



# Interim report

# Interim report, Q3 2021

## Third quarter 2021

- Net sales amounted to SEK 85.1 million (182.8).
- Product profit amounted to SEK 26.0 million (66.8), with a product margin of 30.6% (36.6).
- Adjusted EBITDA amounted to SEK -2.7 million (41.1), corresponding to an adjusted EBITDA margin of -3.2% (22.5).
- Adjusted EBIT amounted to SEK -6.1 million (38.6), corresponding to an EBIT margin of -7.2% (21.1).
- Operating cash flow amounted to SEK -12.2 million (67.0).
- Interest-bearing net debt was SEK 110.5 million (-65.7).
- Earnings per share amounted to SEK -0.2 (0.9)

## Jan–Sep 2021

- Net sales amounted to SEK 357.9 million (521.9).
- Product profit amounted to SEK 118.6 million (207.0), with a product margin of 33.1% (39.7).
- Adjusted EBITDA amounted to SEK 31.0 million (130.9), corresponding to an adjusted EBITDA margin of 8.7% (25.1).
- Adjusted EBIT amounted to SEK 21.3 million (123.6), corresponding to an EBIT margin of 6.0% (23.7).
- Items affecting comparability were SEK 21.1 million (5.0), primarily related to costs for the IPO.
- Operating cash flow amounted to SEK -49.4 million (114).
- Earnings per share amounted to SEK -0.1 (2.9).

## Financial performance

Amounts in SEKm	Q3			Jan–Sep			Oct-Sep	Full year
	2021	2020	Δ %	2021	2020	Δ %	20/21	2020
Net sales	85.1	182.8	-53.5	357.9	521.9	-31.4	471.7	635.7
Net sales, USDm	9.8	20.7	-52.6	42.3	56.0	-24.5	55.7	69.4
Product profit	26.0	66.8	-61.1	118.6	207.0	-42.7	152.4	240.8
Product margin, %	30.6	36.6		33.1	39.7		32.3	37.9
EBITDA	-2.7	41.1	-106.5	9.9	125.9	-92.1	9.8	125.7
EBITDA margin	-3.2	22.5		2.8	24.1		2.1	19.8
Adjusted EBITDA	-2.7	41.1	-106.5	31.0	130.9	-76.3	38.7	138.6
Adjusted EBITDA margin, %	-3.2	22.5		8.7	25.1		8.2	21.8
EBIT	-6.1	38.6	-115.8	0.2	118.7	-99.8	-3.0	115.4
EBIT margin, %	-7.2	21.1		0.1	22.7		-0.6	18.2
Adjusted EBIT	-6.1	38.6	-115.8	21.3	123.6	-82.8	26.0	128.3
Adjusted EBIT margin, %	-7.2	21.1		6.0	23.7		5.5	20.2
Operating cash flow	-12.2	67.0		-49.4	114.0		0.3	62.8
Interest-bearing net debt	110.5	-65.7		110.5	-65.7		110.5	49.7
Earnings per share, SEK	-0.2	0.9		-0.1	2.9		-0.2	2.8
USD/SEK, average	8.7	8.8		8.5	9.3		8.5	9.2

# CEO's comments

## Comments on the quarter

The graphics card shortage and several external factors in the wake of the pandemic, in the form of disruptions to production and the supply chain, continued to impact the third quarter. Our entire focus as management has been on addressing the effects of these challenges as we drive our long-term growth initiatives to create profitable and sustainable growth for the coming years.

Net sales for the quarter, which are entirely in USD, declined to SEK 85.1 million (182.8). The decline was due, in addition to component shortages and continued disruptions to the supply chain, to the tougher comparative figures, with growth in the third quarter of 2020 of 83%. Demand for cases continues to be impacted by a shortage of advanced semiconductors which are used in, for example, graphics cards. The limited availability of graphics cards, which are at the heart of gaming computers and the most important factor for performance, has meant many gamers are delaying upgrades to their equipment. Total sales from resellers to end consumers decreased organically by 45%. The downturn due to the temporary but significant drop in demand impacted the entire industry.

Adjusted EBITDA fell to SEK -2.7 million (41.1), corresponding to an adjusted EBITDA margin of -3.2% (22.5). The product margin was 30.6% (36.6) and was impacted by rising freight prices (-5 percentage points) and tariffs (-1 percentage point).

## Record-high interest in gaming continues

Interest in esports and high-performance gaming remains record high, so we are confident that there is a strong underlying demand for the high-performance products we offer. The number of viewing hours on Twitch in Q3 increased 21% year-on-year, despite tough comparative figures, which is a clear indicator of the continued strong underlying demand even though societies around the world have reopened and offered competing forms of entertainment. PC games are growing in popularity, playing time among gamers is increasing and the average gamer is willing to spend more on their equipment. We believe the current shortage of graphics cards is creating a pent-up demand that should boost sales when access to graphic cards and other components

improves and prices normalize. We expect access to graphics cards to improve gradually during 2022 and for prices to start declining from the current situation, where prices are two or three times higher than normal.

## Global interruptions in production and distribution

During the third quarter, production in China suffered some temporary stops due to power outages. The ongoing production situation is uncertain and had a negative effect on our sales during Q3. The logistics situation in ocean freight remains challenging, with long and uncertain delivery times – sometimes five to eight weeks longer than normal – and strong increases in freight prices. However, we are seeing indications that freight prices are starting to decline from high levels.

At the same time, our costs have increased as a result of the tariffs introduced at the beginning of the year for products imported to the US from China. In 2020, Fractal was granted an exemption from the American import duties of 25% on products from China, but this exemption expired on December 31, 2020. The Office of the US Trade Representative (USTR) announced in the beginning of October that they were accepting applications to extend this exemption with a deadline of December 1.

Only companies that had previously been granted an exemption may apply. It is difficult to say with any certainty if our exemption will be granted and it will likely take several months before a decision is announced. Given the uncertainty of the process, we don't want to take anything for granted, but we are cautiously optimistic about a positive decision. To avoid import duties in the future, we are working together with our manufacturing partners to transfer some of the final assembly of products for the US market outside of China. Due to continuing travel restrictions, we won't be able to start on this until the end of the first half of 2022. To offset rising raw material costs as far as possible, we raised prices during the second and third quarters for large parts of the product range.

### High level of activity

In addition to managing our short-term challenges, we have focused a great deal on our growth agenda to create profitable growth during the coming years based on our strong global market position and the record interest in high-performance gaming. An important cornerstone in our growth strategy is the continued expansion of our offering of high-quality products to a growing base of gamers. During the third quarter we launched the first products in our new series of cases – the Torrent. The Torrent is an entirely new high-performance case with a focus on top-tier airflow. It had a positive reception, with high scores in various online product tests. However, we temporarily halted sales for five to six weeks after we received reports about problems with a fan hub, and helped customers who had already purchased the product, approximately 500 to 1,000 units, replace the original component with a new one. It's important for us that all of our customers trust that Fractal will quickly and painlessly address any problems. We have now made all of the necessary changes and reintroduced sales of the product, allowing us to once again offer the Torrent series to high-performance gamers around the world.

### Outlook for the full-year 2021

Market demand remained weak during the third quarter and the beginning of the fourth quarter due to the continued shortage of graphics cards. The shortage is expected to continue to impact Fractal's sales and earnings during the rest of the year while product margins are affected in the short-term by exceptionally high freight prices.

In view of the ongoing weak growth during the third quarter, we estimate that net sales for the full-year 2021 will fall by approximately 20% organically, which is in the lower end of the 15-20% span of the guidance we previously provided. Since most of our operational costs, primarily personnel costs, are fixed costs in the short term, this will – in combination with a product margin under pressure from high freight prices – mean we can see weak but positive profitability in the second half of the year.

Our view of the market and our financial targets in the medium to long term are unchanged with net sales growth of at least 10% and an adjusted EBITDA margin of 20%.

Underlying demand for high-performance gaming products remains strong.

We have a clearly differentiated premium brand and a leading position among gamers who impose high demands on design, performance and quality. Our new products had a positive reception during the year, with a great deal of interest and favorable reviews, and we look forward to releasing more product news during the coming months to further strengthen our market shares.

**Hannes Wallin, CEO**

November 2021



MARKET POSITION

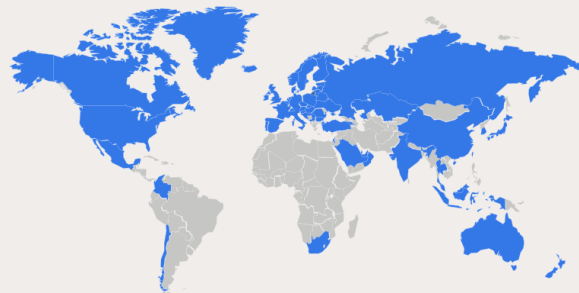
# Top 3

GLOBAL REACH

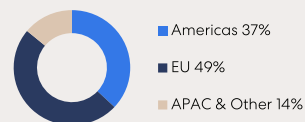
# 50+ countries

NUMBER OF EMPLOYEES

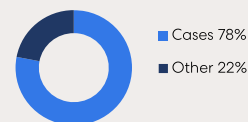
# 84



Net sales per region



Net sales per product category



Note: LTM numbers

>5,000,000 products sold

Offices in Gothenburg / Dallas / Taipei / Dongguan

Founded 2010

## This is Fractal

**Fractal was founded** in 2010 and became an early pioneer which, with its sleek and scaled-down design, challenged the idea of what gaming products could look like. Since then, we've grown into both an international brand and an influential company within the premium segment of PC gaming products. Today we have sales in over 50 countries in the attractive and still-growing gaming market.

**Our product categories now consist of** cases, power supply units, cooling products and fans for PC gaming computers. Fractal is a market leader for cases in several geographic markets: number one in the Nordics, number two in Japan, and a top three position globally. Our offering and range is characterized by Scandinavian design, thoughtful material choice and high quality.

**Since Fractal** was founded, the Company has delivered profitable growth by successfully

combining the design, performance and quality demanded by consumers, all while expanding the product offering and geographic presence.

Fractal is a leading, established brand with a strong premium position – something that has earned the Company an equally clear and popular position in relevant and influential communities. We have focused a great deal on the customer experience, and our customer service and aftermarket department have received high praise in the industry.

**We have** identified several growth areas for continued profitability and development, through such initiatives as broader and more innovative marketing, robust growth of the product portfolio and range, and continued focus on geographic expansion and new markets.

Our head office is based in Gothenburg (Sweden) with satellite offices in Dallas (the US), Dongguan (China) and Taipei (Taiwan).



### Cases

All of our cases are designed to meet or exceed the high expectations of demanding users. They stand out from the competition through their Scandinavian design, high performance, user-friendliness and quality.



### Fans

Our fans are available in every conceivable design, from the discrete and whisper-quiet 120 mm models to the powerful 180 mm models focused entirely on maximum airflow.



### AIO/CPU coolers

Water cooling is a popular alternative and complement to fans, often for aesthetic reasons but possibly primarily due to increased efficiency, since water has better heat transference than air.



### Power Supplies

A high-performance power supply unit with the right strength and stability is the foundation for every successful build.



# Market trends and demand

Interest in gaming and hardware continues to grow. Analyzing streaming platforms and channels is a reliable way to measure this, which is why we follow Twitch, which has the world's largest userbase. The number of viewing hours on Twitch increased a full 21% in Q3 2021 compared with the year-earlier quarter, a strong indication that the market and customer base are still growing strongly. By the end of September, Twitch had more than 140 million active users.

Another factor driving the growth of new customers as well as stimulating the need for upgrades among existing customers is the release of new game titles with high system requirements. During Q3 we saw two major releases: Far Cry 6 and Amazon's New World. These are both titles that require the latest components for the ultimate user experience.

Intel will be introducing its long-awaited "Alder Lake" processor series during the fourth quarter, with a launch planned for November. This will result in both entirely new builds and upgrades, which increases demand for cases, power supplies and cooling of existing high-performance components as well as ones soon to be released.



**Twitch  
Hours watched**

**21%**



Image: Far Cry 6. Ubisoft Entertainment. All images are copyright to their respective owners and are protected under international copyright laws and are protected under international copyright laws.



## Third quarter launches

In August we introduced Torrent, our new performance series in the premium gaming case category. Torrent had a warm reception in the market, earning over 35 industry awards at launch, including being named “best case of the year for 2021” by several influential media outlets.

There is still a great deal of interest from customers, communities and the media and we are proud that we have once again raised the bar for the entire industry when it comes premium products in the performance category. A

noteworthy feature is Torrent’s massive 180 mm fans, which are somewhat unique in our market (and are also sold separately).

In August, we also launched our new water cooling series Lumen (three different versions, with and without RGB LEDs) and a new model in our power supply series Ion+ Platinum, including upgraded components and a new, sleek look (four different wattages).

### EXPERT REVIEWS

## Torrent Awards

Excellent reception from all over the globe. More than 25 awards from renowned hardware reviewers.



# Financial performance

## Third quarter 2021

### Net sales

The Group's net sales amounted to SEK 85.1 million (182.8). All of Fractal's sales take place in USD and net sales amounted to USD 9.8 million (20.7), an organic decrease of 52.6% year-on-year. The decrease was primarily due to high comparative figures since the third quarter 2020 posted the highest sales yet in USD with organic growth in excess of 85%, driven by lockdowns around the world as a result of the pandemic.

Continued interruptions in the supply chain and component shortages due to limited access to graphics cards, resulting in many end customers waiting to upgrade their equipment, had a negative impact on net sales.

Cases accounted for 77.9% (82.5) of net sales, which was a decline on the year-earlier period and reflects a higher share of sales of other products, particularly power supply units.

### Earnings

100% of Fractal's product purchasing takes place in USD, which offers a degree of currency hedging since 100% of sales are also in USD. Product profit amounted to SEK 26.0 million (66.8), corresponding to a product margin of 30.6% (36.6). The lower margin is primarily due to extraordinarily high freight prices, which reduced the margin by approximately 5 percentage points compared with the year-earlier quarter.

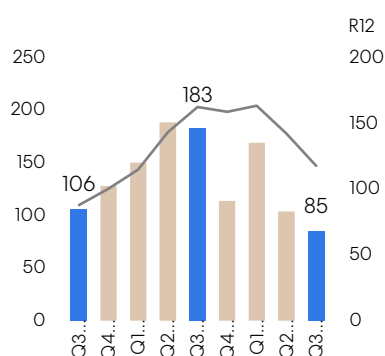
The product margin was also impacted by tariffs, leading to a decrease of approximately 1 percentage point, that were reintroduced at the beginning of the year and mean that we currently pay tariffs on all products sold in the US. In 2020, we did not pay tariffs on cases, only on other products.

During the third quarter, we continued to implement price increases to partly offset rising costs and we will continue to review opportunities for additional price adjustments.

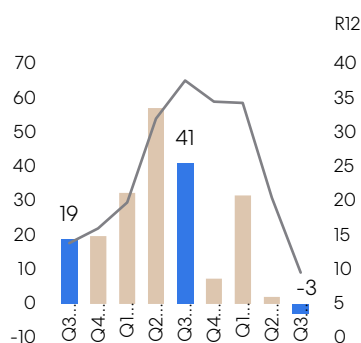
Adjusted EBIT was SEK -6.1 million (38.6), corresponding to an adjusted EBIT margin of -7.2% (21.1). Depreciation/amortization amounted to SEK 3.4 million (2.5) and was mainly related to new product launches and consisted of product tools and capitalized development hours.

Earnings for the period amounted to SEK -5.5 million (28.4) and net financial items to SEK -0.8 million (-2.2). Income tax amounted to SEK -0.3 million (-8.1). Earnings per share amounted to SEK -0.2 (0.9). 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.

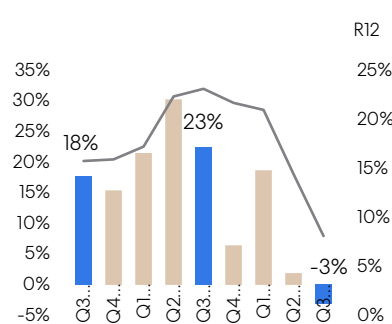
Net sales, SEKm



Adjusted EBITDA, SEKm



Adjusted EBITDA margin



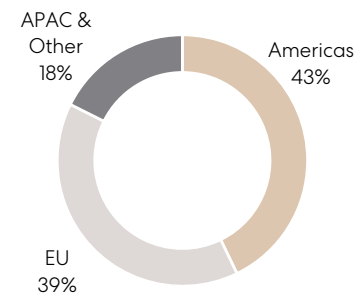


### Geographic markets

The strongest region during the quarter was the Americas, with net sales of SEK 36.4 million (83.4), while the EU amounted to SEK 33.6 million (76.4) and APAC & Other amounted to SEK 1.7 million (2.6).

Of total net sales, the Americas accounted for 42.8% (45.6), the EU for 39.5% (41.8) and APAC & Other for 17.6% (12.5). Net sales were particularly inhibited in the EU due to logistics problems in China. This had less of an impact on Americas as the company has a regional warehouse in the US.

### Net sales, quarter



### By geography (Americas, EU, APAC & Other)

SEKm	Q3		Δ %	Oct-Sep	Full year
	2021	2020		20/21	2020
Net sales Americas	36.4	83.4	-56.3	163.1	284.2
Net sales Americas, USDm	4.2	9.4	-55.1	19.1	30.7
Net sales EU	33.6	76.4	-56.0	236.5	276.4
Net sales EU, USDm	3.9	8.8	-55.7	28.1	30.5
Net sales APAC & Other	15.0	22.9	-34.5	72.2	75.2
Net sales APAC & Other, USDm	1.7	2.6	-32.7	8.5	8.2



## January–September 2021

### Net sales

The Group's net sales amounted to SEK 357.9 million (521.9) in the period, a decrease of 31.4%. Net sales in USD amounted to USD 42.3 million (56.0), an organic decrease of 24.5%.

The comparative figures for the period were challenging, since sales in the year-earlier period were at record-high levels due to lockdowns around the world that helped to strengthen sales and led to organic growth of 84%. Logistics disruptions in China led to delivery delays and thereby lower net sales. The shortage in graphics cards meant that end customers waited to upgrade their equipment, which impacted sales of Fractal's products.

### Earnings

Product profit amounted to SEK 118.6 million (207.0), corresponding to a product margin of 33.1% (39.7). The lower margin is primarily due to record high prices for ocean freight, which reduced the margin by approximately 2 percentage points compared with January–September 2020. The reintroduction of tariffs in the US market had a negative impact of approximately 2 percentage points on the product margin during the period, but this was somewhat offset by high initial stocks.

The margin in the preceding year was positively affected by the repayment of tariffs, excluding this the product margin was 37.7%.

A higher share of sales of products with lower margins also had a negative impact of approximately 2 percentage points.

Price increases were carried out during the second and third quarters to offset rising costs and additional increases might be implemented.

Adjusted EBIT fell to SEK 21.3 million (123.6), corresponding to an adjusted EBIT margin of 6.0% (23.7). Depreciation/amortization amounted to SEK 9.7 million (7.2) and was mainly related to investments in new product launches.

Items affecting comparability amounted to SEK 21.1 million (5.0), primarily related to costs for the IPO.

Earnings for the period amounted to SEK -2.5 million (87.3). Net financial items amounted to SEK -3.2 million (-6.3), primarily impacted by higher utilization of bank overdraft facilities. Income tax amounted to SEK -1.2 million (-25.1).

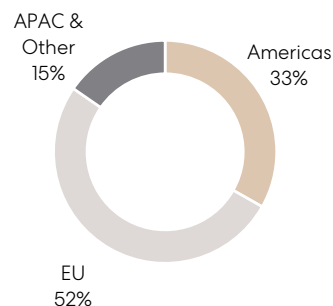
Earnings per share amounted to SEK -0.1 (2.9). There is no dilution effect as no shares were issued during the period. The number of historical shares was restated taking into account the split that took place on January 8, 2021.

### Geographic markets

Of total net sales for the period, the EU accounted for 51.4% (42.9), Americas for 33.2% (46.0) and APAC & Other for 15.4% (11.1).

The EU region reported the highest net sales at SEK 184.0 million (223.9), followed by Americas with SEK 118.8 million (239.9) and APAC & Other with SEK 55.1 million (58.1).

### Net sales, Jan–Sep



### By geography (Americas, EU, APAC & Other)

SEKm	Jan–Sep		Δ %	Oct-Sep	Full year
	2021	2020		20/21	2020
Net sales Americas	118.8	239.9	-50.5	163.1	284.2
Net sales Americas, USDm	14.0	25.6	-45.3	19.1	30.7
Net sales EU	184.0	223.9	-17.8	236.5	276.4
Net sales EU, USDm	21.8	24.2	-10.0	28.1	30.5
Net sales APAC & Other	55.1	58.1	-5.1	72.2	75.2
Net sales APAC & Other, USDm	6.5	6.2	5.3	8.5	8.2

# Financial position and cash flow

## Financial performance

At the end of the period, the Group's balance sheet total amounted to SEK 537.1 million (613.1). The decrease compared with the preceding year was primarily a result of reduced accounts receivable, which amounted to SEK 65.7 million (132.2) at the end of the period due to lower sales. Inventory levels were SEK 167.3 million (155.3) and the change from the previous year was primarily related to logistics problems in China involving difficulties shipping products and a graphics card shortage that limited sales.

The bank overdraft facility amounted to SEK 116.2 million (-1.2), SEK 43.8 million of which is available for use.

Interest-bearing net debt amounted to SEK 110.5 million (-65.7). Net working capital amounted to SEK 129.8 million (8.1) at the end of the period. The year-on-year rise was mainly due to reduced accounts payable.

At the end of the period, the Group's equity amounted to SEK 268.8 million (311.8) and the equity ratio to 50.1% (50.8).

## Cash flow for the quarter

Cash flow from operating activities amounted to SEK -6.1 million (71.3). The decrease was primarily due to the lower earnings and the decrease in accounts payable.

Cash flow from investment activities amounted to SEK -9.5 million (-6.8) and was mainly related to the development of new products.

During the quarter, cash flow from financing activities amounted to SEK 15.5 million (-0.5), where the year-on-year difference was largely related to a change in the bank overdraft facility.

Total cash flow in the quarter amounted to SEK 0.0 million (64.0).

## Cash flow for the period

Cash flow for the period from operating activities amounted to SEK -38.4 million (112.5). The decrease is primarily due to the lower earnings and the decrease in accounts payable.

Cash flow from investment activities amounted to SEK -21.2 million (-14.6) and is mainly related to the development of new products.

During the period, cash flow from financing activities amounted to SEK 49.8 million (-48.5), mainly as a result of an increased bank overdraft facility.

Total cash flow in the period amounted to SEK -9.7 million (49.5).

# Additional information

## Important events during and after the quarter and period

Fractal was listed on Nasdaq First North Premier on February 11, 2021. During the period, 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 July 2021, an Extraordinary General Meeting was held when Ola Nilsson was elected as new Board member.

## Organization

On September 30, there were 84 (65) full-time employees, of whom 24 women (19) and 60 men (46). During the third quarter, the average number of employees in the organization was 83 (65), of whom 24 women (19) and 59 men (46).

## Seasonal variations

Fractal has a seasonal business that is characterized by higher sales during the second 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 1.3 million (1.3) in the third quarter. Operating profit amounted to SEK 0.0 million (0.0) and profit for the period to SEK 0.0 million (4.2).

## The share

At September 30, 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 September 30, 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 Handelsbanken (5.3%).

Fractal's shares were allocated among 7,391 shareholders as of September 30, 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](http://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, November 19, 2021

**Magnus Yngen**  
Chairman of the Board

**Patrick Söderlund**  
Board member

**Gustav Thott**  
Board member

**Pernilla Ekman**  
Board member

**Ola Nilsson**  
Board member

**Hannes Wallin**  
CEO and Board member

# Audit

To the Board of Directors of Fractal Gaming Group AB (publ)  
Corp. Reg. No. 559080-2970

## Introduction

We have reviewed the condensed interim financial information (interim report) for Fractal Gaming Group AB for September 30, 2021 and the nine-month period then ended. The Board of Directors and the President are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and

other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Gothenburg, November 19, 2021

KPMG AB

**Mathias Arvidsson**

Authorized Public Accountant  
Auditor in Charge

## Income statement, Group

	Q3		Jan—Sep		Oct-Sep	Full year
SEKm	2021	2020	2021	2020	20/21	2020
Net sales	85.1	182.8	357.9	521.9	471.7	635.7
Capitalized development expenditure	1.7	1.5	7.3	4.8	8.0	5.6
Other operating income	0.0	-	0.0	3.0	7.6	10.6
<b>Total revenue</b>	<b>86.8</b>	<b>184.2</b>	<b>365.2</b>	<b>529.8</b>	<b>487.3</b>	<b>652.0</b>
<b>Operating expenses</b>						
Goods for resale	-59.1	-115.9	-239.3	-314.9	-319.3	-394.9
Other external expenses	-17.3	-14.5	-74.5	-49.5	-103.3	-78.4
Personnel expenses	-13.1	-11.2	-41.5	-38.1	-56.3	-52.9
Depreciation and impairment of tangible and intangible non-current assets	-3.4	-2.5	-9.7	-7.2	-12.8	-10.3
Other operating expenses	-	-1.4	-	-1.4	1.4	-
<b>Total operating expenses</b>	<b>-92.9</b>	<b>-145.6</b>	<b>-364.9</b>	<b>-411.1</b>	<b>-490.3</b>	<b>-536.5</b>
<b>Operating profit</b>	<b>-6.1</b>	<b>38.6</b>	<b>0.2</b>	<b>118.6</b>	<b>-3.0</b>	<b>115.4</b>
Finance income	-	0.0	-	0.5	-0.5	-
Finance costs	-0.8	-2.2	-3.2	-6.8	-3.2	-6.8
<b>Profit/loss after financial items</b>	<b>-7.0</b>	<b>36.5</b>	<b>-2.9</b>	<b>112.4</b>	<b>-6.7</b>	<b>108.7</b>
Income tax expense	-0.3	-8.1	-1.2	-25.1	-0.8	-24.7
Deferred tax liabilities	1.7	-0.0	1.7	-0.0		-
<b>Profit for the period</b>	<b>-5.5</b>	<b>28.4</b>	<b>-2.5</b>	<b>87.3</b>	<b>-5.8</b>	<b>84.0</b>
<b>Other comprehensive income</b>						
<b>Items that have been reclassified or can be reclassified to profit/loss for the period</b>						
Foreign subsidiaries - foreign currency translation differences	0.1	0.0	0.2	0.1	-1.4	-1.4
<b>Other comprehensive income for the period</b>	<b>0.1</b>	<b>0.0</b>	<b>0.2</b>	<b>0.1</b>	<b>-1.4</b>	<b>-1.4</b>
<b>Total comprehensive income for the period</b>	<b>-5.4</b>	<b>28.4</b>	<b>-2.3</b>	<b>87.4</b>	<b>-7.1</b>	<b>82.6</b>
<b>Profit for the year attributable to:</b>						
Parent Company's shareholders	-5.5	28.3	-2.5	87.1	-5.8	83.8
Non-controlling interests	-	0.1	-	0.2	-0.0	0.2
<b>Profit for the period</b>	<b>-5.5</b>	<b>28.4</b>	<b>-2.5</b>	<b>87.3</b>	<b>-5.8</b>	<b>84.0</b>
<b>Total comprehensive income attributable to:</b>						
Parent Company's shareholders	-5.4	28.3	-2.3	87.1	-7.0	82.4
Non-controlling interests	-	0.1	-	0.2	-0.0	0.2
<b>Total comprehensive income for the period</b>	<b>-5.4</b>	<b>28.4</b>	<b>-2.3</b>	<b>87.3</b>	<b>-7.0</b>	<b>82.6</b>
Average number of shares before dilution	29.1	30.5	29.1	30.5	29.8	30.4
Average number of shares after dilution	29.1	30.5	29.1	30.5	29.8	30.4
Earnings per share, SEK	-0.2	0.9	-0.1	2.9	-0.2	2.8
Before and after dilution, SEK	-0.2	0.9	-0.1	2.9	-0.2	2.8

## Balance sheet, Group

SEKm	Sep 30, 2021	Sep 30, 2020	Dec 31, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	210.2	210.2	210.2
Capitalised development costs	20.8	13.5	14.2
Property, plant and equipment	31.3	22.4	25.1
Right-of-use assets	15.1	1.3	0.9
Deferred Tax Asset	1.7	-	-
<b>Total non-current assets</b>	<b>279.1</b>	<b>247.3</b>	<b>250.4</b>
<b>Current assets</b>			
Inventories	167.3	155.3	172.8
Accounts receivable	65.7	132.2	93.5
Prepaid expenses and accrued income	5.8	12.6	4.3
Other receivables	13.5	1.3	2.7
Cash and cash equivalents	5.7	64.5	15.4
<b>Total current assets</b>	<b>258.0</b>	<b>365.8</b>	<b>288.7</b>
<b>TOTAL ASSETS</b>	<b>537.1</b>	<b>613.1</b>	<b>539.1</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	0.5	0.1	0.1
Share premium	177.9	177.9	177.9
Reserves	-0.9	0.5	-1.0
Retained earnings including profit/loss for the period	91.3	133.0	93.7
<b>Equity attributable to the Parent Company's shareholders</b>	<b>268.8</b>	<b>311.5</b>	<b>270.7</b>
Non-controlling interest	-	0.3	-
<b>Total equity</b>	<b>268.8</b>	<b>311.8</b>	<b>270.7</b>
<b>Non-current liabilities</b>			
Long-term lease liabilities	12.0	-	-
Provisions	2.5	1.6	1.7
Deferred tax liabilities	11.9	6.6	11.9
<b>Total non-current liabilities</b>	<b>26.4</b>	<b>8.2</b>	<b>13.6</b>
<b>Current liabilities</b>			
Overdraft facility	116.2	-1.2	65.1
Current lease liabilities	3.1	1.1	0.8
Accounts payable	102.7	245.4	165.0
Tax liabilities	7.4	28.9	3.8
Other liabilities	1.8	2.0	2.5
Accrued expenses and prepaid income	10.6	16.9	17.6
<b>Total current liabilities</b>	<b>241.8</b>	<b>293.1</b>	<b>254.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>537.1</b>	<b>613.1</b>	<b>539.1</b>

## Cash flow, Group

SEKm	Q3		Jan—Sep		Oct-Sep	Full year
	2021	2020	2021	2020	20/21	2020
<b>Cash flows from operating activities</b>						
Profit/loss after financial items	-7.0	36.5	-3.0	112.4	-6.7	108.7
Adjustments for items not included in cash flow	4.2	3.0	11.1	6.8	13.0	4.1
Income tax paid	-3.3	-0.9	-8.3	-9.4	-28.8	-29.6
	<b>-6.1</b>	<b>38.6</b>	<b>-0.2</b>	<b>109.9</b>	<b>-22.5</b>	<b>83.1</b>
Increase (+)/Decrease (-) of inventories	-3.4	-73.4	5.5	-48.2	-12.0	-65.7
Increase (+)/Decrease (-) of operating receivables	12.4	16.8	26.0	-33.6	77.1	-3.1
Increase (+)/Decrease (-) of operating liabilities	-9.0	89.4	-69.7	84.6	-49.9	27.0
<b>Net cash from operating activities</b>	<b>-6.1</b>	<b>71.3</b>	<b>-38.4</b>	<b>112.5</b>	<b>15.2</b>	<b>41.3</b>
<b>Cash flows from investing activities</b>						
Acquisition of property, plant and equipment	-7.3	-5.3	-12.7	-9.3	-15.2	-15.7
Acquisition intangible assets	-2.2	-1.5	-8.5	-5.3	-9.5	-5.4
<b>Net cash used in investing activities</b>	<b>-9.5</b>	<b>-6.8</b>	<b>-21.2</b>	<b>-14.6</b>	<b>-24.7</b>	<b>-21.1</b>
<b>Cash flows from financing activities</b>						
Acquisition of non-controlling interests	-	-	-	-	-5.5	-5.5
Redemption of shares	-	-	-	-	-30.5	-30.5
Amortization of loans to subsidiaries	-	-	-	-	-	-16.1
Net change, bank overdraft facility	15.9	0.0	51.1	-46.9	133.6	35.6
Repayment of borrowings	-0.4	-0.5	-1.3	-1.5	-1.7	-1.9
Paid dividend to non-controlling interests	-	-	-	-0.1	-	-0.1
<b>Net cash used in financing activities</b>	<b>15.5</b>	<b>-0.5</b>	<b>49.8</b>	<b>-48.5</b>	<b>95.9</b>	<b>-18.6</b>
Net increase in cash and cash equivalents	-0.0	64.0	-9.7	49.5	64.0	1.6
Cash and cash equivalents at start of period	5.7	0.4	15.4	14.9	0.4	14.9
held	-	0.1	-	0.1	0.0	-1.2
<b>Cash and cash equivalents at end of period</b>	<b>5.7</b>	<b>64.5</b>	<b>5.7</b>	<b>64.5</b>	<b>5.7</b>	<b>15.4</b>



## 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
<b>Balance at 2020-01-01</b>	<b>0.1</b>	<b>177.9</b>	<b>0.3</b>	<b>45.9</b>	<b>224.3</b>	<b>0.1</b>	<b>224.4</b>
Profit for the period				87.1	87.1	0.2	87.3
Translation differences			0.1		0.1		0.1
<b>Total comprehensive income for the period</b>			<b>0.1</b>	<b>87.1</b>	<b>87.2</b>	<b>0.2</b>	<b>87.4</b>
<b>Balance at 2020-09-Se</b>	<b>0.1</b>	<b>177.9</b>	<b>0.5</b>	<b>133.0</b>	<b>311.5</b>	<b>0.3</b>	<b>311.8</b>
 <b>Balance at 2021-01-01</b>	 <b>0.1</b>	 <b>177.9</b>	 <b>-1.0</b>	 <b>93.7</b>	 <b>270.7</b>	 <b>-</b>	 <b>270.7</b>
Profit for the period				-2.5	-2.5		-2.5
Translation differences			0.2		0.2		0.2
<b>Total comprehensive income for the period</b>			<b>0.2</b>	<b>-2.5</b>	<b>-2.3</b>		<b>-2.3</b>
Bonus issue	0.4				0.4		0.4
<b>Balance at 2021-09-Se</b>	<b>0.5</b>	<b>177.9</b>	<b>-0.9</b>	<b>91.3</b>	<b>268.8</b>	<b>-</b>	<b>268.8</b>



# Parent Company

## Income statement

SEKm	Q3		Jan—Sep		Oct-Sep	Full year
	2021	2020	2021	2020	20/21	2020
Net sales	1.3	1.3	24.5	4.2	32.7	12.4
	<b>1.3</b>	<b>1.3</b>	<b>24.5</b>	<b>4.2</b>	<b>32.7</b>	<b>12.4</b>
<b>Operating expenses</b>						
Other external expenses	-0.2	-0.1	-21.2	-5.4	-29.3	-13.4
Personnel expenses	-1.2	-1.2	-3.7	-3.8	-5.2	-5.4
	<b>-1.3</b>	<b>-1.3</b>	<b>-24.9</b>	<b>-9.2</b>	<b>-34.5</b>	<b>-18.8</b>
<b>Operating profit</b>	<b>-</b>	<b>0.0</b>	<b>-0.4</b>	<b>-5.0</b>	<b>-1.8</b>	<b>-6.3</b>
<i>Net financial income and expenses</i>						
Result from shares in subsidiaries	-	-	-	50.0	-	50.0
Finance costs	0.0	-0.1	-0.0	-1.7	-0.4	-2.0
<b>Profit/loss after financial items</b>	<b>0.0</b>	<b>-0.1</b>	<b>-0.4</b>	<b>43.3</b>	<b>-2.1</b>	<b>41.7</b>
Appropriations	-	5.5	-	11.5	20.7	32.2
<b>Net income before taxes</b>	<b>0.0</b>	<b>5.4</b>	<b>-0.4</b>	<b>54.8</b>	<b>18.6</b>	<b>73.9</b>
Income tax expense	-0.0	-1.2	0.0	-2.4	-4.3	-6.7
<b>Profit for the period</b>	<b>-0.0</b>	<b>4.2</b>	<b>-0.4</b>	<b>52.4</b>	<b>14.4</b>	<b>67.2</b>

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	Sep 30, 2021	Sep 30, 2020	Dec 31, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Shares in group companies	271.4	271.4	271.4
<b>Total non-current assets</b>	<b>271.4</b>	<b>271.4</b>	<b>271.4</b>
<b>Current assets</b>			
Receivables from group companies	0.5	0.6	6.5
Other receivables	0.1	0.9	-
Prepaid expenses and accrued income	0.1	0.1	0.1
Cash and cash equivalents	0.3	1.2	1.2
<b>Total current assets</b>	<b>1.0</b>	<b>2.9</b>	<b>7.8</b>
<b>TOTAL ASSETS</b>	<b>272.4</b>	<b>274.3</b>	<b>279.3</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted equity</b>			
Share capital	0.5	0.1	0.1
<b>Total restricted equity</b>	<b>0.5</b>	<b>0.1</b>	<b>0.1</b>
<b>Non-restricted equity</b>			
Share premium	177.9	177.9	177.9
Retained earnings	56.4	20.2	-10.4
Profit for the period	-0.4	52.4	67.2
<b>Total non-restricted equity</b>	<b>233.9</b>	<b>250.5</b>	<b>234.7</b>
<b>Shareholders' equity</b>	<b>234.4</b>	<b>250.6</b>	<b>234.8</b>
Untaxed reserves	26.0	15.6	26.0
<b>Current liabilities</b>			
Debt to group companies	3.5	-	-
Overdraft facility	-	-	-
Accounts payable	-	-	1.0
Tax liabilities	6.8	5.8	10.2
Other liabilities	0.4	0.5	1.5
Accrued expenses and prepaid income	1.2	1.9	5.8
<b>Total current liabilities</b>	<b>11.9</b>	<b>8.2</b>	<b>18.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>272.4</b>	<b>274.3</b>	<b>279.3</b>

## 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	Q3		Jan—Sep		Oct-Sep	Full year
	2021	2020	2021	2020	20/21	2020
<b>Net sales</b>	<b>85.1</b>	<b>182.8</b>	<b>357.9</b>	<b>521.9</b>	<b>471.7</b>	<b>635.7</b>
- Cases	66.3	150.7	272.5	438.0	362.3	527.8
- Other	18.8	32.0	85.4	83.8	109.4	107.9
<b>Product profit</b>	<b>26.0</b>	<b>66.8</b>	<b>118.6</b>	<b>207.0</b>	<b>152.3</b>	<b>240.7</b>
- Cases	22.3	55.9	99.1	178.5	124.7	204.1
- Other	3.7	11.0	19.5	28.4	27.6	36.6
Capitalized development expenditure	1.7	1.5	7.3	4.8	8.0	5.6
Other operating income	0.0	-	0.0	3.0	7.6	10.6
Other external expenses	-17.3	-14.5	-74.5	-49.5	-103.3	-78.4
Personnel expenses	-13.1	-11.2	-41.5	-38.1	-56.3	-52.9
Depreciation and impairment of tangible and intangible non-current assets	-3.4	-2.5	-9.7	-7.2	-12.8	-10.3
<b>Operating profit</b>	<b>-6.1</b>	<b>38.6</b>	<b>0.2</b>	<b>118.6</b>	<b>-3.0</b>	<b>115.4</b>
Finance income	-	0.0	-	0.5	-0.5	-
Finance costs	-0.8	-2.2	-3.2	-6.8	-3.2	-6.8
<b>Net financial income and expenses</b>	<b>-0.8</b>	<b>-2.2</b>	<b>-3.2</b>	<b>-6.2</b>	<b>-3.7</b>	<b>-6.8</b>
<b>Net income before taxes</b>	<b>-7.0</b>	<b>36.5</b>	<b>-2.9</b>	<b>112.4</b>	<b>-6.7</b>	<b>108.7</b>

## 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. 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—Sep		Jan—Sep		Jan—Sep	
SEKm	2021	2020	2021	2020	2021	2020
<b>Geographic market</b>						
Americas	104.6	203.9	14.2	36.0	118.8	239.9
EU	127.4	187.3	57.0	36.6	184.4	223.9
APAC & Other	40.5	46.9	14.2	11.2	54.7	58.1
<b>Time of revenue recognition</b>						
Goods recognized at a point in time	272.5	438.0	85.3	83.8	357.9	521.8
Goods and services recognized over time	-	-	-	-	-	-
<b>Total net sales</b>	<b>272.5</b>	<b>438.0</b>	<b>85.3</b>	<b>83.8</b>	<b>357.9</b>	<b>521.8</b>

## 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.



Non-IFRS metrics	Description	Justification for the use of metrics
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.
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 in SEK million in relation to net sales in 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 out measured 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.



Year-end report, January–December 2021  
Annual Report 2021  
Interim report, January–March 2022  
Annual General Meeting  
Interim report, January–June 2022  
Interim report, January–September 2022

February 10, 2022  
April 28, 2022  
May 12, 2022  
May 19, 2022  
August 18, 2022  
November 17, 2022

**Hannes Wallin, CEO**  
+46 (0)31 380 71 00  
[ir@fractal-design.com](mailto:ir@fractal-design.com)

**Karin Ingemarson, CFO**  
+46 (0)31 380 71 00  
[ir@fractal-design.com](mailto:ir@fractal-design.com)

**Fractal Gaming**  
Fractal Gaming Group AB (publ)  
Datavägen 37B, SE-436 32 Askim, Sweden  
+46 (0)31 380 71 00  
[www.fractalgaminggroup.se](http://www.fractalgaminggroup.se)

**Certified Advisor**  
FNCA Sweden AB  
Box 5216, SE-102 45 Stockholm, Sweden  
+46 (0)8 528 00 399  
[info@fnca.se](mailto:info@fnca.se)