

# Profoto Annual Report 2022



# Profoto Annual Report 2022

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PHOTO: DIANN BOAL

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PHOTO: ALBA SOLER



PHOTO: FLORA BORSI

## Operations

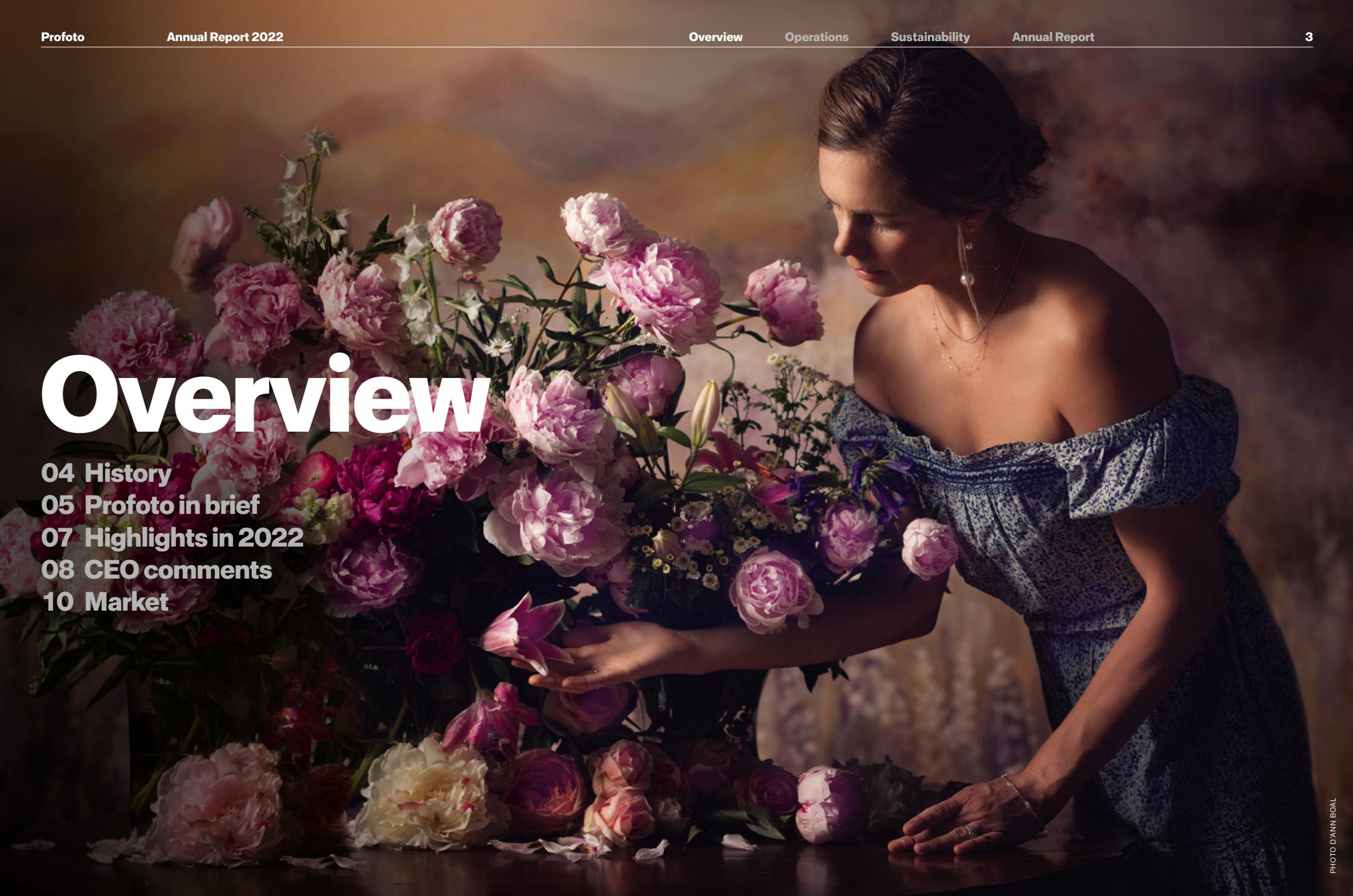
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The Board of Directors and CEO of Profoto Holding AB (publ), corporate registration number 556810-9879, hereby submit the Annual Report of the Parent Company and the Group for fiscal year 2022. The Annual Report consists of the Directors' Report (pages 32–39), Corporate Governance Report (pages 40–46) and the financial reports together with notes (pages 47–67). The consolidated statement of profit and loss and financial position, together with the income statement and balance sheet for the Parent Company, are approved at the Annual General Meeting.

A woman with dark hair pulled back, wearing a blue patterned off-the-shoulder dress, is shown in profile, looking down at a large, vibrant bouquet of flowers. The bouquet is filled with various types of flowers, including large pink peonies, purple lilies, and smaller white and yellow flowers. The scene is lit with warm, golden light, creating a soft and intimate atmosphere. The woman's hands are gently touching the flowers, and she appears to be carefully tending to them. The background is a blurred, warm-toned space, possibly a greenhouse or a studio setting.

# Overview

04 History

05 Profoto in brief

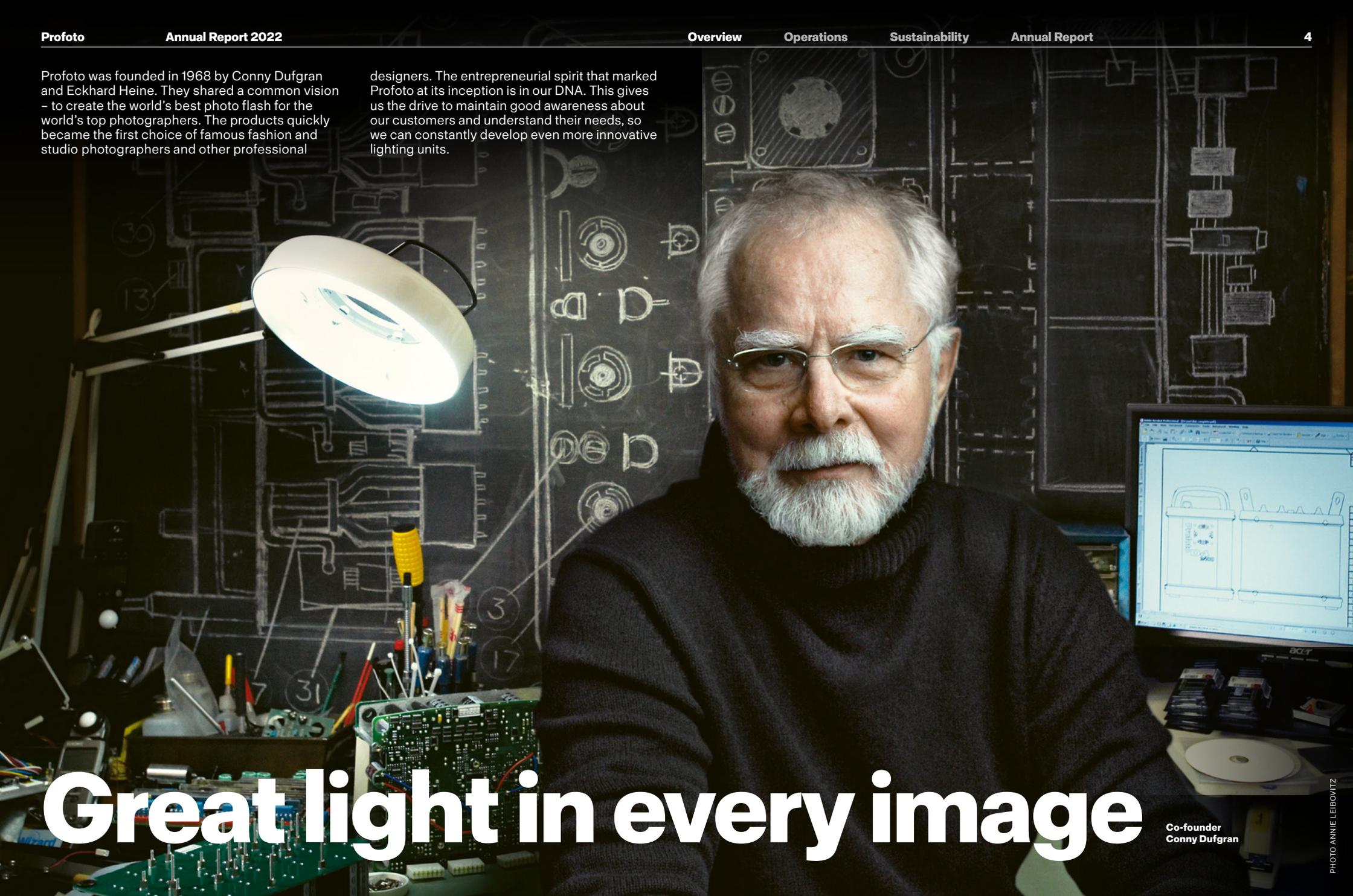
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Profoto was founded in 1968 by Conny Dufgran and Eckhard Heine. They shared a common vision - to create the world's best photo flash for the world's top photographers. The products quickly became the first choice of famous fashion and studio photographers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

designers. The entrepreneurial spirit that marked Profoto at its inception is in our DNA. This gives us the drive to maintain good awareness about our customers and understand their needs, so we can constantly develop even more innovative lighting units.



# Great light in every image

Co-founder  
Conny Dufgran

# Profoto in brief

## Light makes the difference

Profoto is a global company that helps photographers realize their ambitions. We develop, market and sell lighting solutions for two main areas: professional photographers and studios.

### What

World leader in lighting for professional photographers and studios. Innovative products in flash, light shaping tools and automated systems and workflows for visual content creation.



### Why

We help photographers and studios realize their visions through beautiful light in every image.



### Who

For creators of high-quality images, mainly professional photographers and studios.



### Where

Sales in 58 countries. The products can be purchased through more than 240 dealers worldwide, rented from local rental companies, or purchased directly via profoto.com.



### World leader in light shaping

Profoto is a global leader in premium lighting. The end users are professional photographers and commercial clients, including major consumer brands and e-commerce companies with their own studios or who outsource to external studios.

### Product development captures customer needs

The lighting solutions are robust and packed with innovative technology; they are high quality and yet easy to use. The products are designed based on customer needs and use. Over the years, we have been able to meet various new needs from new customer groups – from analogue to digital,

from studio to on-location photo shoots, and from system cameras to compact mirrorless cameras and smartphones.

### Global sales

Profoto has sales in 58 countries. The products can be purchased from more than 240 active dealers or via the company's online store, profoto.com, or they can be rented through local rental companies. Our headquarters are in Stockholm and we have 135 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



## Profoto in brief

### Growth through organic development and acquisitions

For a long time, Profoto has combined organic growth with very strong and growing profitability. The goal is to continue to grow organically in professional still photography and automated solutions for e-commerce photography, primarily by continuing our systematic product development strategy of offering better performance and communication systems among products within the ecosystem. We also want to grow through acquisitions in the areas of e-commerce solutions, moving images and smartphone photography.

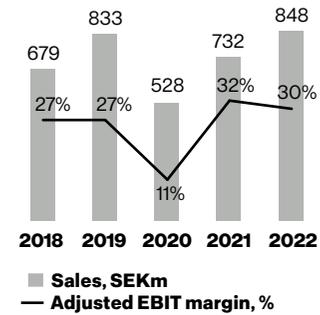
### Innovation initiatives

Continuous investment in innovation has contributed to the company's robust growth. Today, 73 people work with 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 related growth areas where we see exciting development opportunities.

### Efficiency in everything

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 in 2022

## A stable year despite a troubled world

During the year, we continued to invest in product development and innovation. With the move into automated e-commerce photography solutions, we strengthened what we offer in this customer segment.

# +16%

Net sales for 2022 totaled SEK 848m (732), an increase of 15.8 percent. Organic growth totaled -0.8 percent. Market uncertainty, characterized by interest rate rises, inflation and higher electricity prices, resulted in a wait-and-see attitude among our customers and affected sales for the year.

During the year, we saw a continued increase in the need for high quality images – especially in photography for e-commerce. The increased need to take more images, in a variety of ways, created a demand for studio photography products, in particular.

### Advanced lighting by David Bicho

Three new academy courses for professional photographers were launched in the fall, “Advanced Lighting 1, 2 and 3 with David Bicho.”

#### Key ratios<sup>1</sup>

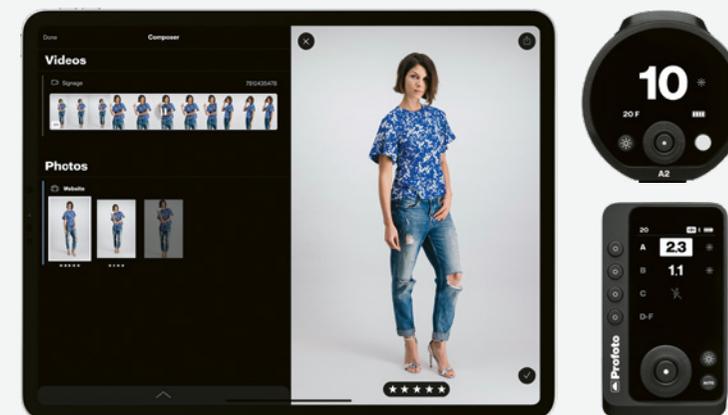
	2022	2021	2020
Net sales, SEKm	848	732	528
Adjusted EBIT, SEKm <sup>2</sup>	257	237	56
Adjusted EBIT margin, %	30.3	32.3	10.6
Net profit/loss for the period, SEKm	194	158	-17
Cash flow from operating activities	236	240	153
Average number of employees	124	95	122

1) For information and explanations regarding alternative performance measures, including proforma, see page 73.

2) 2022 adjusted for costs of SEK 8m related to acquisitions.

### The acquisition of StyleShoots gives Profoto a stronger offering

With the acquisition of StyleShoots 2022, Profoto strengthens what it can offer e-commerce companies in the fashion industry. More and more brands are investing in photo studios, and Profoto expects to benefit from this trend. Good lighting produces better images, which drives e-commerce sales and reduces returns by better bringing out the true colors and textures of garments. During the year, work began to establish a US sales organization for these automated solutions.



### Major global product launches

**A2** – During the year we launched the A2, our smallest and lightest compact flash ever. So now photographers can always bring beautiful light with them, no matter where their next shoot takes them.

**Connect Pro** – Profoto launched the next generation of cordless triggers, Connect Pro, during the year. Triggers that give the photographer total control over all flash settings, thanks to our AirX technology.

**ProStudio** – Our innovative software integrated into our automated plug-and-play e-commerce photography systems. Live, Eclipse, Horizontal and Vertical cut the time from shooting to publishing in half – which is a key success factor in e-commerce.

# CEO comments

## A robust 2022 despite a cautious market

The year was marked by uncertainty in the market. Despite that, Profoto delivered a robust and profitable year. Through an acquisition and continuous focus on product development, we strengthened our position in the market.

The year 2022 did not turn out quite as we had planned. We looked forward to leaving the pandemic behind and to a year of growth. Instead, a war broke out in Ukraine, and the consequences were serious in many ways, beyond the purely human consequences. At the same time, market uncertainties created by interest rate hikes, inflation and rising electricity prices led to cautious consumption, which in turn affected the willingness of professional photographers to invest in new equipment.

### The acquisition of StyleShoots strengthened our position in e-commerce photography

Our focus on studios and especially e-commerce photography has continued throughout the year, and in April we took a strategic step with our acquisition of StyleShoots in the Netherlands. Through the acquisition, we entered the market for automated e-commerce photography with a focus on the fashion industry and can now offer a complete solution for studio photography. The integration has gone well, and during the year work began on establishing a sales organization in the US. We have recruited a sales team and are in the process of opening a showroom in Brooklyn, New York, where we can demonstrate our full product range. From automated solutions to our modular products.

### Continued market uncertainty

For Profoto, 2022 has also meant some trials of a limited nature. We had problems with component deliveries during the summer, which in turn meant that we could not fully deliver to our customers. However, this was rectified the following quarter.

The caution shown by self-employed photographers and consumers, when it comes to spending in these times, has been noticeable. We have seen greater caution, which has also prompted dealers to reduce their stocks. We also saw restraint in certain major investment decisions, affecting demand

for our automated solutions, which have higher price points than our modular solutions.

### Profoto delivers a profitable year

Sales for the full year totaled SEK 848m. Which is above the target we said we would reach at the IPO 2021 of SEK 800m. However, we benefited from exchange rates gains and from the acquisition we made in the second quarter. The adjusted EBIT margin was 30 percent, which was within our target of 25–30 percent. We are proud to have continued to deliver high profitability.

The strongest growth during the year was in EMEA with 28 percent to SEK 318m, largely from the acquisition of StyleShoots. In the Americas, sales for the year totaled SEK 356m, representing growth of 17 percent. The weakest region during the year was APAC, which decreased by three percent to SEK 174m. This was entirely due to pandemic-related restrictions in China. Demand in Japan was good during the year.

### Continued focus on innovation

We continue to invest in product development in our focus areas and where we are unique. We can clearly see the underlying structural trends of market growth.

- In e-commerce, the importance of creating high-quality visual content, images and moving content is becoming ever more important for staying competitive.
- Building strong fashion brands requires differentiation – as well as strong images and films.
- For events such as weddings, where there is some sign of an upturn, skilled photographers are the key to creating memories for life. And how does a photographer stand out? Through fantastic light, of course.



## CEO comments

### Several interesting growth opportunities

Although the market outlook for the near future is uncertain, we are working for what we believe in by constantly increasing our innovation. This is reflected in our higher investment level in 2022, with 10 percent of sales invested in research and development. Our strategy continues to be to strengthen our position as a premium brand through product development. The professional imaging market continues to grow, and there are several interesting submarkets in which Profoto has good growth opportunities, both organically and through acquisitions.

I would like to take this opportunity to thank all our dedicated staff for their drive and commitment during the year and our shareholders for their support. I look forward to seeing what we can achieve together in 2023!

### Anders Hedebark

CEO

**“Although the market outlook for the near future is uncertain, we are working for what we believe in by constantly increasing our innovation. This is reflected in our higher investment level in 2022, with 10 percent of sales invested in research and development.”**



# Market

## Stable market and accelerated e-commerce

Profoto operates in the market for lighting solutions. We focus on two customer segments that create images with high quality visual content: professional photographers and studios.

Flashes to create and shape light are an essential part of professional photographers' equipment and account for a large proportion of the annual investment photographers make in camera equipment. The total market for lighting solutions is composed of three main segments.

- A total of 30 percent of the market consists of flash units not connected to the camera, i.e., Off Camera Flash (OCF).
- Camera flashes mounted directly on the camera account for 25 percent of the market.
- A total of 45 percent of the lighting market is continuous light, light for a longer period of time.

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

### Focus on flashes

The flash market is divided into the following three areas:

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

Profoto operates in the premium segment, targeting professional photographers and studios, including in the area of e-commerce for fashion and accessories. Low-cost brands target their products at both professional and amateur photographers. Global camera flash providers cover a wider range of customers.

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

Profoto has been offering premium products to the studio segment since it was established in 1968.

### E-commerce - a growing market

Following this year's acquisition of StyleShoots, the range of products for e-commerce photography has been significantly broadened to include the following scalable studio solutions:

- Flexible modular solutions with Profoto's flashes and light shaping tools that enable unlimited creative lighting for image creation.
- Fully automated solutions with integrated software designed to produce high volumes of images, with a focus on high productivity and efficient workflows.

In the studio segment, growth in e-commerce photography solutions has accelerated in recent years. Brands and fashion houses are investing heavily to meet customer expectations in this sales channel. This increases the need to visually present products in a broader way than before, which means that the number of images produced is growing rapidly. Some fashion houses have even chosen to set up their own photo studios to provide the images they need. Overall, this encourages the use of lighting solutions, especially scalable automated solutions, as the studio segment has high demands regarding both productivity and quality of visual content.

Since the number of images in a studio is very high, speed and efficiency in the workflow become crucial. The automated solutions that are used must help to shorten time-to-market, i.e., the time it takes to present a new product and make it marketable online. The quality of the visual content involves accurately representing the products, both to facilitate the purchase decision and to minimize the risk that the customer will later be dissatisfied with the actual appearance of the product and return it. Scalable, automated solutions deliver high, consistent image quality in





The market for lighting solutions is expected to reach  
SEK  
**8.9**  
billion in 2025

terms of light tone, ensuring that colors are accurately reproduced. At the same time, perfect images are taken from many different angles to create the right feel for the products.

**Increasing investments**

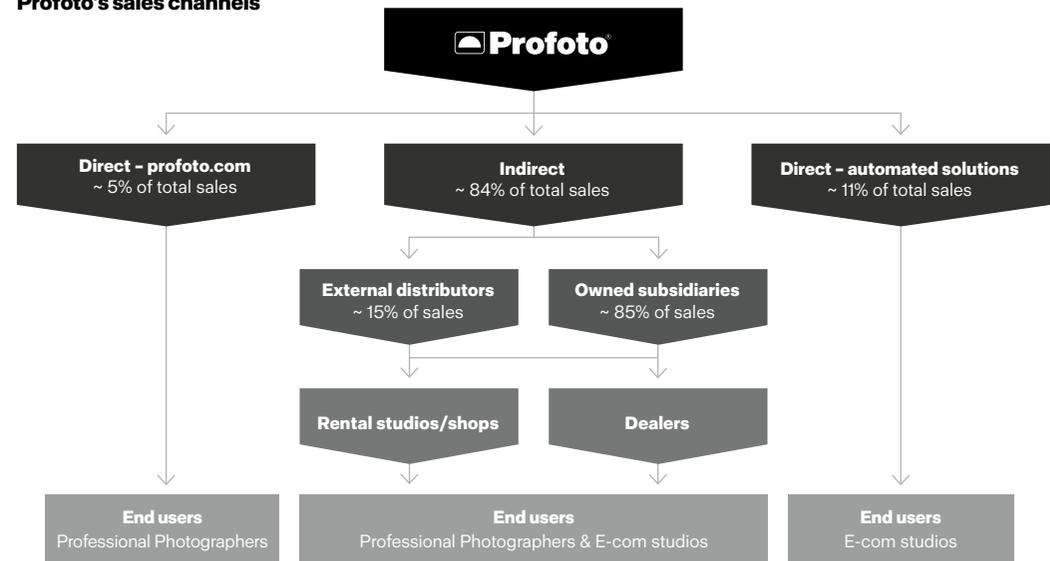
Historically, the market for lighting solutions has been stable, especially in the premium segment. Customer investment in lighting solutions is expected to continue to grow globally, due to customers choosing to upgrade to better solutions

and choosing products with improved functionality. In 2023, the market is expected to reach SEK 8.2 billion, after which it is expected to grow by 3–5 percent CAGR to SEK 8.9 billion by 2025.

**Indirect sales drive revenue streams**

Profoto’s main sales channels are dealers and rental companies that sell or rent out professional equipment to photographers and other end users. These indirect sales currently account for about 84 percent of Profoto’s revenue. In the largest markets,

**Profoto’s sales channels**



**Profoto’s main sales channels are dealers and rental studios/shops. These sales currently account for about 84 percent of Profoto’s revenue.**

Profoto’s subsidiaries work with dealers and rental companies, while external distributors do this in smaller markets.

Regardless of if the distributor is a subsidiary or an external distributor, the sales strategy is designed to support our approximately 240 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.

Through the acquisition of StyleShoots, we now also have a direct sales channel to e-commerce studios.

# Operations

A close-up, artistic photograph of a woman's face. Her hair is completely covered in a dense arrangement of white, paper-like roses. Her eyes are also obscured by these roses. She has a striking blue eye visible through a gap in the flowers. Her lips are painted a vibrant, glossy red. The background is a soft, light blue gradient.

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# Business model

## Focus and flexibility generate profitable growth

By focusing on what we do best, which is delivering lighting for professional photographers worldwide, we live up to our vision of “Great light in every image.” It also entails investing in technology and innovation.

At the same time, we are efficient by outsourcing the more general tasks. By focusing on what we do best allows us to shorten decision chains, which gives us a more scalable business operations.

Our job is to 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 visions.

### Strategies

Our successful growth journey is based on three strategies. Together, these help us work efficiently and develop innovative products for the world’s leading photographers and studios.



#### Product development

Right from the very start, we have strengthened our position as a leader in lighting technology and successfully launched new product innovations. The power of development is thus our origin and also our future, where new innovative products and solutions drive growth.



#### Brand

Profoto is a premium brand used by leading photographers and studios. Our high quality products make it possible for customers to develop, due to their ease of use and global availability, as well as learning and inspiration.

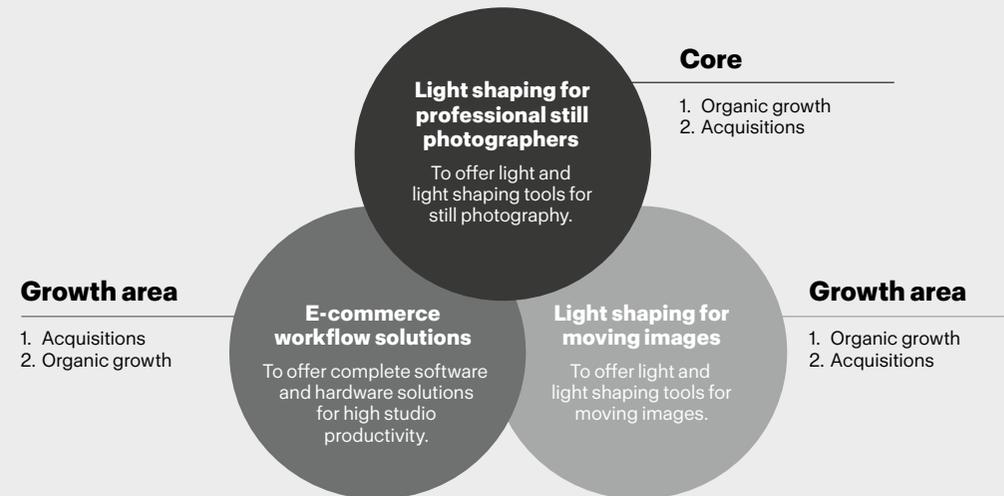


#### Focus

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 makes us resource-efficient and more flexible and also ensures Profoto’s access to the right external expertise.

### Growth strategy

Based on our strong position as a supplier to professional photographers and our focus on what we do best, we have identified three growth areas:



**Via more than 20 brands, BESTSELLER offers clothing and accessories to different target groups. The family-owned retailer sells products online, as well as through stores and chain stores worldwide. The products are marketed under brands such as Jack & Jones, Vero Moda, Selected, Only, Mamalicious and others.**

## BESTSELLER

### Creates high quality visual content for its brands

#### Flexible photography

BESTSELLER's studio team photographs around 2,500 products every month.

"Because we work with several brands, we shoot many different types of clothing – for men, women and children, as well as accessories, home products and sometimes perfumes," says BESTSELLER's Production Manager Adam Fedorowicz.

Target groups and style ideals differ between brands, and this affects the way work is structured.

"Each client has specific technical requirements and creative directions. That's why we have to be very flexible and specialized in different types of photos."

"As we see it, producing large volumes of images successfully relies on a couple of basic conditions – the quality of the light being consistently good and the productivity of our teams being high. Profoto supports us in all of these areas," says Fedorowicz, referring to what is crucial for developing strong e-commerce content.

#### Reliability important

In order to keep customers satisfied and return rates low, it is important to create visual content with a high image quality. Lights and colors need to create the right atmosphere, so that what customers see and order online is also what they

experience when the goods are unpacked. With the user-friendly, reliable equipment and the fast workflow, Adam and his colleagues have been able to shorten the time it takes to present a new product and make it marketable online – from two weeks to three hours.

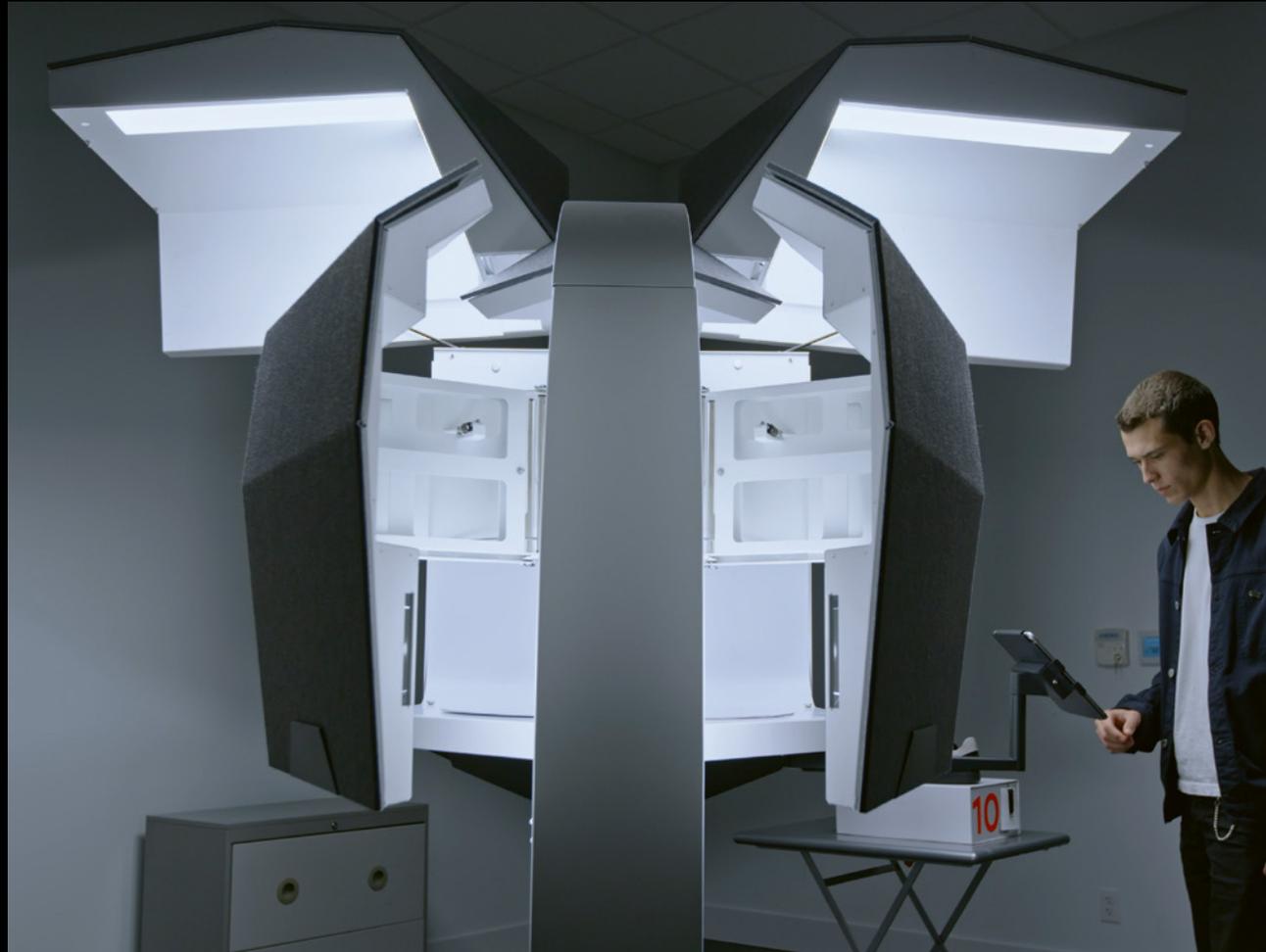
"Reliability is one of the main advantages of Profoto's equipment. This is crucial for those like us who produce images in such high volumes. Equipment failures could cause long delays and ultimately make customers unhappy," continues Adam.

The studio team uses Profoto D1 flashes in combination with RFI Softboxes and umbrellas for pack shots. ProHead Plus flashes and Pro-10 Packs are used for model images.

"When we use Profoto, we don't have to worry – even after working for eight hours straight," concludes Adam. High, consistent light quality, flash after flash, and the right color temperature and exposure ensure a high-quality production that lives up to our standards. We have used Profoto from the very beginning and have not even considered any other brands.



**A.K. Rikk's is a retailer of men's and women's clothing, shoes and accessories in the luxury segment. It has successfully developed its e-commerce business with the help of Profoto Automation. The company found a solution that has become a game changer in visual content production.**



## Profoto Automation

### – a game changer when A. K. Rikk's creates visual content

#### Flexible photography

The store has over 16,000 products. This wide selection led A.K. Rikk's to take the plunge and start investing in e-commerce in 2015. To ensure online competitiveness, a photo studio was established, focusing on smooth workflows in the production of visual content – in a process that the studio team can optimize. After a while, Adam McKeague, Director of Technology and Design, discovered Profoto Automations' automated solutions.

#### Workflow optimization

A.K. Rikk's now uses Profoto Automations' automated solutions – 1 Horizontal, 1 Vertical, 2 Live and 1 Eclipse. This has enabled A.K. Rikk's to streamline its own team and focus more on styling the products. By removing unnecessary tasks and optimizing the workflow, the team has established and successfully developed e-commerce and social media operations via the automated solutions.

The wide variety of styles, sizes and materials makes it difficult to photograph bags, shoes and accessories correctly. Successful shoe photography typically requires some kind of

light-reflecting surface, a camera, studio lighting, a diffuser, reflector, stand and editing software.

A goal of combining all these elements into a single product resulted in Eclipse 2018 – a powerful plug-and-play machine that shoots, edits and exports still images and videos of shoes and accessories in just minutes.

#### A game changer

The implementation of this comprehensive, automated solution has been a game changer for A.K. Rikk's. With the rotating table and 4-axis robotic camera movements, the team can get perfect images from different angles.

"You can get the same angles and the same lighting with the click of a button. In just 45 seconds, Eclipse goes through six images and automatically edits the videos together. It saves a lot of time in post-processing," says Greg Szudzik, product stylist at A.K. Rikk's.

With the Profoto Automation equipment, A.K. Rikk's gets extremely detailed images of its products. One reason for the studio only using Profoto StyleShoots solutions is that it saves a lot of time – both in preparation and in post-production.

# Product development

## Innovative products and solutions drive growth

Product development and innovation are in Profoto's DNA. The power of development is our origin and also our future, where new innovative products and the solutions drive growth.



When Profoto was founded in 1968, the goal was to create the world's best flashes for the world's best photographers. Through different eras, technological changes and photographic trends, we have remained true to that goal, and continuous innovation and forward-thinking product development have always kept us ahead of the curve. Going forward, we will continue to develop and launch new products that add value for customers, such as better performance, smoother product control and more attractive design. By developing new products – and upgrading the ones we already offer – we keep pace with how the needs and requirements of our existing customers change. At the same time, we utilize Profoto's innovative products to reach entirely new customer groups.

### Greater choice of products, more areas of use

Our product range originally started with flashes for professional photographers in studio environments. Since then, it has been expanded as a result of innovation and technological improvements, to create a wider range of products with many different areas of use. With this strategy, we have successfully expanded into existing and new product categories and customer segments. Regardless of whether photographers are working on-location or in the studio, we give them the best possible conditions for creating and shaping light, for example through products that are easy to carry, set up and use.

We now also offer automated solutions for studios in areas such as e-commerce, where the focus is on efficient workflows and high-volume photography. The current products are divided into the areas lights and accessories, and automated studio solutions. The product range includes hardware and software. Several of the solutions also enable synchronized communication between devices

for optimal performance. In addition, the products have built-in software that is wirelessly updated. This ensures that the customer always has access to the latest version with the best performance.

### Practical product development

The strategic research and product development is done internally. We have our own teams of experts in the areas of Image Technology, Power Electronics, Connectivity, Embedded Software and Product Design / Mechanics. The teams consist of around fifty people working on web and technical development. Through a continuous process of idea generation, new product ideas and product plans are developed based on expressed and anticipated customer needs. This systematic process is linked to a detailed lifecycle management in which each product in the range has its own strategy – from initial launch through new updates to product discontinuation. This approach has enabled successful growth for Profoto in various customer groups.

### Ongoing launches

The plan is to drive further growth through product launches. Just in 2022 several new innovations were launched, such as Profoto Connect Pro, a new generation of cordless triggers that communicate seamlessly with the flashes and give the photographer full control, including absolute brightness feedback from flash to trigger. For large-scale photo production for e-commerce, the 100 channels available for transmission are an important innovation. Another example is the Profoto A2, which is the smallest and lightest compact flash we have ever developed. It is easy to pack for on-location photographers, and the built-in AirX connector means the A2 can be used with both a traditional camera and an iPhone.

### Research and development, 2022

**> 50** Number of years of experience

**4** Number of global launches 2022

**73** Employees in R&D

**21** Active patents

### Research and development share of sales, 2022

**> 10%**

# New flash solutions

## Profoto Connect Pro + Profoto A2



### Profoto Connect Pro

#### The core of our ecosystem of flash solutions

This new generation of cordless triggers communicates seamlessly with all flash units and gives the photographer full control.

#### Easy control

Profoto Connect Pro not only connects the camera to the various flashes, but also provides complete control over each individual flash and exact settings. This is possible because

Connect Pro uses our AirX technology. Control of the flashes can be done from the trigger on the camera or via the Profoto Control app, which mirrors the settings.

#### Simple interfaces

All the necessary information is presented on the large display through a simple, intuitive interface. This allows the photographer to focus on the image

instead of spending time navigating menus and changing settings. Battery life has been improved compared to previous controllers, and rechargeable batteries can also be used. AirX technology also updates the software wirelessly through the app.



### Profoto A2

#### Our smallest and lightest compact flash ever

The Profoto A2 is small, light and easy to pack for on-location shooting. It's no bigger than a soda can in size, making it our smallest and lightest compact flash ever.

#### Straightforward in all situations

With A2, you can make the most of any task. It's the flash for the photographer who travels, is constantly on the move and therefore

needs equipment that's easy to take along – regardless of location. Like all our light units, the A2 is easy to use. It takes no time at all to unpack and fire the first flash.

#### Built-in AirX

Thanks to the built-in AirX connector, the A2 can be used with both a traditional camera and an iPhone. What's more, photographers themselves choose where

to make the settings – via the user-friendly display on the A2 flash, Connect Pro or the Profoto Control app.

# Brand

## Leading photographers and studios choose Profoto

For leading photographers and studios, our premium brand should be the first choice. High quality products that make it possible for customers to develop due to their ease of use and global availability, as well as learning and inspiration, mean that they choose Profoto.

The world's best photographers and studios have been using Profoto products for more than 50 years. For both these customer groups, the brand is synonymous with premium products and has a premium position in the market. The brand's position is based on the high quality and reliability of its products. They provide users with uniquely beautiful light in their images and ensure efficient workflows in high-volume studio environments.

Our leading technology enables short flash duration, fast recycling times and a wide power range. All in all, it always produces the same high level of quality. Moreover, the products are intuitive, robust and easy to use. This allows photographers and studio teams to focus on creativity to produce the very best images.

### Spreading knowledge and inspiration

To inspire and educate customers, we focus on digital activities such as the Profoto Academy, our online photo education course. This gives photographers and other artists the opportunity to learn more about light and light shaping. During the year, the Profoto Academy added several new courses. At the end of 2021, Share the Light was launched. This is a free knowledge hub accessible via profoto.com, where photographers share their lighting knowledge and learn from each other. Share the Light – which started as an idea in 2021 – grew in 2022 and is now also linked to a curated feed on Instagram. The functionality is gradually expanded based on interests and needs.

### High service and accessibility

Leading photographers and studios want access to Profoto's premium products, no matter where in the world they are working. Our flash solutions are sold and rented in 58 countries. Dealers, rental shops and rental studios are carefully selected to ensure that they offer the right accessibility, service and expertise. The dealers also provide added value to customers as they have all photo-related products, such as cameras, flashes and accessories.

Alongside professional photographers, e-commerce – mainly in fashion – is an important and growing customer segment. Here, the volume of images is very large, while there are many repetitive processes in the practical work. The focus is on streamlining workflows to create high-quality images and moving content. Profoto's offer is based on more modular solutions, where the customer chooses the optimal setup from Profoto's range of flashes, light shaping tools and automated solutions.

### Products at a premium price

Our premium products reflect quality, reliability, ease of use and global accessibility. Together, these customer values allow the products to be priced at a premium. We apply uniform pricing globally, and in sales to dealers, discounts and price reductions are strictly limited.



**1+1 equaled 3 when Ahmad and Donté joined forces to create AB+DM Studio. The partnership has paved the way for a creative evolution, where light acts as a brush and gives the images the duo's unique signature.**



## AB+DM Studio The art of painting with light

Americans Ahmad Barber and Donté Maurice had been working as photographers in their own careers when they formed their creative partnership in 2018. Ahmad had a background in fashion photography, while Donté worked with other types of portraiture.

"There weren't many Black photographers working together. And a lot of people didn't believe two photographers could work together at all. So we decided to do the impossible, mainly because we have so much confidence in each other's visions when it comes to taking photos," says Donté.

"Since then, the partnership

has paved the way for an evolution, where we enrich each other – when putting together a mood board, discussing lighting, and in the creative process in general," says Ahmad.

The breakthrough was in 2020 when they photographed the young celebrity Zendaya for the cover of InStyle Magazine. Those fresh, innovative images elevated their careers. Today, magazines like Vanity Fair, Elle, GQ and Time are all lining up to hire these young, ultra-coveted photographers. In addition to creative covers for fashion magazines, they also take celebrity portraits and shoot for ads across the US.

### Painting with light

Light is the element they work with the most in their creative process. Ahmad and Donté liken it to choosing a brush when working on canvas – a process based more on emotion and care than on technical considerations. In addition, when making their choices and shaping the light, they work with stylists, makeup artists, and everyone else who plays a key role in achieving an excellent final result.

"We start from the mood and tone that we want to create in the image, as well as how to enhance the features and character of the person we're photographing." A lot of this is about developing,

improving, or changing the existing light – using the flashes and light shaping tools we have to work with. That's how we elevate the object and give the image our own signature," says Ahmad.

It is equally important to handle the equipment properly for effective rigging. Sometimes, they only have a few hours for a job, and when the model has to make multiple changes, they have to work quickly.

"Then the light has to be arranged so the shoot goes as quickly and smoothly as the circumstances require," he continues.

### Perfectionists

As their creative collaboration has deepened, the view of light has also changed. Ahmad used to see light as secondary, and other conditions as more important. Meanwhile, Donté primarily relied on natural light. They now have the same view of the strong importance of light and of all the practical aspects that have to be right for the result to be successful.

"Clothing, skin tone, the surrounding environment, and so much more play a role when we set the light," says Donté. "And we're perfectionists who don't quit until it's all exactly the way we want it."

Profoto has a special place in the hearts of Ahmad and Donté. It comes from having confidence in the various products used in virtually every shoot.

"For us, there is no alternative – it has to be Profoto," says Ahmad. "Before the breakthrough, we were happy with B1s or A1s, but since things took off for AB+DM Studio, we're using more light, such as Pro 8s, Pro 11s, Pro Heads and light shaping tools like umbrellas and soft-boxes. The products never disappoint and can be used in creative ways that make our images visually interesting."

# Focus

## Focus on what creates the most value

**Focus means using our own resources in areas where we add the most value. Other parts of the business are outsourced. This focus makes us resource-efficient and flexible, while ensuring access to the right external expertise.**

Our core activities are in the areas of product development/R&D and sales and marketing. This is where we invest our own resources. Functions and services that are outsourced include production, warehousing, logistics, accounting, IT services and repairs not related to core activities.

This division is supported by the flexibility of our approach, which focuses on operational efficiency and appropriate control. This means that everything routine and non-value-adding is removed from the organization, leaving Profoto's resources to be used efficiently and effectively. The strong focus on product development / R&D can be attributed to the key role that innovation and an entrepreneurial spirit have always played in our growth and expansion. From the start, Profoto has been a customer-centric company focused on developing new products and improving existing ones. Through successful product launches, the company has gradually fortified its position as one of the leaders in technology, reached new customer groups and expanded Profoto's market.

### Ensuring expertise and flexibility

Outsourcing provides a scalable business model, a better focus on cost control and reduces the need for in-house investment in plant, machinery and equipment. We maintain strategic control over the activities that are important to the development of our business operations. And we use in-house managers even in the parts that are outsourced.

At the same time, we free up time and resources internally because the execution is outsourced to external specialists. We gain increased flexibility and access to expertise in the areas that are outsourced. The business model thus supports an adaptable approach, where the focus is always on ensuring operational efficiency. In addition to scalability, the model has also contributed to strong growth in volumes and new products, as well as improved margins.

### Challenging and stimulating

To make the business model work, we have created a skilled, high-performing organization with broad expertise and considerable capabilities in a range of areas, including development and sales. At the same time, our focus on certain core activities helps attract and retain talented employees with relevant skills. This results from the outsourcing of routine tasks and the shifting of everyday work to more challenging projects and tasks that are stimulating for employees.



# Financial targets and target achievement

Below Profoto's financial targets are presented.

Target	Outcome	Target achievement
<p><b>Net sales growth</b></p> <p>Profoto's objective is to achieve organic net sales growth in excess of 10 percent in constant currency over time.</p>	<p><b>-1%</b></p>	<p>Organic growth in 2022 totaled -0.8 percent (44.1). Sales were affected by market uncertainties created by interest rate hikes, inflation and rising electricity prices, which resulted in a wait-and-see attitude among our customers.</p>
<p><b>Profitability</b></p> <p>Profoto's objective is to achieve an EBIT margin of 25-30 percent, while maintaining year-on-year growth in EBIT.</p>	<p><b>30%</b></p>	<p>The adjusted EBIT margin for the full year was 30.3 percent (32.3). The strong EBIT margin was a result of good operational efficiency in the business. Adjusted EBIT totaled 2022 SEK 257m (237).</p>
<p><b>Dividend policy</b></p> <p>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.</p>	<p><b>83%</b></p>	<p>The Board of Directors proposes a dividend of SEK 4.00, which amounts to a total of SEK 160m and corresponds to 82,5 percent of net profit. The proposal is based on Profoto's strong financial position and estimated future cash flows.</p>



# The share

## The Profoto share

Profoto Holding AB (publ) has been listed on the Nasdaq Stockholm Mid Cap list since July 1, 2021. The data below are as of December 31, 2022.

### Share trading and share performance in 2022

The closing price on December 30, 2022 was SEK 92.80, and market capitalization was thus SEK 3,712m. The share price development since the listing on July 1, 2021, at SEK 66.00 and until December 30, 2022, was 36 percent, compared to OMX Stockholm PI which decreased by 15 percent in the same period. The highest price quoted during the fiscal year was SEK 124.00 and the lowest was SEK 72.50. The number of shares amounts to 40,000,000. Around 4 million shares were traded during the year.

### 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, 2022, Profoto had 1,631 shareholders. The ten largest shareholders held shares corresponding to 84.0 percent of the votes and capital in the company (see table). Foreign owners accounted for five 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 available on the Group's website. Interested parties can subscribe online to receive financial reports.

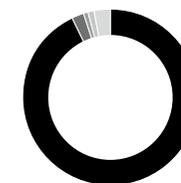
### Dividend proposal

The Board of Directors proposes a dividend of SEK 4.00 per share, totaling SEK 160m.

### Financial targets

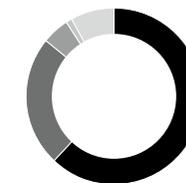
- Profoto's objective is to achieve organic net sales growth in excess of 10 percent in constant currency over time.
- Profoto's objective is to achieve an EBIT margin of 25 to 30 percent, while maintaining year-on-year growth in EBIT.
- Profoto aims to pay out at least 50 percent of net profit, while taking into account other factors such as financial position, cash flow and growth opportunities.

### Shareholders by geographic location



- Sweden 93%
- Germany 1%
- Denmark 1%
- Finland 1%
- Other 4%

### Ownership category



- Swedish private individuals 62%
- Swedish institutional shareholders 24%
- Foreign institutional shareholders 5%
- Anonymous ownership 1%
- Other 8%

### Top ten shareholders

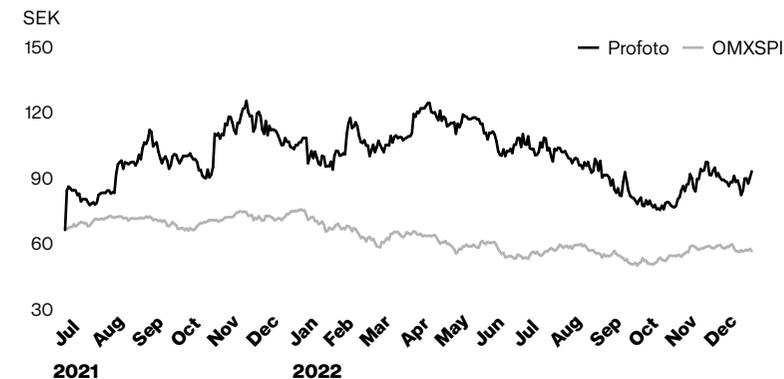
Shareholders	Number of shares	Capital, %	Votes, %
Anders and Helén Hedebark <sup>1)</sup>	15,127,321	37.8	37.8
Conny Dufgran	6,038,000	15.1	15.1
Lannebo Fonder	3,624,992	9.1	9.1
Lovisa Hamrin (Herenco)	2,514,295	6.3	6.3
Svolder	2,305,000	5.8	5.8
Hans Eckerström	1,230,508	3.1	3.1
Enter Fonder	1,062,648	2.7	2.7
Deka Investments	600,000	1.5	1.5
Nordnet Pensionsförsäkring	595,571	1.5	1.5
Investerings & Trygghed A/S	488,259	1.2	1.2
<b>Total top 10 shareholders</b>	<b>33,586,594</b>	<b>84.0</b>	<b>84.0</b>
Total other shareholders	6,413,406	16.0	16.0
<b>Total shares outstanding</b>	<b>40,000,000</b>	<b>100.0</b>	<b>100.0</b>

<sup>1)</sup> Ownership through Burken Invest AB

### Ownership by holding

Size class	Number of shares	Number of shareholders
1-500	140,705	1,412
501-1,000	63,280	77
1,001-50,000	768,830	106
50,001 - (including anonymous ownership)	39,027,185	36
<b>Total</b>	<b>40,000,000</b>	<b>1,631</b>

### 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 Market Analysis Report <https://investors.profoto.com/sv/wp-content/uploads/sites/3/2021/05/ey-market-analysis-report.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 Market Analysis Report <https://investors.profoto.com/sv/wp-content/uploads/sites/3/2021/05/ey-market-analysis-report.pdf>

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

# 5.5%

Increase in EBIT margin every year since 2001

Source: EY Market Analysis Report <https://investors.profoto.com/sv/wp-content/uploads/sites/3/2021/05/ey-market-analysis-report.pdf>

Global market strategy with an efficient sales organization.

# >240

Dealers

- 8 main markets
- 58 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

	2022	2001	CAGR <sup>1</sup>
Sales	848	89	11.1%
Adj. EBIT margin <sup>2</sup>	30.3%	9.8%	5.5%

<sup>1</sup>) Average annual growth rate

<sup>2</sup>) EBIT margin 2021 adjusted for IPO expenses of SEK 25m, 2022 adjusted for costs of SEK 8m related to acquisitions.

# Sustainability

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# Sustainability Report 2022

## Our three material areas

Skilled, driven employees, close collaboration with key suppliers and robust quality products that are the first choice among customers – this is the core of Profoto’s sustainability work, which contributes to increased profitability and continued growth.

This Report has been prepared in accordance with Chapter 6, Sections 10–14 of the Annual Accounts Act. It covers the Profoto Group.

### Three main areas

Profoto’s sustainability work focuses on three areas:

- Competent and engaged employees
- Products that are the first choice among customers
- Transparent supply chain

These areas are considered to be crucial for ensuring a business that is sustainable in the long-term, in line with our business model. As part of the follow-up work, key indicators have been developed for all areas.

### Dialogue with stakeholders

The focus of the sustainability work was developed in dialogue with various stakeholders. Through a materiality analysis, they gave their views on the areas we should work on. The analysis was done on the basis of the social, environmental and economic impact of the business operations. The issues that were considered by the stakeholders to be important or very important, and where Profoto has a high or very high impact, were summarized as being our three key sustainability areas. In addition, business strategies, internal policy documents, and industry and environmental analyses form the basis of the sustainability work.

### Active management

The Board of Directors bears overall responsibility for the work with sustainability. Coordination of the efforts in the areas of environment, employees, human rights and anticorruption has been delegated to the Executive Director, who is effectively responsible for these issues.

The sustainability work is based on the following internal governance documents: Supplier Code of Conduct (SCoC), Anti-Bribery and Anti-Corruption Policy, Anti-Stress Policy, Work Environment Policy and a Trade Sanctions Policy. The Board of Directors has adopted the Anti-Bribery and Anti-Corruption Policy and the Trade Sanctions Policy, which governs sanction issues between countries and business partners. Other guidelines have been adopted internally by the company.

The sustainability work – with associated risk analyses – is evaluated regularly, for example via the quarterly strategy dialogue that has been conducted with all employees since 2022.

### Increased focus on the climate

During the year, various climate-related measures were developed. The stronger focus on carbon emissions and climate change is linked to growing legal and regulatory requirements globally, as well as Profoto’s desire to take clear responsibility for the climate impact of its business operations – in scopes 1, 2 and 3\*. A natural first step is identifying where in the value chain we make our climate impact. In parallel, the best measurement and analysis models for clarifying the company’s own climate footprint are identified.

### Our sustainability priorities

#### Focus area

#### Employees

#### Customers' preferred choice

#### Suppliers

#### Priorities

- Recruitment
- Skills development
- Work environment
- Equal opportunities

- Active customer dialogue
- Effective, sustainable product development
- Product safety

- Industrial approach to quality and efficiency
- Accountability – Code of Conduct
- Audit and control

#### Targets and achievement of targets

Employee engagement 1–5 (Target 4.0)

4.3

Percentage of repairable light units (Target 90%)

80%

Number of complaints (Target < 0.5%)

0.18%

Percentage that signed the SCoC (Target 75%)

90%

\*) According to the Greenhouse Gas Protocol (GHG), which is the most common international methodology for calculating greenhouse gases.

# Focus area

## Employees

Recruiting the best, making development demands, and driving change contribute to ensuring profitable growth and are key aspects for Profoto. Our employees have a high level of education, and a strong drive, and take personal responsibility with a focus on development and career advancement.

Profoto runs a highly efficient, creative, but also challenging international business. To achieve this, we need motivated and committed employees who thrive in a high-performance environment and have the potential to grow within the company. We enable this by providing clear requirements regarding personal development and performance. To support this, we contribute professional leadership, with the attitude and potential of each individual being the starting point for recruitment.

### The work focuses on four areas:

- recruitment
- skills development
- equal opportunities
- work environment

### Pinpoint accuracy for recruitment

Our recruitment efforts underpin Profoto's profitable growth. That's why we take extra care when recruiting new employees. To hire the best, we use objective evidence-based selection methods, which involve testing to ensure that the recruitment is accurate and that we hire based on potential and attitude. We assess areas such as individual ability, personality and motivation to find more top performers who can help us not only achieve, but exceed the high standards we set for ourselves and the business.

We only hire people who have the ambition and energy to maintain highly efficient, agile business operations. In return, we offer a challenging and stimulating work environment, but also lots of responsibility and opportunities to grow in a company with innovative and technologically driven international operations.

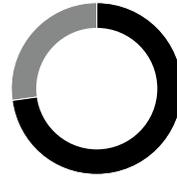
### Employee development through self-leadership

We put the development of the individual at the heart of what we call People Before Company. This

# 135

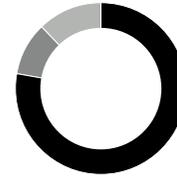
Employees at year-end

### Gender distribution at year-end



● 98 (60) men  
● 37 (33) women

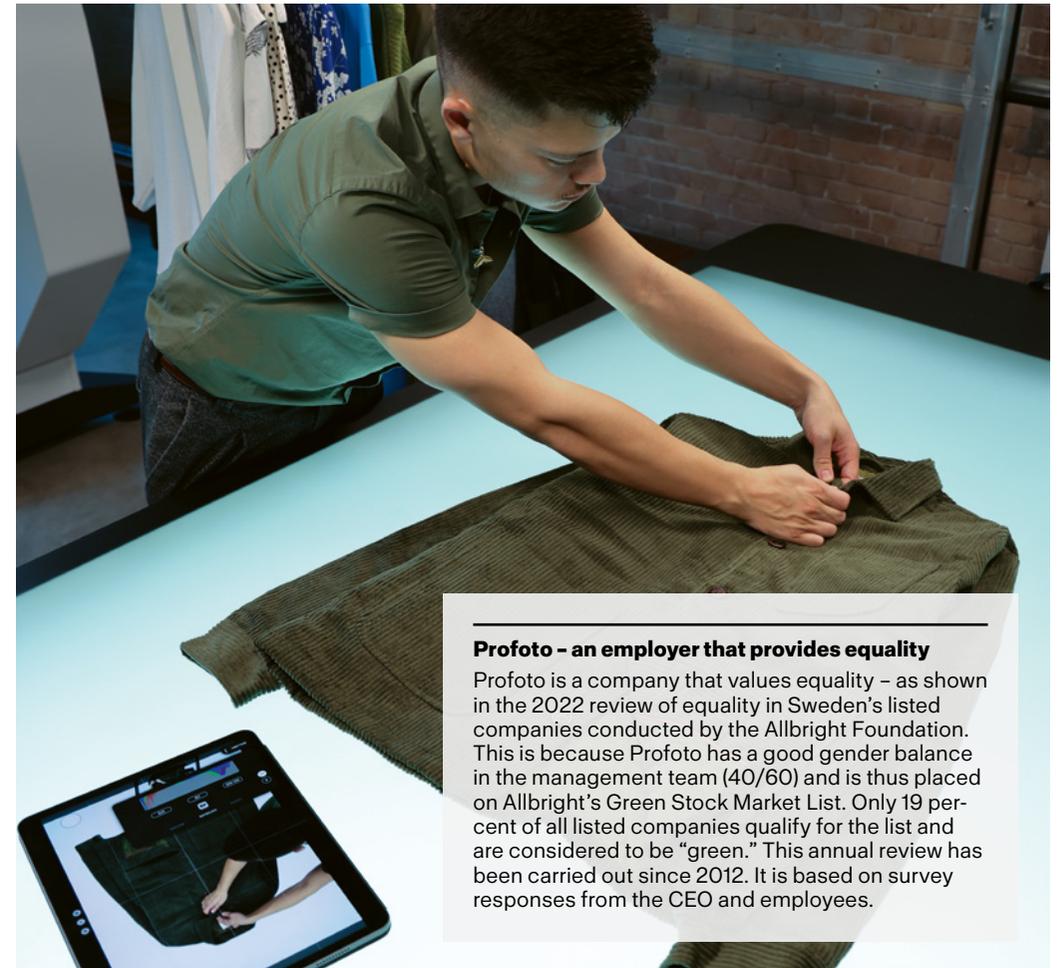
### Employees per region



● EMEA 106 (62)  
● APAC 13 (15)  
● Americas 16 (16)

means it is the employee's development and ambitions that guide the leadership. High ambitions and development potential are the starting point for role assignments, which always take into account the employee's capacity to quickly take the next step in their career.

Profoto's values guide employees in also helping outside their specific area of responsibility, making demands of each other including their manager, and driving change and development in line with increased responsibility. During the year, work on target management processes, which began in 2021, was pursued in more depth. With regard to employee development, this means that individual development plans are reviewed and updated quarterly with the relevant manager. In this



### Profoto - an employer that provides equality

Profoto is a company that values equality – as shown in the 2022 review of equality in Sweden's listed companies conducted by the Allbright Foundation. This is because Profoto has a good gender balance in the management team (40/60) and is thus placed on Allbright's Green Stock Market List. Only 19 percent of all listed companies qualify for the list and are considered to be "green." This annual review has been carried out since 2012. It is based on survey responses from the CEO and employees.

## Focus area: Employees

process, employees are given considerable personal responsibility, with the pursuit of quarterly development targets that make them more effective in their roles being important.

As part of the enhanced target management, Profoto's business strategies are evaluated on a quarterly basis. As strategies change, there is a need for flexibility and drive among employees, who contribute to growth for the company as a result of their own development and individual skills development plans.

### More equal gender split

Profoto is very much an engineering company, and these typically have more male than female employees. At present, the proportion of women in the company is 27 percent. We think this is an acceptable gender split, which is in line with the balance for recent graduates from higher education in technical subjects. At the same time, we want to attract more female applicants to our R&D department, for example, as well as to other parts of the company. To continue to shift the split, women are prioritized if there are two equally qualified applicants in a recruitment process. We have also noticed that relatively small adjustments in the recruitment process can make a difference and attract more women, including changes in the way recruitment advertisements and other information materials are designed.

Four out of nine members of the management team are women. Three out of six members of the company's Board of Directors are women. Regarding working conditions, we ensure equal pay for people in equivalent positions, regardless of gender. Furthermore, employees should not be disadvantaged as a result of parenthood, which includes pay levels. We have a positive view on parental leave for both men and women, and offer the opportunity to work flextime.

### Working environment and follow-up

To maintain an attractive, healthy working environment, all managers are responsible for holding an annual stress workshop with their employees. If needed, employees also have access to an external coach/therapist who can offer individual coaching and provide stress management tools. This year's employee engagement survey was done by 87 percent of all employees. The result shows that our engagement index is 4.3 (4.0) out of a maximum of 5.

Potential misconduct can be addressed anonymously via our whistleblowing function. In 2022, no cases were reported.

### Activities in 2022

- In-depth work on the target management process linked to Profoto's overall business strategies.
- Stronger link between the company's strategic direction and the employees' development plans.
- Improved feedback between managers and employees.
- Greater focus on self-leadership.

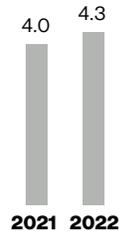
### Risk

Our biggest risk is that Profoto will not be able to secure the supply of skills needed, which could affect the company's ability to grow and develop profitably.



### 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

Our products should always be our customers' first choice, regardless of whether the customer is a professional photographer or a studio. We make sure they choose us by having close dialogue, which helps us offer light shaping products that are functional, safe, easy to use and durable.

Being close to customers in this way makes it easier for us to identify requirements and wishes, which are then implemented in Profoto's powerful product development. The dialogue with professional photographers and studios thus helps us improve what we offer, so that our products are the first choice for our customers. We use various channels to reach out to customers – ambassadors, focus groups, databases for downloading product information, social media, online courses and more. This ensures a customer dialogue from which we benefit in terms of the development of performance, usability or other improvements that customers appreciate.

### “Built to last” – long-term sustainability

Our products are robust and durable, making them long-lasting. We call this “built to last,” and the approach is evident in all our product development. The products should not only be durable, but also work in the entire ecosystem of lighting solutions offered by Profoto. This means they need to be able to interact with each other, so, for example, new, improved software is developed for existing products and connections and interfaces are extended or improved so that more products can be seamlessly used together.

Strategic product development is currently conducted in relatively short planning cycles, lasting six weeks. These shorter perspectives facilitate detailed planning and refinement of management and control.

### High quality of after sales

The long-term durability of the products also means that the quality of repairs is high. In practice, this means that flashes and light shaping tools must be repairable so they retain their functionality for a long time. We have a wide network for repairs and returns handling, which also includes external

actors such as distributors, dealers and rental companies. All these are registered by the service department. They are followed up weekly by cross-functional teams including representatives from R&D, quality development, sales, and product management.

Safety is also important when repairing the electronic products we offer. That's why certified service workshops receive documentation regarding Profoto's service strategy, to ensure repairs are always carried out safely and correctly.

### Increased focus on life cycle assessment

The products we design should not only be robust and easy to repair, but also have a limited impact on the environment. To ensure these aspects are also taken into account, the use of life cycle assessments has continued in 2022, with more focus on how products are used and transported.

During the year, analyses were carried out on two products, one aimed at professional photographers and the other at customers in the studio segment. The results show that the way products are used has a major impact on which part of the life cycle has the greatest impact – the manufacturing phase or the usage phase. This insight can be used to refine products and for the selection of components. Another conclusion of this year's analyses is that the cooperation with suppliers – regarding data and information – needs to be developed further to broaden the basis for future life cycle analyses.

### Safety

Safety is another key area for Profoto. In 2022, no serious safety incidents were reported in or around our business operations. Throughout the development and manufacturing process, rigorous analysis and extensive testing of all products is carried out, both internally and by independent testing institutes. A number of safety aspects are closely

regulated via industry requirements and regulations, such as REACH (chemical substances), RoHS (heavy metals, flame retardants) and regulations regarding CE marking (environment, health and safety).

The use of li-ion batteries is an area of risk. Profoto purchases these products from well established suppliers. Their handling is therefore governed by our Supplier Code of Conduct and by comprehensive regulations for the protection of human life and health.

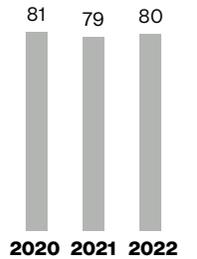
### Activities in 2022

- Continued work on life cycle analysis, with pilot studies of products aimed at professional photographers and customers in the studio segment. One conclusion is that energy consumption differs between product categories, which is linked to different customer usage patterns. The results of the analyses are used as a basis for product development work.
- During the year, the work on assessing Profoto's climate impact has been developed further. A natural first step in this work has been identifying where in the value chain we have the greatest climate impact.

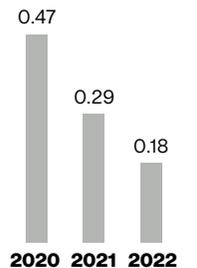
### Risk

The biggest risk is that we cannot meet customer expectations regarding product leadership. This would damage Profoto's reputation and brand, which could ultimately lead to lower sales and a reduced ability to invest in more sustainable products.

**Target: Percentage of repairable light units should be > 90%**



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



# Focus area

## Transparent supply chain

Carefully selected partner companies are a fundamental part of the business model, which ensures high quality and efficiency. Clear guidelines and targeted audits ensure reliability and the observing of wide-ranging business ethics in suppliers' business operations.

The work with our suppliers will ensure that the quality of our partner companies is as high as that of Profoto's own operations. Suppliers must have the required technical excellence, share our view on the importance of efficiency in everyday work and our values on ethics and responsibility.

### Industrial approach

We have extensive quality procedures to ensure that Profoto's products are robust, durable and always associated with high technical performance. These include processes for product development called New Product Development (NPD), and the Production Part Approval Process (PPAP), which is intended to ensure the quality of production and is inspired by similar processes in the automotive industry.

During the year, work has continued on further developing and industrializing product development and manufacturing – a process in which PPAP is one of the tools that is used. The efforts are aimed at the entire production chain – from design, which is handled in-house, to assembly and manufacturing, which is done by our partner companies. If this chain can be characterized by greater consensus and a more industrialized approach, several improvements are achieved. For example, the design of products can be made more cost-effective while quality and production volume issues are addressed in an even more accurate way. Other benefits of streamlining internal and external work include improved control, traceability and information-sharing between Profoto and partner companies.

### Ethical guidelines and accountability

The most important ethical guidelines in working with suppliers are our Supplier Code of Conduct (SCoC) and Profoto's Anti-Bribery and Anti-Corruption Policy. Our SCoC is based on the ten principles of the UN Global Compact. The code sets out our minimum standards regarding human

rights, labor law, the environment and combating corruption. Currently the priority is to ensure Profoto's major manufacturing suppliers are covered by the SCoC. In addition, all suppliers must comply with RoHS and REACH and ensure that CE marking requirements are met.

### Audit and control

Manufacturing suppliers are audited on an ongoing basis according to the audit plan, which aims to make sure suppliers reach up to Profoto demands and guidelines. This plan is based on supplier history, risk assessments and random sampling. The requirements include that each supplier must comply with our SCoC or equivalent code. In 2022, a total of 90 percent of our manufacturing suppliers had committed to the code – up 10 percent from 82 percent in 2021.

Audit plans are drawn up quarterly, in line with the agreed annual plan. The audits focus on compliance with the SCoC, on checking that companies meet the requirements, ensure a healthy working environment (safety procedures, air quality, noise level, temperature) for employees and provide relevant skills development.

In addition, quality issues are reviewed in a process similar to ISO 9001. A comprehensive review of production is then carried out. This covers the entire production process – from verification of incoming goods to final delivery. The audit also includes deviation management in production, checking of changes in processes and work instructions, and general monitoring of production performance via relevant key figures.

The in-depth audit work started in 2021 has continued in 2022. At the beginning of the year, the Covid-19 pandemic limited the possibilities for in-person visits. A total of ten suppliers were audited, of which two were audited digitally and eight were visited in person. No major deviations were identified.

Audits are carried out pursuant to a model that emphasizes suppliers compliance with the Code of Conduct and assesses their industrial capacity and capability. The evaluation thus becomes part of a dialogue that is necessary in the joint development of Profoto's products.

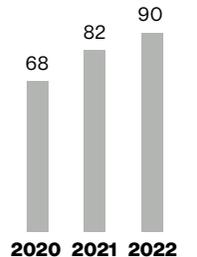
### Activities in 2022

- Work has continued on embedding a more industrialized approach throughout the product chain, with the aim of increasing efficiency and achieving greater consistency between the different product processes that are handled internally and externally.
- The focus on industrialization has increased, to further develop the work with suppliers and ensure efficient and robust production.
- In addition to the review of suppliers, we have continued to evaluate how the whole network of suppliers should be designed. The goal is a robust supply chain, but in the long term also more suppliers that are closer to our operations in Europe. At the same time, work continues to secure dual sources for critical components. In addition to high quality, environmental and logistical aspects are prioritized in the network review.

### Risk

The main risks are shortcomings in product quality and ethical shortcomings among suppliers, for example in relation to human rights, health and safety issues and social responsibility. If these risks are not managed in a forward-looking manner, they could damage Profoto's business operations and reputation. For a more detailed description of the Group's risks and risk management, see the Risks and risk management section in the administration report on pages 32–39.

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



**10**  
suppliers have been reviewed

# Statutory reporting areas

According to the Annual Accounts Act, Chapter 6, §10–14, information is required about the four areas listed below. Information about 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 29.
- Social aspects and employees are mainly discussed as part of the section Competent and engaged employees and when describing our various policies; see pages 26–27.
- 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 26–29.
- Prevention of bribery and corruption are described in our Anti-Bribery and Anti-Corruption Policy, as well as in the Transparent supply chain section; see page 29.

# Auditor's Report on the statutory Sustainability Report

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

## Engagement and responsibility

It is the Board of Directors who is responsible for the statutory Sustainability Report for the year 2022 and that it has been prepared in accordance with the Annual Accounts Act.

## The 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 statutory Sustainability Report has been prepared.

*Signature on Swedish original*

## Therese Kjellberg

Authorized Public Accountant

# Annual Report

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# 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 2022.

Key figures	2022	2021	2020	2019	2018
<b>Consolidated Statement of Income</b>					
Net sales, SEKm	848	732	528	833	679
EBIT, SEKm	249	212	-12	222	183
EBIT margin, %	29.4	28.9	-2.2	26.7	26.9
Adjusted EBIT, SEKm	257	237	56	222	183
Adjusted EBIT margin, %	30.3	32.3	10.6	26.7	26.9
Profit/loss for the period, SEKm	194	158	-17	177	148
EBITDA LTM, SEKm	322	269	76	264	207
EBITA LTM, SEKm	299	247	25	245	192
EBITA margin, %	35.3	33.8	4.7	29.4	28.3
Net debt, SEKm	4	-134	-91	23	49
Net debt/EBITDA LTM	0.0	-0.50	-1.20	0.09	0.24
Cash flow from operating activities, SEKm	236	240	153	171	242
Earnings per share, SEK*	4.85	3.95	-0.44	4.43	3.71

\* Calculated based on 40,000,000 ordinary shares, retrospective adjustment

For the definitions of the ratios and how they are calculated, please refer to page 73 "Explanation of 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 and systems for photographers. Profoto develops, markets and sells lighting systems for professional photography, such as flashes, light shaping tools and automated systems for e-commerce. 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. Since 2018, Profoto has also had its own online store, Profoto.com, where sales are direct to end customers.

The Profoto Group had 135 employees at the end of 2022. Profoto has wholly owned sales companies in Japan, Germany, France, the UK, the US, China, the Netherlands and Sweden. The sales company in the Netherlands also carries out product development. Profoto currently has sales in 58 countries. Although the company is Swedish, only 2 percent of its revenue comes 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. Profoto believes that focusing on what it does best, product development, product design and all aspects related to brand management, is what will ensure the company's position as the premier provider of light shaping products.

The war in Ukraine did not have a material impact on Profoto's earnings or other operational aspects in 2022. Since the second quarter some hesitation among freelance photographers has been seen, due to inflation and interest rate fears and lower growth in demand from broad e-commerce companies. They are experiencing weaker demand, which has led to them postponing new investment decisions.

## Significant events during the year

- 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 800m by 2023" was updated to "over time, achieve a constant currency annual organic growth in net sales of above 10 percent".
- As part of the strategy to expand in automated e-commerce photography, Profoto Holding AB (publ) acquired all the shares in the Dutch company StyleShoots Holding B.V. on April 6, 2022. The purchase price totaled EUR 18m on a cash and debt-free basis, corresponding to approximately SEK 186m.
- Carl Bandhold has been hired and will join the company in May 2023 as Vice President and CFO.

## Significant events after the end of the fiscal year

- The Board of Directors proposes a dividend of SEK 4.00 (3.50) per share, corresponding to a total amount of SEK 160m (140).

## Revenue and profit trend

In 2022, the Group had increased sales and improved operating profit/loss (EBIT) compared to 2021.

Revenue for full-year 2022 totaled SEK 848m (732), an increase of 15.8 percent. Adjusted for

currency effects, sales increased by 4.9 percent, and adjusted for acquisitions by -0.8 percent. Growth has thus been driven by currency effects and the acquisition of StyleShoots. The increased recessionary concern in the fourth quarter contributed to the organic growth from the first three quarters of the year, driven by more open societies and product launches, shifting to a slightly negative full-year figure. Growth by region: Americas 16.6 percent, APAC -2.9 percent and EMEA 28.4 percent.

Operating profit/loss (EBIT) for the full year totaled SEK 249m (212), an increase of 17.5 percent as a result of increased sales and improved gross profit. Profit for the year totaled SEK 194m (158), an increase of 22.9 percent. Adjusted EBIT for the full year totaled 257 (237), and in the first two quarters costs related to the StyleShoots acquisition totaling SEK 8m have been adjusted. Adjustments for the period 2021 related to IPO expenses (SEK 25m).

Other external expenses totaled SEK 166m (142) for the year, with the increase mainly being attributable to an increased cost base due to acquired companies and increased development costs.

Depreciation/amortization during the period totaled SEK 73m (57), of which SEK 22m (22) related to property, plant and equipment and SEK 50m (36) to intangible fixed assets. Of the depreciation/amortization of intangible fixed assets, SEK 38m (35) consisted of depreciation/amortization of capitalized development expenditure, SEK 11m (0) of depreciation/amortization of excess value from acquisitions and SEK 1 (1) of depreciation/amortization of other intangible assets.

Other income amounted to SEK 32m (11), and other expenses to SEK 26m (5). They consisted mainly of realized and unrealized foreign exchange gains and losses on accounts receivable and payable. Net financial items were negative, totaling SEK 6m (3). Realized and unrealized exchange rate effects on financial items totaled SEK 2m (1), and interest expenses SEK 5m (3). Interest expense mainly related to interest on lease liabilities, utilized overdraft credit and external loans.

The tax expense was SEK 49m (51), of which SEK 36m (49) was current tax and SEK 13m (2) was deferred tax. The effective tax rate for the period

was 20.0 percent (24.4). The effective tax rate was affected by a downward adjustment of final tax for the previous year of SEK -5m in the Parent Company. Excluding the effect of this adjustment, the effective tax rate was 22.2 percent for the full year 2022 and 21.9 percent for 2021.

### Financial position

On December 31, 2022, the Group's equity totaled SEK 391m (331). Consolidated net debt as of December 31, 2022, was SEK 4m (-134). Interest-bearing liabilities totaled SEK 154m (72), attributable to lease liabilities totaling SEK 50m (52) and liabilities to credit institutions of SEK 70m (20) and other interest-bearing liabilities of SEK 34m (-). Liabilities have increased primarily due to the acquisition of StyleShoots Holding B.V. for SEK 177m. Cash and cash equivalents decreased from SEK 206m to SEK 145m; this change is explained in greater detail in the "Liquidity and cash flow" section.

Current receivables totaled SEK 111m (81), and other current liabilities, excluding interest bearing liabilities, totaled SEK 168m (121). The change is primarily related to deferred tax. Current tax liabilities increased to SEK 19m (9) as a result of the improved net profit. Accrued expenses and deferred income totaled SEK 55m (55).

### Liquidity and cash flow

Cash flow from operating activities for the full year totaled SEK 236m (240). The decrease comes primarily from a negative change in working capital driven by a decrease in other current liabilities and an increase in inventories. The operating profit for the year was SEK 249m (212), with the change being explained by improved sales. Change in working capital during the year totaled SEK -74m (5) and was mainly due to increased inventories and, to some extent, a decrease in other current liabilities.

Cash flow from investing activities was SEK -192m (-146), with the largest item relating to the acquisition of StyleShoots Holding B.V. Cash flow from financing activities totaled SEK -100m (-135) and included dividend payments totaling SEK -140m.

### 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, in the form of employees and consultants, in the fields of Image Technology, Power Electronics, Connectivity, Embedded Software, as well as Product Design and Mechanics in the tech areas of product development and web 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, mainly in flash control, mobile photography and photography accessories, such as light shaping tools. The focus for development in 2022 has also been to develop joint product offerings with the acquired company StyleShoots Holding B.V.

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 recent 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 totaled SEK 85m (51). Total capitalization of capitalized development expenditure during

the year was SEK 37m (22). The capitalization relates to ongoing product development projects. The Group's expensed research and development expenditure totaled SEK 48m (29). 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 12m (6) were invested in tools and equipment, mainly related to ongoing development projects.

New products launched during the year were Profoto Connect Pro, a remote control, and Profoto A2, a small, handy and powerful flash for portrait and wedding photographers, for example. For more information on the products, see page 17.

For more information on research and development expenses, see Note 18 Intangible fixed assets, as well as the Intangible fixed 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.
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 2022 is presented on pages 40–46 of this Annual Report.

### Sustainability

The 2022 Sustainability Report can be found on pages 25–30 of this Annual Report.

### The Profoto share

On July 1, 2021, the Parent Company Profoto Holding AB (publ) was listed on Nasdaq Stockholm's Mid Cap index.

The number of shares in Profoto Holding AB (publ) at the end of 2022 was 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 2022 are presented in the table below:

Owners	Number of shares	%
Anders and Helén Hedebark <sup>1</sup>	15,127,321	37.8
Conny Dufgran	6,038,000	15.1
Lannebo Fonder	3,624,992	9.1
Lovisa Hamrin (Herenco)	2,514,295	6.3
Svolder	2,305,000	5.8
Hans Eckerström	1,230,508	3.1
Enter Fonder	1,062,648	2.7
Deka Investments	600,000	1.5
Nordnet Pensionsförsäkring	595,571	1.5
Investerings & Trygghed A/S	488,259	1.2

<sup>1</sup>) Ownership through Burken Invest AB

The Annual General Meeting, held on May 5, 2022, adopted a change in the Articles of Association regarding the domicile of the Board of Directors in view of the location of the company's head office in Sundbyberg and so that the Annual General Meeting, in addition to being held at the place where the Board of Directors is domiciled, can also be held in Stockholm.

### Employees

The average number of employees in the Profoto Group during the year was 124 (95), of which 38 (34) were women and 86 (61) were men.

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

The Guidelines were adopted by the Extraordinary General Meeting on May 7, 2021, and revised at the Annual General Meeting on May 5, 2022. For the Annual General Meeting on May 5, 2023, there is an updated proposal for guidelines to be adopted by the meeting.

In relation to the current guidelines adopted by the 2022 Annual General Meeting, the 2023 Annual General Meeting proposal means that the company has added long-term variable remuneration for senior executives that can be implemented in the event that no share-based incentive program is decided by the general meeting. The Board has not received any comments from shareholders on the guidelines for remuneration of senior executives.

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, 2023. 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 shall be applicable for such remuneration (e.g., fees 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 unit and light shaping products 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 13. 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 make it possible for senior executives to be offered a competitive total remuneration package to attract, motivate and retain competent and skilled staff.

### **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 should annually assess whether long-term share or share price related incentive programs should 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.

If certain targets are met, senior executives shall be entitled to variable cash remuneration that may consist of an annual variable cash salary and a long-term variable cash salary (for details, see Criteria for variable cash remuneration).

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

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.

Additional cash remuneration may be paid as

a one-off arrangement in extraordinary circumstances in order to recruit or retain staff. Such remuneration may not exceed an amount equivalent to one year's fixed cash remuneration. Decisions on such remuneration shall be taken by the Board of Directors on a proposal from the Remuneration Committee.

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.

In cases where a Board member (including through a wholly owned company) performs services for Profoto in addition to Board work, a special cash fee may be paid for these services (consultancy fee). The fee shall be market-based and relative to the benefit to Profoto. Remuneration of Board members, as well as other terms, are decided by the Board of Directors.

### **Duration and 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.

Senior executives may be remunerated for anti-competitive commitments after the termination of their employment, but only to the extent that severance pay is not paid for the corresponding period of time. Such remuneration shall aim to compensate the executive for the difference between the monthly fixed cash salary at the time of termination and the (lower) monthly income received, or that could be received, through a new employment contract, assignment or self-employment. The

compensation may be paid for the duration of the anticompetitive undertaking, but for a maximum period of six months after the termination of employment.

### **Criteria for variable cash remuneration**

Annual variable cash remuneration should be linked to predetermined and measurable criteria, which can be financial and linked to, e.g., sales growth and profit generation, or nonfinancial.

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 annual variable cash salary may not exceed 12 months' salary.

The fulfilment of the criteria for payment of annual variable cash salary shall be measured over a period of one calendar year. To which extent the criteria for awarding annual variable cash salary 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 annual variable cash salary to the CEO. For annual variable cash salary 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.

If and to the extent that the general meeting does not decide on the implementation of a long-term share or share price-related incentive program, the variable salary may also consist of a long-term variable cash salary implemented annually. To participate in the long-term variable remuneration scheme, a personal investment by the participant is required. Long-term variable remuneration shall be measured over a period of at least three calendar years and be subject to the achievement of defined and measurable targets during the measurement period. The long-term variable salary shall be maximized with respect to each measurement period up to a maximum of 220 percent of the fixed salary.

### **Salary and employment conditions for employees**

In the preparation of the Board of Director's proposal for these remuneration guidelines, salary and employment conditions for company employees have been taken into account by including information on the employees' total income, the components of the remuneration and increases and growth rate over time, in the Remuneration Committee's and the Board's basis of decision when evaluating whether the guidelines and the resulting limitations 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 CEO, Board members and other executives may not be present when the Board of Directors and the Remuneration Committee process and decide on remuneration-related issues, insofar as these individuals are affected by the issues.

### **Deviation 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 14.3m (11.7) and profit before tax amounts to SEK 148.9m (177.6). The holding company has two employees: the CEO and the CFO. For risks and risk management, see pages 36–39.

### **Dividend**

The Board proposes a dividend of SEK 4,00 which totals SEK 160m and corresponds to 82.5 percent of the netprofit. The proposal is based on Profoto's strong financial position and expected future cashflows.

### **Expected future developments**

The current inflation and interest rate turbulence is expected to continue to have some impact on demand in fiscal year 2023. Existing product portfolio and continuous investment 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	55,916,917
Profit/loss for the year	153,599,368
	<b>209,516,285</b>

The Board of Directors proposes that:

SEK 4.00 per share be distributed to the shareholders	160,000,000
to be carried forward	49,516,285
	<b>209,516,285</b>

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.

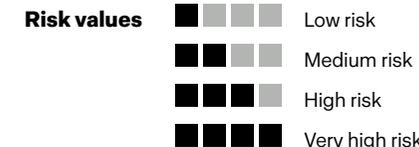
Risk management is based on the internal control framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and consists of five basic components: control environment, risk assessment, control activities, information and communication, and monitoring.

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 5. Profoto is also exposed to certain sustainability and climate risks. The Group's scalable business model depends on good relationships with and control of its key

suppliers. Profoto needs to continuously improve and ensure an environmentally friendly business chain. There is a risk of ethical shortcomings regarding human rights, health and safety issues and social responsibility among suppliers, which could damage Profoto's business and reputation. For a description of Profoto's sustainability risks, see the Sustainability Report on pages 25–30.



Risk category	Risk	Description of risk	Risk value	Management of risk
Financial	<b>Currency risk, translation exposure and transaction exposure</b>	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.
	<b>Liquidity and financing risk</b>	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.
	<b>Interest rate risk</b>	Interest rate risk refers to the risk of fluctuation in variable interest rates associated with borrowings in the Group.		Profoto has low debt and strong cash flow, which limits the risk.
	<b>Credit and counterparty risk</b>	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.
	<b>Capitalized development expenditure</b>	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 tests based on 12-month forecasts to identify whether a possible write-down requirement exists. This gives the group the opportunity to act as early a stage as possible to be able to prevent the risk of, and avoid any need for write-downs.

Risk category	Risk	Description of risk	Risk value	Management of risk
Industry and market-related risk	<b>Declining market for still photography</b>	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.
	<b>Competition</b>	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. Ensure that product plans include sufficient innovation (technical, marketing and sales).
	<b>Covid-19</b>	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.
	<b>Political environment</b>	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. Reduce dependence on individual countries.
	<b>Business cycle</b>	The company's business is affected by the current state of the global market and, in the event of a recession due to rising inflation and interest rates, this could have a material adverse effect on Profoto's financial position and results.		Profoto has a low debt ratio with strong underlying cash flows and closely monitors developments in the global market. Profoto's assessment is therefore that it is well equipped to face a possible future recession.
Legal and tax	<b>Risk related to control and interpretation of laws and regulations</b>	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 for Profoto. 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 is an annual internal audit of GDPR compliance.

Risk category	Risk	Description of risk	Risk value	Management of risk
Legal and tax cont.	<b>Patents and trademarks</b>	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.
	<b>Tax, VAT and customs issues</b>	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	<b>Component shortage</b>	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.		Profoto actively monitors the market to seize buying opportunities when they appear and the group is constantly working to ensure closer coordination with suppliers. For new products, a strategy has been applied with preference of components with high availability.
	<b>Poor quality</b>	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. Ongoing follow-up regarding the initiatives started in 2022, the recruitment of a new quality resource, the PPAP (quality assurance) process and the ECO process.
	<b>Skills shortage</b>	There is a risk of not being able to grow and find new business if experience and skills are not available in the company.		Profoto has development plans for employees with the aim of securing employee competence, development and motivation. Profoto has developed plans to attract and retain employees with critical skills.
	<b>Loss of key personnel</b>	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. Use external recruitment partners when recruiting for business-critical roles.

Risk category	Risk	Description of risk	Risk value	Management of risk
<b>Operational cont.</b>	<b>Lack of innovation</b>	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.
	<b>Failed growth strategy</b>	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 legal or financial risks are not identified in the acquired company prior to the acquisition, and challenges in integrating businesses into existing operations, which could lead to an inability to realize expected synergies and growth plans and thereby adversely affect earnings and financial position. 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 also learns from and documents previous acquisitions.
	<b>IT systems and cybersecurity</b>	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.
	<b>Outsourcing</b>	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.
	<b>Sales channels</b>	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. Develop sales strategy for dealers and direct sales.

# Corporate Governance Report

## Corporate governance

### Overview



### Corporate governance

Profoto Holding AB (publ) is a Swedish public limited company listed on the Nasdaq Stockholm 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 also has a whistleblowing process that aims to mitigate risks and ensure 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 CEO 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 (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 2023 Annual General Meeting of Profoto Holding AB (publ) will be held on May 5, 2023, at the company's premises at Landsvägen 57 in Sundbyberg, Sweden.

### 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 compa-

ny's address) no later than March 17, 2023 in order to be certain that the request will be considered.

### 2022 Annual General Meeting

The 2022 Annual General Meeting was held on May 5, 2022, in Sundbyberg, Sweden. Shareholders participated by postal vote to minimize the risk of COVID-19 spreading. The following decisions were made at the AGM:

- Adoption of the Income Statement and Balance Sheet for 2021.
- Payment of a total of SEK 140m as a dividend and SEK 56m to be carried forward in accordance with the Board's proposal.
- Discharge the members of the Board of Directors and the CEO from liability in respect of their management of Profoto's affairs during the 2021 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.
- Guidelines for remuneration to senior executives.
- Authorize the Board of Directors to decide on a new issue of shares.
- Amendment of the 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 5, 2022, 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 2023 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 October 25, 2022.

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.

The Board carried out an evaluation of its work during the year. The evaluation was based on a

questionnaire, in which each member of the Board was asked to answer a number of questions.

Profoto deviates from the Code on point 2.3. in the section Nomination Committee. Point 2.3. recommends that the CEO 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 CEO 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 the preparation and implementation of acquisitions, strategic and operational issues, corporate governance and risk management, and the appointment of a new CFO. The Board meets with the company's auditor annually without the presence of the management. 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 CEO continuously discuss the management of the company.

### Attendance at meetings

Name	Position	Board meetings	Audit Committee meetings	Remuneration Committee Meetings
Hans Eckerström	Chairman of the Board	12/12		2/2
Magnus Brännström	Member of the Board	12/12		2/2
Pernilla Ekman	Member of the Board	12/12	6/6	
Anders Hedebark	Member of the Board	12/12		
Helena Holmgren	Member of the Board	12/12		
Helene Willberg	Member of the Board	12/12	6/6	
<b>Total</b>		<b>12</b>	<b>6</b>	<b>2</b>

### Audit Committee

Profoto has an Audit Committee consisting 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 six meetings. Significant areas covered by the Audit Committee during the year include integration of acquired companies, 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, review of and reporting on performed internal controls during the previous financial year and procurement of Group auditors.

### Remuneration Committee

Profoto has a remuneration committee consisting of Hans Eckerström (Chairman) and Magnus Brännström. The Remuneration Committee prepares proposals for guidelines for remuneration of senior executives and compliance with them, including remuneration and other terms of employment for the CEO and senior executives.

During the year, the Remuneration Committee held two meetings. During the year, CEO remuneration and executive bonuses, a compensation overview and proposed bonus targets for 2023 were presented.

### 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 members of the Board, 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 5, 2022, 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 1,500,000, of which the Chairman of the Board shall receive SEK 500,000 and the other members who are not employees of Profoto shall receive SEK 250,000 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 100,000 and the other members shall receive SEK 75,000 and that the Chairman of the remuneration committee shall receive SEK 50,000 and the other members shall receive SEK 50,000.

The table below shows the remuneration resolved by the Annual General Meeting 2022 for the period until the next Annual General Meeting.

Name	Position	Board fee (SEK)
Hans Eckerström	Chairman of the Board	550,000 <sup>1</sup>
Magnus Brännström	Member of the Board	300,000 <sup>1</sup>
Pernilla Ekman	Member of the Board	325,000 <sup>2</sup>
Anders Hedebark	Member of the Board (and CEO)	–
Helena Holmgren	Member of the Board	250,000
Helene Willberg	Member of the Board	350,000 <sup>3</sup>
<b>Total</b>		<b>1,775,000</b>

1) Including SEK 50,000 for work in the Remuneration Committee.

2) Including SEK 75,000 for work in the Audit Committee.

3) Including SEK 100,000 for work in the Audit Committee.

### Guidelines for remuneration to senior executives

The Extraordinary General Meeting, held on May 5, 2022, 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.

Name	Board fee	Base pay	Variable pay	Other benefits	Pension costs	Total
Anders Hedebark, CEO	–	3,661,946	379,731	246,959	1,647,842	5,936,478
Other senior executives	–	8,182,772	856,252	74,991	2,427,571	11,541,586
<b>Total</b>	–	<b>11,844,718</b>	<b>1,235,983</b>	<b>321,950</b>	<b>4,075,413</b>	<b>17,478,064</b>

Such variable cash remuneration shall not exceed twelve months' salary.

For the CEO, 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, for example. 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 presents an overview of remuneration to the CEO and other members of executive management for the 2022 fiscal year. Base salary is a fixed monthly salary including holiday pay paid during the year, and variable salary is a fixed bonus for the financial year 2022 paid in the first quarter of 2023. Bonus paid in 2022 for 2021 is not included in the table.

### 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 1,631 shareholders at the end of 2022. The largest owners at the end of 2022 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 15.1 percent, Lannebo Fonder with 9.1 percent and Lovisa Hamrin (Herenco) with 6.3 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 2022, the total remuneration to the Group's auditors amounted to SEK 2m.

### Investor Relations

The purpose of Profoto's investor relations function is to spread long-term knowledge and confidence in Profoto's operations and value creation, while ensuring that Profoto complies 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 dedicated 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.

### REPORT OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL REGARDING FINANCIAL REPORTING

Pursuant to the Swedish Companies Act and the Swedish Corporate Governance 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 more 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 risk assessment focuses 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 2022 are in the areas of order-to-cash, purchase-to-pay, product life cycle management, accounting and intellectual property rights (IPR), legal and tax, and ESG.

### 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 "Follow-up and monitoring" section.

### 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. The controls are carried out as manual controls as well as automatic system controls directly in the ERP system. 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. Based on the evaluation, the CFO reports annually 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 MBA, University of Gothenburg.

**Born:** 1972

**Other assignments:** Member of the Board of Swedbank and Thule Group. Chief Investment Officer APAC.

**Previous assignments, selection:** Chairman of the Board of Nobia. Member of the Board of Nordstjernan and Cloetta. Partner and employee of Nordic Capital.

**Independent of company:** Yes

**Independent of the main owner:** Yes

**Shares in Profoto Holding:** 1,230,508 shares, 500,000 call options



**Anders Hedebark**  
Member of the Board

**Elected:** 2010

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

**Born:** 1964

**Other assignments:** President and CEO of Profoto.

**Independent of company:** No

**Independent of the main owner:** No

**Shares in Profoto Holding:** 15,127,321 shares



**Helene Willberg**  
Member of the Board

Chair of the Audit Committee

**Elected:** 2018

**Education:** MSc in Accounting and Finance, Stockholm School of Economics.

**Born:** 1967

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

**Previous assignments, selection:** Member of the Board and CEO of Alvarez & Marsal Sweden. Member of the Board and CEO of KPMG.

**Independent of company:** Yes

**Independent of the main owner:** Yes

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



**Magnus Brännström**  
Member of the Board

Member of the Remuneration Committee

**Elected:** 2018

**Education:** MSc, Uppsala University.

**Born:** 1966

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

**Previous assignments, selection:** Chairman of World Federation of Direct Selling Associations. Member of the Board of APAC.

**Independent of company:** Yes

**Independent of the main owner:** Yes

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



**Helena Holmgren**  
Member of the Board

**Elected:** 2021

**Education:** MBA, Lund University and MBA, University of Ottawa.

**Born:** 1976

**Other assignments:** Member of the Board of Hexatronic Group and ProGlove.

**Previous assignments, selection:** CEO and CFO of Pricer, CFO of Edgware.

**Independent of company:** Yes

**Independent of the main owner:** Yes

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



**Pernilla Ekman**  
Member of the Board

Member of the audit committee

**Elected:** 2021

**Education:** MBA, Stockholm University and Executive Management Program, Stockholm School of Economics.

**Born:** 1972

**Other assignments:** CEO of Aarke. Member of the Board of Fractal Gaming Group.

**Previous assignments, selection:** Chairman of the Board of Stronger, Aarke and CEO at Zound Industries.

**Independent of company:** Yes

**Independent of the main owner:** Yes

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

Shareholding per December 31 2022

# Management

PHOTO RICKARD L. ERIKSSON



**Anders Hedebark**  
President and CEO

**Employed at Profoto:** 1997

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

**Born:** 1964

**Shares in Profoto Holding:**  
15,127,321 shares



**Carl Bandhold**  
Incoming Vice CEO and CFO

**Employed at Profoto:** May 2023

**Education:** MSc in Chemical Engineering, Chalmers University of Technology, and MBA, INSEAD.

**Born:** 1974

**Shares in Profoto Holding:**  
0 shares



**Amanda Åström**  
Acting CFO & Head of Investor Relations

**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:**  
1,277 shares



**Patrik Bluhme**  
VP Global Sales

**Employed at Profoto:** 2014

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

**Born:** 1962

**Shares in Profoto Holding:**  
66,045 shares



**Martina Nillenstedt**  
VP Product Marketing & Brand

**Employed at Profoto:** 2017

**Education:** MBA, Stockholm School of Economics, and Business Administration degree, Jönköping University.

**Born:** 1973

**Shares in Profoto Holding:**  
20,254 shares



**Tobias Lindbäck**  
VP Strategy & Alliances

**Employed at Profoto:** 2015

**Education:** MSc in Mechanics, Linköping University of Technology.

**Born:** 1968

**Shares in Profoto Holding:**  
58,033 shares



**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 shares



**Gilles Rossi**  
VP Operations & Quality

**Employed at Profoto:** 2017

**Education:** MSc Mechanical Engineering, ENSAIS.

**Born:** 1976

**Shares in Profoto Holding:**  
65,595 shares



**Ulrika Björk**  
VP Product R&D

**Employed at Profoto:** 2016

**Education:** MSc in Mechanical Engineering, Linköping University of Technology.

**Born:** 1979

**Shares in Profoto Holding:**  
24,586 shares

# Financial Reports Group

## Consolidated statement of profit and loss

SEKm	Note	Jan. 1, 2022 Dec 31, 2022	Jan. 1, 2021 Dec 31, 2021
Net sales	6, 7	848	732
Other income	8	32	11
<b>Total revenue</b>		<b>881</b>	<b>744</b>
Capitalized work for own account	18	37	22
Goods	20	-266	-232
Other external expenses	9, 10, 25	-166	-142
Personnel expenses	11	-137	-117
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	18, 19	-73	-57
Other operating expenses	12	-26	-5
<b>Operating profit/loss</b>		<b>249</b>	<b>212</b>
<b>Finance income and costs</b>			
Finance income	13	10	0
Finance costs	14	-16	-3
<b>Profit/loss before tax</b>		<b>243</b>	<b>209</b>
Tax	16	-49	-51
<b>Profit/loss for the year</b>		<b>194</b>	<b>158</b>
Attributable to:			
Parent Company shareholders		194	158
Earnings per share basic and diluted*		4.85	3.95

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

## Consolidated statement of comprehensive income

SEKm	Note	Jan. 1, 2022 Dec 31, 2022	Jan. 1, 2021 Dec 31, 2021
Profit/loss for the year		194	158
<b>Other comprehensive income, items that may be reclassified to the consolidated statement of profit and loss:</b>			
Translation differences for the year		6	-5
<b>Comprehensive income for the year</b>		<b>200</b>	<b>153</b>
Attributable to:			
Parent Company shareholders		200	153

## Consolidated statement of financial position

SEKm	Note	Dec 31, 2022	Dec 31, 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible fixed assets</b>	18		
Capitalized development expenditure		102	91
Technology, customer assets and brand		83	–
Other intangible assets		8	15
Goodwill		110	–
<b>Total intangible assets</b>		<b>304</b>	<b>106</b>
<b>Property, plant and equipment</b>	19		
Leased assets	10	47	49
Equipment, tools and installations		25	23
Leasehold improvements		1	2
<b>Total property, plant and equipment</b>		<b>73</b>	<b>75</b>
<b>Financial assets</b>		<b>2</b>	<b>2</b>
<b>Deferred tax assets</b>	16	<b>19</b>	<b>16</b>
<b>Total non-current assets</b>		<b>399</b>	<b>199</b>
<b>Current assets</b>			
<b>Inventories</b>	20	<b>141</b>	<b>99</b>
<b>Current receivables</b>			
Accounts receivable	5, 21	96	69
Other current assets		6	5
Prepayments and accrued income	22	8	6
<b>Total current receivables</b>		<b>111</b>	<b>80</b>
<b>Cash and cash equivalents</b>	23	<b>150</b>	<b>206</b>
<b>Total current assets</b>		<b>403</b>	<b>386</b>
<b>TOTAL ASSETS</b>		<b>801</b>	<b>585</b>

## cont. Condensed consolidated statement of financial position

SEKm	Note	Dec 31, 2022	Dec 31, 2021
<b>Equity</b>			
Share capital	24	1	1
Reserves		0	-6
Retained earnings including profit/loss for the year/period		390	336
<b>Total equity</b>		<b>391</b>	<b>331</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	5, 27	4	6
Other non-current liabilities		17	–
Lease liabilities	10	38	43
Provisions	26	15	7
Deferred tax liabilities	16	91	54
<b>Total non-current liabilities</b>		<b>165</b>	<b>110</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	5, 27	67	14
Lease liabilities	10	12	9
Provisions	26	17	5
Accounts payable		53	46
Current tax liabilities		19	9
Other current liabilities		24	6
Accrued expenses and deferred income	28	55	55
<b>Total current liabilities</b>		<b>246</b>	<b>144</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>801</b>	<b>585</b>

## Consolidated statement of changes in equity

SEKm	Share capital	Translation reserve	Retained earnings including profit/loss for the year	Total equity*
<b>Opening balance January 1, 2021</b>	<b>0</b>	<b>-1</b>	<b>335</b>	<b>334</b>
Profit/loss for the year			158	158
Total other comprehensive income		-5	–	-5
<b>Total comprehensive income</b>	<b>0</b>	<b>-5</b>	<b>158</b>	<b>153</b>
Bonus issue	1	–	-1	0
Dividends to Parent Company			-156	-156
<b>Closing balance December 31, 2021</b>	<b>1</b>	<b>-6</b>	<b>336</b>	<b>331</b>
<b>Opening balance January 1, 2022</b>	<b>1</b>	<b>-6</b>	<b>336</b>	<b>331</b>
Profit/loss for the year			194	194
Total other comprehensive income		6	–	6
<b>Total comprehensive income</b>	<b>0</b>	<b>6</b>	<b>194</b>	<b>200</b>
Dividends to shareholders	–	–	-140	-140
<b>Closing balance December 31, 2022</b>	<b>1</b>	<b>0</b>	<b>390</b>	<b>391</b>

\*) Attributable to Parent Company shareholders

# Financial Reports

## Parent Company

### Consolidated statement of cash flows

SEKm	Note	Jan. 1, 2022 Dec 31, 2022	Jan. 1, 2021 Dec 31, 2021
<b>Cash flow from operating activities</b>			
Operating profit/loss		249	212
<i>Adjustments for non-cash items:</i>	29		
Depreciation, amortization and impairment		73	57
Adjustments for other non-cash items		18	4
Interest received		1	0
Interest paid		-5	-2
Income tax paid		-28	-36
<b>Cash flow from operating activities before changes in working capital</b>		<b>308</b>	<b>235</b>
<b>Changes in working capital</b>			
Decrease (+) / increase (-) in inventories		-39	-6
Decrease (+) / increase (-) in accounts receivable		-1	-2
Decrease (+) / increase (-) in other receivables		-1	0
Decrease (-) / increase (+) in accounts payable		-4	0
Decrease (-) / increase (+) in other current liabilities		-27	13
<b>Cash flow from operating activities</b>		<b>236</b>	<b>240</b>
<b>Investing activities</b>			
Investments in intangible fixed assets		-39	-24
Acquisition of property, plant and equipment		-12	-6
Intra-group loans given <sup>1</sup>		-	-116
Acquired subsidiary	4	-141	-
<b>Cash flow from investing activities</b>		<b>-192</b>	<b>-146</b>
<b>Financing activities</b>			
Repaid intercompany liabilities <sup>2</sup>	29	-	-103
Repayment of other external loans		-90	-34
Amortization of leasing liability		-12	-11
New loans		145	13
Dividends paid		-140	-
<b>Cash flow from financing activities</b>		<b>-97</b>	<b>-135</b>
Cash flow for the year		-52	-42
Cash and cash equivalents at beginning of year		206	254
Exchange rate differences in cash and cash equivalents		-4	-7
<b>Cash and cash equivalents at year-end</b>		<b>150</b>	<b>206</b>

1) Intra-group loans in investing activities relate to lending to the former Parent Company Profoto Invest AB.

2) 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, 2022 Dec 31, 2022	Jan. 1, 2021 Dec 31, 2021
Net sales	31	14.3	11.7
<b>Operating expenses</b>			
Other external expenses	9	-5.5	-26.5
Personnel expenses	11	-9.5	-12.4
Other operating expenses		0.0	0.0
<b>Operating profit/loss</b>		<b>-0.8</b>	<b>-27.3</b>
<b>Profit/loss from financial items</b>			
Income from participations in Group companies		150.0	153.0
Interest and similar expenses		-15.7	0.0
<b>Profit after financial items</b>		<b>133.5</b>	<b>125.7</b>
Appropriations	15	15.4	51.9
<b>Profit/loss before tax</b>		<b>148.9</b>	<b>177.6</b>
Tax on profit/loss for the year		4.7	-9.7
<b>Profit/loss for the year</b>		<b>153.6</b>	<b>167.9</b>

### Parent Company Statement of Comprehensive Income

SEKm	Note	Jan. 1, 2022 Dec 31, 2022	Jan. 1, 2021 Dec 31, 2021
Profit/loss for the year		153.6	167.9
Other comprehensive income		-	-
<b>Comprehensive income for the year</b>		<b>153.6</b>	<b>167.9</b>

**Parent Company balance sheet**

SEKm	Note	Dec 31, 2022	Dec 31, 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Financial assets</b>			
Participations in Group companies	17	217.3	32.0
<b>Total non-current assets</b>		<b>217.3</b>	<b>32.0</b>
<b>Deferred tax assets</b>	16	<b>1.1</b>	<b>1.3</b>
<b>Current assets</b>			
Current receivables from Group companies	31	31.8	199.5
Current tax assets		0.5	–
Other current receivables		–	0.5
Prepayments and accrued income		0.7	0.9
<b>Total current receivables</b>		<b>32.9</b>	<b>200.9</b>
<b>Cash and cash equivalents</b>		<b>–</b>	<b>0.0</b>
<b>Total current assets</b>		<b>32.9</b>	<b>200.9</b>
<b>TOTAL ASSETS</b>		<b>251.4</b>	<b>234.2</b>

**cont. Parent Company Balance Sheet**

SEKm	Note	Dec 31, 2022	Dec 31, 2021
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		0.5	0.5
<b>Total restricted equity</b>		<b>0.5</b>	<b>0.5</b>
<b>Unrestricted equity</b>			
Retained earnings		55.9	28.0
Profit/loss for the year		153.6	167.9
<b>Total unrestricted equity</b>		<b>209.5</b>	<b>195.9</b>
<b>Total equity</b>		<b>210.0</b>	<b>196.4</b>
<b>Non-current liabilities</b>			
Other non-current liabilities		16.7	–
<b>Total non-current liabilities</b>		<b>16.7</b>	<b>–</b>
<b>Current liabilities</b>			
Accounts payable		0.4	0.3
Liabilities to Group companies	31	–	24.7
Current tax liabilities		–	4.9
Other current liabilities		18.6	1.2
Accrued expenses and deferred income	28	5.6	6.7
<b>Total current liabilities</b>		<b>24.6</b>	<b>37.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>251.4</b>	<b>234.2</b>

## 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	
<b>Opening balance January 1, 2021</b>	<b>0.1</b>	<b>22.0</b>	<b>162.3</b>	<b>184.4</b>
Transfer of previous year's profit/loss		162.3	-162.3	
Profit/loss for the year			167.9	167.9
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>0.1</b>	<b>184.3</b>	<b>167.9</b>	<b>167.9</b>
Contributions from owners				
Dividend to shareholders		-155.9	-	-155.9
Bonus issue	0.4	-0.4	-	-
<b>Closing balance December 31, 2021</b>	<b>0.5</b>	<b>28.0</b>	<b>167.9</b>	<b>196.4</b>
<b>Opening balance January 1, 2022</b>	<b>0.5</b>	<b>28.0</b>	<b>167.9</b>	<b>196.4</b>
Transfer of previous year's profit/loss		167.9	-167.9	
Profit/loss for the year			153.6	153.6
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>0.5</b>	<b>195.9</b>	<b>153.6</b>	<b>153.6</b>
Dividends to shareholders	-	-140.0	-	-140.0
<b>Closing balance December 31, 2022</b>	<b>0.5</b>	<b>55.9</b>	<b>153.6</b>	<b>210.0</b>

## Parent Company Statement of Cash Flows

SEKm	Note	Jan. 1, 2022 Dec 31, 2022	Jan. 1, 2021 Dec 31, 2021
<b>Cash flow from operating activities</b>			
Operating profit/loss		-0.8	-27.3
Income tax paid		-0.9	0.2
<b>Cash flow from operating activities before changes in working capital</b>		<b>-1.7</b>	<b>-27.1</b>
<b>Changes in working capital</b>			
Decrease (+) / increase (-) in other receivables		0.4	-0.8
Decrease (-) / increase (+) in accounts payable		0.2	-3.1
Decrease (-) / increase (+) in other current liabilities		-1.0	3.1
<b>Cash flow from operating activities</b>		<b>-2.1</b>	<b>-27.9</b>
<b>Investing activities</b>			
Acquired subsidiary		-154.4	-
<b>Cash flow from investing activities</b>		<b>154.4</b>	<b>-</b>
<b>Financing activities</b>			
Change in intercompany liabilities		296.5	27.6
Borrowings		75.0	-
Repayment of loans		-75.0	-
Dividends to shareholders		-140.0	-
<b>Cash flow from financing activities</b>		<b>156.5</b>	<b>27.6</b>
Cash flow for the year		0.0	-0.3
Cash and cash equivalents at beginning of year		0.0	0.3
<b>Cash and cash equivalents at year-end</b>		<b>-</b>	<b>0.0</b>

# Notes

All figures are in millions of SEK unless stated otherwise.

## 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 light units, systems and other accessories in the professional photo industry. The composition of the Group is described in Note 17.

Profoto Holding AB (publ) was a wholly owned subsidiary of Profoto Invest AB, corp. reg. no. 559099-2326, with its registered office in Sundbyberg until July 1, 2021.

## 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 CEO on April 4, 2023. The financial statements of the Group and the Parent Company are subject to adoption by the Annual General Meeting on May 5, 2023.

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).

### New and amended standards applied for the first time

No new IFRS standards have been published for application in 2022. Changes in IFRS standards applicable from 2022 have had no impact on the Group's financial statements.

### New and amended standards and interpretations not yet in force

New and amended IFRS standards applicable from 2023 are not expected to have a material impact on the Group's financial statements.

### 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 acquisition 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 acquisitions 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 acquisitions 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 CEO 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, training courses, installation and system service contracts are also sold. Service contracts are invoiced in advance for a period of 12 months at a time, with a commitment period of 36 months after completion of the sale. At the end of the initial commitment period, the service contracts are renewed annually, unless they are terminated by the customer. However, these revenue streams, in addition to regular streams, do not represent a significant 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 goods

Note 2 cont.

have been delivered to the respective freight forwarder/shipping company. Payment terms for invoiced sales of light units are normally 30 days after commencement of delivery. Invoiced sales of systems are normally paid in advance at least 10 days before 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 five 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 (one percent of total sales in 2022 and 2021), which is why no current provisions are made for costs related to returns. The Group reassesses its estimate of expected returns at each balance sheet date and updates the asset and liability amounts accordingly.

Issued warranty commitments are reported as a provision in accordance with IAS 37 and is described in more detail in the section "Provisions".

#### 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.

#### 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-cancelable 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 lending rate.

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 transactions. 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 acquisition) 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 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

Note 2 cont.

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:

Tools and equipment	4–5 years
Leasehold improvements	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 fixed assets

Capitalized development expenditure arising from the Group's product development is recognized only if the following conditions are met:

- It is technically feasible to complete the product so that it will be available for use.
- The company intends to complete the intangible asset and use or sell it.
- It is possible to use or sell the intangible asset.
- The company shows how the intangible asset will generate probable future economic benefits.

- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset.
- The expenses attributable to the intangible asset during its development can be reliably calculated.

If it is not possible to report capitalized development expenditure, development costs are recognized as a cost in the period in which they arise. After initial recognition, internally generated intangible fixed assets are recognized at cost less accumulated depreciation/amortization and impairment, if any. The estimated useful life is dependent on the asset, 2–6 years. Estimated useful life and depreciation method are reviewed at least at the end of each fiscal year, and the effects of any changes in assessments are reported prospectively.

Assets arising from business acquisitions consist of technology, customer assets and brand names. Assets are depreciated over periods ranging from four to nine years depending on the type of asset and its estimated useful life. Assets are stated at cost, less accumulated depreciation/amortization and any impairment losses.

Goodwill is measured at cost, less any accumulated impairment losses. Goodwill has been allocated to the Group's Photographic segment and is tested for impairment at least annually or whenever there is an indication that an impairment may be necessary.

#### Other intangible fixed assets – Capitalized expenditures for customization of business systems

Expenditure to adapt business systems is capitalized as intangible fixed assets to the extent that the expenditure is directly attributable to the adaptation. Depreciation starts when the customization of the ERP system is completed and put into operation. The estimated useful life for customization of business systems is five 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 fixed assets, including goodwill

At each balance sheet date, the Group assesses the carrying amounts of property, plant and equipment and intangible fixed 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 recoverable amount is calculated for the cash-generating unit or group of cash-generating units to which the asset belongs.

The recoverable amount is calculated annually for goodwill and other intangible fixed assets with indefinite useful lives and for intangible assets that are not yet ready for use.

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 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. When an impairment loss is identified for a cash-generating unit or group of cash-generating units, the amount of the impairment loss is allocated primarily to goodwill. Subsequently, a proportionate impairment loss is recognized on the other assets in the cash-generating unit or group. An impairment loss is immediately recognized as an expense in the profit or loss. An impairment loss is reversed in subsequent periods if there is an indication that the impairment loss no longer exists and a change has occurred in the assumptions used to calculate the recoverable amount at the time the impairment loss was recognized. However, goodwill impairment is never reversed. A reversal is made only to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognized, net of depreciation, if no impairment loss had been recognized.

#### 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,

Note 2 cont.

plus or minus any cumulative amortization using the effective interest method on any difference between the 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."

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 out-

standing 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 Parent Company's accounting policies have been consistently applied to all periods presented in the Parent Company's financial statements and are unchanged from the 2021 Annual Report. 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 made at cost including transaction costs. In the consolidated financial statements, transaction costs relating to subsidiaries are recognized directly in profit or loss as incurred. 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 fixed 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, financial assets are valued at cost less impairment. Financial assets and financial liabilities are measured at the lower of cost and 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 new and further development 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 are analyzed and assessed by discounting cash flows. In assessing cash flow for the next twelve months, forecasts are used that take into account known risks and uncertainties, such as inflation-related risks, interest and political risks and climate risks.

In applying this method, the company evaluates a number of factors, including the discount rate, forecasted remaining development expenditure and forecasted future sales and costs related to each development project.

The risk of a need to write down the value of capitalized development expenditure is mainly attributable to ongoing development projects for new development of products that are not expected to be completed until 2024. The reported value of said projects amount to SEK 10m (1) at the end of the year. Further investments during the next 12 months are estimated to amount to SEK 8m. The recovery value of these projects is mainly affected by assumptions about expected sales volume at launch and turnover growth the following four years. These assumptions are characterized by uncertainty in ongoing projects regarding new launches. However, the probability of this worst-case scenario occurring can currently be considered low.

#### 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.

#### Assessments when applying the groups accounting principles

Goodwill is, according to IAS36, to be distributed to the cashgenerating units expected to be favoured by the synergies of the acquisition. In case goodwill can't be fairly allocated between these units then goodwill is to be allocated to the lowest level of the company where the goodwill in question is monitored in the internal steering of the company that can't be bigger than a business segment. Goodwill arose at the acquisition of StyleShoots, which after the time of acquisition is part of the business segment Photographics as StyleShoots has been integrated into the current operational processes for Photographics and its operating profit is not regularly followed up by the highest decision making officer of the group. The lowest level at which goodwill is monitored is the only business segment of the group, Photographics. Goodwill from the acquisition of StyleShoots can't at any fair ground be allocated between the cash generating units expected to be favoured from the acquisition and has as a consequence fully been allocated to the business segment Photographics. As a consequence, goodwill is tested for write-downs based on Photographics (full group) recovery value, see note 18 for performed write-down test and description of important assumptions and assessments in the test.

### Note 4 Business acquisitions

On April 6, 2022, Profoto Holding AB (publ) entered into an agreement to acquire 100 percent of the shares in StyleShoots Holding B.V. (StyleShoots). Acquisition took place on the same day, April 6, and StyleShoots is consolidated with Profoto as of this date.

StyleShoots is a leading full-service fashion e-commerce photography company with 41 employees, headquartered in Haarlem, the Netherlands. StyleShoots operates in a different part of the market than Profoto, and by working together Profoto and StyleShoots are expected to have the opportunity to jointly push StyleShoots' expansion in an attractive market using Profoto's organization and solid experience in global geographic expansion.

StyleShoots had sales of SEK 88m in 2021 and, if the company had been acquired on January 1, 2022, the Group's sales for 2022 would have increased by SEK 24m to SEK 872m and the Group's operating profit (EBIT) is estimated to have been unchanged at SEK 249m after deducting depreciation/amortization of acquisition-related excess values of SEK 4m.

The acquisition is based on a value of the acquired business on a cash and debt-free basis (Enterprise Value) of EUR 18.0m. Adjusted for certain variable terms such as net debt, the total amounts to EUR 17.3m of which EUR 3.0m is in the form of an interest-bearing

vendor loan to Profoto Holding AB (publ) from the seller Life Style Technologies Holding B.V. The loan is paid off in instalments over 3 years. As of the acquisition date, the purchase price corresponds to SEK 177.3m

An acquisition analysis has been prepared as follows, allocating the cost of the shares to the net assets acquired in the subsidiary and goodwill. Final acquisition costs of SEK 8m are included in the Group's operating expenses for 2022. No acquisition costs affected the Group's operating expenses in the fourth quarter.

#### Acquisition analysis

SEKm	Fair value
<b>Fair value of transferred consideration</b>	
Purchase price paid, settled in cash	146
Vendor note	31
<b>Total</b>	<b>177</b>
<b>Fair value of assets acquired and liabilities assumed</b>	
Technology/Capitalized development expenditure	26
Brand	13
Customer contracts and customer relations	51
Leased assets	5
Property, plant and equipment	2
Inventories	11
Accounts receivable and other receivables	25
Cash and cash equivalents	5
<b>Total assets</b>	<b>139</b>
Deferred tax liability	20
Lease liabilities	4
Accounts payable and other payables	39
<b>Total liabilities</b>	<b>63</b>
<b>Net identifiable assets and liabilities</b>	<b>75</b>
Group goodwill	102
<b>Transferred consideration</b>	<b>177</b>

Excess values have been identified mainly related to acquired customer assets, technology and brands. Acquired technology relates to proprietary software and patented integration of hardware and software in StyleShoots' products and is estimated to have a useful life of eight years. Customer assets relate to customer contracts and customer relationships comprising revenue from existing and future service contracts and revenue from future replacement of purchased and rented products by existing customers. Customer assets are

depreciated over 5–9 years. The StyleShoots brand is written off over four years.

Goodwill is attributable to future cash flows from new customers, products and markets as well as synergies from the use of Profoto's lighting technology in StyleShoots products. Goodwill does not give rise to any future tax-related deductible expenses.

#### Acquisition analysis

SEKm	Fair value
<b>Effect on cash and cash equivalents at the acquisition date April 6, 2022</b>	
Transferred consideration	-177
Vendor notes deducted	31
Cash and cash equivalents of acquired subsidiary deducted	5
<b>Total</b>	<b>-141</b>

#### Impact of the acquisition on the income statement April–Dec 2022

SEKm	Carrying amount
<b>Impact after the acquisition date April 6, 2022, included in the Group's results for Jan–Dec 2022</b>	
Net sales	49
EBIT	-14

EBIT includes depreciation/amortization of excess values from acquired intangible assets of SEK -11m during the period. Positive EBIT of SEK 6m related to intra-group sales has been eliminated and is not included in the acquired company's earnings for the period.

Turnover and EBIT on the basis of the acquisition having taken place on January 1, 2022, are given below:

SEKm	Full year 2022
<b>Net sales pro forma</b>	
Profoto	848
StyleShoots	24
<b>Net sales pro forma</b>	<b>872</b>
<b>EBIT pro forma</b>	
Profoto	249
StyleShoots	4
Depreciation/amortization of acquired intangible assets	-4
<b>EBIT pro forma</b>	<b>249</b>

## Note 5 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	2022	2021
Euro (EUR)	183	171
US Dollar (USD)	149	172
Chinese Yuan (CNY)	47	42
Japanese Yen (JPY)	61	55
British Pound (GBP)	49	36

#### Interest rate risks

Interest rate risk refers to the risk of fluctuation in variable interest rates associated with borrowings in the Group. The interest rate risk is considered to be low. 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 0.3m (0.1). This calculation is based on current borrowings totaling SEK 70m (20).

#### 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, 2022	Dec 31, 2021
Euro (EUR)	12	2
US Dollar (USD)	7	7
Chinese Yuan (CNY)	3	2
Japanese Yen (JPY)	4	4
British Pound (GBP)	1	1

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	2022	2021
Euro (EUR)	-14	0
US Dollar (USD)	9	8
Chinese Yuan (CNY)	1	1
Japanese Yen (JPY)	1	1
British Pound (GBP)	0	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

Sensitivity analysis of currency risk	2022 Effect on profit/loss	Dec 31, 2022 Effect on equity	2021 Effect on profit/loss	Dec 31, 2021 Effect on equity
<b>Transaction exposure</b>				
EUR +5%	9		9	
USD +5%	7		9	
CNY +5%	2		2	
JPY +5%	3		3	
GBP +5%	2		2	
<b>Translation exposure</b>				
Euro (EUR) +10%		1		0
US Dollar (USD) +10%		1		1
Chinese Yuan (CNY) +10%		0		0
Japanese Yen (JPY) +10%		0		0
British Pound (GBP) +10%		0		0

#### 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 and current availability of cash 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 carried out four times a year and may be

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.

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 credit limit for new customers is assessed case-by-case on the basis of estimated sales and credit checks.

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

Note 5 cont.

be substantially earlier than shown in the tables.

December 31, 2022	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities to credit institutions	67	2	6	–	75
Lease liabilities	4	9	33	8	53
Accounts payable	53	–	–	–	53
Other current liabilities	8	17	18	–	42
<b>Total</b>	<b>132</b>	<b>28</b>	<b>56</b>	<b>8</b>	<b>224</b>

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
<b>Total</b>	<b>57</b>	<b>15</b>	<b>37</b>	<b>15</b>	<b>124</b>

#### Credit and counterparty risk

Credit risk refers to the risk that the counterparty in a transaction will cause a loss to the Group by failing to 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 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 21.

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 impact on trade receivables at December 31, 2022, of SEK -1m (0) is considered insignificant, hence the receivables are reported 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 on the right.

	Dec 31, 2022	Dec 31, 2021
Accounts receivable	96	69
Other current receivables	5	5
Non-current receivables	2	2
Cash and cash equivalents	150	206
<b>Maximum credit risk exposure</b>	<b>253</b>	<b>282</b>

#### Accounts receivable from external customers by region:

	Dec 31, 2022	Dec 31, 2021
APAC	26	15
Americas	46	36
EMEA	25	19
<b>Total external accounts receivable</b>	<b>96</b>	<b>69</b>

#### Credit risk in cash and cash equivalents

The Group has cash and cash equivalents of SEK 150m (206) at December 31, 2022. 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, i.e., how much cash and equivalents would remain if all debts were paid. Net debt/EBITDA is a measure of financial risk and 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 in relation to EBITDA is a maximum of 3.0 (2.5) and the interest coverage ratio is a maximum of 5.0 (4.0). These key ratios are monitored on an ongoing basis and reported to the Board.

Note 5 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
<b>December 31, 2022</b>		
<b>Financial assets</b>		
Non-current receivables	2	
Accounts receivable	96	
Other receivables	–	
Cash and cash equivalents	150	
<b>Total financial assets</b>	<b>248</b>	
<b>Financial liabilities</b>		
Liabilities to credit institutions		71
Accounts payable		53
Accrued expenses <sup>1</sup>		10
<b>Total financial liabilities</b>		<b>134</b>
	<b>Financial assets measured at amortized cost</b>	<b>Financial liabilities measured at amortized cost</b>
<b>December 31, 2021</b>		
<b>Financial assets</b>		
Non-current receivables	2	
Accounts receivable	69	
Other receivables	–	
Cash and cash equivalents	206	
<b>Total financial assets</b>	<b>277</b>	
<b>Financial liabilities</b>		
Liabilities to credit institutions		20
Accounts payable		46
Accrued expenses <sup>1</sup>		15
<b>Total financial liabilities</b>		<b>81</b>

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
<b>2022</b>			
<b>Operating profit/loss</b>			
Operating receivables – foreign exchange differences	31		31
Other operating liabilities – foreign exchange differences		-26	-26
<b>Total operating profit</b>	<b>31</b>	<b>-26</b>	<b>5</b>
<b>Net financial items</b>			
Interest income	1		1
Interest expense		-5	-5
Foreign exchange differences		-2	-2
<b>Total net financial items</b>	<b>1</b>	<b>-7</b>	<b>-6</b>
	<b>Financial assets measured at amortized cost</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Total</b>
<b>2021</b>			
<b>Operating profit/loss</b>			
Operating receivables – foreign exchange differences	9		9
Other operating liabilities – foreign exchange differences		-5	-5
<b>Total operating profit</b>	<b>9</b>	<b>-5</b>	<b>-4</b>
<b>Net financial items</b>			
Interest income	0		0
Interest expense		-2	-2
Foreign exchange differences	0	-1	-1
<b>Total net financial items</b>	<b>0</b>	<b>-3</b>	<b>-3</b>

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 6 Segment information

The Group's only operating segment is Photographic. The Group has integrated the acquired subsidiary Style-Shoots into Profoto's existing operational processes for reporting and monitoring. There have been no changes in the Group's management as a result of the acquisition. StyleShoots is not a separate operating segment.

- Photographic derives revenue from the sale of light units and systems 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 is consistent with the Group's accounting policies. Sales between the segment and the Group take place on market terms.

2022	Photographic	Group-wide	Eliminations	Total Group
Revenue	848			848
Other operating income	32	14	-14	32
<b>Total revenue</b>	<b>881</b>	<b>14</b>	<b>-14</b>	<b>881</b>
Capitalized work for own account	37			37
Goods	-266			-266
Depreciation, amortization and impairment	-73			-73
Other operating expenses	-328	-15	14	-329
<b>Operating profit/loss</b>	<b>250</b>	<b>-1</b>	<b>0</b>	<b>249</b>
Not distributed: Net financial items				-6
<b>Profit/loss before tax</b>				<b>243</b>

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

Revenue from external customers by region <sup>1</sup>	2022	2021
APAC	174	179
Of which Japan	71	69
Americas	356	306
Of which the US	327	286
EMEA	318	248
Of which Sweden	31	22
<b>Total</b>	<b>848</b>	<b>732</b>

Fixed assets <sup>2</sup>	Dec 31, 2022	Dec 31, 2021
Sweden	349	173
Other	29	8
<b>Total</b>	<b>377</b>	<b>181</b>

### Information about large customers

The Group has one customer who individually accounts for 10 percent or more of consolidated revenue. Sales to this customer were SEK 121m (138).

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 7 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 6.

Revenue by product category	2022	2021
Photographic	847	732
Digital business	1	1
<b>Total</b>	<b>848</b>	<b>732</b>

Revenue per product line	2022	2021
Light units and systems	601	496
Accessories	202	211
Other	45	26
<b>Total</b>	<b>848</b>	<b>732</b>

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 22 and Note 28. All contract assets and contract liabilities are mainly realized as income within 1 month. The character and time of the revenue are described in Note 2 and uncertainties about revenue and cashflow are described in Note 5.

## Note 8 Other income

Group	2022	2021
Exchange gains	31	9
Other income	1	2
<b>Total</b>	<b>32</b>	<b>11</b>

Other income consists of realized and unrealized foreign exchange gains from operating activities. The corresponding foreign exchange losses are recognized as Other operating expenses and are disclosed in Note 12.

**Note 9 Remuneration to auditors**

	Group		Parent Company	
	2022	2021	2022	2021
Deloitte				
Audit assignments	1.6	1.8	1.4	1.1
Other audit duties	0.2	1.1	0.2	1.1
Tax advisory services	–	0.0	–	–
Other services	–	0.3	–	0.3
Flynth				
Audit assignments	0.3	–	–	–
Azets				
Audit assignments	0.1	0.1	–	–
<b>Total</b>	<b>2.2</b>	<b>3.2</b>	<b>1.6</b>	<b>2.5</b>

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, interim report for the first quarter of 2021 and other services in connection with the listing of the Parent Company in July 2021. All costs for the statutory auditing of Group companies included in the consolidated accounts, as part of the group audit have, for both 2022 and 2021, been invoiced to the Parent Company Profoto Holding AB (publ).

**Note 10 Leasing**

	2022	2021
<b>Leases</b>		
Leased assets		
Real Estate	44	48
Equipment	1	1
Vehicles	2	1
<b>Total leased assets</b>	<b>47</b>	<b>50</b>
<b>Lease liabilities</b>		
Current liabilities	12	9
Non-current liabilities	38	43
<b>Total lease liabilities</b>	<b>49</b>	<b>52</b>
<b>Depreciation of right-of-use assets</b>		
Real Estate	-9	-8
Equipment	-1	-1
Vehicles	-2	-1
Interest expense on lease liabilities	-1	-1
<b>Total impact on earnings</b>	<b>-13</b>	<b>-11</b>

New rights of use in 2022 amounted to SEK 7m (5) and primarily relate to rental agreements in the acquired company in the Netherlands and a new office in China, where the right of use for the old office was also terminated during the year.

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 2022 amounts to SEK 13m (11). Maturity analysis of lease liabilities is shown in Note 5. Total income from subleases of right-of-use assets amounts to SEK 1m (1) during the period.

**Note 11 Number of employees, staff costs and senior executives****Average number of employees 2022**

	Women	Men	Total
<b>Parent Company</b>			
Sweden	0	2	2
<b>Total Parent Company</b>	<b>0</b>	<b>2</b>	<b>2</b>
<b>Subsidiaries</b>			
France	0	1	1
Japan	3	3	6
UK	0	1	1
Sweden	18	39	57
Germany	0	2	2
China	5	4	9
US	4	12	16
Netherlands	8	22	30
<b>Total subsidiaries</b>	<b>38</b>	<b>84</b>	<b>122</b>
<b>Total Group</b>	<b>38</b>	<b>86</b>	<b>124</b>

**Average number of employees 2021**

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

**Board members and other senior executives on the balance sheet date**

	2022	2021
<b>Parent Company</b>		
<i>Women:</i>		
Board of Directors	3	3
Other senior executives	0	0
<i>Men:</i>		
Board of Directors, including CEO	3	3
Other senior executives	0	0
<b>Total for Parent Company</b>	<b>6</b>	<b>6</b>
<b>Group</b>		
<i>Women:</i>		
Board of Directors	3	3
Other senior executives	4	3
<i>Men:</i>		
Board of Directors, including CEO	3	3
Other senior executives	4	5
<b>Total Group</b>	<b>14</b>	<b>14</b>

Note 11 cont.

**Costs for employee benefits**

	2022	2021
<b>Parent Company</b>		
Salaries and other remuneration	6.0	7.2
Social security contributions	2.0	3.8
Pension costs	2.1	1.7
<b>Subsidiaries</b>		
Salaries and other remuneration	88	72
Social security contributions	23	21
Pension costs	8	10
Total salaries and remuneration in the Group	94	80
Total social security contributions in the Group	25	25
Total pension costs in the Group	9	10
<b>Total Group</b>	<b>128</b>	<b>115</b>

**Salaries and other remuneration distributed between senior executives and other employees**

	2022	2021
<b>Parent Company</b>		
Salaries and other remuneration to senior executives, 1 (1) person including bonuses and similar remuneration to senior executives	4.3	5.2
Salaries and other remuneration to other employees	0.4	1.0
<b>Total salaries and other remuneration in the Parent Company</b>	<b>6.0</b>	<b>7.2</b>

**Salaries and other remuneration and pensions to senior executives**

	2022	2021
<b>Group</b>		
Salaries and other remuneration to senior executives 8 (8) people including bonuses and similar remuneration to senior executives	13	16
Pension costs to senior executives	1	3
<b>Total salaries and other remuneration and pensions for senior executives in the Group</b>	<b>17</b>	<b>21</b>

**Remuneration to senior executives (SEK)**

	Basic salary / Fees	Variable remuneration	Other benefits	Pension costs	Total
<b>Remuneration to senior executives 2022</b>					
Chairman of the Board, Hans Eckerström	472,581	–	–	–	472,581
Member of the Board, Magnus Brännström	256,989	–	–	–	256,989
Member of the Board, Pernilla Ekman	281,989	–	–	–	281,989
CEO, Anders Hedebark	3,661,946	379,731	246,959	1,647,842	5,936,478
Member of the Board, Helena Holmgren	215,591	–	–	–	215,591
Member of the Board, Helene Willberg	298,387	–	–	–	298,387
Other senior executives (7 people)	8,182,772	856,252	74,991	2,427,571	11,541,586
<b>Total remuneration to senior executives</b>	<b>13,370,255</b>	<b>1,235,983</b>	<b>321,950</b>	<b>4,075,413</b>	<b>19,003,601</b>

**Remuneration to senior executives 2021**

	Basic salary / Fees	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the Board, Hans Eckerström	425,000	–	–	–	425,000
Member of the Board, Magnus Brännström	212,500	–	–	–	212,500
Member of the Board, Pernilla Ekman	150,000	–	–	–	150,000
CEO, Anders Hedebark	3,802,800	1,055,356	347,618	1,281,000	6,486,774
Member of the Board, Helena Holmgren	112,500	–	–	–	112,500
Member of the Board, 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
<b>Total remuneration to senior executives</b>	<b>13,005,788</b>	<b>3,281,124</b>	<b>423,435</b>	<b>3,939,039</b>	<b>20,649,386</b>

**Pensions**

The retirement age for the CEO 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 salaried employees 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 individ-

ually 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 (1). 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 2022, Alecta's surplus in terms of the collective consolidation ratio was 172 percent (172).

**Agreements on severance pay**

If the CEO resigns or is dismissed by the company, the notice period is twelve months. In case the CEO 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 12 Other operating expenses**

Group	2022	2021
Exchange losses	-26	-5
<b>Total</b>	<b>-26</b>	<b>-5</b>

**Note 13 Finance income**

Group	2022	2021
Interest income	1	0
Foreign exchange differences	9	0
Other	0	0
<b>Total</b>	<b>10</b>	<b>0</b>

**Note 14 Finance costs**

Group	2022	2021
Interest expense	-5	-2
Foreign exchange differences	-12	-1
<b>Total</b>	<b>-16</b>	<b>-3</b>

**Note 15 Appropriations**

Parent Company	2022	2021
Group contributions received	15.4	51.9
<b>Total</b>	<b>15.4</b>	<b>51.9</b>

**Note 16 Tax on profit/loss for the year**

	2022	2021
<b>Current tax</b>		
Current tax on profit/loss for the year	-41	-47
Adjustments recognized in the current year for current tax in previous years	5	-1
<b>Deferred tax</b>		
Deferred taxes attributable to temporary differences	-13	-3
<b>Total</b>	<b>-49</b>	<b>-51</b>

**Reconciliation of tax expense for the year**

	2022	2021
Profit/loss before tax	243	209
Tax at applicable Swedish tax rate, 20.6% (20.6)	-50	-43
Tax effect of non-deductible expenses	0	-6
Effect of different tax rates for foreign subsidiaries	-3	-2
Other items	0	0
<b>Total</b>	<b>-54</b>	<b>-50</b>

Adjustments recognized in the current year for current tax in previous years

	2022	2021
<b>Reported tax expense for the year</b>	<b>-49</b>	<b>-51</b>

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

	Dec 31, 2022	Dec 31, 2021
<b>Deferred tax asset</b>		
Internal profit on inventories	13	11
Other items	6	5
<b>Deferred tax asset</b>	<b>19</b>	<b>16</b>
<b>Deferred tax liability</b>		
Capitalized development expenditure	21	21
Acquired intangible assets	21	-
Untaxed reserves	45	32
Other items	4	1
<b>Deferred tax liability</b>	<b>91</b>	<b>54</b>

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 1.1m (1.3) at year-end and consists of a deferred tax asset related to tax on deferred cost deductions on a capital insurance of SEK 1.1m (1.3).

**Note 17 Composition of the Group**

The Group has the following subsidiaries at December 31, 2022:

Name and corp. reg. no.	Country of operation	Holding,% <sup>1</sup>
Profoto AB corp. reg. no. 556115-5838	Sweden	100
Profoto GmbH corp. reg. no. HRB 39399	Germany	100
Profoto France SARL corp. reg. no. 481 980 530 R.C.S	France	100
Profoto K. K. corp. reg. no. 0104-01-057702	Japan	100
Profoto Ltd corp. reg. no. 584-2094	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
Profoto Holding B.V corp. reg. no. 34310663	NL	100
Profoto Technologies B.V corp. reg. no. 62348922	NL	100
Profoto B.V corp. reg. no. 54398800	NL	100

<sup>1</sup> Percentage shareholding refers to the share of equity and votes held by the Parent Company, directly or indirectly.

Profoto Holding AB is the direct owner (100 percent) of Profoto AB with a share book value of SEK 32.0m (32.0). Profoto Holding AB is also the direct owner (100 percent) of the Netherlands-based (NL) company Style-Shoots Holding B.V, acquired in 2022, with a book value of SEK 185.3m. The acquisition also included Style-Shoots Holding B.V's wholly owned subsidiaries Style-Shoots B.V and StyleShoots Technologies B.V. The registered company names of the acquired companies were changed after the acquisition to the names now shown in the above table. Profoto AB is in turn the direct owner (100 percent) of all the other subsidiaries.

No other changes in the composition of the Group have taken place in 2022 or 2021.

**Note 18 Intangible fixed assets**

	Goodwill	Capitalized development expenditure	Technology, customer assets and brand	Other intangible assets	Total
<b>Opening accumulated acquisition value January 1, 2022</b>	–	235	–	35	270
Acquisitions	102	3	87	–	192
Internally developed assets	–	40	–	–	40
Currency effects	8	–	7	–	15
<b>Closing accumulated acquisition value December 31, 2022</b>	<b>110</b>	<b>278</b>	<b>95</b>	<b>35</b>	<b>518</b>
<b>Opening depreciation/amortization January 1, 2022</b>	–	-125	–	-20	-145
Depreciation/amortization for the year	–	-32	-11	-7	-51
Currency effects	–	0	0	–	0
<b>Closing accumulated depreciation/amortization December 31, 2022</b>	–	<b>-157</b>	<b>-11</b>	<b>-27</b>	<b>-195</b>
<b>Opening impairment January 1, 2022</b>	–	-19	–	–	-19
Impairment for the year	–	–	–	–	–
<b>Closing accumulated impairment December 31, 2022</b>	–	<b>-19</b>	–	–	<b>-19</b>
<b>Carrying amount December 31, 2022</b>	<b>110</b>	<b>102</b>	<b>83</b>	<b>8</b>	<b>304</b>
<b>Opening acquisition value January 1, 2021</b>	–	214	–	33	246
Acquisitions	–	–	–	2	2
Internally developed assets	–	22	–	0	22
<b>Closing accumulated acquisition value December 31, 2021</b>	–	<b>236</b>	–	<b>35</b>	<b>271</b>
<b>Opening amortization January 1, 2021</b>	–	-97	–	-13	-109
Depreciation/amortization for the year	–	-29	–	-7	-36
<b>Closing accumulated amortization December 31, 2021</b>	–	<b>-126</b>	–	<b>-20</b>	<b>-146</b>
<b>Opening impairment January 1, 2021</b>	–	-19	–	–	-19
Impairment for the year	–	–	–	–	–
<b>Closing accumulated impairment December 31, 2021</b>	–	<b>-19</b>	–	–	<b>-19</b>
<b>Carrying amount per December 31, 2021</b>	–	<b>91</b>	–	<b>15</b>	<b>106</b>

Total research and development expenses that were expensed in the period amounted to SEK 48m (29). These relate mainly to costs in the feasibility phase and project-wide administrative expenses that cannot be attributed to the development of specific products.

Profoto's business operations are conducted entirely within the Photographics segment, and all business monitoring and reporting is therefore done within this segment. The acquired company StyleShoots engages in

activities that generate revenue and incur expenses, and has discrete financial information available. However, the operating performance of the acquired company is not regularly monitored by the Group's chief operating decision-maker as a basis for decisions on the allocation of resources and the assessment of the acquired company's performance.

The Group has integrated the acquired company into its operational processes, and there have been no

changes in the Group's management as a result of the acquisition.

This demonstrates that the acquired company does not form a separate operating segment, and therefore goodwill has been tested for impairment against the Group's total estimated future cash flows calculated at present value. The book value of goodwill and the pretax discount rate (WACC) are presented in the table on the right.

December 31, 2022	Goodwill	WACC,% before tax	WACC,% after tax
Photographics	110	12.7	10.8
<b>Total</b>	<b>110</b>	<b>12.7</b>	<b>10.8</b>

All of the Group's goodwill arose from the acquisition of StyleShoots in 2022. In 2021 there was no goodwill.

The recoverability of goodwill has been determined by calculating the value in use of the cash-generating unit Photographics. The calculation model is based on a discounting of future projected cash flows against the carrying amounts of the entity. The forecast consists of a detailed forecast for the next twelve months, as well as the financial targets for the following four years adopted by the Board of Directors. Beyond the budget and the five-year forecast period, cash flows have been extrapolated at an annual growth rate of 2 percent, which can be considered to be a reasonable level in a global market in Profoto's field of activity.

The assumptions used in the calculation are based on historical trends in sales volumes in different markets, current demand and expectations for new product development. Profitability is based on previous years' results, existing plans for profitability improvements and the current inflation situation. The discount rate is based on the weighted average cost of capital (WACC), which describes the total cost of external and equity financing, taking into account the company-specific level of risk.

The pretax discount rate includes a risk premium to reflect the current macroeconomic uncertainty together with the specific risk of the market in which Profoto operates. A company-specific risk reflecting that there is a natural uncertainty around the sales volumes that form the basis of the forecast (12 months plus four years) is also included, particularly regarding products that have not yet been launched on the market.

The impairment testing carried out on a quarterly basis during the year has not resulted in any need for impairment. The review also shows that there is a very large scope for possible impairment.

At the balance sheet date, the book value after depreciation/amortization of assets, other than goodwill, arising from acquisitions of SEK 83m is allocated to technology (22m), customer relationships (29m), customer contracts (21m) and brand names (12m). The depreciation/amortization periods applied are eight years for technology, nine years for customer relationships, five years for customer contracts and four years for brand names. For further information, see Note 4.

**Note 19 Property, plant and equipment**

	Tools and equipment	Leasehold improvements	Total
<b>Opening acquisition value January 1, 2022</b>	<b>95</b>	<b>10</b>	<b>105</b>
Investments	10	0	10
Acquisitions	8	1	9
Sales/retirement	-1	-1	-1
Translation differences	0	0	0
<b>Closing accumulated cost December 31, 2022</b>	<b>112</b>	<b>10</b>	<b>122</b>
<b>Opening depreciation January 1, 2022</b>	<b>-64</b>	<b>-8</b>	<b>-70</b>
Sales/retirement	0	1	1
Acquisitions	-6	-1	-6
Depreciation/amortization for the year	-9	-1	-10
Translation differences	0	0	-1
<b>Closing accumulated depreciation/amortization December 31, 2022</b>	<b>-79</b>	<b>-9</b>	<b>-86</b>
<b>Opening impairment January 1, 2022</b>	<b>-9</b>	<b>0</b>	<b>-9</b>
Impairment for the year	0	-	0
<b>Closing accumulated impairment December 31, 2022</b>	<b>-9</b>	<b>0</b>	<b>-9</b>
<b>Carrying amount December 31, 2022</b>	<b>25</b>	<b>1</b>	<b>26</b>
<b>Opening acquisition value January 1, 2021</b>	<b>92</b>	<b>11</b>	<b>103</b>
Investments	5	-	5
Acquisitions			
Sales/retirement	-4	-1	-5
Translation differences	2	0	2
<b>Closing accumulated cost December 31, 2021</b>	<b>95</b>	<b>10</b>	<b>105</b>
<b>Opening depreciation January 1, 2021</b>	<b>-56</b>	<b>-7</b>	<b>-63</b>
Sales/retirement	4	1	5
Depreciation/amortization for the year	-10	-2	-12
Translation differences	-2	0	-1
<b>Closing accumulated amortization December 31, 2021</b>	<b>-64</b>	<b>-8</b>	<b>-70</b>
<b>Opening impairment January 1, 2021</b>	<b>-9</b>	<b>0</b>	<b>-9</b>
Impairment for the year	0	0	0
<b>Closing accumulated impairment December 31, 2021</b>	<b>-9</b>	<b>0</b>	<b>-9</b>
<b>Carrying amount per December 31, 2021</b>	<b>23</b>	<b>2</b>	<b>25</b>

**Note 20 Inventories**

The composition of inventories is shown in the table below.

	Dec 31, 2022	Dec 31, 2021
Finished goods inventory	111	83
Consignment inventories	22	13
Other stock	8	3
<b>Carrying amount</b>	<b>141</b>	<b>99</b>
	<b>2022</b>	<b>2021</b>
Cost of goods	266	232
<b>Total</b>	<b>266</b>	<b>232</b>

Consignment inventories mainly consist of components held in inventory by manufacturers and/or suppliers. Total impairments in 2022 amount to SEK -3m (-8).

**Note 21 Accounts receivable**

	Dec 31, 2022	Dec 31, 2021
Accounts receivable, gross	98	69
Provision for expected credit losses	-2	0
<b>Accounts receivable, net after provision for bad debts</b>	<b>96</b>	<b>69</b>

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

	Dec 31, 2022	Dec 31, 2021
Provision for expected credit losses, beginning of year	0	0
Provision from acquired companies	0	-
Provision for expected credit losses for the year	-1	0
Reversal of unused amounts	0	0
<b>Carrying amount</b>	<b>-2</b>	<b>0</b>

Accounts receivable aging analysis	Dec 31, 2022	Dec 31, 2021
Not past due	88	68
Past due <30 days	9	1
Past due 30-60 days	0	0
Past due 60-90 days	0	0
Past due > 90 days	0	0
<b>Total</b>	<b>98</b>	<b>69</b>

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 5. Estimated expected credit losses are disclosed in Note 5 and have been assessed as immaterial in their estimated amount, but are included in the above note disclosures.

**Note 22** Prepayments and accrued income

	Dec 31, 2022	Dec 31, 2021
Prepaid rent and licenses	4	2
Prepaid insurance premiums	1	2
Marketing	1	0
Accrued consumption of consignment inventories	–	1
Accrued income	1	–
Other items	1	1
<b>Carrying amount</b>	<b>8</b>	<b>6</b>

**Note 23** 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 5.

**Note 24** Share capital

On December 31, 2022, share capital consisted of 40,000,000 (40,000,000) shares with a nominal value of SEK 0.0125 (0.0125). All shares are ordinary shares with equal voting rights.

Number of shares	2022	2021
At beginning of year	40,000,000	500,000
Share split	–	39,500,000
At year-end	40,000,000	40,000,000

**Note 25** Items affecting comparability

	2022	2021
IPO expenses	–	25
Costs related to acquisitions	8	–
<b>Total expenses</b>	<b>8</b>	<b>25</b>

The above items are considered by the Group to be unusual in nature and also material to the Group's results. These items are therefore specified separately in the notes, as they play an important role in understanding the underlying business development. The costs for 2022 refer to costs related to business acquisitions. The costs for 2021 are related to the company's IPO in July 2021.

**Note 26** Provisions

Group - total provisions	Dec 31, 2022	Dec 31, 2021
Provisions at the beginning of the year	12	12
Provisions during the period	30	7
Provisions in acquired companies	1	–
Provisions reversed during the period	-11	-7
<b>Provisions at year-end</b>	<b>31</b>	<b>12</b>

Group - warranty provisions	Dec 31, 2022	Dec 31, 2021
Provisions at the beginning of the year	12	12
Provisions during the period	16	7
Provisions in acquired companies	1	–
Provisions reversed during the period	-11	-7
<b>Provisions at year-end</b>	<b>18</b>	<b>12</b>

Of the total provisions, SEK 18m (12) relates to provisions for guarantee commitments, of which SEK 11m (7) are long-term and SEK 8m (5) are short-term. Long-term provisions consist of guarantee commitments expiring within 1–2 years, short-term provisions expire within 1 year. The amounts are not discounted, and the discounting effect is not material. Other provisions consist of risks related to material costs of SEK 9m (0) and other provisions of SEK 4m. Provisions for material costs are considered to be short-term and other provisions long-term.

**Note 27** Non-current and current liabilities to credit institutions

	Dec 31, 2022	Dec 31, 2021
<b>Non-current interest-bearing liabilities</b>		
Non-current liabilities to credit institutions	4	6
<b>Carrying amount</b>	<b>4</b>	<b>6</b>
<b>Current interest-bearing liabilities</b>		
Current liabilities to credit institutions	67	14
<b>Carrying amount</b>	<b>67</b>	<b>14</b>

The Group's utilized overdraft credit amounts to SEK 64m (5) and is included in the item Current liabilities to credit institutions. The interest rate on the overdraft facility used is variable. The USD overdraft is based on the SOFR (formerly LIBOR) reference rate, while the EUR overdraft is based on the EURIBOR reference rate. The switch from LIBOR to SOFR took place as a direct consequence of the reference rate reform, where the new reference rate has been deemed economically equivalent to the previous one. The Group's total overdraft facility amounts to SEK 113m (65). In the Annual Report 2021, total overdraft was stated at SEK 339m, which included available revolving credit of SEK 250m and loans in China of SEK 24m. The classification has been clarified this year so that granted loans are not included in available overdrafts but are in addition to these. The Group also has a revolving credit facility of SEK 250m, which was not drawn at year-end. The interest rate on the revolving credit is variable and is based on the STIBOR reference rate for credit in the SEK currency. 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 28** Accrued expenses and deferred income

Group	Dec 31, 2022	Dec 31, 2021
Accrued wages, etc.	24	29
Prepaid income	17	2
Accrued materials costs	3	10
Accrued marketing costs	1	1
Accrued consultancy fees	6	6
Other accrued costs	4	6
<b>Carrying amount</b>	<b>55</b>	<b>55</b>
	<b>Dec 31, 2022</b>	<b>Dec 31, 2021</b>
<b>Parent Company</b>		
Accrued wages and payroll overhead	4.6	6.4
Accrued interest expense	0.6	–
Other items	0.4	0.3
<b>Carrying amount</b>	<b>5.6</b>	<b>6.7</b>

The Group's accrued salaries have decreased as a consequence of lower bonus-related reserves compared to the comparative year, mainly due to a less positive earnings performance by the Group in 2022 than in the comparative year 2021.

Prepaid income consists of goods paid for but not yet delivered and payments for service and maintenance contracts.

Accrued material costs consist of material and freight-related commitments and risks, and risks related to goods in inventory.

**Note 29 Specifications for Statement of Cash Flows**

Group	2022	2021
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	73	57
Obsolescence provision for inventories	8	3
Provisions	14	4
Other items	-3	-2
<b>Total</b>	<b>91</b>	<b>61</b>

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	Total
Opening balance January 1, 2022	20	52	72
Cash flow	55	-12	43
Business combinations	–	4	4
Net contracts entered into	–	5	5
Foreign exchange differences	-5	1	-4
<b>Carrying amount December 31, 2022</b>	<b>71</b>	<b>50</b>	<b>120</b>

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 entered into	–	7	20	27
Foreign exchange differences	-2	–	–	-2
<b>Carrying amount per December 31, 2021</b>	<b>20</b>	<b>52</b>	<b>–</b>	<b>72</b>

**Note 30 Pledged assets and contingent liabilities**

	Dec 31, 2022	Dec 31, 2021
<b>Pledged collateral</b>		
Mortgages	–	40
Pledges on accounts receivable and inventories of Group companies	–	57
<b>Total</b>	<b>–</b>	<b>97</b>
<b>Contingent liabilities</b>		
Swedish Customs Service	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

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. Profoto AB also has an unlimited general guarantee in favor of the subsidiary Profoto US Inc, which in 2022 replaced previous pledges in trade receivables and inventories of Group companies.

None of these guarantees could be considered contingent liabilities, since the probability that the guarantees would be called in for payment is very low.

**Note 31 Related-party transactions**

For the full year, invoiced management fees totaled SEK 14.3m (11.7). Related-party transactions also include remuneration to Directors and other senior executives. The remuneration level is determined on a commercial basis. The Parent Company has issued a general guarantee on behalf of its subsidiary, see Note 30. Closing balances are presented in the table for the Group and the Parent Company, respectively.

	2022	2021
<b>Receivables from related parties</b>		
Parent Company		
Receivables from other Group companies	31.8	199.5
<b>Carrying amount</b>	<b>31.8</b>	<b>199.5</b>
<b>Liabilities to related parties</b>		
Parent Company		
Liabilities to other Group companies	–	24.7
<b>Carrying amount</b>	<b>–</b>	<b>24.7</b>

**Note 32 Events after the balance sheet date**

- The Board of Directors has proposed a dividend of SEK 4.00 per share, corresponding to a total amount of SEK 160m.
- 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 long-term effects of the conflict but the company continues to carefully follow the developments.

**Note 33 Appropriation of profits**

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

Retained earnings	55,916,917
Profit/loss for the year	153,599,368
<b>Total</b>	<b>209,516,285</b>

The Board of Directors and the CEO propose:

to be distributed to shareholders	160,000,000
to be carried forward	49,516,285
<b>Total</b>	<b>209,516,285</b>

# Signatures

The annual accounts and consolidated accounts were approved for issue by the Board of Directors on April 4, 2023. 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 March 5, 2023.

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.

The signatures of the Board of Directors and the Chief Executive Officer have been provided on the date indicated by our electronic signatures

Stockholm on April 4, 2023

**Hans Eckerström**  
Chairman of the Board

**Anders Hedebark**  
Member of the Board and CEO

**Magnus Brännström**  
Member of the Board

**Pernilla Ekman**  
Member of the Board

**Helena Holmgren**  
Member of the Board

**Helene Willberg**  
Member of the Board

Our audit report was issued on April 4, 2023  
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 2022-01-01–2022-12-31 except for the corporate governance statement on pages 40–46. The annual accounts and consolidated accounts of the company are included on pages 31–68 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 2022 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 2022 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 40–46.

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 annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee 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) 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 102 million as of 31 December 2022 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 18 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 and is found on pages 1–30 och 72–75. 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: <https://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 2022-01-01-2022-12-31 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/revisornsansvar](https://www.revisorsinspektionen.se/revisornsansvar). 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 2022-01-01-2022-12-31.

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

In our opinion, the Esef report 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 firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable 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 validation that the Esef report has been prepared in a valid XHTML format 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 consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation

## **THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT**

The Board of Directors is responsible for that the corporate governance statement on pages 40–46 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 by the general meeting of the shareholders on the 2022-05-05 and has been the company's auditor since 2017-10-11.

Stockholm April 4, 2023

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**

The last twelve months; 12-month period ending on the date specified.

**Organic growth**

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

**Profoto Group/the Group**

The Group or Profoto Group consists of the Parent Company and direct and indirect subsidiaries. The terms are used interchangeably.

**Region Americas**

Central America, North America and South America

**Region APAC**

Oceania and Asia with the exception of Russia, Turkey and the Middle East.

**Region EMEA**

Africa, Europe including Turkey and Russia, as well as the Middle East.

# 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, IPO-related expenses and acquisition costs. During 2022 adjustments were made for acquisition costs and for 2021 adjustments were made for other external expenses related to IPO preparations in 2021.

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	2022	2021
Net sales	848	732
Operating profit/loss (EBIT)	249	212
Total items affecting comparability	8	25
IPO expenses	–	25
Acquisition costs	8	–
<b>Adjusted operating profit (EBIT)</b>	<b>257</b>	<b>237</b>
<b>Adjusted EBIT margin, %</b>	<b>30.3</b>	<b>32.3</b>

## Adjusted EBIT margin, %

Adjusted EBIT in percent of net sales. Shows adjusted operating profit or loss in relation to net sales and is a measure of the profitability of the company's operating activities, excluding items affecting comparability.

## EBITA

Profit or loss before amortization of intangible assets. The purpose is to assess the underlying operating profit from current operations before amortization of intangible assets.

## EBIT

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

## 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.

## EBITA margin, %

EBITA as a percentage of net sales. The aim is to give an indication of profitability and future investment scope in relation to turnover.

## EBITDA

EBITDA (earnings before finance income and costs, taxes, depreciation and amortization) is the operating profit plus depreciation, impairment and amortization. EBITDA provides a picture of the ability of the business to generate resources for investments and payments to financiers.

SEKm	2022	2021
Operating profit/loss (EBIT)	249	212
Amortization and impairment of intangible assets	50	36
<b>EBITA</b>	<b>299</b>	<b>247</b>
Depreciation and impairment of tangible assets	23	22
<b>EBITDA</b>	<b>322</b>	<b>269</b>

## 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, government grants, IPO expenses and acquisition costs, 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, current liabilities to Group companies less cash and cash equivalents and current receivables from Group companies. 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 2022	Dec 31 2021
Liabilities to credit institutions, non-current	6	6
Other interest-bearing liabilities, non-current	17	–
Lease liabilities, non-current	38	43
Liabilities to credit institutions, current	64	14
Other interest-bearing liabilities, current	17	–
Lease liabilities, current	12	9
Cash and cash equivalents	-150	-206
<b>Net debt</b>	<b>4</b>	<b>-134</b>

## Net debt/EBITDA

Net debt in relation to EBITDA over the past rolling twelve months. A measure of financial risk, as well as an indication of repayment capacity.

SEKm	Dec 31 2022	Dec 31 2021
Net debt	4	-134
EBITDA, LTM	322	269
<b>Net debt/EBITDA LTM, quota</b>	<b>0.01</b>	<b>-0.50</b>

## Organic growth %

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

%	2022	2021
Change in net sales	15.8	38.6
Acquisition	-5.8	–
Currency effect	-10.8	5.6
<b>Organic growth</b>	<b>-0.8</b>	<b>44.2</b>

# Financial information

## Financial calendar

Annual Report 2022 – April 11, 2023

Interim Report Q1 2023 – May 4, 2023

Annual General Meeting 2023 – May 5, 2023

Interim Report Q2 2023 – July 21, 2023

Interim Report Q3 2023 – November 7, 2023

## For further information, please contact

Amanda Åström, Investor Relations

amanda.astrom@profoto.com

+46 (0) 736 79 3448

## Financial information

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

## Annual General Meeting

Profoto's Annual General Meeting takes place on Friday May 5 in Profoto's premises at Landsvägen 57 in Sundbyberg, at 1 p.m. Shareholders who wish to get a business case processed at the Annual General Meeting shall, so that the request can be considered with certainty, enter with such proposal to the board agm@profoto.com no later than March 17, 2023. Shareholders who wish to submit proposals regarding the Board, Chairman of the Board, Chairman of the general meeting or nomination committee before next year's Annual General Meeting can, at the latest March 17, 2023, contact Profoto's nomination committee via nomination@profoto.com or through mail to address Profoto Holding AB (publ), To: The nomination committee, Box 1264, Landsvägen 57, 172 25 Sundbyberg, Sweden.

## Conditions for participation

A shareholder who wishes to participate in the Annual General Meeting must (i) be listed as a shareholder in the share register produced by Euroclear Sweden AB regarding the conditions on April 26, 2023 and (ii) register for the general meeting no later than April 28, 2023 by mail to Profoto Holding AB (publ), "General Meeting", Box 1264, Landsvägen 57, 172 25 Sundbyberg or via e-mail to info@profoto.com. The registration must contain name, social security number or organization number, address, telephone number

and the number of representatives (maximum two). In order to have the right to participate in the Annual General Meeting, a shareholder who has had his shares registered by a trustee must, in addition to registering for the meeting, have the shares registered in his own name so that the shareholder is entered in the share register as of April 26, 2023. Such registration can be temporary (so-called voting rights registration) and is requested from the trustee according to the trustee's routines at such a time in advance as the trustee determines. Voting rights registrations made by the trustee no later than April 28, 2023 are taken into account when preparing the share register.

## Shareholders' right to receive information

The Board and the CEO shall, if any shareholder requests it and the Board of Directors considers that it can happen without significant damage to the company, leave information about conditions that may affect the assessment of a matter on the agenda, for circumstances that may affect the assessment of the financial situation of the company or subsidiaries and the company's relationship with other group companies. The request for such information must be submitted in writing to the company no later than April 25, 2023, to address Profoto Holding AB (publ), "General Meeting", Box 1264, Landsvägen 57, 172 25 Sundbyberg or by e-mail to agm@profoto.com. The information is provided by keeping them available on the company's website [https://investors.profoto.com/en/bolags stamma/](https://investors.profoto.com/en/bolags_stamma/) and at the company's head office, Landsvägen 57, 172 25 Sundbyberg, no later than April 30, 2023. The information is also sent to the shareholder who requested it and provided their postal address or email address.

# Addresses

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