tables are not discounted values and they also include interest payments where applicable, which means that these figures cannot be compared with the figures recognized on the statements of financial position. Interest payments are determined on the basis of the conditions prevailing at the balance sheet date. Amounts in foreign currencies are translated to Swedish kronor (SEK) at the exchange rates on the balance sheet 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.

Group's review includes external credit ratings, where available, financial reports, information from credit rating agencies, industry information and, in some cases, bank references. Sales limits are set for each customer and reviewed quarterly. Sales in excess of these limits require special approval from the Group.

The Group limits credit risk exposure from accounts receivable by setting a maximum payment period of one and three months for individual and corporate customers, respectively. For more information on past due receivables and loss allowance, see Note 20.

The Group's exposure to credit risk is primarily attributable to accounts receivable. The simplified approach

is used to calculate the credit losses on the Group's accounts receivable, and gives an insignificant effect. Expected credit losses have been calculated based on historical bad debt data. The expected credit losses for accounts receivable are calculated with the aid of a matrix based on previous events, current conditions and forecasts for future economic conditions and the time value of the money if applicable. The estimated effect on accounts receivable at December 31, 2021 of SEK -191k (-145) is considered immaterial, for which reason receivables are recognized at nominal values. Accounts receivable are spread across a large number of customers and no customer accounts for a significant portion of the total accounts receivable. Moreover, accounts receivable are not concentrated in a specific geographic area. The Group therefore, considers the concentration risks to be limited. In addition to the simplified approach a financial asset can be seen as doubtful when it is uncertain if the counterpart will be able to pay the full credit commitment to the Group and the Group can't regress in alternative securities, or the financial asset is overdue by more than 90 days. The Group's maximum exposure to credit risk is considered to be equal to the carrying amounts of all financial assets and is shown in the table below.

	Dec. 31, 2021	Dec. 31, 2020
Accounts receivable	69	67
Other current receivables	5	2
Non-current receivables	2	2
Cash and cash equivalents	206	254
Maximum credit risk exposure	282	326

Accounts receivable from external customers by region:

	Dec. 31, 2021	Dec. 31, 2020
APAC	15	13
Americas	36	29
EMEA	19	24
Total external accounts receivable	69	67

Credit risk in cash and cash equivalents

The Group has cash and cash equivalents of SEK 206m (254) at December 31, 2021. For cash and cash equivalents, banks and financial institutions are counterparties. These consist mainly of the Group's two main banks, Danske Bank and Svenska Handelsbanken, which are rated A to AA-, based on Standard & Poor's credit ratings. Expected credit losses in cash and cash equivalents have been assessed as insignificant and therefore are not recognized.

Capital management

Capital is defined in the Profoto Group as net debt, that is how much cash and equivalents that would remain if all debts were paid. Net debt/EBITDA is a measurement of financial risk and is an indication of repayment capacity. According to the finance policy adopted by the Board of Directors, the Group's financial objective is to have an optimal capital structure that contributes to maintaining the confidence of investors and creditors and provides a stable basis for the continued development of the business. Capital structure refers to the company's financing (total capital) and the combination of equity and liabilities.

The key ratios that the company's management and external stakeholders mainly assess in terms of capital structure are net debt to EBITDA and interest coverage ratio (EBITDA/net financial expenses). Profoto intends to maintain an efficient long-term capital structure where net debt to EBITDA is a maximum of 2.5 and the interest coverage ratio is a maximum of 4.0. These key ratios are monitored on an ongoing basis and reported to the Board.

Note 4 cont.

Classification of financial instruments

The carrying amounts of financial assets and 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
December 31, 2021		
Financial assets		
Non-current receivables	2	
Accounts receivables	69	
Other receivables	–	
Cash and cash equivalents	206	
Total financial assets	277	
Financial liabilities		
Liabilities to credit institutions		20
Accounts payables		46
Accrued expenses		15
Total financial liabilities		81

	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost
December 31, 2020		
Financial assets		
Non-current receivables	2	
Accounts receivables	67	
Other receivables	–	
Cash and cash equivalents	254	
Total financial assets	323	
Financial liabilities		
Liabilities to credit institutions		44
Accounts payables		45
Accrued expenses ¹		6
Total financial liabilities		95

1) Accrued expenses refers to the part of accrued expenses that will be settled by cash and cash equivalents.

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
2021			
Operating profit/loss			
Operating receivables – foreign exchange differences	9		9
Other operating liabilities – foreign exchange differences		-5	-5
Total operating profit	9	-5	4
Net financial items			
Interest income	0		0
Interest expense		-2	-2
Foreign exchange differences	0	-1	-1
Total net financial items	0	-3	-3
	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
2020			
Operating profit/loss			
Operating receivables – foreign exchange differences	1		1
Other operating liabilities – foreign exchange differences		-3	-3
Total operating profit	1	-3	-2
Net financial items			
Interest income	0		0
Interest expense		-3	-3
Foreign exchange differences	0	-5	-5
Total net financial items	0	-8	-8

For information purposes, the methods and assumptions used to determine the fair value of the Group's financial instruments are summarized below.

Accounts receivable and accounts payable

Accounts receivable and accounts payable normally have a remaining useful life of less than three months, for which reason 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, for which reason the reported value is a good approximation of the fair value.

Note 5 Segment information

The Group's only operating segment is Photographic.

- Photographic receives revenue from the sale of lights with accessories and related services.
- Group-wide consists of Group management. The segment's revenue consists 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.

2021	Photographic	Group-wide	Eliminations	Total Group
Revenue	732	0	0	732
Other operating income	11	12	-12	11
Total revenue	744	12	-12	744
Capitalized work for own account	22	0	0	22
Goods and services	-232	0	0	-232
Depreciation, amortization and impairment	-57	0	0	-57
Other operating expenses	-237	-39	12	-264
Operating profit/loss	239	-27	0	212
Not distributed: Net financial items				-3
Profit/loss before tax				209

2020	Photographic	Group-wide	Eliminations	Total Group
External revenue	528	0	0	528
Other operating income	3	12	-12	3
Total revenue	531	12	-12	531
Capitalized work for own account	21	0	0	21
Purchases of goods and services	-228	0	0	-228
Depreciation, amortization and impairment	-88	0	0	-88
Other operating expenses	-249	-11	12	-249
Operating profit/loss	-12	0	0	-12
Not distributed: Net financial items				-8
Profit/loss before tax				-20

Revenue from external customers by country ¹	2021	2020
APAC	179	141
<i>Of which Japan</i>	69	59
Americas	306	189
<i>Of which the US</i>	286	177
EMEA	248	199
<i>Of which Sweden</i>	22	23
Total	732	528
	Dec. 31, 2021	Dec. 31, 2020
Fixed assets²		
Sweden	173	197
Other	8	7
Total	181	204

Information about major customers

The Group has one customer who individually accounts for 10 percent or more of consolidated revenue. Sales to this customer were SEK 138m (88).

- 1) Revenue from external customers by region is based on where the customers are located.
2) Non-current assets are exclusive of financial instruments and deferred tax assets.

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 segments in accordance with IFRS 8. In addition, revenue by region is presented in Note 5.

Revenue by product category	2021	2020
Photographic	732	527
Digital business	1	1
Total	732	528
	2021	2020
Revenue per product line		
Lights	496	358
Accessories	211	156
Other	26	15
Total	732	528

Revenue from the sale of goods by the Group is recognized one point in time. Contract balances for advances and accrued income do not amount to significant amounts. Contract assets and contract liabilities are recognized as deferred income and accrued income respectively, see Note 21 and Note 27. All contract assets and contract liabilities are normally realized as income within 1 month. Character and time of the revenue is described in note 2 and uncertainties about revenue and cashflow is described in note 4.

Note 7 Other income

Group	2021	2020
Exchange gains	9	1
Government grants	–	1
Other income	2	1
Total	11	3

Aid received in 2020 consisted of small rental subsidies in Japan and reorientation support. The 2020 reorientation support received was repaid at the beginning of 2021 since the beneficiary group company approved and paid dividends before June 2021. Consequently, the requirements for receiving reorientation support were no longer met. The provision made for repayment of the liability for 2020 is described in detail in Note 27. Other grants received are shown in Note 10.

Note 8 Remuneration to auditors

	Group		Parent Company	
	2021	2020	2021	2020
Deloitte				
Audit assignments	2	1	1.1	0.7
Other audit duties	1	0	1.1	–
Tax advisory services	0	–	–	–
Other services	0	0	0.3	–
Azets				
Audit assignments	0	0	–	–
Total	3	2	2.5	0.7

Audit assignment relates to the auditor's remuneration for the statutory audit. This work includes reviewing the annual report and consolidated financial statements, the accounts and the administration by the Board of Directors and the CEO, as well as fees for reporting advice provided in connection with the audit assignment.

Other audit tasks relate to a review of the prospectus

in connection with the listing of the Parent Company in July 2021, interim report for the first quarter and related services as part of the IPO.

All costs for statutory audit of group companies included in the consolidated accounts, as part of the group audit has for 2021 been invoiced to the parent company Profoto Holding AB (publ)..

Note 9 Leases

Leases	2021	2020
Leased assets		
Real Estate	48	53
Equipment	1	0
Vehicles	1	1
Total leased assets	50	54
Lease liabilities		
Current liabilities	9	9
Non-current liabilities	43	47
Total lease liabilities	52	56
Depreciation, right-of-use assets		
Real Estate	-8	-9
Equipment	-1	0
Vehicles	-1	-1
Interest expense on lease liabilities	-1	-1
Total impact on earnings	-11	-11

Additional rights of use in 2021 amounted to SEK 5m (1) and relate to the exercise of renewal options for leases in the US. Some rights of use have been terminated during the year, mainly as a result of the closure of the offices in Germany and the UK.

Office leases usually include extension options. The current fundamental assessment is that none of these extension options will be used, and no optional periods are therefore included in the terms or lease liabilities. These judgements are based on the long remaining contractual duration in one case, and the decision not to prolong periods in other cases. Reassessment of whether a renewal option will be exercised with reasonable certainty on office leases occurs if a significant event occurs or circumstances change significantly in a way that is within the lessee's control. Payments on leases of short duration and low-value leases are not material.

The total cash flow from leases in 2021 amounts to SEK 11m (8). Maturity analysis of lease-liabilities is shown in Note 4. Total income from subleases of right-of-use assets amounts to SEK 1m (1) during the period.

Note 10 Number of employees, staff costs and senior executives**Average number of employees 2021**

	Women	Men	Total
Parent Company			
Sweden	0	2	2
Total Parent Company	0	2	2
Subsidiaries			
France	1	0	1
Japan	3	3	6
UK	0	2	2
Sweden	20	37	57
Germany	0	2	2
China	5	4	9
US	5	11	16
Total at subsidiaries	34	59	93
Total Group	34	61	95

Average number of employees 2020

	Women	Men	Total
Parent Company			
Sweden	0	2	2
Total Parent Company	0	2	2
Subsidiaries			
France	1	0	1
Japan	3	3	6
UK	0	2	2
Sweden	30	50	80
Germany	0	3	3
China	6	4	10
US	6	12	18
Total at subsidiaries	46	74	120
Total Group	46	76	122

Board members and other senior executives on the balance sheet date

	2021	2020
Parent Company		
<i>Women:</i>		
Board of Directors	3	1
Other senior executives	0	0
<i>Men:</i>		
Board of Directors, including CEO	3	3
Other senior executives	0	0
Total Parent Company	6	4
Group		
<i>Women:</i>		
Board of Directors	3	1
Other senior executives	3	4
<i>Men:</i>		
Board of Directors, including CEO	3	3
Other senior executives	5	5
Total Group	14	13

Note 10 cont.

Costs for employee benefits

	2021	2020
Parent Company		
Salaries and other remuneration	7.2	5.2
Social security contributions	3.8	2.3
Pension costs	1.7	1.9
Subsidiaries		
Salaries and other remuneration	72	84
Social security contributions	21	23
Pension costs	10	9
Total salaries and remuneration in the Group	80	89
Total social security contributions in the Group	25	25
Total pension costs in the Group	10	11
Total Group	115	125

In 2020, the Group received a grant for short-term work totaling SEK 7m (0). This grant has been accounted for as a reduction of the Group's payroll costs as follows, but is excluded in the table above:

	2021	2020
Government grants		
Salaries and other remuneration	–	5
Social security contributions	–	2
Total Group	–	7

Other grants received by the Group are described in Note 7.

Remuneration to senior executives (SEK)

	Basic salary/fee	Variable remuneration	Other benefits	Pension costs	Total
Remuneration to senior executives 2021*					
Chairman of the Board, Hans Eckerström	425,000	–	–	–	425,000
Board member, Magnus Brännström	212,500	–	–	–	212,500
Board member, Pernilla Ekman	150,000	–	–	–	150,000
Chief Executive Officer, Anders Hedebark	3,802,800	1,055,356	347,618	1,281,000	6,486,774
Board member, Helena Holmgren	112,500	–	–	–	112,500
Board member, Helene Willberg	250,000	–	–	–	250,000
Other senior executives (7 people)	8,052,988	2,225,768	75,817	2,658,039	13,012,612
Total remuneration to senior executives	13,005,788	3,281,124	423,435	3,939,039	20,649,386

Salaries and other remuneration distributed between senior executives and other employees

	2021	2020
Parent Company		
Salaries and other remuneration to senior executives, 1 (1) person including bonuses and similar remuneration to senior executives	5.2	3.9
Salaries and other remuneration to other employees	1.0	0.0
Salaries and other remuneration to other employees	2.0	1.2
Total salaries and other remuneration in the Parent Company	7.2	5.2

Salaries and other remuneration and pensions to senior executives

	2021	2020
Group		
Salaries and other remuneration to senior executives 8 (9) people including bonuses and similar remuneration to senior executives	16	12
Pension costs to senior executives	3	0
Pension costs to senior executives	4	4
Total salaries and other remuneration and pensions for senior executives in the Group	21	16

Remuneration to senior executives 2020*

	Basic salary/fee	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the Board, Hans Eckerström	311,250	–	–	–	311,250
Board member, Magnus Brännström	138,750	–	–	–	138,750
Chief Executive Officer, Anders Hedebark	3,558,555	–	346,764	1,279,572	5,184,891
Board member, Helene Willberg	173,000	–	–	–	173,000
Other senior executives (8 people)	8,102,918	–	73,490	2,834,193	11,010,601
Total remuneration to senior executives	12,284,473	–	420,254	4,113,765	16,818,492

*) The fee was reduced by 10 percent in April, July and October 2020.

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 basic salary and variable remuneration. Part of the pension premiums are premiums paid into a company-owned endowment policy. Pension liabilities and endowment insurance are presented net. The provision for special payroll tax is calculated on the basis of the value of the endowment policy.

Pension premiums are paid according to ITP 1 or ITP 2. Defined benefit plans consist of the ITP 2 plan for civil servants in Sweden, which is insured by Alecta. As Alecta is unable to provide the information required to report the ITP 2 plan as a defined benefit plan, it is recognized as a defined contribution plan (see below).

ITP 2 defined benefit plan obligations for old age pension and family pension obligations for white-collar workers in Sweden are managed through insurance from Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Accounting for pension plan ITP 2 financed by insurance in Alecta, this is a defined benefit plan that covers several employers. For fiscal year 2021, the company did not have the information to account for its proportionate share of the plan's obligations, plan assets and expenses, which meant that the plan could not be accounted for as a defined benefit plan.

The ITP 2 pension plan, which is covered by an insurance policy with Alecta, is therefore accounted for as a defined contribution plan. The premium for the defined benefit old-age and family pension is calculated individually and depends on factors including salary, previously earned pension and expected remaining service.

Expected premiums for the next reporting period for ITP 2 insurance policies underwritten in Alecta amount to SEK 1m (2). The Group's share of the total contributions to the plan and the Group's share of the total number of active members of the plan amount to 0.0 percent (0.0) and 0.0 percent (0.0) respectively.

The collective consolidation level is the market value of Alecta's assets as a percentage of the insurance liabilities calculated according to Alecta's actuarial methods and assumptions, which do not comply 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 below 125 percent or exceeds 175 percent, measures must be taken to create the conditions for the consolidation level to return to the normal range. At a low consolidation level, one measure could be to increase the agreed price for subscription and extension of existing benefits. At a high consolidation, one measure could be to implement premium reductions. At the end of 2021, Alecta's surplus in terms of the collective consolidation ratio was 172 percent (148).

Agreements on severance pay

If the Chief Executive Officer gives notice, or is terminated by the company, the notice period is twelve months. In case the Chief Executive Officer resigns from position before the notice period has ended, any remuneration from other assignments should be deducted from the remuneration paid by the company during the notice period.

Note 11 Other operating expenses

Group	2021	2020
Exchange losses	-5	-3
Total	-5	-3

Note 12 Finance income

Group	2021	2020
Interest income	0	0
Foreign exchange differences	0	0
Other	0	0
Total	0	0

Note 13 Finance costs

Group	2021	2020
Interest expense	-2	-3
Foreign exchange differences	-1	-5
Total	-3	-8

Note 14 Appropriations

Parent Company	2021	2020
Group contributions paid	-	-27.5
Group contributions received	51.9	-
Total	51.9	-27.5

Note 15 Tax on profit/loss for the year

	2021	2020
Current tax		
Current tax on profit/loss for the year	-47	-7
Adjustments recognized in the current year for current tax in previous years	-1	-1
Deferred tax		
Deferred taxes attributable to temporary differences	-3	11
Total	-51	2
Reconciliation of tax expense for the year	2021	2020
Profit/loss before tax	209	-20
Tax at applicable Swedish tax rate, 20.6% (21.4%)	-43	4
Tax effect of non-deductible expenses	-6	0
Effect of different tax rates for foreign subsidiaries	-2	-1
Other items	0	0
Total	-50	3
Adjustments recognized in the current year for current tax in previous years	-1	-1
Reported tax expense for the year	-51	2

The Group's deferred tax assets and deferred tax liabilities related to the following items:

	Dec. 31, 2021	Dec. 31, 2020
Deferred tax asset		
Internal profit on inventories	11	7
Unutilized loss carryforwards	-	5
Other items	5	3
Deferred tax asset	16	16
Deferred tax liability		
Capitalized development expenditure	21	24
Untaxed reserves	32	28
Other items	1	0
Deferred tax liability	54	52

Deferred tax assets are valued at no more than the amount likely to be recovered based on current and future taxable earnings.

The tax rate for the calculation of deferred tax is 20.6 percent based on the effective tax rate applicable from 2021. No tax is recognized in other comprehensive income. The Parent Company's deferred tax asset amounts to SEK 1.3m (6.1) at year-end and consists of a deferred tax asset related to tax on deferred cost deductions on a capital insurance of SEK 1.3m (0.7) and tax related to tax deficits from previous years of SEK 0.0m (5.3).

Note 16 Composition of the Group

The Group has the following subsidiaries as at December 31, 2021:

Name and corp. reg. no.	Country of operation	Holding (%) ¹
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	UK	100
Profoto US Inc corp. reg. no. 32-0407352	US	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. No changes in shareholding has taken place between the end of 2020 and 2021.

Profoto Holding AB is the direct owner (100 percent) of Profoto AB with a share book value of SEK 32.0m (32.0). Profoto AB in turn is the direct owner (100 percent) of all other subsidiaries, with the exception of Profoto Shanghai Photographic Equipment Co Ltd which is a wholly owned subsidiary (100 percent) of Profoto HK Limited.

In 2020, Profoto AB's wholly owned subsidiary Profoto Nordic AB (556926-8047) was merged into Profoto AB. Profoto AB's wholly owned subsidiary Profoto Ltd in Canada (68-1362) has in 2020 been liquidated and its operations has been transferred to the subsidiary Profoto US Inc. No other changes in the composition of the Group have taken place in 2021 or 2020.

Note 16 cont.

Note 17 Intangible assets

	Capitalized development expenditure	Software	Licenses	Total
Opening acquisition value January 1, 2021	214	31	2	246
Acquisitions	–	–	2	2
Internally developed assets	22	0	0	22
Closing accumulated acquisition value December 31, 2021	236	31	4	271
Opening amortization January 1, 2021	-97	-12	-1	-109
Amortization for the year	-29	-6	-1	-36
Closing accumulated amortization December 31, 2021	-126	-18	-2	-146
Opening impairment January 1, 2021	-19	–	–	-19
Impairment for the year	–	–	–	–
Closing accumulated impairment December 31, 2021	-19	–	–	-19
Carrying amount per December 31, 2021	91	13	3	106
Opening acquisition value January 1, 2020	193	31	2	225
Acquisitions	–	–	0	0
Internally developed assets	21	–	–	21
Closing accumulated acquisition value December 31, 2020	214	31	2	246
Opening amortization January 1, 2020	-67	-5	-1	-73
Amortization for the year	-30	-6	0	-36
Closing accumulated amortization December 31, 2020	-97	-12	-1	-109
Opening impairment January 1, 2020	–	–	–	0
Impairment for the year	-19	–	–	-19
Closing accumulated impairment December 31, 2020	-19	–	–	-19
Carrying amount per December 31, 2020	98	19	1	118

Total research and development expenses that were expensed in the period amounted to SEK 25m (33). These relate mainly to costs in the feasibility phase and project-wide administrative expenses that cannot be attributed to the development of specific products.

The previous year's impairment charge totaling SEK 19m relates to development projects for which products related to these projects have sold, and are expected to continue to sell, well below original expectations. The residual recoverable amount of these development projects after impairment is zero. These are further clarified in Note 24.

Note 18 Property, plant and equipment

	Tools and equipment	Improvement expenditure, rented premises	Total
Opening acquisition value January 1, 2021	92	11	103
Acquisitions	5	–	5
Sales/retirement	-4	-1	-5
Translation differences	2	0	2
Reclassifications	–	–	–
Closing accumulated acquisition value December 31, 2021	95	10	105
Opening depreciation January 1, 2021	-56	-7	-63
Sales/retirement	4	1	5
Reclassifications	–	–	–
Amortization for the year	-10	-2	-12
Translation differences	-2	0	-1
Closing accumulated amortization December 31, 2021	-64	-8	-70
Opening impairment January 1, 2021	-9	0	-9
Impairment for the year	0	0	0
Closing accumulated impairment December 31, 2021	-9	0	-9
Carrying amount per December 31, 2021	23	2	25
Opening acquisition value January 1, 2020	86	11	97
Acquisitions	7	0	7
Sales/retirement	–	–	–
Translation differences	-1	0	-1
Reclassifications	–	–	–
Closing accumulated acquisition value December 31, 2020	92	11	103
Opening depreciation January 1, 2020	-45	-5	-50
Sales/retirement	–	–	–
Reclassifications	–	–	–
Amortization for the year	-11	-2	-13
Translation differences	0	0	0
Closing accumulated amortization December 31, 2020	-56	-7	-63
Opening impairment January 1, 2020	0	0	0
Impairment for the year	-9	0	-9
Closing accumulated impairment December 31, 2020	-9	–	-9
Carrying amount per December 31, 2020	27	4	32

Note 19 Inventories

The composition of inventories is shown in the table below.

	Dec. 31, 2021	Dec. 31, 2020
Finished goods inventory	83	74
Consignment inventories	13	17
Other stock	3	3
Carrying amount	99	94
	2021	2020
Cost of goods	232	228
Total	232	228

Consignment inventories mainly consist of components held in inventory by manufacturers and/or suppliers.

Total impairment in 2021 amount to SEK -8m, of which SEK -3m is related to an obsolescence provision for products with low turnover in finished goods inventory and consignment inventory. In 2020, the obsolescence provision amounted to a total expense of SEK -55m (0), of which SEK -48m was related to the obsolescence provision for inventory-related assets linked to the C1 and C1+ product lines.

Provisions for signage intended for traders that cannot be sold at year-end amount to SEK 0m (-1).

Note 20 Accounts receivable

	Dec. 31, 2021	Dec. 31, 2020
Accounts receivable, gross	69	67
Provision for expected credit losses	0	0
Accounts receivable, net after provision for bad debts	69	67

The management's assessment is that the carrying amount of accounts receivable, net of provisions for bad debts, corresponds to fair value.

	Dec. 31, 2021	Dec. 31, 2020
Provision for expected credit losses, beginning of year	0	0
Provision for expected credit losses for the year	0	-
Reversal of unused amounts	0	0
Carrying amount	0	0

Accounts receivable aging analysis	Dec. 31, 2021	Dec. 31, 2020
Not past due	68	63
Past due <30 days	1	4
Past due 30-60 days	0	0
Past due 60-90 days	0	-
Past due > 90 days	0	0
Total	69	67

The company's assessment is that payment will be received for accounts receivable that are overdue but have not been written off, since 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 assessed as immaterial in their estimated amount and are therefore not included in the above note disclosures.

Note 21 Prepayments and accrued income

	Dec. 31, 2021	Dec. 31, 2020
Prepaid rents	2	2
Prepaid insurance premiums	2	1
Marketing	0	1
Accrued consumption of consignment inventories	1	4
Other items	1	1
Carrying amount	6	8

Note 22 Cash and cash equivalents

Cash and cash equivalents consist exclusively of available balances with banks and other credit institutions. Utilized overdraft facilities are recognized as current liabilities to credit institutions.

Financial risk management (credit risk) is described in Note 4.

Note 23 Share capital

On December 31, 2021, share capital consisted of 40,000,000 (500,000) shares with a nominal value of SEK 0.0125 (0.10). All shares are ordinary shares with equal voting rights. On May 7, 2021, the Parent Company increased total share capital to SEK 0.5m through a bonus issue without issuing any new shares.

Number of shares	2021	2020
At beginning of year	500,000	500,000
Share split	39,500,000	-
At year-end	40,000,000	500,000

Note 24 Items affecting comparability

	2021	2020
Obsolescence provision for consignment inventories	-	42
Obsolescence provision for finished goods inventory	-	6
Impairment of capitalized development expenditure	-	19
Impairment of property, plant and equipment (tools)	-	9
Government grants	-	-7
IPO expenses	25	-
Total expenses	25	68

The above items are considered by the Group to be material to the Group's results and are therefore detailed separately in notes. Costs for 2021 refer to IPO expenses. Costs for 2020 are attributable to impairment charges related to the C1 and C1+ product lines, for which sales significantly underperformed forecasts and where sales are expected to remain at an insignificant level in the coming years, as well as to government grants received.

In 2020, the Group received a grant for short-term work totaling SEK 7m. This grant has been accounted for as a reduction of the Group's payroll costs, see Note 10.

Note 25 Provisions

Group	Dec. 31, 2021	Dec. 31, 2020
Provisions at the beginning of the year	12	15
Provisions during the period	7	5
Provisions reversed during the period	-7	-8
Provisions at year-end	12	12

Provisions are for warranties on sold goods. The amounts are not discounted, and the discounting effect is not material. Long-term provisions consist of guarantee commitments expiring within 1-2 years, short-term provisions expire within 1 year.

Note 26 Non-current and current liabilities to credit institutions

	Dec. 31, 2021	Dec. 31, 2020
Non-current interest-bearing liabilities		
Non-current liabilities to credit institutions	6	8
Carrying amount	6	8
Current interest-bearing liabilities		
Current liabilities to credit institutions	14	36
Carrying amount	14	36

The Group's utilized overdraft credit amounts to SEK 5m (18) and is included in the item Current liabilities to credit institutions. The interest on the utilized overdraft is variable and based on the LIBOR benchmark rate. The benchmark interest rate reform phase 2 has not had any significant impact in 2021 or in the beginning of 2022. The interest based on LIBOR is in USD and ends first on June 30, 2023. Group's total overdraft facility amounts to SEK 339m (63). During the fiscal year, a loan agreement was concluded for an RCF loan with a total credit limit of SEK 250m, which had not yet been utilized at the end of the year. The majority of other liabilities that are not overdraft facilities are based on a fixed interest rate. The long-term debt matures in 2025. Fair value is estimated to be the carrying amount of the liabilities.

Note 27 Accrued expenses and deferred income

Group	Dec. 31, 2021	Dec. 31, 2020
Accrued wages etc.	29	16
Prepaid income	2	2
Accrued materials costs	10	13
Accrued marketing costs	1	0
Reorientation support received in 2020 to be repaid	–	3
Accrued consultancy fees	6	1
Other accrued costs	6	6
Carrying amount	55	41
Parent Company	Dec. 31, 2021	Dec. 31, 2020
Accrued wages and payroll overhead	6.4	3.5
Other items	0.3	0.3
Carrying amount	6.7	3.8

The Group's accrued salaries increased as a result of higher bonus-related reserves than for the comparison year, mainly because of the more positive earnings trend for the Group for 2021 compared with 2020.

Accrued material costs consist of material and freight-related commitments and risks, and risks related to goods in inventory. For 2020, the corresponding amount consists of reserved actual commitments to suppliers as a result of significantly lowered sales forecasts related to the C1/C1+ product line.

Note 28 Specifications for statement of cash flows

Group	2021	2020
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	57	88
Obsolescence provision for inventories	3	48
Other items	1	-2
Total	61	134

In preparing the statement of cash flows, adjustments are made for non-cash items which are summarized in the table on the left.

Reconciliation of liabilities arising from financing activities is presented in the tables below:

Group	Liabilities to credit institutions	Lease liabilities	Intercompany liabilities	Total
Opening balance January 1, 2020	20	64	77	161
Cash flow	24	-8	–	16
Net contracts concluded	–	1	6	7
Carrying amount per December 31, 2020	44	56	83	183

Group	Liabilities to credit institutions	Lease liabilities	Intercompany liabilities	Total
Opening balance January 1, 2021	44	56	83	183
Cash flow	-21	-11	-103	-135
Net contracts concluded	–	7	20	27
Foreign exchange differences	-2	–	–	-2
Carrying amount per December 31, 2021	20	52	–	72

Note 29 Pledged assets and contingent liabilities

	Dec. 31, 2021	Dec. 31, 2020
Pledged collateral		
Mortgages	40	40
Pledges on accounts receivable and inventories of Group companies	57	45
Total	97	85
Contingent liabilities		
Swedish Customs Service	1	1
Total	1	1

Company mortgage of SEK 40m was returned to borrowing group companies on February 3, 2022.

The Parent Company has issued a general guarantee on behalf of Profoto AB, 556115-5838. No outstanding liabilities are covered by the guarantee at the balance sheet date.

The Parent Company 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.

Note 30 Related party transactions

For the full year, invoiced management fees amounted to SEK 11.7m (11.7). The Parent Company anticipated a dividend from the subsidiary Profoto AB of SEK 153.0m and also received a Group contribution from the subsidiary Profoto AB of SEK 51.9m. The Parent Company has issued a general guarantee on behalf of its subsidiary, see Note 29. The Parent Company expensed consultancy costs of SEK 0.3m related to the IPO from an employee of the Chairman's company Aligro Capital. The subsidiary Profoto AB made a final settlement of the remaining pension rights of Conny Dufgran, one of Profoto's founders; as a result, a one-off amount of SEK 1.6m was expensed and paid.

Transactions with the former Parent Company Profoto Invest AB in 2020 consisted of intra-group loans, anticipated dividends, shareholder contributions and Group contribution. The purpose of the loan was to finance repayment of external loans from credit institutions. The loan to the ultimate parent company was interest-free and was settled in the second quarter of 2021. Closing balances are presented in the table for the Group and the Parent Company, respectively.

	Dec. 31, 2021	Dec. 31, 2020
Receivables from related parties		
Group		
Receivables from Parent Company	–	20
Carrying amount	–	20
Liabilities to related parties		
Group		
Liabilities to Parent Company	–	-83
Carrying amount	–	-83
Receivables from related parties		
Parent Company		
Receivables from other Group companies	199.5	233.3
Carrying amount	199.5	233.3
Liabilities to related parties		
Parent Company		
Liability to parent company	–	82.8
Liabilities to other Group companies	24.7	–
Carrying amount	24.7	82.8

Note 31 Events after the balance sheet date

- The Board of Directors has proposed a dividend of SEK 3.50 per share, corresponding to a total amount of SEK 140m.
- The previous financial target for net sales, "to achieve, over time, a constant currency annual organic growth in net sales of above 10 percent and reach net sales exceeding SEK 800 million by 2023," has been updated since the company believes the target will be achieved sooner. The target has been updated as follows: "To achieve, over time, a constant currency annual organic growth in net sales exceeding 10 percent."
- It is the company's assessment that, at the time this report is issued, the war in Ukraine has had no significant impact on Profoto's profit or business. The war has created an uncertainty in many parts of the world economy and can bring risk of interruptions in delivery chains, higher purchase prices and a general financial drop. It is too early to assess the longterm effects of the conflict but the company continues to carefully follow the developments.

Note 32 Appropriation of profits

The following profits are at the disposal of the Annual General Meeting (SEK)

Retained earnings	28,450,000
Profit/loss for the year	167,916,917
Total	196,366,917
The Board of Directors and the CEO propose:	
to be distributed to shareholders	140,000,000
to be carried forward	56,366,917
Total	196,366,917

Signatures

The annual accounts and consolidated accounts were approved for issue by the Board of Directors on April 4, 2022. The consolidated income statements and balance sheet as well as the Parent Company's income statements and balance sheet are subject to adoption by the Annual General Meeting on May 5, 2022.

The Board of Directors and the CEO hereby certify that the Annual Report has been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities, and that it gives a true and fair view of the company's position and results. It is further certified that the Directors' Report gives a true and fair view of the develop-

ment of the company's business, position and performance and that it describes the principal risks and uncertainties that the company faces. The Board of Directors and the CEO hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and give a true and fair view of the Group's financial position and performance and the Directors' Report give a true and fair view of the Group's operations position and results and describes significant risks and uncertainties that the companies included in the Group face.

Stockholm April 4, 2022

Hans Eckerström
Chairman of the Board

Anders Hedebark
Board member

Magnus Brännström
Board member

Pernilla Ekman
Board member

Helena Holmgren
Board member

Helene Willberg
Board member

Our audit report was issued on April 4, 2022
Deloitte AB

Therese Kjellberg
Authorized public accountant

Auditors' Report

To the general meeting of the shareholders of Profoto Holding AB (publ) corporate identity number 556810-9879

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Profoto Holding AB (publ) for the financial year 2021-01-01–2021-12-31 except for the corporate governance statement on pages 41-48. The annual accounts and consolidated accounts of the company are included on pages 33-69 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. 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 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 41-48.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

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 parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014/EU) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of capitalized development expenditure

The group's capitalized development expenditure amount to SEK 91 million as of 31 December 2021 which include internally generated development expenditure. Capitalized development expenditures are recognized as an intangible asset provided that the criteria described in the group's accounting policies in note 2 are met. The capitalization and subsequent valuation of internally generated development expenditure are based on management's assessment if the projects will be successful in terms of commercial and technical possibilities. There is a risk that development expenditures do not meet the requirements for capitalization and that the book value exceeds the recoverable amount which may have a significant impact on the group's earnings and financial position. Furthermore, there is a risk that these assets

will not generate economic benefits for the group throughout the useful life, which management has assessed as reasonable.

For further information please refer to disclosures in note 2 on significant accounting principles, note 3 on important estimates and assessment and note 17 on intangible assets.

Our audit procedures included but were not limited to:

- review of the process for capitalization, valuation and impairment of development expenditure and test of design and implementation of key controls
- evaluation of the Group's principles for capitalization of internally generated development expenditure
- audit of a selection of internally generated development expenditure and evaluation of management's assessment of capitalization
- evaluated and challenged key assumptions in management's impairment tests, such as assumptions about sales growth, margin and perpetual growth
- Involved valuation specialists in evaluating valuation method and when assessing discount rates
- conducted sensitivity analyses on key assumptions such as sales growth and weighted average cost of capital
- audit of the use of appropriate accounting policies and that sufficient disclosures are included in the financial statements

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts are included on pages 1–32 and 73–76 in this document.

Remuneration report is also other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, 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 annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and 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 company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, 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 annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar.

This description forms part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Profoto Holding AB (publ) for the financial year 2021-01-01-2021-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with 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 parent company and 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 is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisorsansvar.pdf.

This description forms part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Profoto Holding AB (publ) for the financial year 2021-01-01-2021-12-31.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report c33fcfcd529b9f-25dcd0d3e835acd2915d54197d79f086beeef-4de1060a2ca5 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this

recommendation is described in more detail in the Auditors' responsibility section. We are independent of Profoto Holding AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including

documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 41–48 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard Rev 16 The auditor's examination of the

corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Deloitte AB, was appointed auditor of Profoto Holding AB (publ) by the general meeting of the shareholders on the 2021-05-07 and has been the company's auditor since 2017-10-11.

Stockholm April 4, 2022

Deloitte AB

Therese Kjellberg

Authorized public accountant

This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish language original, the latter shall prevail.

Definitions

Average number of employees

Average number of full-time employees during the period.

Currency-adjusted organic growth

Change in net sales, recalculated at the preceding year's exchange rate, excluding acquired entities during the last 12-month period.

LTM

Last twelve months, the twelve-month period ending on the respective date.

Organic growth

Change in net sales excluding acquired entities during the last 12-month period.

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.

Explanations for 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 expenses. During 2021 adjustments were made for other external expenses related to IPO preparations in 2021. No adjustments were made in the fourth quarter of 2021. Ans for the full-year 2020, adjustments have been made for government grants received, inventory write-downs and impairment of property, plant and equipment and intangible assets. The impairment losses were attributable to sales from a certain product group that generally failed to meet expectations and these sales were 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 the Profoto Group'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	2020
Net sales	732	528
Operating profit (EBIT)	212	-12
Total items affecting comparability	25	68
Government grants	-	-7
IPO expenses	25	-
Impairment of inventories	-	48
Impairment of property, plant and equipment and intangible assets	-	27
Adjusted operating profit (EBIT)	237	56
Adjusted EBIT-margin, %	32.3	10.6

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

Profit or loss before financial items and tax. Shows the profit or loss from the company's operating activities.

EBIT adjusted for currency effect, %

Change in EBIT, recalculated at the preceding year's transaction-based daily average exchange rate. Shows the result in the company's operational business excluding exchange rate effects.

EBIT margin, %

EBIT as a percentage 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 finance income and costs, taxes, depreciation and amortization) is the operating profit plus depreciation, impairment and amortization. EBITDA provides a view of the ability of the operations to generate resources for investment and payment to capital providers.

SEKm	2021	2020
Operating profit (EBIT)	212	-12
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	57	88
EBITDA	269	76

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, which by nature are unusual and have a material impact on earnings. The transactions play an important role in understanding underlying business developments.

Net debt

Interest bearing liabilities, minus cash and cash equivalents. A measurement of the company's financial position. Shows how much cash and cash equivalents would remain if all debts were paid off. A negative amount indicates a positive net cash position.

SEKm	Dec. 31 2021	Dec. 31 2020
Liabilities to credit institutions, non-current	6	8
Lease liabilities, non-current	43	47
Liabilities to credit institutions, current	14	36
Lease liabilities, current	9	9
Current liabilities to Group companies	-	83
Current receivables from Group companies	-	-20
Cash and cash equivalents	-206	-254
Net debt	-134	-91

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	Dec. 31 2021	Dec. 31 2020
Net debt	-134	-91
EBITDA, LTM	269	76
Net debt/EBITDA LTM, quota	-0.50	-1.20

Net sales adjusted for currency effect, %

Change in net sales for the year, recalculated at the preceding year's transaction-based daily average exchange rate. Shows whether a company is growing or shrinking, excluding exchange rate effects.

%	2021	2020
Change in net sales	38.6	-36.6
Currency effect	5.6	1.6
Net sales adjusted for currency effect	44.2	-35.0

Financial information

Financial calendar

Annual Report 2021 – April 11, 2022

Interim report Q1 2022 – May 5, 2022

Annual General Meeting 2022 – May 5, 2022

Interim Report Q2 2022 – July 22, 2022

Interim Report Q3 2022 – November 8, 2022

For further information, please contact

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Financial information

and other relevant company information is published on <https://investors.profoto.com/en/>.

Annual General Meeting

Profoto's Annual General Meeting will be held on Thursday, May 5, 2022. With the purpose of conducting the meeting in such a way that the risk of spreading the virus causing covid-19 is minimized, the Annual General Meeting will be conducted through postal voting in accordance with Section 22 of the Act (2022:121) on temporary exceptions to facilitate the execution of general meetings in companies and other associations, meaning that no shareholders will attend the Annual General Meeting in person or by proxy.

Conditions for participation

A shareholder who would like to participate in the general meeting must (i) be entered in the register of shareholders maintained by Euroclear Sweden AB by April 27, 2022, and (ii) give notice of participation in the Annual General Meeting no later than May 4, 2022, by having submitted a postal vote that Profoto has received no later than this date. In order to be entitled to participate in the general meeting, a shareholder who has registered their shares in the name of a nominee, in addition to announcing their intention to participate in the

general meeting, must register its shares in its own name so the shareholder is entered into the register of shareholders as of April 27, 2022. This registration may be temporary (so-called voting right registration) and is requested with the nominee in accordance with the nominee's procedures and in advance as determined by the nominee. Voting rights registration that have been made by the nominee no later than April 29, 2022, will be taken into account in when preparing the shareholder register.

For postal voting, a special form shall be used. The form will be able at the company's website <https://investors.profoto.com/en/general-meeting/>. The completed and signed form may be sent by post to Profoto Holding AB (publ), "General meeting", Box 1264, Landsvägen 57, SE-172 25 Sundbyberg, Sweden, or by email to agm@profoto.com. The completed form must be received by Profoto no later than May 4, 2022. Further instructions and conditions are provided by the form for postal voting.

If the shareholder submits its postal vote by proxy, a written and dated power of attorney signed by the shareholder, shall be enclosed with the form. Proxy forms are available on the company's website <https://investors.profoto.com/en/general-meeting/>. If the shareholder is a legal entity, a registration certificate or other authorization document shall also be enclosed with the form.

Shareholders' right to receive information

The Board of Directors and the CEO shall, if any shareholder so request and the Board of Directors believes that it can be done without material harm to the company, provide information regarding circumstances that can affect the assessment of an item on the agenda, circumstances that can affect the assessment of the company's or its subsidiaries' financial situation and the company's relation to other companies within the group.

A request for such information shall be made in writing to the company no later than April 25, 2022, at the address of Profoto Holding AB (publ),

"General meeting", Box 1264, Landsvägen 57, SE-172 25 Sundbyberg, Sweden or by email to agm@profoto.com. The information will be made available on the company's website <https://investors.profoto.com/en/general-meeting/> and on the company's head office, Landsvägen 57, SE-172 25 Sundbyberg, Sweden, no later than April 30, 2022. The information is also sent to the shareholders who so request and state their postal address or email address.

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