

Interim report





Interim report, Q1 2021

First quarter 2021

- Net sales rose by 12.5% to SEK 169.1 million (150.4). Organic net sales growth amounted to 29.4%.
- Product profit increased to SEK 58.8 million (57.3), corresponding to a product margin of 34.8% (38.1).
- EBITDA decreased to SEK 10.6 million (32.4), corresponding to an EBITDA margin of 6.3% (21.6).
- Adjusted EBITDA amounted to SEK 31.7 million (32.4), corresponding to an adjusted EBITDA margin of 18.7% (21.6).
- EBIT decreased to SEK 7.6 million (30.1), corresponding to an EBIT margin of 4.5% (20.0).
- Adjusted EBIT amounted to SEK 28.7 million (30.1), corresponding to an adjusted EBIT margin of 17.0% (20.0).
- Items affecting comparability related to costs for the IPO were charged to earnings in an amount of SEK 21.1 million (0).
- Earnings for the period amounted to SEK 4.2 million (23.7).
- Operating cash flow amounted to SEK -38.1 million (-3.3).
- Earnings per share amounted to SEK 0.1 (0.8).

Financial performance

Amounts in SEKm	Q1		Δ %	Apr-Mar	Full year
	2021	2020		20/21	2020
Net sales	169.1	150.4	12.5	654.4	635.7
Net sales, USDm	20.2	15.6	29.4	74.0	69.4
Product profit	58.8	57.3	2.5	242.3	240.8
Product margin, %	34.8	38.1	-8.8	37.0	37.9
EBITDA	10.6	32.4	-67.3	103.9	125.7
EBITDA margin	6.3	21.6	-70.9	15.9	19.8
Adjusted EBITDA	31.7	32.4	-2.3	137.9	138.6
Adjusted EBITDA margin, %	18.7	21.6	-13.1	21.1	21.8
EBIT	7.6	30.1	-74.8	92.9	115.4
EBIT margin, %	4.5	20.0	-77.6	14.2	18.2
Adjusted EBIT	28.7	30.1	-4.8	126.9	128.3
Adjusted EBIT margin, %	17.0	20.0	-15.3	19.4	20.2
Operating cash flow	-38.1	-3.3		28.0	62.8
Interest-bearing net debt	98.4	24.7		98.4	49.7
Earnings per share, SEK	0.1	0.8		2.1	2.8
USD/SEK, average	8.4	9.6		8.8	9.2

CEO's comments

Comments on the quarter

Fractal's first quarter as a listed company demonstrated continued strong organic growth and adjusted EBITDA in line with the year-earlier period. It is clear that interest in high-performance gaming is continuing to grow and despite some market challenges we can see major opportunities for sustained profitable growth over the next few years. We are very pleased with the substantial interest in investing in Fractal in conjunction with the listing on Nasdaq First North Premier in February, and almost 9,800 shareholders are now part of our continued growth journey.

Net sales in the quarter, which is 100% in USD, grew 12.5% to SEK 169.1 million (150.4), with organic growth of 29.4%, driven by strong sales of power supply units, above all in the EU but also in APAC. Sales of cases remained at a high level in line with the preceding year in all regions, though growth was impacted by a shortage of advanced semiconductors which are used in, for example, graphic cards. The limited access to graphic cards, which are at the heart of enthusiast computers and the most important factor for performance, has meant some gamers are delaying upgrades to their equipment. Sales from resellers to end consumers increased organically by 12%. The difference compared with organic net sales growth is due to low initial stocks in sales channels and the displacement effect in the sale of new products.

Adjusted EBITDA was SEK 31.7 million (32.4), with an adjusted EBITDA margin of 18.7% (21.6), slightly lower than the year-earlier period. The product margin was 34.8% (38.1), which was impacted by a higher share of sales of products with lower margins, negative currency effects and rising freight prices.

External factors affect our costs

There are a number of external factors that are currently pushing up costs throughout the industry. For some time now, we have seen a sharp rise in freight prices due to a shortage of container shipping capacity. Freight prices remain at a high level but are expected to normalize during the year. We also noted rising raw material prices driven by strong demand for products in general during the pandemic and by the introduction of tariffs on product imports from China to the US. All of our production is currently in China, though we are working together with our manufacturing partners to transfer some of the final assembly of products for the US market to other countries starting in the fourth quarter. Overall, we have good opportunities

to extensively compensate for the external factors that affect our costs.

Interest in high-performance gaming at record levels

The interest in gaming has continued to set new records. One key figure to measure this interest is the number of viewing hours on the streaming platform Twitch. Despite the extreme increase in 2020, with viewing hours doubling during the pandemic, the strong interest has continued in the form of an all-time high in April, with viewing hours up 25% year on year. For us, this is confirmation of the strong underlying market supported by trends in esports and streaming where PC games are growing in popularity, playing time among gamers is increasing and the average gamer is willing to spend more on equipment even after COVID-19.

Strong global market position enables sustained profitable growth

Historically, we have grown with healthy profitability since the company was founded. We have a clear strategy and plan for continued profitable growth that includes delivering high-quality products and a high level of service to a growing base of gamers, expansion to new product categories, increased marketing efforts and geographic expansion. We have a clearly differentiated premium brand and a leading position among gamers who impose high demands on design, performance and quality. During the quarter, we launched the new Meshify 2 Compact case, which was well received in the market and is an eagerly awaited successor to the top-selling Meshify Compact. We are planning many more exciting product launches and look forward to presenting these during the second half of the year.

Our goal is to achieve annual organic growth of more than 10% starting in 2022. Our view of the full-year 2021 remains unchanged. We do not expect to achieve our growth target in 2021 since the base from 2020 is so high. The strong growth in 2020, of 58%, will be followed by lower growth or no growth at all in 2021. Our profitability target is to achieve an adjusted EBITDA margin of 20%.

Finally, I would like to thank all employees for their great commitment and effort during these challenging circumstances to meet the substantial demand for our premium products from enthusiastic gaming customers around the world.

Hannes Wallin, CEO

May 2021





Financial performance

First quarter 2021

Net sales

The Group's net sales rose by 12.5% to SEK 169.1 million (150.4) in the first quarter. All of Fractal's sales take place in USD and organic net sales growth amounted to 29.4%. The strong growth is primarily due to increased sales of power supply units, above all in the EU but also in APAC. Sales of cases remain at a high level in line with the preceding year in all regions.

Earnings

Product profit amounted to SEK 58.8 million (57.3), an increase of 2.5%, corresponding to a product margin of 34.8% (38.1). The lower margin was due to currency effects – since the company's product purchasing and sales, which take place in USD, do not occur at the same time – but also to a higher share of sales of products with lower margins. Rising prices for ocean freight had a negative impact on earnings. As of January 1, 2021, tariffs were reintroduced on cases sold in the US, which

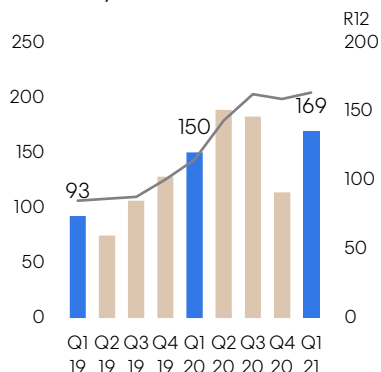
means all product categories are now subject to tariffs. Initial inventories of cases were high, which meant tariffs had a lesser impact on the first quarter of SEK 1.6 million for all product categories.

Adjusted EBITDA amounted to SEK 31.7 million (32.4), corresponding to an adjusted EBITDA margin of 18.7% (21.6).

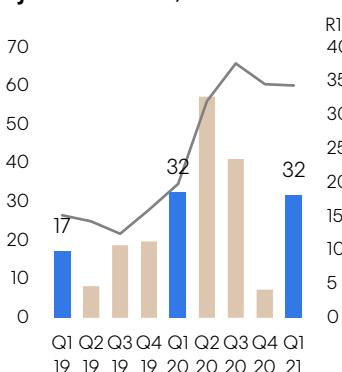
EBIT decreased to SEK 7.6 million (30.1), corresponding to an EBIT margin of 4.5% (20.0). The decrease is mainly due to items affecting comparability of SEK 21.1 million (0) related to costs for the IPO.

Earnings for the period amounted to SEK 4.2 million (23.7). Net financial items amounted to SEK -2.2 million (-0.5), impacted by negative currency effects and higher utilization of bank overdraft facilities. Income tax amounted to SEK 1.3 million (5.9). Earnings per share amounted to SEK 0.1 (0.8). There is no dilution effect as no shares were issued during the period. The number of historical shares was restated taking into account the split that took place on January 8, 2021.

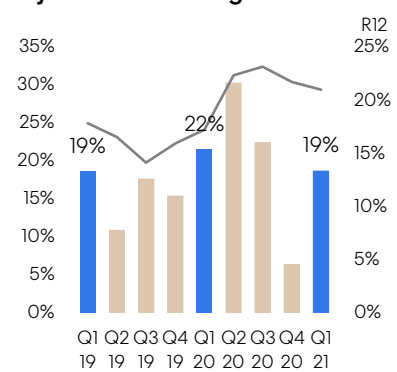
Net sales, SEKm



Adjusted EBITDA, SEKm



Adjusted EBITA margin





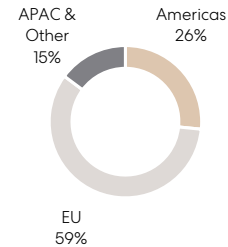
Geographic markets

The EU region reported strongest growth with an increase of SEK 17.8 million and organic net sales growth of 39.5%.

The APAC & Other region reported healthy sales growth in the quarter with an increase of 62.3% and organic net sales growth of 88.1%. Sales growth in the Americas region decreased 16.3% and organic net sales growth by 3.0%.

Of total net sales, EU accounted for 58.6%, Americas for 26.6% and APAC & Other for 14.8%.

Net sales, quarter



By geography (Americas, EU, APAC & Other)

SEKm	Q1		Δ %	Apr-Mar		Full year
	2021	2020		20/21	2020	
Net sales Americas	44.9	53.7	-16.3	275.5	284.2	
Net sales Americas, USDm	5.4	5.5	-3.0	30.5	30.7	
Net sales EU	99.1	81.3	22.0	294.2	276.4	
Net sales EU, USDm	11.8	8.5	39.5	33.8	30.5	
Net sales APAC & Other	25.0	15.4	62.3	84.8	75.2	
Net sales APAC & Other, USDm	3.0	1.6	88.1	9.6	8.2	

Financial position and cash flow

Cash flow

Cash flow from operating activities amounted to SEK -39.5 million (-6.1).

The decrease is primarily due to the lower earnings, the increase in accounts receivable and the decrease in accounts payable.

Cash flow from investment activities amounted to SEK -8.8 million (-4.0) and is mainly related to the development of new products.

During the quarter, cash flow from financing activities amounted to SEK 38.6 million (7.7), mainly as a result of an increased bank overdraft facility.

Total cash flow in the quarter amounted to SEK -9.7 million (-2.4).

Financial position and liquidity

At the end of the period, the Group's balance sheet total amounted to SEK 549.8 million, compared with SEK 457.1 million one year earlier. The increase compared with the preceding year is primarily a result of higher inventory levels, which amounted to SEK 142.4 million (67.8) at the end of the period

and an increased bank overdraft facility of SEK 104.1 million (37.7) due to inventory build-up. During the quarter, the bank overdraft facility was temporarily extended by SEK 40 million to SEK 160 million to finance an inventory build-up to offset the impact of costs for tariffs and rising raw material prices. At the end of the period, the available bank overdraft facility totaled SEK 55.9 million.

Interest-bearing net debt amounted to SEK 98.4 million (24.7).

Net working capital amounted to SEK 131.7 million (41.8) at the end of the period. The year-on-year rise is mainly due to increased inventories.

At the end of the period, the Group's equity amounted to SEK 275.3 million (248.3) and the equity ratio to 50.1% (54.3).

Additional information

Important events

Fractal was listed on February 11, 2021 on Nasdaq First North Premier. The company has changed name to Fractal Gaming Group AB. As of January 1, 2021, tariffs were reintroduced on all of Fractal's products sold in the US. In April 2021, after the end of the reporting period, Martin Gustavsson assumed the role of VP of Supply Chain.

Organization

On March 31, there were 71 (62) full-time employees, of whom 18 women (18) and 53 men (44). During the first quarter, the average number of employees in the organization was 69 (60), of whom 20 women (18) and 49 men (42).

Seasonal variations

Fractal has a seasonal business that is characterized by higher sales during the second half of the year compared with the first half of the year due to traditional festivals and the Chinese New Year. The company's product purchasing is adapted to take into account this seasonal variation.

Parent Company

The Parent Company's operations comprise Group management services performed for the Group's companies. The Parent Company's net sales amounted to SEK 21.6 million (1.5) in the first quarter. Operating loss amounted to SEK -0.3 million (-0.0) and loss for the period to SEK -0.3 million (-0.8).

The share

At March 31, 2021, the number of shares in Fractal amounted to 29,119,500 (1,015,773), where the increase was the result of a split on January 8, 2021. At March 31, 2021, the largest shareholders were Långholmen Holding AB (29.0%), Litorina IV L.P. (13.2%), Tin Ny Teknik (8.4%), SEB Life International (6.5%) and SEB Life International (5.0%). Fractal's shares were allocated among 9,766 shareholders as of March 31, 2021.

Significant risks and uncertainties

Fractal is dependent on product launches progressing as planned and delays could potentially have a substantial impact on total sales volume. Changes in exchange rates, particularly SEK/USD, are very important for the Group's earnings as all sales as well as product purchasing take place in USD.

Fractal is exposed to changes in raw material prices, primarily steel and plastic.

The business is dependent on free global flows of goods, particularly between the major markets in North America and Europe and manufacturing in China. Further information about risks and uncertainties can be found in the annual report for 2020 and in the prospectus, which are available at www.fractal-design.com.

Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and RFR 1 Supplementary Accounting Rules for Groups. This interim report was prepared in accordance with IAS 34, Interim Financial Reporting, and applicable provisions in the Swedish Annual Accounts Act. Disclosures in accordance with IAS 34.16A are, in addition to the financial statements and accompanying notes, also presented in other parts of the interim report. The Parent Company's report is prepared in accordance with the regulations in RFR 2 Accounting for Legal Entities and Chapter 9 of the Swedish Annual Accounts Act. The Group and the Parent Company have applied the same accounting policies as used in the 2020 Annual Report.



Assurance of the Board of Directors and the CEO

The Board of Directors and the CEO give their assurance that the interim report gives a true and fair view of the development of the Group's and Parent Company's operations, financial position and results of operations and describes significant risks and uncertainties facing the Parent Company and Group companies.

Stockholm, May 21, 2021

Magnus Yngen
Chairman of the Board

Patrick Söderlund
Board member

Gustav Thott
Board member

Pernilla Ekman
Board member

Hannes Wallin
CEO and Board member

Audit

This report has not been audited.

Income statement, Group

SEKm	Q1		Apr-Mar	Full year
	2021	2020	20/21	2020
Net sales	169.1	150.4	654.4	635.7
Capitalized development expenditure	3.6	1.6	7.5	5.6
Other operating income	0.8	2.5	8.9	10.6
Total revenue	173.5	154.5	671.0	652.0
Operating expenses				
Goods for resale	-110.3	-93.0	-412.2	-394.9
Other external expenses	-39.1	-16.2	-101.3	-78.4
Personnel expenses	-13.4	-12.8	-53.5	-52.9
Depreciation and impairment of tangible and intangible non-current assets	-3.0	-2.3	-11.0	-10.3
Total operating expenses	-165.9	-124.4	-578.0	-536.5
Operating profit	7.6	30.1	92.9	115.4
Finance income	-	0.5	-0.5	-
Finance costs	-2.2	-1.1	-7.9	-6.8
Profit/loss after financial items	5.4	29.6	84.5	108.7
Income tax expense	-1.3	-5.9	-20.0	-24.7
Deferred tax liabilities	-	0.0	-0.0	-
Profit for the period	4.2	23.7	64.5	84.0
Other comprehensive income				
Items that have been reclassified or can be reclassified to profit/loss for the period				
Foreign subsidiaries - foreign currency translation differences	0.1	0.3	-1.6	-1.4
Other comprehensive income for the period	0.1	0.3	-1.6	-1.4
Total comprehensive income for the period	4.3	24.0	62.9	82.6
Profit for the year attributable to:				
Parent Company's shareholders	4.2	23.6	64.4	83.8
Non-controlling interests	-	0.1	0.1	0.2
Profit for the period	4.2	23.7	64.5	84.0
Total comprehensive income attributable to:				
Parent Company's shareholders	4.3	23.9	62.8	82.4
Non-controlling interests	-	0.1	0.1	0.2
Total comprehensive income for the period	4.3	23.9	62.9	82.6
Earnings per share, SEK	0.1	0.8	2.1	2.8
Before and after dilution, SEK	0.1	0.8	2.1	2.8



Balance sheet, Group

SEKm	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
ASSETS			
Non-current assets			
Goodwill	210.2	210.2	210.2
Capitalised development costs	17.4	11.0	14.2
Property, plant and equipment	28.2	18.1	25.1
Right-of-use assets	0.7	2.1	0.9
Total non-current assets	256.4	241.4	250.4
Current assets			
Inventories	142.4	67.8	172.8
Accounts receivable	135.6	132.1	93.5
Prepaid expenses and accrued income	2.7	2.6	4.3
Other receivables	7.1	0.2	2.7
Cash and cash equivalents	5.7	13.0	15.4
Total current assets	293.4	215.7	288.7
TOTAL ASSETS	549.8	457.1	539.1
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	0.5	0.1	0.1
Share premium	177.9	177.9	177.9
Reserves	-1.0	0.6	-1.0
Retained earnings including profit/loss for the period	97.9	69.6	93.7
Equity attributable to the Parent Company's shareholders	275.4	248.2	270.7
Non-controlling interest	-	0.2	-
Total equity	275.4	248.4	270.7
Non-current liabilities			
Long-term lease liabilities	0.1	-	-
Provisions	1.9	1.6	1.7
Deferred tax liabilities	11.9	6.6	11.9
Total non-current liabilities	13.9	8.2	13.6
Current liabilities			
Overdraft facility	104.1	37.7	65.1
Current lease liabilities	0.5	2.0	0.8
Accounts payable	131.4	118.4	165.0
Tax liabilities	0.7	11.7	3.8
Other liabilities	6.3	1.8	2.5
Accrued expenses and prepaid income	17.6	29.0	17.6
Total current liabilities	260.5	200.5	254.8
TOTAL EQUITY AND LIABILITIES	549.8	457.1	539.1

Cash flow, Group

SEKm	Q1		Apr-Mar	Full year
	2021	2020	20/21	2020
Cash flows from operating activities				
Profit/loss after financial items	5.4	29.6	84.5	108.7
Adjustments for items not included in cash flow	3.6	2.8	4.8	4.1
Income tax paid	-8.6	-6.8	-31.4	-29.6
	0.4	25.7	57.8	83.1
Increase (+)/Decrease (-) of inventories	30.4	39.2	-74.6	-65.7
Increase (+)/Decrease (-) of operating receivables	-40.5	-18.4	-25.2	-3.1
Increase (+)/Decrease (-) of operating liabilities	-29.8	-52.6	49.8	27.0
Net cash from operating activities	-39.5	-6.1	7.9	41.3
Cash flows from investing activities				
Acquisition of property, plant and equipment	-5.1	-2.1	-18.7	-15.7
Acquisition intangible assets	-3.6	-1.9	-7.2	-5.4
Net cash used in investing activities	-8.8	-4.0	-25.9	-21.1
Cash flows from financing activities				
Acquisition of non-controlling interests	-	-	-5.5	-5.5
Redemption of shares	-	-	-30.5	-30.5
Amortization of loans to subsidiaries	-	-	-16.1	-16.1
Net change, bank overdraft facility	39.0	8.2	66.4	35.6
Repayment of borrowings	-0.4	-0.5	-1.8	-1.9
Paid dividend to non-controlling interests	-	-	-0.1	-0.1
Net cash used in financing activities	38.6	7.7	12.3	-18.6
Net increase in cash and cash equivalents	-9.7	-2.4	-5.7	1.6
Cash and cash equivalents at start of year	15.4	15.1	15.2	14.9
held	0.4	0.3	-1.1	-1.2
Cash and cash equivalents at end of period	6.1	13.0	8.5	15.4

Change in equity, Group

Amounts in SEKm	Share capital	Share premium	Reserves	Retained earnings including profit/loss for the year	Total	Non-controlling interest	Total equity
Balance at 2020-01-01	0.1	177.9	0.3	45.9	224.3	0.1	224.4
Profit for the period				23.7	23.7	0.1	23.8
Translation differences			0.3		0.3		0.3
Total comprehensive income for the period			0.3	23.7	24.0	0.1	24.0
Balance at 2020-03-31	0.1	177.9	0.6	69.6	248.2	0.2	248.4
 Balance at 2021-01-01	 0.1	 177.9	 -1.0	 93.7	 270.7	 -	 270.7
Profit for the period				4.2	4.2		4.2
Translation differences			0.1		0.1		0.1
Total comprehensive income for the period			0.1	4.2	4.3		4.3
Bonus issue	0.4				0.4		0.4
Balance at 2021-03-31	0.5	177.9	-1.0	97.9	275.4	-	275.4

Parent Company

Income statement

SEKm	Q1		Apr-Mar	Full year
	2021	2020	20/21	2020
Net sales	21.6	1.5	32.5	12.4
	21.6	1.5	32.5	12.4
Operating expenses				
Other external expenses	-20.7	-0.2	-33.9	-13.4
Personnel expenses	-1.2	-1.3	-5.3	-5.4
	-21.9	-1.5	-39.2	-18.8
Operating profit	-0.3	-0.0	-6.6	-6.3
<i>Net financial income and expenses</i>				
Result from shares in subsidiaries	-	-	50.0	50.0
Finance costs	-0.0	-0.8	-1.2	-2.0
Profit/loss after financial items	-0.3	-0.8	42.2	41.7
Appropriations	-	-	32.2	32.2
Net income before taxes	-0.3	-0.8	74.4	73.9
Income tax expense	-0.0	-	-6.7	-6.7
Profit for the period	-0.3	-0.8	67.7	67.2

The Parent Company has no items that are recognized as other comprehensive income. Total comprehensive income is therefore the same as net profit for the period.



Balance sheet

SEKm	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
ASSETS			
Non-current assets			
Shares in group companies	271.4	271.4	271.4
Total non-current assets	271.4	271.4	271.4
Current assets			
Receivables from group companies	24.9	0.6	6.5
Other receivables	0.5	0.1	-
Prepaid expenses and accrued income	0.1	0.4	0.1
Cash and cash equivalents	0.0	-	1.2
Total current assets	25.5	1.1	7.8
TOTAL ASSETS	297.0	272.6	279.3
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	0.5	0.1	0.1
Share premium	177.9	177.9	177.9
Retained earnings	56.4	20.2	-10.4
Profit for the period	-0.3	-0.8	67.2
Shareholders' equity	234.4	197.4	234.8
Untaxed reserves	26.0	15.6	26.0
Current liabilities			
Debt to group companies	0.8	-	-
Overdraft facility	-	37.7	-
Accounts payable	21.7	0.0	1.0
Tax liabilities	6.8	3.4	10.2
Other liabilities	4.0	17.5	1.5
Accrued expenses and prepaid income	3.2	1.1	5.8
Total current liabilities	36.5	59.6	18.4
TOTAL EQUITY AND LIABILITIES	297.0	272.6	279.3

Operating segment and revenue distribution

Fractal monitors net sales and product profit by product category. Sales is also monitored by geography, for which separate disclosures are provided in the report.

Note 1 – Net sales and earnings by segment

SEKm	Q1		Apr-Mar	Full year
	2021	2020	20/21	2020
Net sales	169.1	150.4	654.4	635.7
- Cases	127.8	130.5	525.1	527.8
- Other	41.3	19.9	129.3	107.9
Product profit	58.8	57.3	242.2	240.7
- Cases	48.2	50.5	201.8	204.1
- Other	10.6	6.9	40.3	36.6
Capitalized development expenditure	3.6	1.6	7.5	5.6
Other operating income	0.8	2.5	8.9	10.6
Other external expenses	-39.1	-16.2	-101.3	-78.4
Personnel expenses	-13.4	-12.8	-53.5	-52.9
Depreciation and impairment of tangible and intangible non-current assets	-3.0	-2.3	-11.0	-10.3
Operating profit	7.6	30.1	92.9	115.4
Finance income	-	0.5	-0.5	-
Finance costs	-2.2	-1.1	-7.9	-6.8
Net financial income and expenses	-2.2	-0.5	-8.5	-6.8
Net income before taxes	5.4	29.6	84.5	108.7

Note 2 – Distribution of revenue

The Group generates revenue primarily from the sale of premium PC gaming products in the form of cases, power supply units, cooling products and fans, as well as other items. Sales are made to distributors, resellers and system integrators and purchases are made from contracted manufacturers. Ownership of the sold products normally transfers to the customer on physical delivery of each product. Other revenue mainly consists of currency exchange differences regarding sales and purchases and are not included in the table below, which describes the nature of the revenue streams.

Disaggregation of revenue from agreements with customers

The disaggregation of net sales in product areas, geographic markets and time of reporting is summarized below. Product areas and geographic markets coincide with those mentioned in the segment reporting.

Text	Business Segment					
	Cases		Other		Total	
	Jan–Mar		Jan–Mar		Jan–Mar	
SEKm	2021	2020	2021	2020	2021	2020
Geographic market						
Americas	40.7	49.4	4.3	4.3	44.9	53.7
EU	68.4	67.8	30.7	13.5	99.1	81.3
APAC & Other	18.7	12.7	6.3	2.7	25.0	15.4
Time of revenue recognition						
Goods recognized at a point in time	127.8	129.9	41.3	20.5	169.1	150.4
Goods and services recognized over time	-	-	-	-	-	-
Total net sales	127.8	129.9	41.3	20.5	169.1	150.4

Note 3 – Financial instruments at fair value

The Group's financial instruments are recognized at amortized cost. The carrying amount offers a reasonable estimate of fair value.

Definitions

This report contains key financial figures in accordance with the framework applied by Fractal, which is based on IFRS. In addition, other key figures (alternative performance measures) are used by management and other stakeholders to analyze trends and the performance of the Group's operations that cannot be identified or derived from the financial statements. Fractal's stakeholders should not regard these alternative performance measures as a substitute, but rather as a complement to the financial statements which are prepared in accordance with IFRS. A list of definitions and key figures used and referred to in this report is presented below.

Non-IFRS metrics	Description	Justification for the use of metrics
Net sales, USD million	Amounts invoiced in USD relating to sales, adjusted for distributor and reseller discounts that are also denominated in other currencies.	Fractal's sales are invoiced in full in USD. The purpose of presenting the key figure is to present the organic growth for the Group.
Product profit	Net sales less goods for resale.	Demonstrates product profitability of the core business.
Product margin, %	Product profit in relation to net sales.	Demonstrates product profitability of the core business in relation to net sales.
Operating profit (EBIT)	Fractal's reported operating profit (EBIT).	Operating profit (EBIT) is a performance metric that along with EBITDA, shows the earnings generated by the day-to-day activities.
Operating margin (EBIT margin), %	Operating profit (EBIT) in relation to net sales.	Enables comparisons of profitability irrespective of capital structure or tax situation.
EBITDA	Operating profit (EBIT) with a reduction of depreciation and impairment of tangible and intangible non-current assets.	EBITDA together with operating profit (EBIT) provides an overall picture of the generation of earnings from the day-to-day activities.
EBITDA margin, %	EBITDA in relation to net sales.	This key figure is used for analysis of the generation of earnings by Fractal.
Adjusted EBITDA	EBITDA adjusted for items affecting comparability.	Adjusted EBITDA is a performance metric that is considered relevant to the understanding of Fractal's financial performance from the day-to-day activities. This metric shows the financial performance of the day-to-day activities without any influence from significant cost or income items that affect the possibility of making comparisons over time, as described under "items affecting comparability" below.
Adjusted EBITA margin, %	Adjusted EBITDA in relation to net sales.	Adjusted EBITDA margin is a key figure that is considered relevant to understanding Fractal's financial performance from the day-to-day activities without any impact from significant cost or income items that affect the ability to make comparisons over time.
Items affecting comparability	Income and cost items that are reported separately as a result of their nature and amount.	Items affecting comparability are used to explain differences in the historical profit/loss. Separate reporting and specification of items affecting comparability enables readers of the financial statements to understand and evaluate the adjustments made in the presentation of adjusted operating profit (adjusted EBIT) and adjusted EBITDA.
Net working capital	Net working capital is calculated as net working capital assets less net working capital liabilities. Net working capital assets are calculated as the sum of inventories, accounts receivable and prepaid expenses and accrued income as well as other receivables. Net working capital liabilities are calculated as the sum of accounts payable and tax liabilities, accrued expenses and prepaid income as well as other liabilities.	This metric shows how much net working capital is tied up in Fractal's business.
Operating cash flow	EBITDA less acquisition of property, plant and equipment and capitalized development expenditure and adjustments for changes in inventories, operating receivables and operating liabilities.	Operating cash flow is used by Fractal as a metric for how much cash flow the business generates.
Cash conversion, %	Operating cash flow in relation to EBITDA.	Fractal uses this key ratio to monitor how effectively the Group manages ongoing investments and net working capital.



Non-IFRS metrics	Description	Justification for the use of metrics
Interest-bearing net debt	Interest-bearing debt less cash and cash equivalents. Interest-bearing debt consists of the sum of overdraft facility, and debt to Group companies.	Shows organic business growth during the period compared to the preceding period.
USD/SEK, average	Net sales (SEK million) in relation to net sales (USD million).	The average USD/SEK exchange rate has a significant impact on company net sales and operating profit.
Net sales growth, %	Growth in net sales for the period, calculated as an increase in net sales compared to the preceding year, expressed as a percentage.	Shows change in net sales for the business during the period compared to the preceding period.
Organic net sales growth, %	Growth in net sales in USD million for the period, calculated as the change in net sales in USD million compared to the preceding year, expressed as a percentage.	Shows organic business growth during the period compared to the preceding period.
Equity ratio	Equity in relation to total assets	Shows how large a share of assets are financed by equity and can be used as an indicator of the company's ability to pay over the long term.
Key Performance Indicators (KPIs)	Description	Justification for the use of metrics
Sales out, USD	Sales to end consumers in USD, reported by Fractal's resellers.	Sales out measured in USD is used by Fractal as an indicator of the underlying demand for the company's products.



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August 20, 2021
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