

Profoto Annual Report 2023



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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 2023. The Annual Report consists of the Directors' Report (pages 31–38), Corporate Governance Report (pages 39–45) and the financial reports together with notes (pages 46–64). 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.

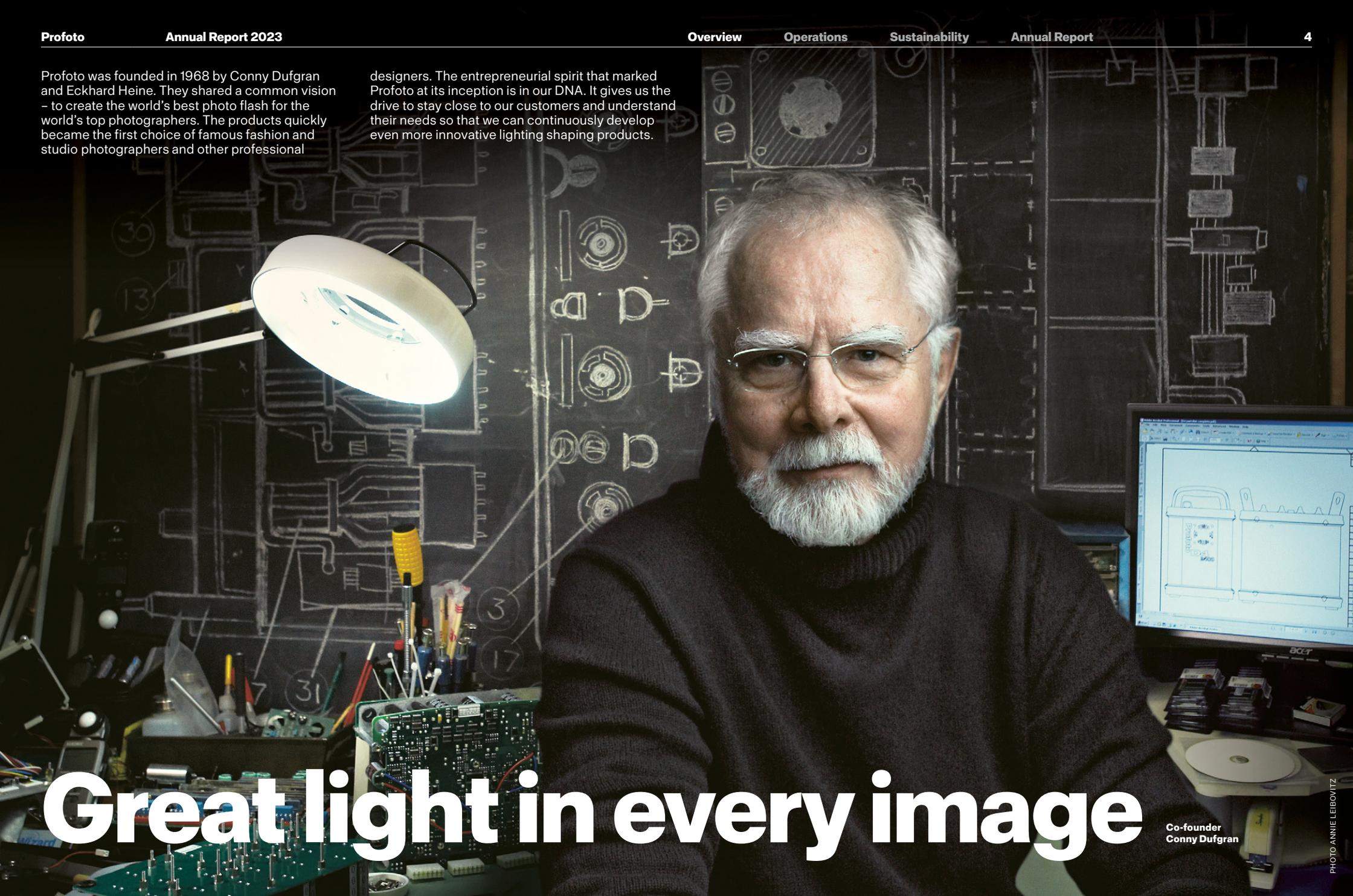
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Profoto was founded in 1968 by Conny Dufgran and Eckhard Heine. They shared a common vision - to create the world's best photo flash for the world's top photographers. The products quickly became the first choice of famous fashion and studio photographers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

designers. The entrepreneurial spirit that marked Profoto at its inception is in our DNA. It gives us the drive to stay close to our customers and understand their needs so that we can continuously develop even more innovative lighting shaping products.



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, workflow software and automated systems for visual content creation.



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



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



Where
Sales in 54 countries. The products can be purchased through 239 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 of high-quality and intuitive. The products and software 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 analog to digital, from

studio to on-location photo shoots, and from system cameras to compact mirrorless cameras and smartphones, from smaller-scale creativity to efficient large production.

Global sales

Profoto has sales in 54 countries. The products can be purchased from 239 dealers or via the company's online store, profoto.com, or they can be rented through local rental companies. Profoto has 138 employees at its headquarters in Stockholm and in subsidiaries in the USA, Japan, China, Germany, France, England, and the Netherlands.

Global sales organization



Profoto in brief

Growth through organic development and acquisitions

For a long time, Profoto has combined organic growth with very strong profitability.

The goal is to continue to grow organically in two areas, professional still photography and automated solutions for e-commerce photography. We do this by continuing with our systematic product development strategy where we offer better performance and seamless communication between products within the ecosystem.

We are also looking to grow through acquisitions in our three growth areas: light for professional photographers, workflow solutions for e-commerce and studios, and light for film production.

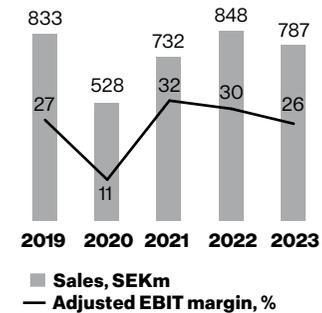
Innovation initiatives

Continuous investment in innovation has contributed to the company's robust growth. Today, 64 people work with 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 the 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 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 2023

Good profitability and continued investment in growth

During the year, we continued to invest in product development and innovation. By developing the ProStudio software suite, we have strengthened our offering to e-commerce customers.



Workflow software

During the year, we continued to develop our offering to e-commerce studios through the acquisition of Assetflw – a workflow management software that increases the efficiency and productivity of large scale production of creative visual content creation, developed for the e-commerce needs of fashion brands and retailers. Since the acquisition, we have further developed the software and integrated it as part of our ProStudio software suite.

ProStudio is a unique offering where software and hardware are seamlessly connected in a flexible and scalable system that makes it possible to plan, manage and execute content production at large-scale with speed and quality.

26%

EBIT-margin

Net sales for 2023 amounted to SEK 787m (848), a decrease of 7.2 percent. Organic growth amounted to -12.6 percent. General demand during the period was subdued and affected by interest rate increases and economic uncertainty. This contributed to some hesitation among e-commerce customers as well as professional photographers which in turn affected demand for the entire product portfolio.

EBIT and EBIT margin for the year amounted to SEK 204m and 26 percent respectively.

During the year we invested 13 percent of sales in product development, which is an investment in future sales growth as product launches drive demand.

Key ratios¹

	2023	2022	2021
Net sales, SEKm	787	848	732
Adjusted EBIT, SEKm ²	204	257	237
Adjusted EBIT margin, %	26.0	30.3	32.3
Net profit/loss for the period, SEKm	155	194	158
Return on operating capital, %	49.0	84.3	92.4
Cash flow from operating activities, SEKm	211	236	240
Average number of employees	139	124	95

¹ For information and explanations regarding alternative performance measures, including proforma, see page 70.

² 2022 adjusted for costs of SEK 8m related to acquisitions. 2021 adjusted for IPO expenses of SEK 25m.



Product launches

SoftZoom – During the year we introduced the versatile Soft Zoom Reflector light modifier. It offers endless creative possibilities in a single modifier through the ability to zoom the light into different positions and thereby change the light effect centimeter by centimeter.

Elevate – Elevate combines creative light shaping with an automated workflow. It enables the production of high-quality content, video and still images, at high speed for online sales. Elevate was launched at the major retail fair “Euroshop” in Düsseldorf in February 2023 and started shipping in 2024.

CEO comments

A profitable year despite a tough market

2023 was a challenging year for Profoto, as we faced a tough market situation with weak demand and uncertainty due to the macroeconomic and geopolitical climate. Despite these headwinds, we delivered a solid profitability with an EBIT margin of 26 percent, and we continued to invest in product development and innovation to drive future growth. We also launched new software solutions and expanded our offering to e-commerce customers, while maintaining our leading position in the professional photography market.

Stable profitability and strong cash flow

Our sales for the full year 2023 amounted to SEK 787m, which was a decrease of seven percent compared to 2022. The decline was mainly driven by lower organic growth, as our customers were cautious about investing in new equipment and we did not have a major product launch during the year. Our EBIT-margin was 26 percent, within our financial target range of 25–30 percent, and our cash flow from operating activities was SEK 211m.

We are proud of our ability to maintain a high level of profitability and solid cash flows despite the challenging market environment. This demonstrates the strength of our business model. Through a strong brand position supported by high-quality products, we create loyal customers, maintaining a flexible cost structure and asset-light operating model. We also have a disciplined capital allocation strategy, where we prioritize investments in product development and innovation, while it is also important for us to distribute excess funds to our shareholders, in the form of dividends. For 2023, the board of directors proposes a dividend of SEK 3.75 per share, which corresponds to a payout ratio of 97 percent.

Investments in innovation and new solutions

Our long-term growth strategy is based on three main themes: light for professional photographers, workflow solutions for e-commerce and studios, and light for film production. Within these areas, we aim to offer our customers innovative products and solutions that enable them to create high-quality, creative visual content, effectively. To achieve this, we invest continuously in product development and innovation, and we collaborate closely with our customers to understand their challenges and needs.

During 2023, we continued to increase our capacity and competences within R&D, and we have a portfolio of several exciting development projects in different stages. During the year we invested 13 percent of our turnover in product development, which was slightly higher than previous years. We expect that these investments will lead to two major new products launches in 2024, which will address the needs of our customers within all our three growth themes. We are confident that these new products will generate positive customer response and drive sales growth in the coming years.

One of the highlights of 2023 was the launch of our new software solution, Assetflow, which is a cloud-based SaaS service that helps e-commerce customers to manage their visual content creation process proactively, to increase their productivity and creativity. Assetflow is part of our broader offering to e-commerce customers, which also includes our automation products from the acquisition of StyleShoots in 2022, such as Profoto Elevate, which is a modular and automated solution for large-scale content creation studios. With our comprehensive and integrated offering, we aim to be the leading provider of workflow solutions for visual content creation for e-commerce, and to support our customers in creating high-quality images that drive more traffic, conversion, and customer loyalty.



CEO comments

Outlook for 2024

The market outlook for 2024 remains uncertain, as the macroeconomic and geopolitical situation continues to affect consumer confidence and investment willingness of our customers. We will continue to focus on sales activities and product launches to create demand for our products. We will also maintain our cost discipline to protect our high profitability, while investing in innovation and new solutions for our customers.

We are convinced that our market position, brand, and innovation power will enable us to reach our long-term growth target of 10 percent per year, over time. We are also confident that our products and solutions will help our customers create amazing visual content and grow their businesses. We are grateful for the trust and support of our customers, shareholders, employees, and partners, and we look forward to an exciting and successful 2024.

Anders Hedebark

CEO and Group President

“We are convinced that our market position, brand, and innovation power will enable us to reach our long-term growth target of 10 percent per year, over time.”



Market

Long-term stable market and accelerated e-commerce

Profoto operates in the market for visual content creation. 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 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.
- A total of 45 percent of the lighting market is continuous light, light for a longer period of time.

These are complemented by 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

In the studios customer segment, growth in e-commerce photography solutions has accelerated in recent years.

Customers' expectations of images that present products visually well are increasing and therefore brands and fashion houses are making major investments in e-commerce photography.

To manage the supply of images, some fashion houses have also chosen to build their own photo studios. This obviously favors the use of lighting solutions, especially scalable, automated solutions that enable high productivity and good quality visual content.

The high volume of images in a studio means that speed and efficiency in the workflow is crucial. The automated solutions must help shorten the "time-to-market", i.e. the time it takes to present a new product and make it saleable online.

The quality of the visual content is about representing the products accurately to facilitate the purchase decision and minimize the risk that the customer will later be dissatisfied with the actual appearance of the product and return it.

These scalable, automated solutions provide a high, consistent quality of light tone in the images that ensures colors are accurately reproduced. At the same time, perfect pictures are taken from many different angles that create the right feel for the products.

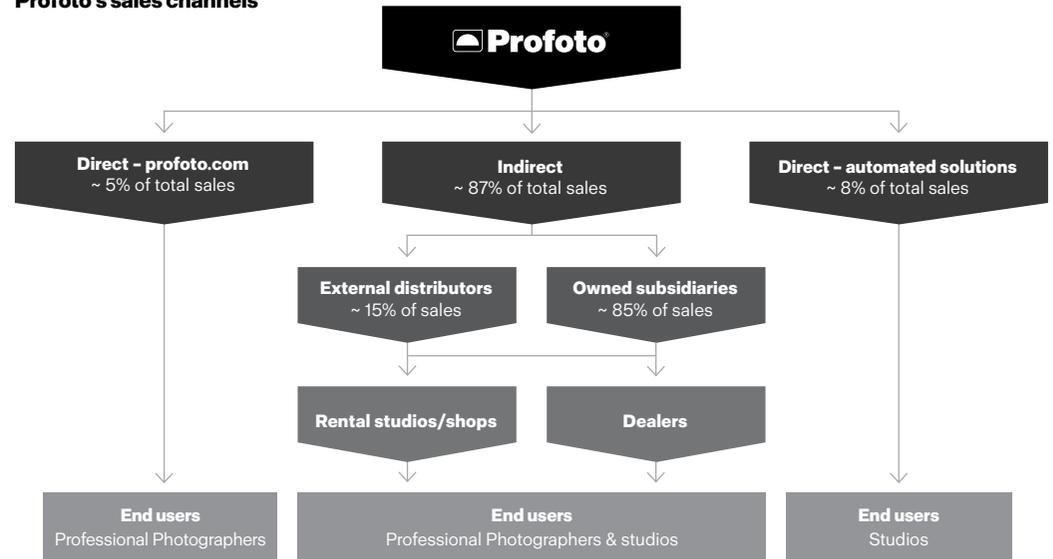
Increasing investments

Historically, the market for lighting solutions has been stable, especially in the premium segment. Customer investment in lighting solutions continues to grow globally, due to customers choosing to upgrade to better solutions and choosing products with improved functionality.





Profoto's sales channels



Profoto's main sales channels are dealers and rental studios/shops. These sales currently account for about 87 percent of Profoto's revenue.

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 87 percent of Profoto's revenue. In the largest markets, 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 239 dealers and approximately 500 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.

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Business model

Focus and flexibility generate profitable growth

By focusing on what we do best, developing and delivering lighting for professional photographers worldwide, we live up to our vision of “Great light in every image.” This entails investing in technology and innovation. At the same time, we are efficient by outsourcing all the more general tasks. By

focusing on only what creates value for our customers allows us to be flexible and quick in decision making, which gives us efficient and scalable business operations. Our most important job is to enable all ambitious photographers worldwide to expand their creativity and fulfill their visions by

providing education and light shaping products that make it easier to create amazing images.

Profoto Academy is an online learning platform that offers inspiring and practical video courses from some of the best photographers and educators in the world.

Share the Light is the creative learning hub for professional photographers, where they learn how to light images together with other creatives worldwide. Upload their own images and lighting details or discover other photographers’ lighting setups and techniques to expand their creative vision.

Strategies

Our continued 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.



R&D

R&D 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.



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.

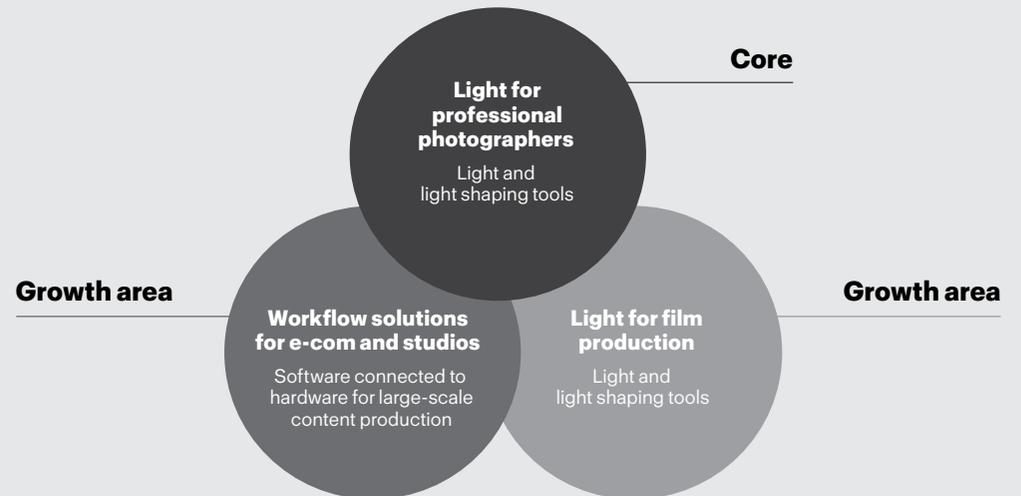


Focus

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 best external expertise.

Growth strategy

Building on our strong position as a supplier to professional photographers, brands and studios, we focus on driving growth, through new product introductions and acquisitions, in three areas:



Harnessing the power of Profoto StyleShoots Eclipse, the TOMS studio team has reduced their time-to-market from days to mere hours. The team captures approximately 1,200 products annually, covering Women's, Men's, and Kid's styles.

TOMS

Eclipse offers flexibility for in-house content production

Eclipse eliminates costly challenges

"Before moving our PDP production to the Profoto Eclipse, we were facing a myriad of content challenges and exorbitant costs associated with producing this content," explains Amy Smith, Chief Brand and Impact Officer at TOMS. The team's reliance on an external production company for content capture led to a highly expensive and time-consuming workflow connected to logistical hurdles.

A seamless onboarding process

Profoto systems enable photography novices and experts alike to create pro-quality content. Once Eclipse was installed, TOMS had a two-day training. "This was extremely necessary and beneficial as the current photographer of the Eclipse machine had no photography background. We were able to get production up and running pretty soon after the training session was complete," says Amy.

Redefining flexibility

"I think the noun that most captures our investment in the Profoto Eclipse is flexibility," explains Amy. "It allows your company to operate content production from a standpoint of leverage, as we are no longer bound to the processes and costs of an external vendor." Controlling their content creation yields several benefits for the team, from flexible content production to saving time and resources: "It allows us to have ownership of the production and the flexibility to capture things as we need. It also sped up production time as what once took days to shoot 50 styles now takes hours and cuts the crew from five people into one."

From capture to post-production

Streamlining their workflow from beginning to end, TOMS decided to take advantage of the post-production integration with our editing partners. "We have adopted Pixelz, the retouching partner of Profoto, for all our retouching needs." Leveraging this seamless integration in Eclipse, the studio team can

now send their content selection directly from Eclipse and receive ready-to-upload images and videos within hours, streamlining their workflow from beginning to end.

Exploring Eclipse's creative possibilities

"We have only scratched the surface of what we think the Profoto Eclipse machine can do" says Amy. Currently only utilized for e-commerce content creation, the team recognizes the creative flexibility the system can offer. Amy affirms, "We realize the capabilities of the machine grow far greater than just your standard PDP imagery."



Profoto offers direct integration to Pixelz retouching services, providing customers a very fast workflow.



Profoto Eclipse provides fast production time so that images can be uploaded to e-commerce sites within just a few hours.

R&D

Innovative products and solutions drive growth

R&D is in Profoto's DNA. The power of development is our origin and also our future, where new innovative products and solutions drive growth.



PHOTO KONRAD KARLSSON

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 R&D 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 innovation capabilities 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 R&D

R&D is one of our core capabilities and we do this internally. We have our own teams of experts in the areas of Image Technology, Power Electronics, Connectivity, Embedded Software as well as Product Design and Mechanics. The team consists of 64 people working on software and hardware engineering and development. We work continuously with developing new product ideas and product plans to address existing and anticipated customer needs. This systematic process is linked to detailed product 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 across several customer segments.

Ongoing launches

Historically we have grown faster than our underlying market by one to two major product launches per year with the exception of 2023 with no larger launches of flashes. We therefore continue to increase our investments in R&D with the goals to turn these investments into new, exciting products and solutions for our customers in the three areas that will drive our future growth: Light for professional photographers, workflow solutions for e-commerce and studios, and light for film production.

R&D 2023

- > **50** Number of years of experience
- 3** Number of global launches 2023
- 64** Employees in R&D
- 22** Active patent families

R&D share of sales, 2023

13%

New products

Profoto Elevate, SoftZoom Reflector & ProStudio workflow



Profoto Elevate

Creative automation

By combining the power of automation with creative light shaping, we earlier this year presented the innovative Profoto Elevate. Elevate pairs Profoto lights and light shaping tools, to unlock a revolutionary system for flexible creating awe-inspiring e-commerce and editorial content.

Increased efficiency

The system generates more output at the same or lower cost. It removes repetitive tasks from workflow and channels creativity.

Full creative control

Elevate creates elevated e-commerce content with signature looks using the power of

lighting. It includes customizable presets to control and repeat all light and camera settings for consistent, high-quality content.

User-friendly workflow

Photographers can easily structure and manage shoots with our smart, software-controlled hardware to optimize content production.

Multiple types of content

Shooting elevated product images or style-guide-based videos is possible with one flexible setup. It works seamlessly with our flash and continuous lights.



Profoto Soft Zoom Reflector

Adaptable consistency

Earlier this year we introduced a truly multifaceted light shaping tool. The Soft Zoom Reflector offers endless creative possibilities in just one single modifier. Thanks to the Zoom Rod L that allows the photographer to zoom in the light into different positions. Changing the light effect centimeter by centimeter, enables the user to create both soft and hard light and everything in between.

Easy to use

It's easy-to-operate design and the lightweight Zoom Rod gives consistent results every time, regardless if using flat front

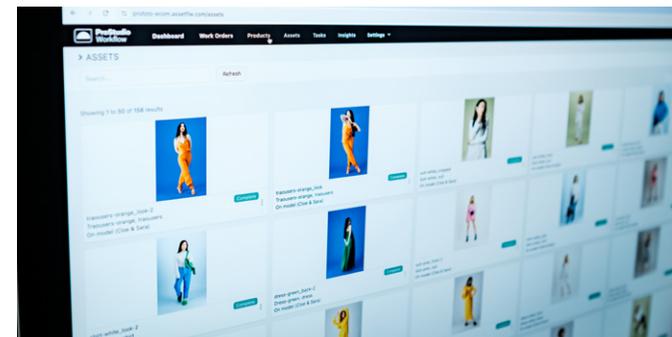
mono light, like the D2, or the Profoto Pro-Head.

Durable

Crafted from high-quality materials and fabrics, the Soft Zoom Reflector is built to withstand constant everyday use, making it perfect for a fast-paced studio environments.

Accessories in abundance

Designed with professional photographers in mind, it also comes with optional accessories like grids and diffusers, increasing the creative options even more.



Profoto ProStudio workflow software

The beauty of scale

ProStudio for workflow is our new powerful workflow management tool designed for e-commerce studios. Built to enable streamlined collaboration throughout the entire creative process, the workflow module supports our customers in creating better content with fewer resources, resulting in a faster time-to-market, higher sales, and fewer returns.

Seamless integration

The ProStudio workflow module integrates seamlessly with Profoto hardware to keep our customers production flowing with ease – from planning and managing to execution and delivery.

Increased productivity

ProStudio boost productivity and minimizes manual work by building a digital twin of the products. Enabling standardizing looks by digital style guides. Truly streamlining the content creation processes with a product-centric approach.

Real-time progress updates

Software creates transparency by syncing everyone on shoot progress. ProStudio manages and tracks products, samples, and assets from anywhere to support informed decision-making in real time.

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 has a premium position in the market, 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 offer digital activities such as the Profoto Academy, our online education, and Share the Light, our free knowledge hub accessible via profoto.com, where photographers share their lighting knowledge and learn from each other.

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 54 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 offering consists of modular lighting solutions, where the customer chooses the optimal setup from Profoto's range of flashes, light shaping tools, automated all-in-one solutions and workflow software connecting software to hardware for capture excellence.

Products at a premium price

Our premium products reflect quality, reliability, ease of use and global availability. 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 limited.



Taking a journalistic approach to weddings, photographer Ben Chrisman looks to the portable, easy-to-use Profoto A2 strobe and Clic light modifiers to bring studio-quality lighting to any location.

Ben Chrisman

Capturing life moments, one wedding at a time

Ben Chrisman doesn't call himself a wedding photographer. Rather, his time spent as a photojournalist is what guides his work. First at a small New Mexico newspaper and then as a freelancer who spent two months in Asia capturing the lives of people recovering from the loss of their loved ones and homes after the 2005 tsunami.

"I consider myself a documentary photographer first and a portrait photographer second," he says. "But if you combine the two, that's wedding photography."

For Ben and his wife Erin — a fellow photographer and co-owner of their business, Chrisman Studios in Charleston, SC — making a couple look beautiful isn't the goal. They want to tell a story.

"It's easy to take a pretty picture," Ben says. "It's very hard to take a photo that will resonate with people who were not at the wedding. Our goal is for someone who wasn't there to say, 'That's really cool. I want to see those photos.'"

Drawing out emotion

"My job as a photographer is always to bring out people's personalities," Ben says of his two-day shoot of Taiwanese couple Randy and Edith in the Bay Area. "It was more than having them smile. I want to photograph people from the inside out, not the outside in." Light plays an important role in this, and it was wildly different over the course of the two days. The first day, Ben didn't need anything beyond natural light.

But, on the second day, San Francisco's infamous fog rolled in, and Ben turned to the Profoto A2 and Clic Softbox to create emotive, dramatic images that are anything but stereotypical wedding photos.

"Flat light to me is horrible", he says. "I would rather have bad weather than a perfectly blue sky because the weather adds mood. I'd rather have a feeling over it being perfect."

Sunshine in his pocket

But, he emphasizes, he needs a flash for those dark and moody days. Which is why the A2 and Clic Softbox were important on the second day of the shoot. They gave him studio-quality lighting that played with that overcast setting. "If I have a light then I feel like I can create what I want to create," Ben says, explaining that the small and light-weight size of A2s means he can bring a couple of them to shoots to which he wouldn't be able to bring larger gear. "That's what day two was based off," Ben says. "I was able to do whatever I wanted to because I had the light with me."

"It was like I had my own sun in my pocket," he adds. "I use the A2 for almost everything because they're so much smaller to use and the Clic Softbox makes things so fast." For wedding photographers like Ben and Erin, who travel the world and need to set up quickly for on-location shoots, this is key. "I can attach the Clic Softbox to the side of my backpack," he says. "I just lift the lever up, snap it into place and it's ready to go. It makes it fun because it's so easy to use."

Abstract art

"Light gives me something to work with," Ben explains. "I can create abstraction with it because I can shoot through something like a piece of glass. I'll get diffraction and the photo will be something less obvious, which is what I'm usually going for."

This abstract approach, which prioritizes storytelling over traditional portraiture, is how Ben has translated his journalism career into wedding photography.

"Many wedding photographers are people pleasers. They take photos other people will like, instead ones that they themselves like." It's important, he points out, for photographers to always take photos they are excited about. This is what guides him. "I'm trying to create photos that are interesting to me," Ben says. "I just have faith that they are going to be interesting to other people too."



PHOTO BEN CHRISMAN



PHOTO BEN CHRISMAN

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 best external expertise.

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.

Our core activities are the areas of R&D as well as sales and marketing. This is where we invest our own resources and build competence. Non-core functions such as production, warehousing, logistics, accounting, IT services and repairs are outsourced.

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 R&D can be attributed to the key role that innovation and an entrepreneurial spirit has always played in our growth and expansion.

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 together with the actuals for 2023 and last three year average.

Target	Outcome	Outcome three last years*	Target achievement
<p>Net sales growth</p> <p>Profoto's objective is to achieve organic net sales growth in excess of 10 percent in constant currency over time.</p>	-13%	8%	Organic growth in 2023 amounted to -12.6 percent (-0.8). Sales were affected by uncertainties in the market characterized by interest rate increases and inflation, resulting in a cautious approach among our customers.
<p>Profitability</p> <p>Profoto's objective is to achieve an EBIT margin of 25–30 percent, while maintaining year-on-year growth in EBIT.</p>	26%	30%	The adjusted EBIT margin amounted to 26.0 percent (30.3) and was negatively affected by lower sales in 2023. Adjusted EBIT amounted to SEK 204m (257).
<p>Dividend policy</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>	97%	89%	The Board of Directors proposes a dividend of SEK 3.75, which amounts to a total of SEK 150m and corresponds to 96.6 percent of net profit. The proposal is based on Profoto's strong financial position and estimated future cash flows.

*) The time period last three years is chosen to reflect the period that Profoto Holding AB (publ) has been listed on the Nasdaq OMX Stockholm Mid Cap List. Net sales growth is computed as CAGR, while Profitability and Dividend policy is computed as average of the last three years.



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 is as of December 31, 2023.

Share trading and share performance in 2023

The closing price on December 29, 2023 was SEK 74.00, and market capitalization was thus SEK 2,960m. The share price development since the listing on July 1, 2021, at SEK 66.00 and until December 29, 2023, was 12 percent, compared to OMX Stockholm PI which decreased by 1.5 percent in the same period. The highest price quoted during the fiscal year was SEK 105.00 and the lowest was SEK 53.20. The number of shares amounts to 40 million. Around 3 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, 2023, Profoto had 1,758 shareholders. The ten largest shareholders held shares corresponding to 82.4 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.

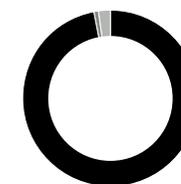
Dividend proposal

The Board of Directors proposes a dividend of SEK 3.75 per share, totaling SEK 150m.

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 97%
- Finland 1%
- Other 2%

Ownership category



- Swedish private individuals 63%
- Swedish institutional shareholders 24%
- Foreign institutional shareholders 5%
- Anonymous ownership 1%
- Other 7%

Top ten shareholders

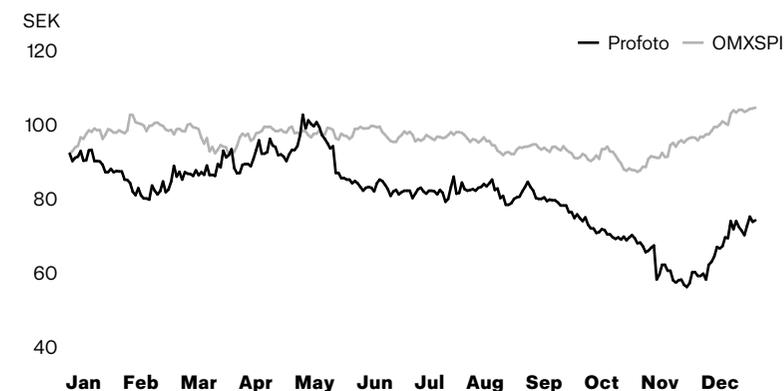
Shareholders	Number of shares	Capital, %	Votes, %
Anders och Helén Hedebark ¹⁾	15,252,321	38.1	38.1
Conny Dufgran	6,100,000	15.3	15.2
Lannebo Fonder	3,412,645	8.5	8.6
Lovisa Hamrin (Herenco)	2,614,295	6.5	6.6
Svolder	2,100,000	5.3	5.2
Hans Eckerström	1,230,508	3.1	3.1
Enter Fonder	713,002	1.8	1.8
Nordnet Pensionsförsäkring	528,844	1.3	1.3
Athanase Industrial Partners	524,330	1.3	1.3
Investerings & Tryghed A/S	488,259	1.2	1.2
Total top 10 shareholders	32,964,204	82.4	82.4
Total other shareholders	7,035,796	17.6	17.6
Total shares outstanding	40,000,000	100.0	100.0

¹⁾ Ownership through Burken Invest AB

Ownership by holding

Size class	Number of shares	Number of shareholders
1-500	151,954	1,507
501-1,000	71,816	89
1,001-50,000	739,678	122
50,001-	38,901,319	40
Anonymous ownership	135,233	0
Total	40,000,000	1,758

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 long-term 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.

25%

Average EBIT margin since 2014

Global market strategy with an efficient sales organization.

>235

dealers

- 9 main markets
- 54 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

	2023	2014	CAGR
Sales	787	400	8%
EBIT	204	94	9%
EBIT margin, %	26	24	

Sustainability

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Sustainability Report 2023

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

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 of processes and quality requirements

Targets and achievement of targets

Employee engagement 1–5 (Target 4.0)

4.2

Percentage of repairable light units (Target 90%)

87%

Percentage that signed the SCoC (Target 75%)

92%

Number of complaints (Target < 0.5%)

0.6%

*) 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 and 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.

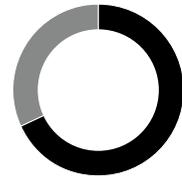
Quarterly development plans

We put the development of the individual at the heart of what we call "People Before Company". This means it is the employee's development and

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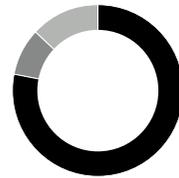
Employees at year-end

Gender distribution at year-end



● 94 (98) men
● 44 (37) women

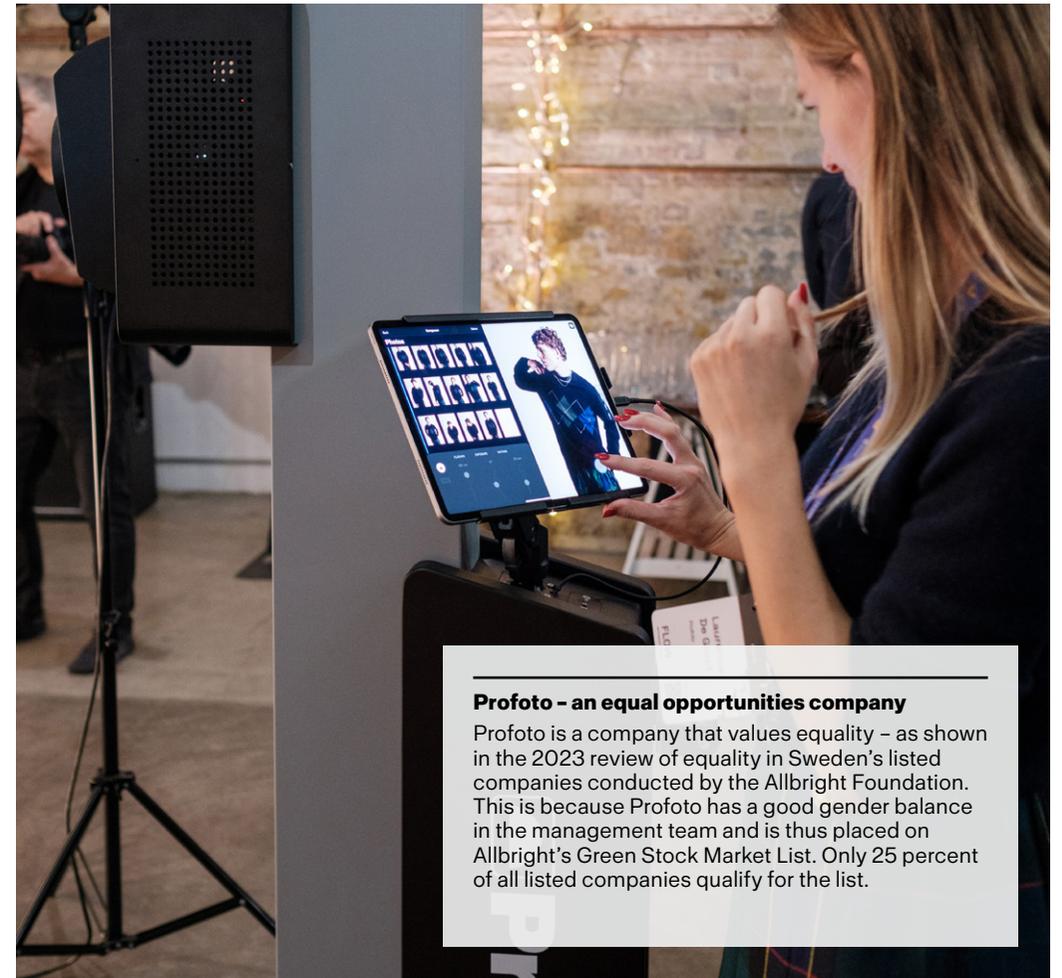
Employees per region



● EMEA 108 (106)
● APAC 12 (13)
● Americas 18 (16)

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 to help outside their area of responsibility, to make demands on each other, including their manager, and to drive change and take greater responsibility. As the strategy evolves, it requires flexibility and drive from employees who themselves contribute to growth through their own development and individual competence development plans. In employee development, this means that the individual development plans are reconciled and updated quarterly with each manager. In this process, the employees have a great deal of personal



Profoto - an equal opportunities company

Profoto is a company that values equality – as shown in the 2023 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 and is thus placed on Allbright's Green Stock Market List. Only 25 percent of all listed companies qualify for the list.

Focus area: Employees

responsibility, where the drive towards quarterly development goals to become more effective in their role weighs heavily.

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 32 percent. We think this is an acceptable gender split, as it 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 88 percent of all employees. The result shows that our engagement index is 4.2 (4.3) out of a maximum of 5.

Potential misconduct can be addressed anonymously via our whistleblowing function. In 2023, no cases were reported.

Activities in 2023

- During the year, all employees at Profoto have had quarterly individual discussions about their personal development. Development plans have been drawn up with a clear link to the company's overall business strategies and competence needs.
- During the year, employees have been offered a health examination with personal feedback. Employees with risk areas have been offered a coaching program subsidized by the company.
- Increased focus on ergonomics in the workplace by offering an individual review of the workplace.

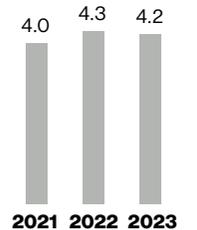
Risk

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.



2021 2022 2023

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 2023.

During the year, we have expanded the collaboration with our suppliers to identify best practices for life cycle assessment calculations and we have established a constructive dialog to perform life cycle assessments (LCA) on our products. By carefully performing LCAs on our products, we aim to increase our own and our suppliers' understanding of environmental impacts in order to continuously improve our sustainability performance.

Safety

Safety is another key area for Profoto. In 2023, 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 SCoC and by comprehensive regulations for the protection of human life and health.

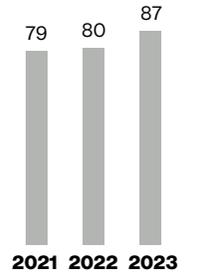
Activities in 2023

- Ongoing work on life cycle assessments (LCA), where dialog with our suppliers has been started and a process for how they can perform LCA calculations on our products has been identified. Involving suppliers in this work increases understanding among suppliers and makes it easier to gather information further back in the supply chain.
- During the year, quality problems were found on some components, which contributed to an increase in products that did not meet customer expectations. Actions were taken immediately to ensure good product quality going forward, both on existing products and spare parts, but also to ensure that similar problems do not occur on future product launches.

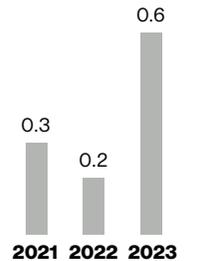
Risk

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 SCoC and 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, we are prioritizing Profoto's major manufacturing suppliers to be covered by the SCoC. In addition, all suppliers must demonstrate the ability to navigate complex regulatory environments, such as complying with RoHS and REACH and ensuring 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, ESG and supply risk assessments, and random selection. The requirements include that each supplier must comply with our SCoC or equivalent code. In 2023, a total of 92 percent of our manufacturing suppliers had committed to the code.

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 2023, Profoto has introduced additional review points that address the existence of an environmental policy for the supplier's operations and whether the supplier has estimated the carbon footprint of their operations and supply chain.

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, control of changes in processes and work instructions and general monitoring of production performance via relevant KPIs.

In 2023, 24 suppliers were visited by the purchasing organization, of which 12 underwent a

detailed production audit and a review of the Code of Conduct. Although the visits were satisfactory, every opportunity was used to question practices and implement continuous improvements, with the aim of strengthening skills and the partnership, which is of utmost importance for cooperation. In addition, 12 new potential suppliers have been visited, and after a careful selection process, 5 have been chosen as new suppliers. 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.

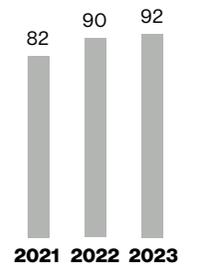
Activities in 2023

- The work on *Supply Chain Nearshoring* has been successfully intensified. Through careful analysis and strategic actions, several products have been sourced within Europe, strengthening the robustness and flexibility of the supply chain with improved quality and cost aspects.
- The focus on industrialization has been sharpened during the year. Through the introduction of PPAP, we actively collaborate internally and with suppliers to ensure and validate production processes, with the aim of creating an efficient production environment.

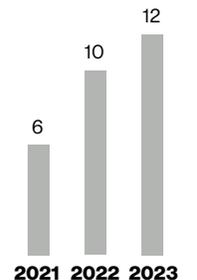
Risk

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 directors report on pages 31–38.

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



Number of suppliers audited



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 28.
- Social aspects and employees are mainly discussed as part of the section Competent and engaged employees and when describing our various policies; see pages 25–26.
- 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 25–28.
- 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 28.

Auditor's Report on the statutory Sustainability Report

This is a literal translation of the Swedish original report

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

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2023 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 auditing 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 con-

ducted 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.

Stockholm on the day shown by our electronic signature

Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow

Authorised Public Accountant

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 **Profoto**
Soft Zoom Reflector 180

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 2023.

Key ratios, Group	2023	2022	2021	2020	2019
Net sales, SEKm	787	848	732	528	833
EBIT, SEKm	204	249	212	-12	222
EBIT margin, %	26.0	29.4	28.9	-2.2	26.7
Adjusted EBIT, SEKm	204	257	237	56	222
Adjusted EBIT margin, %	26.0	30.3	32.3	10.6	26.7
Profit/loss for the period, SEKm	155	194	158	-17	177
EBITDA LTM, SEKm	282	322	269	76	264
EBITA LTM, SEKm	258	299	247	25	245
EBITA margin, %	32.8	35.3	33.8	4.7	29.4
Net debt, SEKm	44	4	-134	-91	23
Net debt/EBITDA LTM	0.16	0.01	-0.50	-1.20	0.09
Cash flow from operating activities, SEKm	211	236	240	153	171
Earnings per share, SEK*	3.88	4.85	3.95	-0.44	4.43

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

For the definitions of the ratios and how they are calculated, please refer to page 70 "Explanations for alternative performance measures"

Business, organization and market

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

Profoto is a premium niche global leader in photography lighting systems and solutions 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 138 employees at the end of 2023. 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 54 countries. Although the company is Swedish, only 1.65 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 allows for greater flexibility and access to experts in the outsourced areas. 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 2023. During the year, we have seen some hesitation among freelance photographers, due to inflation and interest rate fears and lower growth in demand from all e-commerce companies. They are experiencing weaker demand, which has led to them postponing new investment decisions.

Significant events during the year

There were no other significant events during the year.

Significant events after the end of the fiscal year

The Board of Directors proposes a dividend of SEK 3.75 (4.00) per share, corresponding to a total amount of SEK 150m (160).

Revenue and profit trend

In 2023, the Group had decreased sales and operating profit/loss (EBIT) compared to 2022.

Net sales for the full year 2023 were SEK 787m (848), a decrease of 7.2 percent. Organic growth totaled -12.6 percent, currency effect 3.2 percent, and effect of acquisitions 2.1 percent. Overall demand was subdued, affected by interest rate increases and economic uncertainty. This contributed to some hesitation from e-commerce customers, as well as professional photographers. In the regions, demand was sluggish, with sales down 5.1 percent in the Americas, 2.9 percent in APAC and 12.3 percent in EMEA.

Operating profit/loss (EBIT) for the full year totaled SEK 204m (249), a decrease of 17.9 percent as a result of decreased sales. Profit for the year totaled SEK 155m (194), a decrease of 20.0 percent. Adjusted EBIT for the full year totaled 204 (257). Adjustments for the period 2022 related to the SEK 8m acquisition of StyleShoots.

Other external costs totaled SEK 185m (166) for the year, and personnel expenses totaled SEK 159m (137). The increase was mainly due to higher development costs and were offset by the increase in capitalized work for own account.

Depreciation/amortization during the period

totalled SEK 77m (73), of which SEK 24m (23) was attributable to tangible assets and SEK 54m (50) to intangible assets. Of the depreciation/amortization of intangible fixed assets, SEK 32m (32) consisted of depreciation/amortization of capitalized development expenditure, SEK 15m (11) of depreciation/amortization of acquisition-related intangible assets, and SEK 7 (7) of depreciation/amortization of other intangible assets.

Other income totaled SEK 32m (32), and other expenses to SEK 37m (26). They consisted mainly of realized and unrealized foreign exchange gains and losses on accounts receivable and payable. Net financial items were negative and totaled SEK 7m (6). Realized and unrealized exchange rate effects on financial items totaled SEK 3m (2), and interest expenses SEK 7m (5). Interest expense mainly related to interest on lease liabilities, utilized overdraft credit and external loans.

The tax expense was SEK 42m (49), of which SEK 35m (36) was current tax and SEK 7m (13) was deferred tax. The effective tax rate for the period was 21.2 percent (20.0).

Financial position

On December 31, 2023, the Group's equity totaled SEK 396m (391). Consolidated net debt as of December 31, 2023, was SEK 44m (4). Interest-bearing liabilities totaled SEK 139m (153), attributable to lease liabilities totaling SEK 41m (50) and liabilities to credit institutions of SEK 80m (70) and other interest-bearing liabilities of SEK 16m (34). Cash and cash equivalents decreased from SEK 150m to SEK 95m; this change is explained in greater detail in the "Liquidity and cash flow" section.

Current receivables totaled SEK 100m (111), and other current liabilities, excluding interest bearing liabilities, totaled SEK 153m (151). Current tax liabilities decreased to SEK 6m (19) as a result of the lower net profit. Accrued expenses and deferred income totaled SEK 59m (55).

Liquidity and cash flow

Cash flow from operating activities for the full year totaled SEK 211m (236). The decrease is mainly due to a negative change in the profit/loss.

Operating profit for the year was SEK 204m

(249); the change is attributable to lower sales. The change in working capital during the year amounted to SEK -8m (-74).

Cash flow from investing activities totaled SEK -109m (-192), where the largest item is related to investments in product development. Cash flow from financing activities totaled SEK -155m (-97) and included dividend payments totaling SEK -160m.

Product development

Product 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 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 – 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.

Product 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.

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. Product 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 and technology expenses for the full year totaled SEK 99m (85). Of these, SEK 67m (40) was recognized as investments in product development. The capitalization relates to ongoing product development projects. Product development expenses expensed during the year totaled SEK 32m (45). Expenditure incurred mainly related to product maintenance costs, pre-study phase projects and project-wide administrative costs not attributable to the development of specific products. During the full year, SEK 3m (-) attributable to other intangible assets was capitalized. During the full year, SEK 14m (12) were invested in tools and equipment, mainly related to ongoing development projects.

The plan is to drive further growth through product launches and, ideally, exceed our historical rate of one to two major product launches per year. We continue to increase our investments in product development in order to translate these investments into exciting new products and solutions for our customers in the three areas that will drive our future growth: Lighting for professional photographers, workflow solutions for e-commerce and studios, and lighting for film production.

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 2023 is presented on pages 39–45 of this Annual Report.

Sustainability

The 2023 Sustainability Report can be found on pages 23–29 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 2023 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 2023 are presented in the table below:

Owners	Number of shares	%
Anders and Helén Hedebark ¹	15 252 321	38.1
Conny Dufgran	6,100,000	15.3
Lannebo Fonder	3 412 645	8.5
Herenco Holding AB	2,614,295	6.5
Svolder	2 100 000	5.3
Hans Eckerström	1,230,508	3.1
Enter Fonder	713,002	1.8
Nordnet Pension Insurance	528,844	1.3
Athanase Industrial Partners	524,330	1.3
Investering & Trygghed A/S	488,259	1.2

¹) Ownership through Burken Invest AB

The Annual General Meeting, held on May 5, 2023, 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 139 (124), of which 42 (38) were women and 97 (86) 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 Meetings on May 5, 2022 and May 5, 2023.

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.

Share-based incentive programs

The Annual General Meeting 2023 decided to establish a share-based incentive program for senior executives and key personnel in the Profoto Group. Through the program, 1,080,000 warrants, divided into three equal series – TO 2023/2026, TO 2024/2027 and TO 2025/2028 – have been issued to the wholly owned subsidiary Profoto Holding AB (publ), Profoto AB, for further transfer to participants. During the third calendar quarter of 2023, a total of 360,000 warrants in series 2023/2026 were transferred to seven participants. The transfers were made at a price of SEK 8.50 per option, which corresponds to an estimated market price at the time of transfer. The warrants can be called for subscription of shares between June 15 and December 15, 2026. The redemption price per share has been set at SEK 110.77. This corresponds to 140 percent of the volume-weighted average price according to Nasdaq Stockholm's official price list during the five trading days immediately preceding the transfer. The ceiling price has been set at SEK 174.38, which

corresponds to 220.4 percent of the same average price. This means that if the market price of the company's share exceeds the ceiling price when the option is redeemed, the redemption price will be increased accordingly.

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

Briefly, the company's business strategy is to design and sell light source and light shaping equipment mainly to the professional photography market and more recently also to the ambitious non-professional photographers market. For more information on the company's business strategy, see page 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 of Directors shall annually evaluate whether share-related or share price-related long-term incentive programs shall be proposed to the general meeting.

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

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 anticompetitive 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 non-financial. They may also be individualized, quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being linked to the business strategy or promoting the executive's long-term development. The annual variable cash salary may not exceed 12 months' salary.

The fulfilment of the criteria for payment of variable annual cash salary shall be measured over a period of one calendar year. To which extent the criteria for awarding variable annual 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 variable annual cash salary to the CEO. For variable annual 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. In 2023, the members of the Remuneration Committee were considered independent of the company and its executive management. At the beginning of 2024, a new assessment was made with regard to the Chairman of the Remuneration Committee, Hans Eckerström, in which he was deemed not to be independent. 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 18.2m(14.3) and profit before tax amounts to SEK 137.4m(148.9). Current assets totaled SEK 1.1m (32.9) and total current liabilities were SEK 20.8m (24.6). Other non-current liabilities at the end of 2023 totaled SEK 8.3m (16.7). The non-current portion of the vendor note from the acquisition of StyleShoots has decreased as a result of scheduled amortization of part of the debt in the second quarter of 2023. The remaining debt is scheduled to be fully repaid by April 2025. The holding company has two employees: the CEO and the CFO. For risks and risk management, see pages 35–38.

Dividend

The Board of Directors proposes a dividend of SEK 3.75, which amounts to a total of SEK 150m and corresponds to 96.6 percent of net profit. The proposal is based on Profoto's strong financial position and estimated future cash flows.

Expected future developments

The current inflation and interest rate turbulence is expected to continue to have some impact on demand in fiscal year 2024. The 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	49,516,285
Non-restricted share premium account	3,060,000
Profit/loss for the year	137,908,036
	190,484,321

The Board of Directors proposes that:

SEK 3.75 per share be distributed to the shareholders	150,000,000
to be carried forward	40,484,321
	190,484,321

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 23–29.



Risk category	Risk	Description of risk	Risk value	Management of risk
Financial	Currency risk, translation exposure and transaction exposure	Profoto's operations are exposed to foreign exchange risk, i.e., the risk of fluctuations in the fair value of future cash flows. Currency risk arises mainly as a result of foreign currency cash flows and foreign currency borrowings.	 	Profoto mainly has flows denominated in SEK, EUR, USD, CNY, JPY and GBP and borrowings in USD, JPY and CNY. Risk related to translation exposure is not hedged in accordance with the financial policy. The aim is to have net cash flows in currencies that offset each other, with the remainder exchanged into the Group currency SEK to minimize any loss due to currency fluctuations.
	Liquidity and financing risk	Profoto is exposed to the risk that the necessary financing may not be available to Profoto, resulting in significantly increased costs. If Profoto faces this risk in the future, Profoto may be forced to raise capital through alternative resources, or be forced to reduce other important costs, such as costs related to product development, or personnel expenses.	  	The Parent Company has an available undrawn credit facility of SEK 250m. In addition, the local companies have available credit facilities which can be used to cover temporary liquidity problems. In accordance with the financial policy, Profoto shall maintain a liquidity reserve of at least SEK 30m, which shall consist mainly of an unused overdraft facility. The size of the liquidity reserve is set taking into account relevant risks related to the ability of customers to pay, other financing and expected profit and liquidity growth.
	Interest rate risk	Interest rate risk refers to the risk of fluctuation in variable interest rates associated with borrowings in the Group.	  	Profoto has low debt and strong cash flow, which limits the risk.
	Credit and counterparty risk	Credit risk refers to the risk that the counterparty in a transaction will cause a loss to the Group by failing to fulfil its contractual obligations, with reference to accounts receivable and cash and cash equivalents.	  	To mitigate the risk, quarterly credit assessments of customers are performed. In addition, Profoto strives to use banks with good credit ratings.
	Capitalized development expenditure	Changes in the value of capitalized development expenditure could have a negative impact on Profoto's earnings and financial position if impairment testing shows that it is necessary to take an impairment charge on capitalized development expenditure.	  	Profoto performs quarterly impairment tests based on 12-month forecasts to identify whether any impairment exists. This allows the Group to act at the earliest possible stage to prevent the risk of, and avoid, an impairment loss.

Risk category	Risk	Description of risk	Risk value	Management of risk
Industry and market-related risk	Declining market for still photography	Profoto sells premium lighting systems for professional still photography. There is a risk that the market for traditional still photography is declining at the expense of video recording, which may result in the obsolescence of the Group's products, with a shrinking market resulting in a loss of revenue.		Profoto's products are already adapted to be used for video production. It is also the company's view that although video is growing in importance, the trend is that high-quality still images will continue to be needed as a complement. Should video increase in importance to our existing customers in a way that current products do not fully address, Profoto is prepared with plans for organic growth in the video segment.
	Artificial intelligence	There is a risk that artificial intelligence will replace professional still photography and erode demand for the premium lighting systems sold by Profoto.		Profoto closely monitors developments in artificial intelligence. Profoto is focusing on building expertise in the field to ensure the future relevance of our product offering.
	Competition	Profoto's future competitive opportunities depend on future product development, the successful launch of new products on the market and the preservation of intellectual property rights. Competition from companies in low-wage countries may force Profoto to reduce prices, which would result in a lower level of profitability. Large competitors in the international market may have more financial and operational resources than Profoto, which may lead them to present more advantageous products and services to customers.		To mitigate this risk, Profoto has an action plan linked to investments in research and development, as well as a growth strategy on how to continuously strengthen the brand. In addition, the company conducts market analysis of existing and new customers and competitors. Ensure that product plans include sufficient innovation (technical, marketing and sales).
	Political environment	The company's international operations expose it to certain risks, such as the risk that Profoto's sales will be adversely affected by changes in political situations, the emergence conflicts/wars and trade barriers, and changes in customs and trade regulations. If these risks were to materialize, it could have a material adverse effect on Profoto's earnings and financial position.		Profoto's current exposure to risks resulting from the political environment, trade barriers/wars and customs barriers is considered limited. Profoto constantly monitors current situations and tries to find alternative solutions if problems arise. In addition to this all customers, existing and new, are reviewed against updated sanction lists. Reduce dependence on individual countries.
	Business cycle	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	Risk related to control and interpretation of laws and regulations	There is a risk that Profoto does not comply with EU laws and regulations, for example due to inadequate internal controls or misinterpretation of regulations, which may result in penalties or fines. There is also a risk that the necessary certifications for new products cannot be obtained without unreasonable cost or delay, which could result in adverse financial consequences 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.

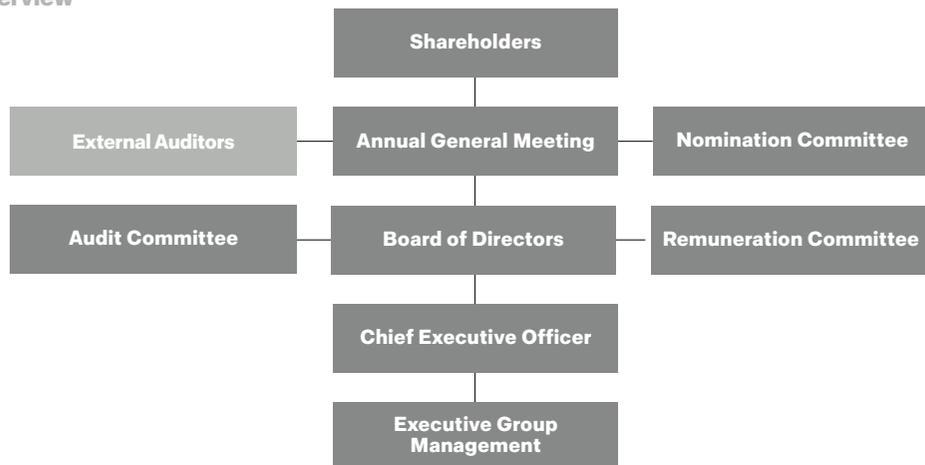
Risk category	Risk	Description of risk	Risk value	Management of risk
Legal and tax cont.	Patents and trademarks	There is a risk that Profoto's protection of registered intellectual property rights, such as patents and trademarks, will prove insufficient or that current applications will not be granted. If Profoto fails to protect and enforce its intellectual property rights, or if it is accused of infringing upon the intellectual property rights of third parties, it could result in extensive litigation, disputes, claims and other legal proceedings, along with legal and financial liability that would result in financial losses, which could also adversely affect the company's brand and reputation.		Profoto has secured in-house intellectual property expertise and also uses legal advisors to minimize risk.
	Tax, VAT and customs issues	This risk includes the risk of incorrect interpretation of tax rules and/or incorrect handling of customs which may result in incorrectly reported tax or customs declarations.		Profoto has various internal controls in place to minimize the occurrence of risks in these areas. In addition, annual training sessions are held to ensure staff competence in the field, as well as collaboration with external consultants with key expertise.
Operational	Component shortage	Profoto is dependent on the supply of components for its products in order to be able to deliver to customers. Risks include loss of key suppliers, delayed or non-delivery of products due to supply chain problems and/or component shortages, or failure to meet customer quality requirements.		Profoto is constantly working to ensure closer coordination with suppliers. For new products, a strategy has been applied that advocates the selection of components with high availability.
	Poor quality	There is a risk that Profoto's products will be defective or otherwise fail to meet relevant product requirements, which could have a material adverse effect on Profoto's brand, reputation and relationships, which could materially result in an inability to maintain the premium price market position, which in turn will result in reduced profitability and revenue. Safety defects are a high risk and the company has a producer responsibility; any faulty products could cause physical damage and would expose the company to criticism and negative media statements, as well as legal action.		Profoto is working to consolidate the global and comprehensive quality situation across the company and is working to improve and ensure action on quality issues reported from the market.
	Skills shortage	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.
	Loss of key personnel	Profoto's ability to achieve its business objectives depends on its ability to recruit, retain and train qualified employees with specific skills and experience, especially in management positions and in research and development. There is a risk that one or more key people will leave Profoto. If Profoto is unable to attract key employees, consequences may include an adverse effect on the company's product development activities and growth, failure to drive innovation, reduced efficiency, a significant negative impact on the competitive position, missed business opportunities that may result in reduced revenue and failure to maintain the premium market position.		Profoto has development plans for employees with the aim of securing employee competence, development and motivation. Profoto conducts annual employee surveys for all employees and based on the survey results, relevant change plans are formulated both in Profoto as a whole and at departmental level. Profoto has developed plans to attract and retain employees with critical skills, especially technical skills in Research and Development. Use external recruitment partners when recruiting for business-critical roles.

Risk category	Risk	Description of risk	Risk value	Management of risk
Operational cont.	Lack of innovation	Profoto faces the risk of losing its category leadership position due to its inability to produce a constant flow of innovations with real customer value to increase sales through new and existing customers in still photography. This risk may be the result of insufficient resources for research and development activities, or product portfolios that do not meet customer requirements due to Profoto's failure to predict and analyze market trends.		Profoto works continuously to identify new business opportunities. Profoto does not rely on a single idea, but conducts several different feasibility studies and tests of early business concepts in parallel, often in close dialogue with customers, to avoid overdependence on a single venture.
	Failed growth strategy	In the future, Profoto may seek further growth through acquisitions of other businesses, which entails the risk of additional costs or losses in investments, the risk that 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.
	IT systems and cybersecurity	It is essential that Profoto and its IT suppliers are able to maintain and update existing IT systems, firewalls and anti-virus software, to reduce the risk of loss of important product data or other critical sensitive data due to malicious software or viruses. This risk can result in unauthorized access, increased costs, breaches of regulatory requirements, dissatisfied customers, unavailability of the system and adversely affect the business and Profoto's financial position.		Profoto has standardized its IT processes, performs an annual risk scoping of actual risks, and the technical solutions are constantly updated to ensure effective IT protection.
	Sales channels	Dealers are the main sales and rental channel for Profoto's products. In addition, online sales are made directly to end customers. Profoto may be adversely affected if dealers are involved in financial, legal, or operational problems, or have other limitations in their operations. The dealer network is diverse both in terms of geography and size. There is a risk that the measures Profoto implements in relation to its dealers are not appropriate for all of them, which may result in a material adverse effect on Profoto's sales, financial position and growth.		Profoto strives not to be dependent on a single dealer. With existing dealers, the risk is managed by maintaining good relationships and, where possible, ensuring that there are several resellers in the same country to reduce dependency. In addition, Profoto has launched its own website through which it sells directly to end customers. Existing dealers are constantly evaluated. 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 OMX 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 two points, which is explained in the section on the Nomination Committee for the 2024 Annual General Meeting.

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 its 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 members of the Board of Directors and the Chief Executive Officer from liability, election of Board members and auditors, and decisions on remuneration to the members of the Board and the auditors.

According to the Articles of Association, the Annual General Meeting is convened by advertising in the Swedish Official Gazette (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 2024 Annual General Meeting of Profoto Holding AB (publ) will be held on May 14, 2024, 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 company's address) no later than March 26, 2024 in order to be certain that the request will be considered.

2023 Annual General Meeting

The 2023 Annual General Meeting was held on May 5, 2023, in Sundbyberg, Sweden. The following decisions were made at the AGM:

- Adoption of the Income Statement and Balance Sheet for 2022.
- Payment of a total of SEK 160m as a dividend and SEK 49m to be carried forward in accordance with the Board's proposal.
- Discharge the members of the Board of Directors and the Chief Executive Officer from liability in respect of their management of Profoto's affairs during the 2022 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.
- Incentive programs

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, 2023, 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 2024 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 in October 2023.

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 which was discussed in the board and shared with the Nomination Committee. 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 company's CEO 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. Further, point 2.3. in the Code recommends that a majority of the members of the Nomination Committee should be independent. The members of the Nomination Committee agreed that it is reasonable to deviate from the code in this respect in view of the Chairman of the Board's involvement and the advantages of his participation in the Nomination committee.

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 organiza-

tion of the company and the management of the company's affairs, which means that the Board is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the financial condition and profits as well as evaluating the operating management. The Board is also responsible for ensuring that the annual and interim reports are prepared in a timely manner and for approving Board policies. In addition, the Board appoints the company's Chief Executive Officer and evaluates the performance of the CEO. At least once a year, the Board of Directors shall meet with the company's auditor without the presence of the CEO or senior management.

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

The Board of Directors meets according to an annual predetermined schedule.

In accordance with the Board's rules of procedure, the ordinary meetings of the Board address:

- Financial reporting by the CEO in accordance with the financial reporting instructions
- Investment issues

- Remuneration issues and strategic plan
- Reports from the audit and remuneration committee

The main areas addressed by the Board during the year were preparations and strategic and operational issues, as well as investments in product development and acquisitions. The Board meets with the company's auditor annually, without the management present. In addition to the regular Board meetings, additional Board meetings may be convened to address matters that cannot be referred to a regular Board meeting. In addition to the Board meetings, the Chairman of the Board and the Chief Executive Officer continuously discuss the management of the company.

Audit Committee

Profoto has an Audit Committee 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.

Board members and attendance at meetings

Name	Position	Board meetings	Audit Committee meetings	Remuneration Committee Meetings	Independent of the company/main owner
Hans Eckerström	Chairman of the Board	12/12		2/2	No/Yes
Magnus Brännström	Member of the Board	12/12		2/2	Yes/Yes
Pernilla Ekman	Member of the Board	12/12	6/6		Yes/Yes
Anders Hedebark	Member of the Board	12/12			No/No
Helena Holmgren	Member of the Board	12/12			Yes/Yes
Helene Willberg	Member of the Board	12/12	6/6		Yes/Yes
Total		12	6	2	

1) Hans Eckerström has during 2023 received a not insignificant compensation for performed consultancy services and is therefore not considered independent of the company. For additional information, please refer to note 11 Number of employees, staff costs and senior executives.

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 the review of audit reports, audit plan, and the auditor's independent review of financial statements, review of the year-end plan, review of internal control and risk matrix for financial reporting, consideration of reporting of internal controls performed during the previous period and procurement of external auditors as a proposal to the AGM in 2023.

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 2024 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, 2023, 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 130,000 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 on the top right shows the remuneration to the Board of Directors decided by the AGM in 2023 until the next AGM.

Name	Position	Board fee (SEK)
Hans Eckerström	Chairman of the Board	550,000 ¹
Magnus Brännström	Member of the Board	300,000 ¹
Pernilla Ekman	Member of the Board	325,000 ²
Anders Hedebark	Member of the Board (and CEO)	–
Helena Holmgren	Member of the Board	250,000
Helene Willberg	Member of the Board	380,000 ³
Total		1,805,000

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

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

3) Including SEK 130,000 for work in the Remuneration Committee.

In 2023, the Board decided to enter into a consultancy agreement with Aligro Advisory AB, which is owned by the Chairman of the Board of Profoto. According to the agreement, consulting services corresponding to an invoice value of SEK 1,000,000 have been performed and invoiced in 2023. The remuneration was paid in addition to the regular Board fees.

Guidelines for remuneration to senior executives

The Annual General Meeting of May 5, 2023, resolved to adopt guidelines for remuneration to the CEO and other members of executive management, which mainly entail that the remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the Annual General Meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration. The Board of Directors shall annually evaluate whether share-related or share price-related long-term incentive programs shall be proposed to the Annual General Meeting.

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

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

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

Other benefits may include health insurance and car benefits, 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.

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 1,758 shareholders at the end of 2023. The largest owners at the end of 2023 were Anders and Helén Hedebark (through Burken Invest AB), with 38.1 percent of the capital and votes. The next three largest shareholders were Conny Dufgran with 15.3 percent, Lannebo Fonder with 8.5 percent and Herenco Holding AB with 6.5 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 AGM. Until the Annual General Meeting on May 5, 2023, Deloitte AB was the Group's auditor, which was then replaced by Öhrlings PricewaterhouseCoopers AB. The auditor reviews 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 Öhrlings PricewaterhouseCoopers AB, with Alexander Lyckow as auditor in charge.

In 2023, the total remuneration to the Group's auditors was SEK 1.8m, of which SEK 0.3m was attributable to consultation (see Note 9).

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 2023 are in the areas of order-to-cash, purchase-to-pay, product life cycle management, accounting and intellectual property rights (IPR), legal and taxes, 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 checks are carried out in the form of manual checks and automatic system checks 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 assessment, the CFO annually submits reports to the Audit Committee and the Board, enabling the Board to conduct its annual review of risks and risk management.

Board of Directors

PHOTO RICKARD L. ERIKSSON

Shareholding as of December 31, 2023



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 Swedbank. Chairman of the Board, Thule Group.**Previous assignments, selection:** Chief Investment Officer i APAC. Chairman of the Board, Nobia. Member of the Board of Nordstjernen and Cloetta. Partner and employee of Nordic Capital.**Independent of company:** No**Independent of the main owner:** Yes**Shares in Profoto Holding:** 1,230,508 shares, 500,000 call options

Magnus Brännström
Member of the Board

Member of the Remuneration Committee

Elected: 2018**Education:** MSC, Uppsala University.**Born:** 1966**Other assignments:** Chairman of the Board, Molimb and East Office. Board member of the Swedish-Estonian Investment Fund.**Previous assignments, selection:** Chairman of the World Federation of Direct Selling Associations and CEO at Oriflame Holding AB.**Independent of company:** Yes**Independent of the main owner:** Yes**Shares in Profoto Holding:** 250,494 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, Aarke. Member of the Board of Fractal Gaming Group.**Previous assignments, selection:** Chairman of the Board at 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

Anders Hedebark
Member of the Board

Elected: 2010**Education:** MS 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:** 15,252,321 shares

Helena Holmgren
Member of the Board

Elected: 2021**Education:** MS in Business Administration, Lund University, and MBA, University of Ottawa.**Born:** 1976**Other assignments:** Member of the Board, 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

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:** Member of the Board of Thule Group, Nordic Paper Holding, Infrea, Indecap Holding, Byggfakta Group Nordic HoldCo, Enzymatica, Renewcell.**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

Management

PHOTO RICKARD L. ERIKSSON

Shareholding as of December 31, 2023



Anders Hedebark
President and CEO

Employed at Profoto: 1997

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

Born: 1964

Shares in Profoto Holding:
15,252,321 shares



Carl Bandhold
Executive Vice President
and CFO

Employed at Profoto: 2023

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

Born: 1974

Shares in Profoto Holding:
20,000 shares, 180,000 TO
2023/2026 series warrants



Amanda Åström
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:
1,349 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, 30,000 TO
2023/2026 series warrants



Martina Nillenstedt
VP Marketing & Customer
Success E-Com Studios

Employed at Profoto: 2017

Education: MBA, Stockholm School of Economics, and MS Business and Economics, Jönköping University.

Born: 1973

Shares in Profoto Holding:
20,254 shares, 30,000 TO
2023/2026 series warrants

Shareholding as of December 31, 2023

PHOTO RICKARD L. ERIKSSON



Tobias Lindbäck
VP Strategy & Alliances

Employed at Profoto: 2015

Education: MSc in Mechanics, Linköping University of Technology.

Born: 1968

Shares in Profoto Holding:
56,329 shares, 30,000 TO
2023/2026 series warrants



Sara Strid
VP Customer growth

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, 30,000 TO
2023/2026 series warrants



Gilles Rossi
VP Operations & Quality

Employed at Profoto: 2017

Education: MSc Mechanical Engineering, ENSAIS.

Born: 1976

Shares in Profoto Holding:
65,595 shares, 30,000 TO
2023/2026 series warrants



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:
24,220 shares, 30,000 TO
2023/2026 series warrants

Financial Reports Group

Consolidated Statement of Income

SEKm	Note	Jan. 1, 2023 Dec 31, 2023	Jan. 1, 2022 Dec 31, 2022
Net sales	6, 7	787	848
Other income	8	32	32
Total revenue		819	881
Capitalized work for own account	18	70	37
Goods	20	-226	-266
Other external expenses	9, 10, 25	-185	-166
Personnel expenses	11	-159	-137
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	18, 19	-77	-73
Other operating expenses	12	-37	-26
Operating profit/loss		204	249
Finance income and costs			
Finance income	13	3	10
Finance costs	14	-10	-16
Profit/loss before tax		197	243
Tax	16	-42	-49
Profit/loss for the year		155	194
<i>Attributable to:</i>			
Parent Company shareholders		155	194
Earnings per share basic and diluted*		3.88	4.85

*) Calculated based on 40,000,000 ordinary shares, basic and diluted

Consolidated statement of comprehensive income

SEKm	Note	Jan. 1, 2023 Dec 31, 2023	Jan. 1, 2022 Dec 31, 2022
Profit/loss for the year		155	194
Other comprehensive income items that may be reclassified to the consolidated statement of profit and loss:			
Translation differences for the year		6	6
Comprehensive income for the year		161	200
<i>Attributable to:</i>			
Parent Company shareholders		161	200

Consolidated statement of financial position

SEKm	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Intangible assets	18		
Capitalized development expenditure		137	102
Technology, customer assets and brand		74	83
Other intangible assets		5	8
Goodwill		128	110
Total intangible assets		343	304
Property, plant and equipment	19		
Leased assets	10	40	47
Equipment, tools and installations		31	25
Leasehold improvements		0	1
Total property, plant and equipment		71	73
Financial assets		2	2
Deferred tax assets	16	24	19
Total non-current assets		441	399
Current assets			
Inventories	20	164	141
Current receivables			
Accounts receivable	5, 21	78	96
Current tax assets		7	2
Other current assets		8	5
Prepayments and accrued income	22	7	8
Total current receivables		100	111
Cash and cash equivalents	23	95	150
Total current assets		358	403
TOTAL ASSETS		799	801

cont. Condensed consolidated statement of financial position

SEKm	Note	Dec 31, 2023	Dec 31, 2022
Equity			
Share capital	24	1	1
Reserves		6	0
Other contributed capital		3	–
Retained earnings including profit/loss for the year/period		386	390
Total equity*		396	391
Non-current liabilities			
Liabilities to credit institutions	5, 27	1	4
Other non-current liabilities		8	17
Lease liabilities	10	31	38
Provisions	26	8	15
Deferred tax liabilities	16	104	91
Total non-current liabilities		152	165
Current liabilities			
Liabilities to credit institutions	5, 27	79	67
Lease liabilities	10	10	12
Provisions	26	12	17
Accounts payable		59	53
Current tax liabilities		6	19
Other current liabilities		25	24
Accrued expenses and deferred income	28	59	55
Total current liabilities		250	246
TOTAL EQUITY AND LIABILITIES		799	801

*) Attributable to Parent Company shareholders

Consolidated statement of changes in equity

SEKm	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit/loss for the year	Total equity*
Opening balance January 1, 2022	1	–	-6	336	331
Profit/loss for the year	–	–	–	194	194
Total other comprehensive income	–	–	6	–	6
Total comprehensive income	0	–	6	194	200
Dividends to shareholders	–	–	–	-140	-140
Closing balance December 31, 2022	1	–	0	390	391
Opening balance January 1, 2023	1	–	0	390	391
Profit/loss for the year	–	–	–	155	155
Total other comprehensive income	–	–	6	–	6
Total comprehensive income	–	–	6	155	161
Option premiums	–	3	–	–	3
Dividends to shareholders	–	–	–	-160	-160
Closing balance December 31, 2023	1	3	6	386	396

*) Attributable to Parent Company shareholders

Financial Reports

Parent Company

Consolidated statement of cash flows

SEKm	Note	Jan. 1, 2023 Dec 31, 2023	Jan. 1, 2022 Dec 31, 2022
Cash flow from operating activities			
Operating profit/loss		204	249
<i>Adjustments for non-cash items:</i>	29		
Depreciation, amortization and impairment		77	73
Adjustments for other non-cash items		-3	18
Interest received		2	1
Interest paid		-7	-5
Income tax paid		-54	-28
Cash flow from operating activities before changes in working capital		218	308
Changes in working capital			
Decrease (+) / increase (-) in inventories		-31	-39
Decrease (+) / increase (-) in accounts receivable		19	-1
Decrease (+) / increase (-) in other receivables		-2	-1
Decrease (-) / increase (+) in accounts payable		8	-4
Decrease (-) / increase (+) in other current liabilities		-2	-27
Cash flow from operating activities		211	236
Investing activities			
Investments in intangible fixed assets		-78	-39
Acquisition of property, plant and equipment		-14	-12
Acquired subsidiary		-17	-141
Cash flow from investing activities		-109	-192
Financing activities			
Repayment of other external loans	29	-15	-90
Amortization of leasing liability		-14	-12
New loans		31	145
Payment of option premiums		3	-
Dividends paid		-160	-140
Cash flow from financing activities		-155	-97
Cash flow for the year		-53	-52
Cash and cash equivalents at beginning of year		150	206
Exchange rate differences in cash and cash equivalents		-2	-4
Cash and cash equivalents at year-end		95	150

Parent Company Income Statement

SEKm	Note	Jan. 1, 2023 Dec 31, 2023	Jan. 1, 2022 Dec 31, 2022
Net sales	31	18.2	14.3
Operating expenses			
Other external expenses	9	-6.8	-5.5
Personnel expenses	11	-13.5	-9.5
Other operating expenses		-	0.0
Operating profit/loss		-2.2	-0.8
Profit/loss from financial items			
Income from participations in Group companies		140.0	150.0
Interest income and similar income statement items		11.8	-
Interest and similar expenses		-11.6	-15.7
Profit after financial items		138.0	133.5
Appropriations	15	-0.6	15.4
Profit/loss before tax		137.4	148.9
Tax on profit/loss for the year		0.5	4.7
Profit/loss for the year		137.9	153.6

Parent Company Statement of Comprehensive Income

SEKm	Note	Jan. 1, 2023 Dec 31, 2023	Jan. 1, 2022 Dec 31, 2022
Profit/loss for the year		137.9	153.6
Other comprehensive income		-	-
Comprehensive income for the year		137.9	153.6

Parent Company balance sheet

SEKm	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	17	217.3	217.3
Deferred tax assets	16	1.6	1.1
Total non-current assets		218.9	218.4
Current assets			
Current receivables from Group companies	31	–	31.8
Current tax assets		0.7	0.5
Prepayments and accrued income		0.4	0.7
Total current receivables		1.1	32.9
Cash and bank balances		–	–
Total current assets		1.1	32.9
TOTAL ASSETS		220.0	251.4

cont. Parent Company Balance Sheet

SEKm	Note	Dec 31, 2023	Dec 31, 2022
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		0.5	0.5
Total restricted equity		0.5	0.5
Unrestricted equity			
Non-restricted share premium account		3.1	–
Retained earnings		49.5	55.9
Profit/loss for the year		137.9	153.6
Total unrestricted equity		190.5	209.5
Total equity		191.0	210.0
Non-current liabilities			
Other non-current liabilities		8.3	16.7
Total non-current liabilities		8.3	16.7
Current liabilities			
Accounts payable		0.2	0.4
Liabilities to Group companies	31	4.4	–
Other current liabilities		10.0	18.6
Accrued expenses and deferred income	28	6.2	5.6
Total current liabilities		20.8	24.6
TOTAL EQUITY AND LIABILITIES		220.0	251.4

Parent Company Statement of Changes in Equity

SEKm	Restricted equity	Unrestricted equity			Total equity
	Share capital	Non-restricted share premium account	Retained earnings	Profit/loss for the year	
Opening balance January 1, 2022	0.5	–	28.0	167.9	196.4
Transfer of previous year's profit/loss	–	–	167.9	-167.9	–
Profit/loss for the year	–	–	–	153.6	153.6
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	153.6	153.6
Dividends to shareholders	–	–	-140.0	–	-140.0
Closing balance December 31, 2022	0.5	–	55.9	153.6	210.0
Opening balance January 1, 2023	0.5	–	55.9	153.6	210.0
Transfer of previous year's profit/loss	–	–	153.6	-153.6	–
Profit/loss for the year	–	–	–	137.9	137.9
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	137.9	137.9
Option premiums	–	3.1	–	–	3.1
Dividends to shareholders	–	–	-160.0	–	-160.0
Closing balance December 31, 2023	0.5	3.1	49.5	137.9	191.0

Parent Company Statement of Cash Flows

SEKm	Note	Jan. 1, 2023 Dec 31, 2023	Jan. 1, 2022 Dec 31, 2022
Cash flow from operating activities			
Operating profit/loss		-2.2	-0.8
Income tax paid		-1.1	-0.9
Cash flow from operating activities before changes in working capital		-3.2	-1.7
Changes in working capital			
Decrease (+) / increase (-) in other receivables		0.0	0.4
Decrease (-) / increase (+) in accounts payable		-0.3	0.2
Decrease (-) / increase (+) in other current liabilities		0.0	-1.0
Cash flow from operating activities		-3.5	-2.1
Investing activities			
Acquired subsidiary		-16.5	-154.4
Cash flow from investing activities		-16.5	154.4
Financing activities			
Change in intercompany liabilities		176.9	296.5
Borrowings		–	75.0
Payment of option premiums		3.1	–
Repayment of loans		–	-75.0
Dividends to shareholders		-160.0	-140.0
Cash flow from financing activities		20.0	156.5
Cash flow for the year		0.0	0.0
Cash and cash equivalents at beginning of year		0.0	0.0
Cash and cash equivalents at year-end		0.0	0.0

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) is listed on the Nasdaq OMX Stockholm Mid-Cap list, with its first trading day on 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 Chief Executive Officer on April 12, 2024. The financial statements of the Group and the Parent Company are subject to adoption by the Annual General Meeting on May 14, 2024.

New and amended standards applied for the first time

Amendments to IAS 1 Presentation of Financial Statements require disclosure only of significant accounting policies. The purpose of the amendments is to enhance the usefulness of disclosures about accounting policies

applied by describing only significant policies and explaining how the company applies those policies in its specific circumstances. The Group has reviewed the accounting policies described in the 2023 Annual Report and adapted them in accordance with the amendments to IAS 1.

Other amendments to IFRS that have come into force in 2023 have not had a material impact on the Group's financial statements.

New and amended standards and interpretations not yet in force

New and amended IFRS standards applicable from 2024 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 is usually achieved by owning or controlling, directly or indirectly, more than 50 percent of voting rights.

Reporting currency

The consolidated financial statements are presented in 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.

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. Acquisition-related costs are recognized in the income statement as they are incurred. 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 expenses.

Segment reporting

The company's reporting of operating segments agrees with internal reporting to the chief operating decision-maker, i.e., the CEO. All follow-up of the Group is carried out in the Photographics segment, which thereby becomes the Group's only reportable segment. 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.

Revenue from contracts with customers

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. Based on the most common underlying delivery terms agreed, control will be transferred once the goods have been delivered to the respective freight forwarder/carrier. 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 2023 and 2022), 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 guarantee commitments are recognized as a provision in accordance with IAS 37 and are described in more detail in the section "Provisions".

In addition to the main revenue stream above, courses, installations, service contracts for systems and software are also sold as a SaaS service. 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. Software via SaaS service is recognized as revenue on a straight-line basis over the contract period. However, these revenue streams, in addition to regular streams, do not represent a significant part of the Group's total revenue.

Leases

Profoto's leases consist mainly of the rental of premises and, to a lesser extent, of cars and certain equipment. A lease liability is recognized at the present value of the remaining lease payments over the estimated lease term. Interest expense is recognized as the discount rate, normally the incremental borrowing rate, multiplied by the lease liability.

A right-of-use asset is initially recognized 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 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.

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.

Note 2 cont.

Defined contribution plans

The Group's earnings are charged with expenses as the benefits are earned, which normally coincides with the payment of premiums.

Defined benefit plans

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 covered in favor of employees through pledges. The employees concerned are only entitled to compensation equal to the value of the endowment insurance upon redemption. These pension agreements are classified and accounted for as defined contribution pension plans. A provision for special payroll tax is made based on the fair value of the endowment insurance, except where the endowment insurance is contractually required to cover special payroll tax.

Share-based payments

Senior executives and key personnel in the Group purchased warrants for shares in the Group's Parent Company at fair value within the framework of an incentive program in 2023. The term of the options is three years, and if the option program participant remains in service in December 2026, a bonus in the form of a gross salary supplement will be received, which, in total, corresponds to the amount paid by the participant for the 2023 warrants. Cost and liability are recognized from the start of the program until December 2026 for the accrual of the bonus. The payment received for the options is recognized in equity.

Deferred tax

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.

Property, plant and equipment

Property, plant and equipment is recognized at cost less accumulated depreciation and impairment losses.

The useful lives of categories of property, plant and equipment are as follows:

Tools and equipment	4–5 years
Leasehold improvements	5 years

Intangible fixed assets – internally generated

The Group's development expenditure is mainly related to product development. Profoto's product development process includes different steps such as the pre-study phase, industrialization, launch and closure. The Group capitalizes development expenditure during the period starting when the capitalization criteria are met until the project is transferred to management.

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.

Intangible fixed assets – in business combinations

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.

Other intangible fixed assets – Capitalized expenditures for customization of business systems and website expenditure

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 Group also capitalizes expenses directly attributable to the adaptation of business systems based on cloud solutions, where the adaptation of the business system meets the criteria of IAS 38 in terms of identifiability, economic benefits and controllability. The estimated useful life for customization of business systems is five years. The Group also capitalizes website expenditure in accordance with SIC 32 Intangible assets – Website expenditure. The depreciation period for capitalized website expenditure is five years.

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. Goodwill is measured at cost, less any accumulated impairment losses. Goodwill has been allocated to the Group's Photographics segment and is tested for impairment at least annually or whenever there is an indication that an impairment may be necessary. Capitalized development expenditure is measured at cost less accumulated amortization, less any accumulated impairment losses. In the impairment test, the capitalized development expenditure is allocated to the product group to which it relates. For capitalized development expenditure related to technology that is common to several products, the impairment test is performed against a broader range of products.

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 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

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.

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 these assets are carried 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. Contingent consideration is classified and measured at fair value through profit or loss, where the calculation 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.

Impairment

The Group recognizes a loss allowance for expected credit losses on a financial asset at amortized cost. On each reporting date the Group recognizes in the statement of comprehensive income the change in expected credit losses since initial recognition in the income statement. 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 measures 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. 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.

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 2022 Annual Report. The differences between accounting policies of the Parent Company and the Group are described below:

Note 2 cont.

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 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, and interest rate and political risks/factors, as well as 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.

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.

Judgments in applying the Group's accounting policies

According to IAS 36, goodwill from business combinations should be allocated to the cash-generating units that are expected to benefit from the synergies of the acquisition. If goodwill cannot be allocated on a reasonable basis between these entities, goodwill shall be allocated to the lowest level in the company at which the goodwill in question is monitored in the internal governance of the company, which cannot be higher than an operating segment. Goodwill arose from the acquisition of StyleShoots, which after the acquisition date is included in the Photographics operating segment as StyleShoots has been integrated into the existing operational processes for Photographics, and the unit's operating results are not regularly monitored by the chief operating decision-maker in the Group. The lowest level in Profoto at which the goodwill is monitored is the Group's only operating segment Photographics. Goodwill from the acquisition of StyleShoots cannot be allocated on a reasonable basis between the cash-generating units expected to benefit from the acquisition and has therefore been allocated in its entirety to the Photographics operating segment. Goodwill is therefore tested for impairment based on Photographics' (as well as the entire Group's) recoverable amount. See Note 18 for the impairment test performed and a description of important assumptions and assessments in the impairment test.

Note 4 Business acquisitions

On March 23, 2023, Profoto AB entered into an agreement to acquire Assetflw. The cash purchase price was SEK 8m. Contingent consideration totaled SEK 16m and is measured at fair value at the balance sheet date (see Note 5). The acquisition has led to an increase in goodwill by SEK 16m and technology by SEK 6m (see Note 18).

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.

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.

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

SEKm	Carrying amount
Impact after the acquisition date April 6, 2022, included in the Group's results for Jan–Dec 2022	
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
Net sales pro forma	
Profoto	848
StyleShoots	24
Net sales pro forma	872
EBIT pro forma	
Profoto	249
StyleShoots	4
Depreciation acquired intangible assets	-4
EBIT pro forma	249

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	2023	2022
Euro (EUR)	61	183
US Dollar (USD)	140	149
Chinese Yuan (CNY)	41	47
Japanese Yen (JPY)	46	61
British Pound (GBP)	36	49

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 0.4m (0.3). This calculation is based on current borrowings totaling SEK 80m (70).

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, 2023	Dec 31, 2022
Euro (EUR)	-3	12
US Dollar (USD)	6	7
Chinese Yuan (CNY)	4	3
Japanese Yen (JPY)	5	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	2023	2022
Euro (EUR)	-13	-14
US Dollar (USD)	1	9
Chinese Yuan (CNY)	1	1
Japanese Yen (JPY)	2	1
British Pound (GBP)	0	0

Note 5 cont.

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 five percent in the value of SEK compared with the most significant currencies. For transaction exposure, the effect on the Group's profit after tax in the event of a change in exchange rates is shown. This also

includes outstanding monetary receivables and liabilities in foreign currency at the balance sheet date, including loans between Group companies where the currency effect has an impact on the consolidated statement of comprehensive income.

The sensitivity analysis for translation exposure shows the Group's sensitivity in the event of an increase or decrease in the exchange rate of 10 percentage points. For translation exposure, the effect on the Group's equity is shown and for exchange rate changes the effect on the Group's profit after tax is shown.

	2023 Effect on profit/loss	Dec 31, 2023 Effect on equity	2022 Effect on profit/loss	Dec 31, 2022 Effect on equity
Sensitivity analysis of currency risk				
Transaction exposure				
EUR +5%	3		9	
USD +5%	7		7	
CNY +5%	2		2	
JPY +5%	2		3	
GBP +5%	2		2	
Translation exposure				
Euro (EUR) +10%		-0		1
US Dollar (USD) +10%		1		1
Chinese Yuan (CNY) +10%		0		0
Japanese Yen (JPY) +10%		1		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 the current availability of liquid assets 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 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 be substantially earlier than shown in the tables.

	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
December 31, 2023					
Liabilities to credit institutions	69	14	1	–	84
Lease liabilities	3	10	40	3	56
Accounts payable	59	–	–	–	59
Other liabilities	17	9	9	–	34
Total	149	32	50	3	234
December 31, 2022					
Liabilities to credit institutions	67	2	6	–	75
Lease liabilities	4	9	33	8	53
Accounts payable	53	–	–	–	53
Other liabilities	8	17	18	–	42
Total	132	28	56	8	224

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, 2023, of SEK -1m (-1) 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 below.

	Dec 31, 2023	Dec 31, 2022
Accounts receivable	78	96
Other current receivables	8	5
Non-current receivables	2	2
Cash and cash equivalents	95	150
Maximum credit risk exposure	183	253

Accounts receivable from external customers by region:

	Dec 31, 2023	Dec 31, 2022
APAC	22	26
Americas	30	46
EMEA	25	25
Total external accounts receivable	78	96

Note 5 cont.

Credit risk in cash and cash equivalents

The Group has cash and cash equivalents of SEK 95m (150) at December 31, 2023. 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 (3.0) and the interest coverage ratio is a maximum of 5.0 (5.0). These key ratios are monitored on an ongoing basis and reported to the Board.

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	Financial liabilities measured at fair value
December 31, 2023			
Financial assets			
Non-current receivables	2		
Accounts receivable	78		
Other receivables	–		
Cash and cash equivalents	95		
Total financial assets	175		
Financial liabilities			
Liabilities to credit institutions		80	
Accounts payable		59	
Accrued expenses		18	
Other current liabilities			14
Total financial liabilities		157	14
	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value
December 31, 2022			
Financial assets			
Non-current receivables	2		
Accounts receivable	96		
Other receivables	–		
Cash and cash equivalents	150		
Total financial assets	248		
Financial liabilities			
Liabilities to credit institutions		71	
Accounts payable		53	
Accrued expenses		10	
Total financial liabilities		134	–

Net income from financial assets and liabilities, broken down by measurement category under IFRS 9, is presented in the table below.

	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
2023			
Operating profit/loss			
Operating receivables – foreign exchange differences	32		32
Other operating liabilities – foreign exchange differences		-37	-37
Total operating profit	32	-37	-5
Net financial items			
Interest income	3		3
Interest expense		-7	-7
Foreign exchange differences		-3	-3
Total net financial items	3	-10	-7
	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
2022			
Operating profit/loss			
Operating receivables – foreign exchange differences	31		31
Other operating liabilities – foreign exchange differences		-26	-26
Total operating profit	31	-26	5
Net financial items			
Interest income	1		1
Interest expense		-5	-5
Foreign exchange differences		-2	-2
Total net financial items	1	-7	-6

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.

Contingent considerations

The Group recognizes a contingent consideration liability of SEK 14m (-) for a business combination in 2023. The liability is measured at fair value based on management's assessment of the likelihood that the terms of the agreement regarding the acquisition of customers and the related revenue requirement per customer will be met. The term of the agreement can be extended by agreement and has been estimated at the expected cash term at management's discretion. Future expected cash flow is discounted using an interest rate based on an observable market rate plus a credit risk premium.

The contingent consideration is the only financial instrument that is measured at fair value based on inputs that are not observable in the market and is therefore a Level 3 instrument under IFRS 13.

Note 6 Segment information

The Group's only operating segment is Photographics. 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.

- Photographics 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.

2023	Photographics	Group-wide	Eliminations	Total Group
Revenue	787			787
Other operating income	32	18	-18	32
Total revenue	819	18	-18	819
Capitalized work for own account	70			70
Goods	-226			-226
Depreciation, amortization and impairment	-77			-77
Other operating expenses	-380	-20	18	-382
Operating profit/loss	206	-2	0	204
Not distributed: Net financial items				-7
Profit/loss before tax				197

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

Revenue from external customers by region ¹	2023	2022
APAC	169	174
Of which Japan	57	71
Americas	338	356
Of which the US	304	327
EMEA	279	318
Of which Sweden	13	31
Total	787	848
	Dec 31, 2023	Dec 31, 2022
Fixed assets²		
Sweden	393	349
Other	22	29
Total	414	377

Information about large customers

The Group has one customer who individually accounts for 10 percent or more of consolidated revenue. Sales to this customer totaled SEK 130m (121).

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	2023	2022
Photographics	786	847
Digital business	0	1
Total	787	848
Revenue per product line	2023	2022
Light units and systems	523	601
Accessories	192	202
Other	71	45
Total	787	848

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 Notes 22 and 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	2023	2022
Exchange gains	32	31
Other income	0	1
Total	32	32

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	
	2023	2022	2023	2022
<i>Deloitte</i>				
Audit assignments	0.4	1.6	0.4	1.4
Other audit duties	–	0.2	–	0.2
Tax advisory services	–	–	–	–
Other services	–	–	–	–
<i>Öhrlings</i>				
<i>Pricewaterhouse-Coopers AB</i>				
Audit assignments	1.5	–	1.0	–
Other audit duties	–	–	–	–
Tax advisory services	0.3	–	0.3	–
Other services	–	–	–	–
<i>Ecovis</i>				
Audit assignments	0.1	–	–	–
<i>Flynth</i>				
Audit assignments	0.1	0.3	–	–
<i>Azets</i>				
Audit assignments	0.1	0.1	–	–
Total	2.5	2.2	1.7	1.6

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.

All costs for the statutory auditing of Group companies included in the consolidated accounts, as part of the Group audit have, for both 2023 and 2022, been invoiced to the Parent Company Profoto Holding AB (publ).

Note 10 Leasing

	2023	2022
Leases		
Leased assets		
Real Estate	39	44
Equipment	0	1
Vehicles	1	2
Total leased assets	40	47
Lease liabilities		
Current liabilities	10	12
Non-current liabilities	31	38
Total lease liabilities	42	49
Depreciation of right-of-use assets		
Real Estate	-11	-9
Equipment	-1	-1
Vehicles	-1	-2
Interest expense on lease liabilities	-1	-1
Total impact on earnings	-14	-13

Additional rights of use in 2023 amounted to SEK 6m (7) and relate primarily to a new warehouse in China where the right of use for the old warehouse also ended 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 2023 amounts to SEK 14m (12). 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 2023**

	Women	Men	Total
Parent Company			
Sweden	0	2	2
Total for Parent Company	0	2	2
Subsidiaries			
France	0	1	1
Japan	2	3	5
UK	0	1	1
Sweden	20	47	67
Germany	0	2	2
China	5	2	7
US	4	14	18
The Netherlands	11	25	36
Total for subsidiaries	42	95	137
Total Group	42	97	139

Average number of employees 2022

	Women	Men	Total
Parent Company			
Sweden	0	2	2
Total for Parent Company	0	2	2
Subsidiaries			
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
The Netherlands	8	22	30
Total for subsidiaries	38	84	122
Total Group	38	86	124

Board members and other senior executives on the balance sheet date

	2023	2022
Parent Company		
<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
Total for Parent Company	6	6
Group		
<i>Women:</i>		
Board of Directors	3	3
Other senior executives	3	4
<i>Men:</i>		
Board of Directors, including CEO	3	3
Other senior executives	5	4
Total Group	14	14

Costs for employee benefits

	2023	2022
Parent Company		
Salaries and other remuneration	7.3	6.0
Social security contributions	3.6	2.0
Pension costs	2.3	2.1
Subsidiaries		
Salaries and other remuneration	105	88
Social security contributions	27	23
Pension costs	8	8
Total salaries and remuneration in the Group	112	94
Total social security contributions in the Group	31	25
Total pension costs in the Group	10	9
Total Group	153	128

Note 11 cont.

Salaries and other remuneration distributed between senior executives and other employees

	2023	2022
Parent Company		
Salaries and other remuneration to senior executives	5.0	4.3
including bonuses and similar remuneration to senior executives	0.4	0.4
Salaries and other remuneration to other employees	2.3	1.7
Total salaries and other remuneration in the Parent Company	7.3	6.0

Remuneration to senior executives (SEK)

	Basic salary/ Fees	Variable remuneration	Other benefits and other allowances	Pension costs	Total
Remuneration to senior executives 2023					
Chairman of the Board, Hans Eckerström	550,000	–	1,000,000 ¹	–	1,550,000
Member of the Board, Magnus Brännström	300,000	–	–	–	300,000
Member of the Board, Pernilla Ekman	325,000	–	–	–	325,000
Chief Executive Officer, Anders Hedebark	4,479,684	382,169	112,013	1,876,738	6,850,604
Member of the Board, Helena Holmgren	250,000	–	–	–	250,000
Member of the Board, Helene Willberg	369,677	–	–	–	369,677
Other senior executives (7 people)	9,613,456	704,759	67,928	2,565,903	12,952,046
Total remuneration to senior executives	15,887,817	1,086,928	1,179,941	4,442,641	22,597,327
	Basic salary/ Fees	Variable remuneration	Other benefits and other allowances	Pension costs	Total
Remuneration to senior executives 2022					
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
Chief Executive Officer, 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
Total remuneration to senior executives	13,370,255	1,235,983	321,950	4,075,413	19,003,601

¹) During the year, the Group expensed consulting costs of SEK 1m for the benefit of Alligro Advisory AB, which is owned by Profoto's chairman of the board. In accordance with an agreement approved by the Board of Directors, the chairman provided services with an invoice value of SEK 1m in 2023. The services are related to strategic advice on mergers and acquisitions.

Salaries and other remuneration and pensions to senior executives

	2023	2022
Group		
Salaries and other remuneration to senior executives	15	13
including bonuses and similar remuneration to senior executives	1	1
Pension costs to senior executives	4	4
Total salaries and other remuneration and pensions for senior executives in the Group	20	17

Pensions

The retirement age for the Chief Executive Officer is 65. The pension premium shall amount to 35 percent of the pensionable salary. Pensionable salary refers to basic salary and variable remuneration. Part of the pension premiums are premiums paid into a company-owned endowment policy. Pension liabilities and endowment insurance are presented net. The provision for special payroll tax is calculated on the basis of the value of the endowment policy.

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

ITP 2 defined benefit plan obligations for old age pension and family pension obligations for 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 2023, the company did not have the information to account for its proportionate share of the plan's obligations, plan assets and expenses, which meant that the plan could not be accounted for as a defined benefit plan.

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

Expected premiums for the next reporting period for ITP 2 insurance policies underwritten in Alecta amount to SEK 1m (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 2023, Alecta's surplus in terms of the collective consolidation ratio was 158 percent (172).

Agreements on severance pay

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

Share-based payments

In 2023, senior executives and key personnel purchased 360,000 warrants for shares in the Group's Parent Company at fair value. The warrants can be called for subscription of shares between June 15 and December 15, 2026, and the redemption price per share has been set at SEK 110.77, which corresponds to 140 percent of the volume-weighted average price according to Nasdaq Stockholm's official price list during the five trading days immediately preceding the transfer. The ceiling price has been set at SEK 174.38, which corresponds to 220.4 percent of the same average price. This means that if the market price of the company's share exceeds the ceiling price when the option is exercised, the exercise price will increase accordingly. If the program participant's employment with the Group is terminated, the Group has the right to buy back the options at fair value or the cost of the options, depending on the circumstances of the termination of employment. If the option program participant remains in service in December 2026, a bonus in the form of a gross salary supplement will be received, which, in total, corresponds to the amount paid by the participant for the warrants. At the end of 2023, 360,000 warrants were outstanding. In 2023, the bonus cost and bonus liability, including social security contributions recognized at year-end, totaled SEK 0.4m(-).

The fair value of the options was calculated at SEK 8.50 using the Black & Scholes option pricing model. The following inputs were used, in addition to the subscription price stated above:

Share price	79.07
Expected volatility	35%
Maturity	3.3 years
Expected dividend	SEK 0
Risk-free interest	3.24 %

Expected volatility was estimated using statistical data for comparable listed companies. No dividend estimate is applied in the value assessment; instead, the terms of the options mean that the exercise price and the number of shares that each option entitles the holder to subscribe for will be recalculated on each dividend date.

Note 12 Other operating expenses

Group	2023	2022
Exchange losses	-37	-26
Total	-37	-26

Note 13 Finance income

Group	2023	2022
Interest income	3	1
Foreign exchange differences	0	9
Other	0	0
Total	3	10

Note 14 Finance costs

Group	2023	2022
Interest expense	-7	-5
Foreign exchange differences	-3	-12
Total	-10	-16

Note 15 Appropriations

Parent Company	2023	2022
Group contributions paid	-0.6	-
Group contributions received	-	15.4
Total	-0.6	15.4

Note 16 Tax on profit/loss for the year

	Group		Parent Company	
	2023	2022	2023	2022
Current tax				
Current tax on profit/loss for the year	-36	-41	-	-
Adjustments recognized in the current year for current tax in previous years	0	5	-	4.9
Deferred tax				
Deferred taxes attributable to temporary differences	-7	-13	0.5	-0.2
Total	-42	-49	0.5	4.7
	Group		Parent Company	
	2023	2022	2023	2022
Reconciliation of tax expense for the year				
Profit/loss before tax	197	243	137.4	148.9
Tax at applicable Swedish tax rate, 20.6% (20.6)	-41	-50	-28.3	-30.7
Tax effect of non-deductible expenses	-1	0	-0.0	-0.0
Tax effect of non-taxable income	0	-	28.8	30.9
Effect of different tax rates for foreign subsidiaries	-1	-3	-	-
Other items	1	0	-0.1	-0.4
Total	-42	-54	0.5	-0.2
Adjustments recognized in the current year for current tax in previous years	0	5	-	4.9
Reported tax expense for the year	-42	-49	0.5	4.7

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

	Dec 31, 2023	Dec 31, 2022
Deferred tax asset		
Internal profit on inventories	17	13
Other items	7	6
Deferred tax asset	24	19
Deferred tax liability		
Capitalized development expenditure	26	21
Acquired intangible assets	19	21
Untaxed reserves	55	45
Other items	5	4
Deferred tax liability	104	91

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 totals SEK 1.6m (1.1) at year-end and consists of a deferred tax asset related to tax on deferred cost deductions on a capital insurance of SEK 1.6m (1.1).

Note 17 Composition of the Group

The Group has the following subsidiaries at December 31, 2023:

Name and corp. reg. no.	Country of operation	Holding, % ¹
Profoto AB corp. reg. no. 556115-5838	Sweden	100
Profoto GmbH corp. reg. no. HRB 39399	Germany	100
Profoto France SARL corp. reg. no. 481 980 530 R.C.S	France	100
Profoto K. K. corp. reg. no. 0104-01-057702	Japan	100
Profoto Ltd corp. reg. no. 584-2094	UK	100
Profoto US Inc corp. reg. no. 32-0407352	US	100
Profoto Shanghai Photographic Equipment Co Ltd corp. reg.no. 9131000OMA1G8XK714	China	100
Profoto B.V reg. no. 54398800	NL	100

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

Profoto Holding AB is the direct owner (100 percent) of Profoto AB 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 Profoto B.V, acquired in 2022, with a book value of SEK 185.3m (185.3). Profoto AB is in turn the direct owner (100 percent) of all the other subsidiaries. In 2023, the subsidiary Profoto HK Limited, wholly owned by Profoto AB, was voluntarily liquidated to simplify the Group structure. Furthermore, the subsidiaries Profoto Technologies B.V and Profoto Holding B.V have been merged into Profoto B.V in 2023, also to simplify the Group's structure.

No other changes in the composition of the Group took place in 2023 or 2022.

Note 18 Intangible fixed assets

	Goodwill	Capitalized development expenditure	Technology, customer assets and brand	Others intangible assets	Total
Opening accumulated acquisition value January 1, 2023	110	278	95	35	518
Acquisitions	16	–	6	–	23
Internally developed assets	–	67	–	3	70
Currency effects	1	-0	-0	–	0
Closing accumulated acquisition value December 31, 2023	128	344	100	39	611
Opening depreciation/amortization January 1, 2023	–	-157	-11	-27	-195
Depreciation/amortization for the year	–	-32	-15	-7	-54
Currency effects	–	0	0	–	0
Closing accumulated depreciation/amortization December 31, 2023	–	-189	-26	-34	-249
Opening impairment January 1, 2023	–	-19	–	–	-19
Impairment for the year	–	–	–	–	–
Closing accumulated impairment December 31, 2023	–	-19	–	–	-19
Carrying amount per December 31, 2023	128	137	74	5	343
Opening accumulated acquisition value January 1, 2022	–	235	–	35	270
Acquisitions	102	3	87	–	192
Internally developed assets	–	40	–	–	40
Currency effects	8	–	7	–	15
Closing accumulated acquisition value December 31, 2022	110	278	95	35	518
Opening depreciation/amortization January 1, 2022	–	-125	–	-20	-145
Depreciation/amortization for the year	–	-32	-11	-7	-51
Currency effects	–	0	0	–	0
Closing accumulated depreciation/amortization December 31, 2022	–	-157	-11	-27	-195
Opening impairment January 1, 2022	–	-19	–	–	-19
Impairment for the year	–	–	–	–	–
Closing accumulated impairment December 31, 2022	–	-19	–	–	-19
Carrying amount per December 31, 2022	110	102	83	8	304

Total research and development expenses that were expensed in the period totaled SEK 32m (48). These relate mainly to costs in the feasibility phase and project-wise 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 book value of goodwill and the pretax discount rate (WACC) are presented in the table below.

	Goodwill	WACC, % before tax	WACC, % after tax
31 December 2023			
Photographics	128	10.5	10.1
Total	128	10.5	10.1

All of the Group's goodwill arose from the 2022 acquisition of StyleShoots and a business combination in the first quarter of 2023.

The recoverability of goodwill was 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 74m (83) is allocated to technology SEK 25m (22), customer relationships SEK 25m (29), customer contracts SEK 16m (21) and brand names SEK 8m (12). The depreciation/amortization periods applied are six to eight years for technology, nine years for customer relationships, five years for customer contracts and four years for brand names.

Excess values from the acquisition of StyleShoots 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 depreciated over four years.

Note 19 Property, plant and equipment

	Tools and equipment	Leasehold improvements	Total
Opening acquisition value January 1, 2023	112	10	122
Investments	18	–	18
Sales/retirement	-4	-0	-4
Translation differences	-0	0	-0
Closing accumulated cost December 31, 2023	126	10	136
Opening depreciation January 1, 2023	-79	-9	-86
Sales/retirement	1	0	1
Depreciation/amortization for the year	-9	-1	-10
Translation differences	-0	0	-0
Closing accumulated depreciation/amortization December 31, 2023	-87	-9	-97
Opening impairment January 1, 2023	-9	0	-9
Impairment for the year	–	–	–
Closing accumulated impairment December 31, 2023	-9	0	-9
Carrying amount per December 31, 2023	31	0	31
Opening acquisition value January 1, 2022	95	10	105
Investments	10	0	10
Acquisitions	8	1	9
Sales/retirement	-1	-1	-1
Translation differences	0	0	0
Closing accumulated cost December 31, 2022	112	10	122
Opening depreciation January 1, 2022	-64	-8	-70
Sales/retirement	0	1	1
Acquisitions	-6	-1	-6
Depreciation/amortization for the year	-9	-1	-10
Translation differences	0	0	-1
Closing accumulated depreciation/amortization December 31, 2022	-79	-9	-86
Opening impairment January 1, 2022	-9	0	-9
Impairment for the year	0	–	0
Closing accumulated impairment December 31, 2022	-9	0	-9
Carrying amount per December 31, 2022	25	1	26

Note 20 Inventories

The composition of inventories is shown in the table below.

	Dec 31, 2023	Dec 31, 2022
Finished goods inventory	140	111
Consignment inventories	19	22
Other stock	5	8
Carrying amount	164	141
	2023	2022
Cost of goods	226	266
Total	226	266

Consignment inventories mainly consist of components held in inventory by manufacturers and/or suppliers. Total inventory impairments in 2023 totaled SEK -1m (-3).

Note 21 Accounts receivable

	Dec 31, 2023	Dec 31, 2022
Accounts receivable, gross	80	98
Provision for expected credit losses	-2	-2
Accounts receivable, net after provision for bad debts	78	96

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

	Dec 31, 2023	Dec 31, 2022
Provision for expected credit losses		
Provision for expected credit losses, beginning of year	-2	0
Provision from acquired companies	–	0
Provision for expected credit losses for the year	-0	-1
Reversal of unused amounts	0	0
Total	-2	-2

	Dec 31, 2023	Dec 31, 2022
Accounts receivable aging analysis		
Not past due	62	88
Past due <30 days	12	9
Past due 30–60 days	2	0
Past due 60–90 days	1	0
Past due > 90 days	2	0
Total	80	98

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, 2023	Dec 31, 2022
Prepaid rent and licenses	5	4
Prepaid insurance premiums	1	1
Marketing	–	1
Accrued income	–	1
Other items	1	1
Carrying amount	7	8

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, 2023, 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.

Note 25 Items affecting comparability

	2023	2022
Costs related to acquisitions	–	8
Total expenses	–	8

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.

Note 26 Provisions

Group – total provisions	Dec 31, 2023	Dec 31, 2022
Provisions at the beginning of the year	31	12
Provisions during the period	7	30
Provisions in acquired companies	–	1
Provisions reversed during the period	-18	-11
Provisions at year-end	20	31

Group – warranty provisions	Dec 31, 2023	Dec 31, 2022
Provisions at the beginning of the year	18	12
Provisions during the period	7	16
Provisions in acquired companies	–	1
Provisions reversed during the period	-9	-11
Provisions at year-end	16	18

Of the total provisions, SEK 16m (18) relates to provisions for guarantee commitments, of which SEK 8m (11) are long-term and SEK 8m (8) 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 3m (9) and other provisions of SEK 0m (4). 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, 2023	Dec 31, 2022
Non-current interest-bearing liabilities		
Non-current liabilities to credit institutions	1	4
Carrying amount	1	4
Current interest-bearing liabilities		
Current liabilities to credit institutions	79	67
Carrying amount	79	67

The Group's utilized overdraft credit was SEK 58m (64) 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 was SEK 105m (113). 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 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, 2023	Dec 31, 2022
Accrued wages, etc.	23	24
Prepaid income	9	17
Accrued materials costs	8	3
Accrued marketing costs	1	1
Accrued consultancy fees	9	6
Other accrued costs	9	4
Carrying amount	59	55

Parent Company	Dec 31, 2023	Dec 31, 2022
Accrued wages and payroll overhead	5.5	4.6
Accrued interest expense	0.3	0.6
Other items	0.4	0.4
Carrying amount	6.2	5.6

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	2023	2022
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	77	73
Provisions and similar items	-1	22
Other items	-2	-3
Total	74	91

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, 2023	71	50	120
Cash flow	16	-14	2
Net contracts entered into	–	5	5
Foreign exchange differences	-7	-0	-7
Carrying amount per December 31, 2023	80	41	120

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
Carrying amount per December 31, 2022	71	50	120

Note 30 Pledged assets and contingent liabilities

	Dec 31, 2023	Dec 31, 2022
Contingent liabilities		
Swedish Customs Service	1	1
Total	1	1

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 its subsidiary Profoto US Inc.

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

Note 31 Related-party transactions

For the full year, invoiced management fees totaled SEK 18.2m (14.3). 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.

During the year, the Group expensed consulting costs of SEK 1m for the benefit of Aligro Advisory AB, which is owned by Profoto's board chairperson. In accordance with an agreement approved by the Board of Directors, the Chairman provided services with an invoice value of SEK 1m in 2023.

	2023	2022
Receivables from related parties		
Parent Company		
Receivables from other Group companies	–	31.8
Carrying amount	–	31.8
Liabilities to related parties		
Parent Company		
Liabilities to other Group companies	4.4	–
Carrying amount	4.4	–

Note 32 Events after the balance sheet date

The Board of Directors proposes a dividend of SEK 3.75 per share, corresponding to a total amount of SEK 150m.

Note 33 Appropriation of profits

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

Retained earnings	49,516,285
Non-restricted share premium account	3,060,000
Profit/loss for the year	137,908,036
Total	190,484,321

The Board of Directors and the CEO propose:

to be distributed to shareholders	150,000,000
to be carried forward	40,484,321
Total	190,484,321

Signatures

The annual accounts and consolidated accounts were approved for issue by the Board of Directors on April 12, 2024. The consolidated income statements and balance sheet as well as the Parent Company's income statements and balance sheet are subject to adoption by the Annual General Meeting on May 14, 2024.

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

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

Stockholm, the day shown by electronic signature

Hans Eckerström
Chairman of the Board

Anders Hedebark
Board member and
Chief Executive Officer

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 the day shown by our electronic signature
Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
Authorized Public Accountant

Auditors' Report

Unofficial translation

**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 year 2023 except for the corporate governance statement on pages 39–45. The annual accounts and consolidated accounts of the company are included on pages 30–65 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 parent company and the group as of 31 December 2023 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 2023 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 39–45. 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 consis-

tent 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.

KEY AUDIT MATTERS

Valuation of capitalized development expenses

As of December 31, 2023, the consolidated reported value of capitalized development expenses amounts to 137 million SEK. Given that the criteria described in note 2 are met, capitalized development expenses are reported as intangible assets according to the group's accounting principles. The company management assesses the commercial and technical potential of development projects during capitalization and valuation of the capitalized development expenses.

There is a risk that the development expenses do not meet the criteria for capitalization and that the reported value exceeds the recoverable amount. If so this could have significant consequences for the group's financial results and position. Therefore the valuation of capitalized internally generated development expenses represent a key audit matter in our audit.

For more detailed information, refer to note 2 for important accounting principles, note 3 for significant estimates and judgments, and note 18 for intangible fixed assets.

Other Information

The audit of the annual accounts and consolidated accounts for the financial year 2022 has been carried out by another auditor who submitted an audit report dated April 4, 2023 with unmodified statements in the Report on the annual accounts and consolidated accounts.

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 1–29 and 69–74. 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

HOW OUR AUDIT CONSIDERED THE PARTICULARLY SIGNIFICANT AREA

Our audit included, but was not limited to, the following audit procedures:

- Assessment of the company's process for impairment testing of development expenses, as well as evaluation of the implementation of relevant controls.
- Evaluation of the group's principles for capitalization of internally generated development expenses.
- Review of a sample of capitalized internally generated development expenses and assessment of management's view on that the asset qualifies for being capitalized.
- Evaluation and challenging of key assumptions in management's impairment testing, such as forecasted cash flows and the weighted average cost of capital (WACC).
- Assessment of accounting principles applied and disclosure of necessary information in the annual report.

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 intend 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 Directors 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 responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The auditor's examination of the administration of the company and the proposed appropriations of the company's profit or loss

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 year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit 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 responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is 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 ABC AB (publ) for the financial year 2023.

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 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 39–45 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 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.

Öhrlings PricewaterhouseCoopers AB, was appointed auditor of Profoto Holding AB (publ) by the general meeting of the shareholders on the 5 May 2023 and has been the company's auditor since the 5 May 2023.

Stockholm on the day shown by our electronic signature

Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow

Authorized Public Accountant

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/Group

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

Region 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, listing costs, and acquisition costs. For 2022, adjustments have been made for costs related to acquisitions.

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	2023	2022
Net sales	787	848
Operating profit/loss (EBIT)	204	249
Total items affecting comparability	–	8
Costs related to acquisitions	–	8
Adjusted operating profit (EBIT)	204	257
Adjusted EBIT margin, %	26.0	30.3

Adjusted EBIT margin, %

Adjusted EBIT in percentage 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

Operating profit before depreciation and amortization of intangible fixed assets. The objective is to assess underlying operating profit from continuing operations before depreciation/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 sales.

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	2023	2022
Operating profit/loss (EBIT)	204	249
Depreciation and impairment of intangible fixed assets	54	50
EBITA	258	299
Depreciation, amortization and impairment of property, plant and equipment	24	23
EBITDA	282	322

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

Net debt

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

SEKm	Dec 31 2023	Dec 31 2022
Liabilities to credit institutions, non-current	1	6
Other interest-bearing liabilities, non-current	8	17
Lease liabilities, non-current	31	38
Liabilities to credit institutions, current	79	64
Other interest-bearing liabilities, current	8	17
Lease liabilities, current	10	12
Cash and cash equivalents	-95	-150
Net debt	44	4

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 2023	Dec 31 2022
Net debt	44	4
EBITDA, LTM	282	322
Net debt/EBITDA LTM, ratio	0.16	0.01

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 effect and acquisitions.

%	2023	2022
Change in net sales	-7.2	15.8
Acquisitions	-2.1	-5.8
Currency effect	-3.2	-10.8
Organic growth	-12.6	-0.8

Return on equity, %

Twelve-month rolling profit as a percentage of average equity based on the flow of equity for the last twelve months. Shows the return generated on equity invested in the business.

SEKm	Dec 31 2023	Dec 31 2022
Profit/loss for the period, LTM	155	194
Equity	396	391
Equity, LTM	394	361
Return on equity, %	39.5	53.8

Capital employed

Total assets less non-interest bearing provisions and liabilities. The metric shows how much capital is used in the business and is a component to measure the returns from the business.

SEKm	Dec 31 2023	Dec 31 2022
Total assets	799	801
Provisions, long-term	-8	-15
Deferred tax liabilities	-104	-91
Provisions, short-term	-12	-17
Accounts payable	-59	-53
Current tax liabilities	-6	-19
Accrued expenses and deferred income	-59	-55
Other non-interest-bearing liabilities, current	-17	-7
Capital employed	535	544

Return on capital employed, %

EBIT last twelve months (LTM) as a percentage of average capital employed based on incoming and outgoing capital employed for the last twelve months. A key figure to measure the return on the capital tied up in the business.

SEKm	Dec 31 2023	Dec 31 2022
EBIT, LTM	204	249
Capital employed	535	544
Capital employed, LTM	539	474
Return on capital employed, %	37.9	52.6

Operating capital

Total assets less cash and cash equivalents, other interest-bearing assets and non-interest-bearing provisions and liabilities. Operating capital shows how much capital the business requires to run its core business. It is mainly used to calculate the return on operating capital.

SEKm	Dec 31 2023	Dec 31 2022
Total assets	799	801
Provisions, long-term	-8	-15
Deferred tax liabilities	-104	-91
Provisions, short-term	-12	-17
Accounts payable	-59	-53
Current tax liabilities	-6	-19
Accrued expenses and prepaid income	-59	-55
Other non-interest-bearing liabilities, current	-17	-7
Cash and cash equivalents	-95	-150
Operating capital	440	394

Return on operating capital, %

EBIT last twelve months (LTM) as a percentage of average operating capital based on incoming and outgoing operating capital for the last 12 months. The return on operating capital shows how well the business uses the net capital tied up in operations. It reflects the combined effect of the operating margin and turnover rate on operating capital. The key performance figure is mainly used to monitor the Group's value creation over time.

SEKm	Dec 31 2023	Dec 31 2022
EBIT, LTM	204	249
Operating capital	440	394
Operating capital, LTM	417	295
Return on operating capital, %	49.0	84.3

Financial information

Financial calendar

Annual Report 2023 – April 12, 2024

Interim Report Q1 2024 – May 14, 2024

Annual General Meeting 2024 – May 14, 2024

Interim Report Q2 2024 – July 17 2024

Interim Report Q3 2024 – October 24, 2024

For further information, please contact

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Financial information

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

Annual General Meeting

Profoto's Annual General Meeting will take place on Friday, May 14 at 1:00 p.m. at Profoto's premises at Landsvägen 57 in Sundbyberg, Sweden. Shareholders who wish to have a matter addressed at the Annual General Meeting must, for the request to be considered with certainty, submit their proposal to the Board of Directors agm@profoto.com no later than March 26, 2024. Shareholders who wish to submit proposals regarding the Board of Directors, Chairman of the Board, Chair of the meeting or Nomination Committee for next year's annual general meeting may, no later than March 26, 2024, contact Profoto's Nomination Committee by email at nomination@profoto.com or by mail to the address Profoto Holding AB (publ), Att: Nomination Committee, Box 1264, Landsvägen 57, 172 25 Sundbyberg, Sweden.

Conditions for participation

A shareholder who would like to participate in the general meeting must (i) be entered in the register of shareholders maintained by Euroclear Sweden AB by May 3, 2024, and (ii) give notice of participation in the Annual General Meeting no later than

May 7, 2024, by mail to Profoto Holding AB (publ), "General Meeting," Box 1264, Landsvägen 57, 172 25 Sundbyberg, Sweden, or by email to info@profoto.com. The notification must include the participant's name, personal or corporate identity number, address, telephone number and the number of assistants (maximum two).

To be entitled to participate in the general meeting, a shareholder who has registered their shares in the name of a nominee, in addition to announcing their intention to participate in the general meeting, must request that their shares be registered in their own name so the shareholder is entered into the register of shareholders by May 3, 2024. This registration may be temporary (so-called voting right registration) and is requested with the nominee in accordance with the nominee's procedures and in advance as determined by the nominee. Voting rights registration made by the nominee no later than May 7, 2024, will be taken into account in when preparing the shareholder register.

Shareholders' right to receive information

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

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