



Annual Report 2021

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MARKET POSITION

Top 3

GLOBAL REACH

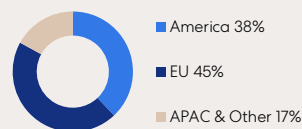
50+ countries

EMPLOYEES

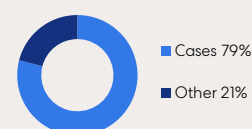
84



Net revenue per region



Net revenue per product category



2021

>5,000,000 products sold

Offices in Gothenburg / Dallas / Taipei / Dongguan

Founded 2010

This is Fractal Gaming Group

Fractal is a leading company in the premium segment of PC gaming products. The group was founded in 2010 and currently sell products in more than 50 markets worldwide. Fractal holds market-leading positions in the premium segment of computer cases in several geographical markets. The company also enjoys a strong market position when it comes to power supplies, cooling products and a variety of fans for gaming computers. Fractal Gaming Group was listed on First North in February of 2021.

At the forefront of gaming

The basic idea is as simple today as it was when we started: what if we develop gaming products based on Scandinavian design and base their functionality on the customer's needs? Our answer is: a wide premium range of innovative and award-winning products that are praised by gamers and hardware enthusiasts around the world.

Design, functionality and performance

Through Scandinavian design influences and innovative functionality, Fractal has achieved a prominent position in several premium market segments. We offer well-thought-out solutions combining award-winning design and performance-driven functionality – the basis of all our product

development. Our products are also rightly known for hygiene factors like detailed modularity, impressive cooling, good ventilation, and low noise levels.

World-class customer experiences

Fractal prioritizes delivering a premium experience –before, during and after purchase. We are the gaming company that listens to customers and communities and communicates with a high level of transparency. This is demonstrated daily by us having one of the market's most appreciated aftermarket and customer service departments, always working to make every product and brand experience memorable.

Fractal's product portfolio

Our product offering is divided into several different product segments, of which cases is the largest. Other categories are power supplies, water cooling, fans and accessories.



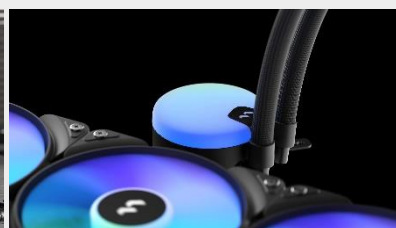
Cases

Fractal's computer cases are characterized by Scandinavian design with a clear focus on functionality and performance. Our range spans most user scenarios. In 2021, we launched the cases series "Torrent" which was awarded "best case of the year" by several leading industry media in our industry – something that further consolidates our market-leading position



Power supplies

Our power supplies too come with a minimalist design and impressive specifications. The Ion series is our top range with features such as very high energy efficiency (80+ Platinum with Ion+), full modularity and passive cooling at low load. All power supplies are available in several power classes and with up to 10 years warranty.



Water cooling and fans


Our water-cooling products and computer fans are designed to ensure that all gaming components can deliver their best performance running increasingly demanding game titles. The previous radiator series Celsius was supplemented in 2021 with a new product series called Lumen, that was well received by customers and reviewers alike while receiving numerous awards.

A summary of 2021

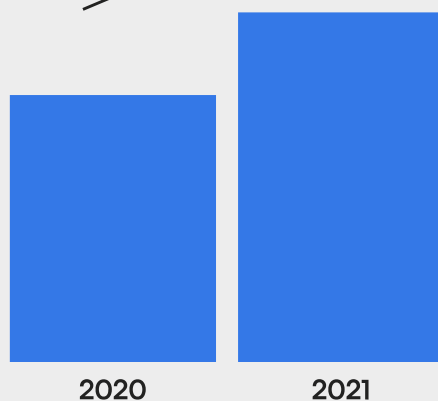
In 2021, the market was characterized by a lack of graphics cards that negatively affected the demand for computer components. The Group's net sales decreased by 19% organically, the product margin amounted to 33% and the adjusted EBITDA margin was 7%. The underlying gaming interest remains substantial and the demand is strong throughout our customer groups. One clear indication of this is the fact that the numbers of hours watched on Twitch increased by a staggering 31% in 2021, from the previous record-breaking numbers of 2020.

MSEK	2021	2020	2019	2018
Net sales	478.6	635.7	401.5	325.2
Net sales, USDm	56.0	69.4	42.8	37.6
Product profit	158.1	240.8	149.0	123.2
Product margin, %	33%	38%	37%	38%
EBITDA	12.4	125.7	64.1	54.7
EBITDA margin	3%	20%	16%	17%
Adjusted EBITDA	33.5	138.6	64.1	54.7
Adjusted EBITDA margin, %	7%	22%	16%	17%
Operating cash flow	-60.7	62.8	33.2	69.4
Cash generating	-489%	50%	52%	127%
Interest-bearing net debt	126.2	49.7	30.7	50.9
USD/SEK, average	8.5	9.2	9.4	8.6

For the definitions of key ratio, see page 71.

 **Twitch
Hours watched**

31%



"Best case of the year"

2021 got off to a flying start with the launch of what quickly became one of our biggest sales successes yet: Meshify 2 Compact. The Meshify series has a uniquely trendy style that many competitors have tried to emulate since we released the first model back in 2017.

At the start of the third quarter, we launched the Torrent: a series of cases designed for the most demanding gamers and hardware enthusiasts. Torrent became an immediate market favorite, claiming several first places in reviewers' charts. Torrent kept selling well throughout the year and received several "Best Case of the Year" awards from leading tech publications as we once again raised the bar for performance and airflow.

In addition to several launches in the chassis category, we also expanded our product offerings in the categories of all-in-coolers, power supplies and fans.



Organization and HR

Recruitments

Investments in personnel continued in 2021 to make further expansion (both product and marketing) possible.

Martin Gustavsson, who has over 20 years of experience in the industry, was appointed VP of Supply Chain in April.

In July, Ola Nilsson became a new member of the board. Ola has more than 25 years of experience from leading positions within the Electrolux Group.



eNPS is a standardized tool for measuring employee loyalty and commitment. The average for companies in the Nordic region is +7.

Relocating HQ

In November, we moved from our previous head offices in Sisjön to a newly renovated 1.5-storey office in Högsbo (1268 square metres). The move is an important part of the company's development for several reasons – modern and well-equipped premises for product testing and development and creating an attractive work environment that promotes collaboration and inspiration, to name a few.



Listing at First North

On February 11th, 2021, Fractal was listed on First North Premium. The listing is intended to enable an accelerated expansion phase that will strengthen brand awareness and expand our range to include new types of Fractal products.



Our business model

Product development

Conceptual development and design take place in-house at the head office in Gothenburg. Our development model is based on our overall brand strategy, and we maintain a considered balance between innovation and current market trends in order to meet or exceed the end customer's high expectations.

Purchasing and production

All our production takes place in China. We own the necessary tools, allowing us more flexibility in choosing manufacturers without having to compromise on quality requirements. Ongoing inspections from a quality and sustainability perspective are carried out by our own staff on site in Taiwan and China. Furthermore, we deal directly with subcontractors about purchase of materials and the production of input components, which gives us additional control over both product quality and sustainability performance.

Marketing activities

Our overall marketing strategy towards the end customer covers the entire customer journey, divided into four parts: arouse interest, deepen interest, gain trust, and nurture the customer relationship.

Arouse interest

We arouse the interest of prospective customers by:

- **Entering partnerships with** global and regional influencers (such as streamers) where we are their preferred brand and provide products displayed in their content and channels.
- **Marketing our products** in social media, on global and regional sites dedicated to gaming and hardware, and other marketplaces.

- **Sponsoring gaming-related events** and LAN parties for direct brand exposure to our main target group.
- **Marketing our products** through resellers to enable the best possible product and brand campaigns directly to the end customer.

Deepen interest

The next step is to educate, inspire and create a deeper interest in our brand name or products through:

- **Providing an inspiring** and informative website and product catalog.
- **Provide resellers with** product listings, videos and other high-quality content.
- **Coordinating product reviews** from leading media, influencers, and end customers in both video and written formats.

Gain trust

Closing the deal is preceded by:

- **Active communication in** all channels, focusing on giving advice and supplying the right information and the right time.
- **Constantly running activities** on social media to attract and engage both existing and potential customers.
- **Building strong relationships** with key members of the technology and gaming industry, through activities like sponsorships and product investments.
- **Offering both product-** and brand-centric incentives at retailers, focusing on delivery and range availability.

Nurture the customer relationship

The goal is to increase the number of Fractal ambassadors through greater commitment in the right channels. For instance, we strive to:

- **Keep investing in** our aftermarket support through dedicated support on certain gaming and hardware-related forums in selected regions.
- **Implement customer panels** that generate feedback to ensure a customer-centric approach in both our product development and our communication.

Logistics and sales

Our products are sold through distributors, resellers and system integrators. The logistics are often outsourced and in most cases distributors and resellers handle deliveries themselves (in accordance with our strict supplier requirements for safety and sustainability). The distribution between online sales online and physical stores varies by region.

In America, direct sales to resellers account for most of our sales, while sales via distributors make up the majority in the EU/APAC/Others. This is mainly since American retailers are generally large corporations.

In all geographical areas, most of our products (90+%) are sold online. This figure is slightly higher in America and the EU than in APAC/Others, where more end customers prefer to buy the products in stores.





Letter from the CEO

Net sales for the year decreased by 19% organically and we report an adjusted EBITDA margin of 7% (22). Demand for chassis in particular has been significantly affected by the lack of advanced semiconductors used in, among other things, graphics cards. The limited availability of graphics cards (with prices two to three times higher than normal) has made many gamers hold off on upgrading their equipment. This affects the entire industry, but we managed to maintain or increase our most important market shares in 2021.

Pent-up demand for hardware for high-performance gaming

It is our firm belief that the current shortage of graphics cards creates a pent-up demand that will drive sales as soon as access to graphics cards and other components improves and prices normalize. We expect that access to graphics cards will gradually improve in 2022 and that prices thus will begin to fall. There is a strong underlying demand for the high-performance gaming hardware we offer. The number of viewing hours on Twitch (an important indicator of interest in gaming) continues to rise with a total increase of 31% in 2021 – a record high level. More people are playing computer games than ever before, gamers are spending more time and the average gamer is willing to spend more on their equipment.

Dealing with challenges

During the year, we saw sharp price increases for sea freight. To compensate for increased shipping costs and increased raw material costs, we raised prices during the year. We also engaged with the cost effects of the tariffs that were reintroduced at the beginning of the year for products imported into the USA from China. The US Department of Commerce announced in the second half of 2021 that it accepted applications for extension of tariff exemptions. At the end of March 2022, the USTR decided on renewed tariff exemptions for several products, including the computer chassis category.

This exemption applies retroactively from October 12th, 2021, to December 31st, 2022. The reintroduced tariff exemption will have a significant positive effect on Fractal's profitability. The positive earnings effect for 2022 is estimated to amount to SEK 15-20m, including the repayment of already paid tariffs. To reduce the effect of import duties on our products aimed at the US market, we aim to – over time – transfer part of the final assembly outside of China.

Executing our strategic growth agenda

Our main focus in 2021 was to keep expanding our range of high-quality products to meet the demands of a growing customer base.

At the end of summer 2021, we launched the first product in our new chassis series Torrent, designed to deliver exceptional airflow performance. Torrent has received high marks in several product tests and won the prestigious Gamers Nexus Case of the Year award. We are happy with both the level of interest in the product and with the sales figures that quickly exceeded our forecasts. Torrent also contributed to an improved product margin in our fourth quarter. In February of 2022, we launched additional Torrent models, and we look forward to more launches due later this year.

Our contribution to sustainable development

Another important area of development for us is contributing to the global development goals, Agenda 2030, and to improve the environmental performance of our products throughout the life cycle. Being able to offer high-quality products, spare parts and world-class customer service are a big part of our DNA. It is also a way of reducing our impact on the climate and the environment through developing a more circular business model. In 2022, we will expand on our sustainability work and develop clear, well-founded sustainability goals for 2030 and beyond, in dialogue with our stakeholders.

Outlook for 2022

Despite the ongoing uncertainty about demand and supply of goods, we expect to demonstrate growth again during 2022. We anticipate continued low demand in the first half of the year, but then a stronger development as access to graphics cards improves and prices normalize.

Our view of the market and our medium- to long-term financial goals remain with net sales growth of at least 10% and an adjusted EBITDA margin of 20%. The underlying demand for high-performance gaming products remains strong.

I would like to end by thanking all my colleagues at Fractal Gaming Group who have worked hard under challenging circumstances to deliver products and services that our enthusiastic high-performance gaming customers around the world rely on. I would also like to thank our customers and shareholders for your strong commitment and support during the year.

Hannes Wallin, CEO





Goals and growth strategy

Fractal will continue to deliver high quality products within existing product categories and upholding the high service level. Meanwhile, we will expand through new product categories in the gaming segments as well as increase our marketing efforts. Also, we will establish and/or strengthen our presence in additional countries, primarily in China and Southeast Asia.

Our assessment is that there are good opportunities to grow through both new product series and updating the existing range with the ambition of strengthening our market position in all categories.

Expanding with new and relevant product categories

Fractal is a well-established premium brand in most gaming categories. Our product development organization and the established sales network allow us to quickly reach out with completely new product offerings in a rapidly growing market. We have identified several relevant product categories in the PC gaming segment where an increased presence would greatly expand our potential market and revenue.

Increasing brand reach through marketing

Fractal has built a strong brand in several communities where many end customers actively engage with our company daily. However, we can increase our brand

awareness even further in all key markets, enabling a greater reach for our brand and our products.

For example, we see great opportunities in expanding our social media presence, community marketing efforts and visibility on streaming platforms such as Twitch. We will also work more with influencer marketing, channel marketing and focus on data-driven communication and possibly an e-commerce channel of our own.

Geographical expansion

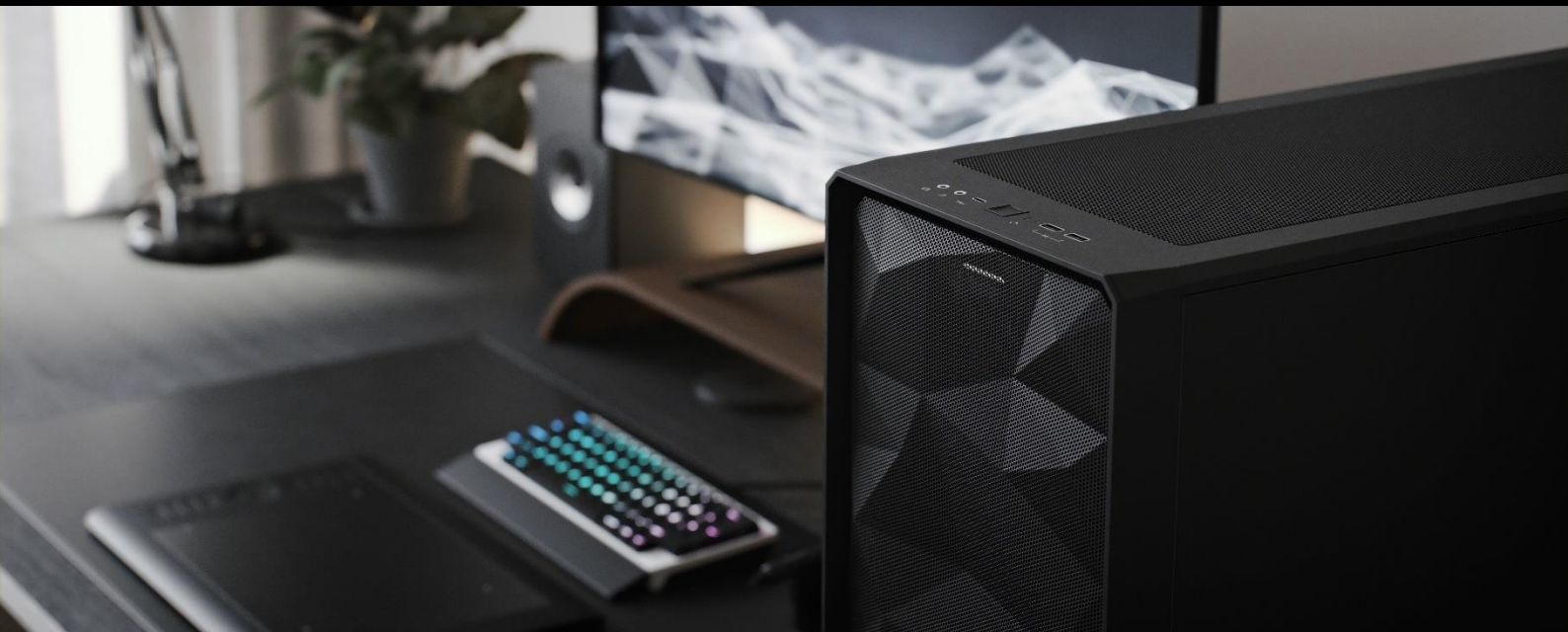
We have considerable experience of establishing ourselves in new countries and markets worldwide through local distributors and resellers. There are several interesting markets where our presence is presently limited. For instance, we expanded to China in 2014, and later entered a partnership with JD.com (2019) and T-mall. Another example would be Southeast Asia. These are both large gaming markets that we consider very interesting from a growth point of view.

Our financial growth targets

Net sales growth: Fractal's goal is to achieve an annual organic net sales growth of more than 10% starting 2022.

Profitability: Fractal's goal is to achieve an adjusted EBITDA margin of 20%.

Dividend policy: Fractal's goal is to distribute 30%-50% of its net profit, considering factors such as financial position, cash flow and growth opportunities.



Market development 2021

More users into PC gaming and streaming

PC gaming and streaming broke new records in 2021 despite a record-breaking 2020. The streaming platform Twitch increased by 31% (number of hours watched) compared to the previous record year 2020, and the leading gaming platform Steam attracted more than 3 million new users – an increase of 12.3% compared with the previous year.

Watching others play and e-sports often leads to building your first gaming PC, making it an important indication of the growing and underlying interest in our market.

Anticipated game releases drive upgrade needs

In 2021, we saw several new AAA titles that require next-generation PC hardware. This stimulates our target group to upgrade their equipment to achieve the best possible performance and overall experience.

For example, the long-awaited Battlefield 2042 and Halo Infinite were both released – equally demanding in terms of components and performance, and both among the most played titles in 2021. Amazon entered the gaming industry with the launch of their famous game New World. More titles that were previously console-exclusive were released for PC during the year, including the acclaimed Resident Evil New Village.

Hardware continues to develop at record speed

During the past year, new hardware was released that requires increasingly advanced performance in terms of

cooling and power supply, to name a few. Intel launched their new platform Alder Lake (12th gen) with a range of high-performance processors in response to AMD's Ryzen 5000 series. Alder Lake and Ryzen 5000 share the need for good cooling capacity and can encourage gamers to upgrade other components.

On the graphics card side, we may see additional variants of Nvidia's GeForce series. AMD also updated their RX series with new top models such as the RX 6800 XT. Another highly topical and interesting bit of news was Intel entering the graphics card market with Intel Arc, due this year. Expectations are high for the architecture and Intel appears likely to challenge both AMD and Nvidia in several price segments.

Our main target group maintains their purchasing power

In a recent survey from NewZoo, we see that our core target group continues to increase their gaming hardware budget. Gamers who play more than 10 hours a week have an average annual budget of \$1,830 compared to Laptop gamers' slightly lower \$1,315.

More than a third of our target group (39%) plan to spend more on their next chassis than their previous one, while only 11% intend to spend less. The main reason for upgrading is the same – being able to experience new and demanding games with the developers' intended graphics settings.

The total size of the PC hardware market in 2021 was \$5.74 billion (NPD Group) with as many as 1.4 billion active gamers worldwide (NewZoo).

“The total number of hours watched came to 174 million”

Laptop gaming continues to grow and is considered by many to be another step on the road towards building one's first gaming computer. The segment reported strong numbers in 2021 and is expected to grow by 7% annually until 2025.

E-sport continues to grow

One of the biggest E-sports tournaments in 2021 was the League of Legends Championship, maxing out at 4.1 million consecutive viewers (not including China) – an industry record. The total number of hours watched came to 174 million, making League of Legends the most popular E-sports game ever.

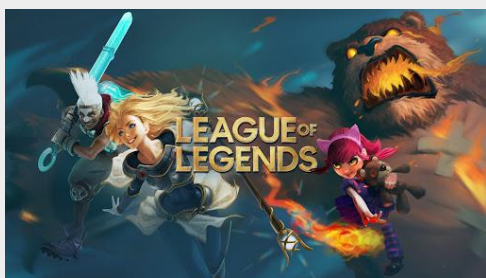


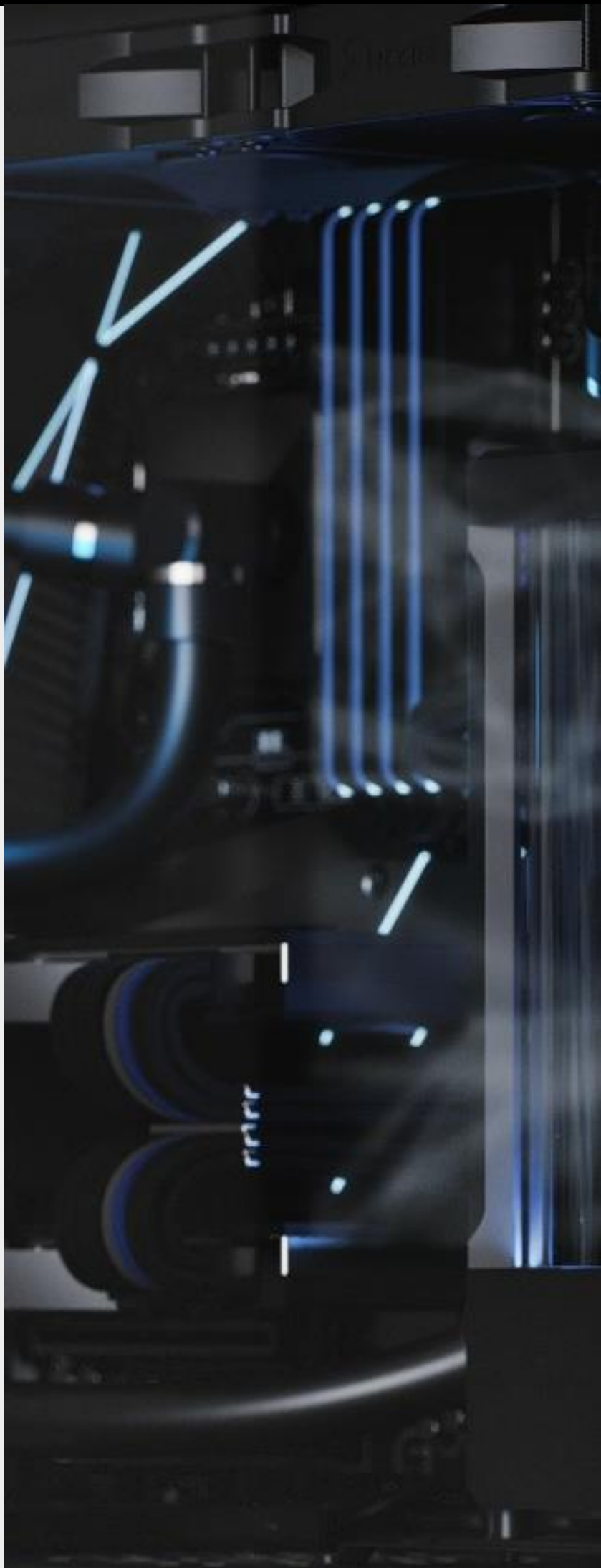
Image: League of Legends. © Riot games

Mobile gaming tournaments are still on the rise, especially in Asian markets. One example is the PUBG Mobile event, drawing more than 2 million viewers from Singapore alone. Mobile gaming is considered a first step towards PC gaming and building your own computer.



Image: PUBG. © Krafton.

Interest in e-sports (regardless of platform) is growing rapidly and is increasingly featured in established media. PC remains the largest platform for professional e-sports with the largest and most popular game titles.





Sustainability Report 2021

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About our sustainability work

Fractal Gaming Group's first sustainability report refers to the financial year 2021 and details our value chain, our environmental and social impact, our prioritized sustainability areas and sustainability-related risks. We have prepared the report in accordance with the sixth chapter of the Annual Accounts Act. We also refer to the UN's global goals for sustainable development as benchmarks.

During the year, we conducted an overall analysis of our value chain and business model focusing on risk assessment and our social and environmental impact, both in the stages we control and the impact that occurs up- and downstream in the chain. Future sustainability reports will be supplemented with KPIs for our most important sustainability areas as well as targets for 2030 and beyond.

Operation

Fractal is a leading company in the premium segment of PC gaming products. The group was founded in 2010 and the products are currently sold in more than 50 markets worldwide. Fractal holds market-leading

positions in the premium segment of computer chassis in several geographical markets. The company also has a strong market position in power supplies, cooling products and fans for gaming computers. Since the founding of Fractal, the company has delivered profitable growth by successfully combining design, performance and quality, while expanding both our product range and our geographical presence. The head office is based in Gothenburg (Sweden), and other offices are in Dallas (USA), Dongguan (China) and Taipei (Taiwan).

Fractal outsources all manufacturing to China. There are several advantages to outsourcing production – for instance, it makes it possible to focus on the development of our products and brand. Fractal's products are sold through distributors and direct sales to resellers and system integrators. In the sales channels, Fractal uses a wide distribution network, including global partnerships with several large distributors like Exertis, ASK Corporation and Ma Labs, as well as large retailers such as New Egg, Amazon and JD.com.



Our business model and value chain

We have high ambitions when it comes to contributing to a resource-efficient and responsible value chain and increasing value for both our stakeholders and the larger society.

We start from a comprehensive analysis of how our business impacts people and the environment throughout the value chain – both in terms of what we control directly, and that which can be affected indirectly by, for instance, demanding more of our suppliers or adapting to demands from customers and partners. This analysis is key to identifying significant aspects, focus areas and objectives with associated activity plans. In 2022, we will deepen the analysis of our environmental and social impact (directly and indirectly) in every step in the value chain, set goals and put plans in place to improve our sustainability performance.



Design and product development

Everything related to innovation, concept and design of our products takes place in-house at Fractal Gaming Group's head office in Gothenburg. The work is based on our overall brand and product strategy, and we care about a good balance between innovation and market trends to meet or exceed the end consumer's high expectations.

As we own the design process, we can increase both our products' gaming and sustainability performance. Our products contain only conflict-free minerals, which is to say we do not use gold, tin, tantalum or tungsten, as these tend to be mined under high-risk and high-conflict conditions.

Purchasing and production

All our production takes place in China in collaboration with selected suppliers. We own the manufacturing tools ourselves, which gives us the freedom to choose manufacturers without having to compromise. Ongoing quality controls and sustainability audits are performed on site in Taiwan and China. We also deal directly with subcontractors concerning the purchase of materials and the manufacturing of input components, giving us great opportunities to influence the quality and sustainability performance throughout the production line.

Deliveries and logistics

Our products are sold through distributors, resellers and system integrators. Deliveries are often outsourced to forwarding partners and in most cases distributors and resellers handle their own logistics in accordance with our strict supplier code of conduct for safety and sustainability.

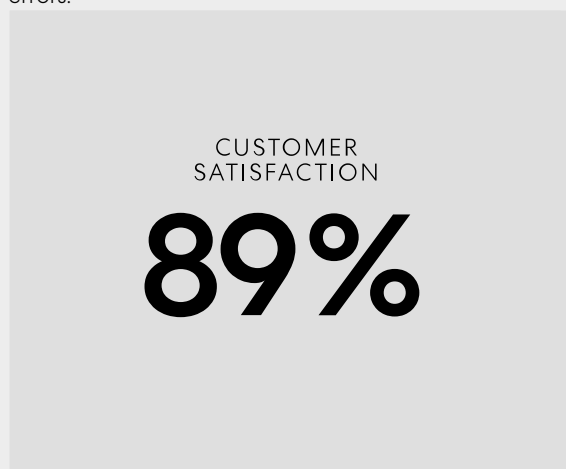


Product support

Customer support and after-sales are an important part of helping our customers choose the right product and extend the life of our products. Choosing a Fractal product should provide a long and worry-free experience – something our support is well known for ensuring. The result is customer satisfaction, which in 2021 was 89% and is measured via monthly surveys. The goal for 2022 is to reach and maintain customer satisfaction above 90%.



We are always looking for ways of improving our service and enhancing the customer experience. For example, if the Fractal chassis is purchased through a dealer, we are happy to help the customer directly in order to prevent unnecessary returns for minor and easily remedied errors.



Customer satisfaction is measured monthly through surveys.

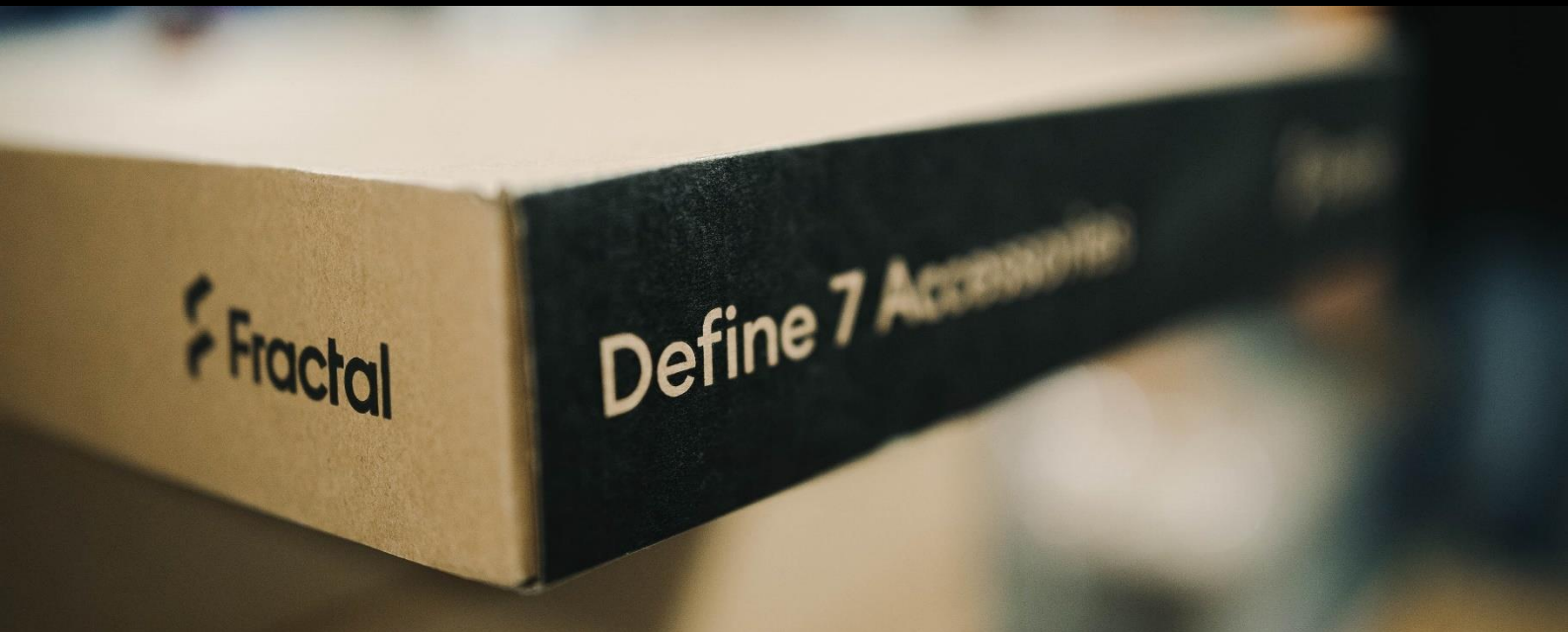
Significance

In 2021, we began the analysis of our social and environmental footprint to find the most important sustainability priorities and associated focus areas. This work will continue in 2022 in order to set relevant and well-founded sustainability goals. The initial analysis of our impact has led to five focus areas.

Fractal Gaming Group's focus areas for sustainability work

- **Sustainable** products with high quality and performance.
- **Reduced** climate impact.
- **Responsible** purchasing.
- **Healthy**, inclusive and engaging workplace.
- **Business** ethics.

Fractal Gaming Group's value chain is designed to deliver best-in-class product performance and customer experience for high performance PC gaming hardware. We design our chassis, power supplies and fans so that, in addition to offering the highest possible performance, they are also robust and long-lasting. The products must be repairable, upgradeable, and as recyclable as possible. Our customer service and after-sales department guides our customers to the right product, supports, offers spare parts and handles any warranty matters.



Value chain from an environmental perspective

To better understand our environmental impact, we conducted life cycle analyses of several Fractal products in 2021. We looked at all stages; idea, design, manufacturing, packaging, transportation, upgrading, reuse, and recycling.

The environmental impact comes from a product's usage of energy over its lifetime, followed by the impact from raw materials, then considering the effects of manufacturing and packaging, and finally emissions relating to transport.

From the manufacturing plant, the products are transported to local warehouses (or directly to the distributors), mainly by sea. We use as few intermediaries as possible, which yields both financial and environmental benefits.

The last phase of the product life cycle pertains to handling and recycling. By then, much of the work has already paid off –our products have a long service life, thanks in part to the high quality of construction, spare parts and other forms of aftermarket support.

Towards a circular economy

A circular economy is based on extending product life, reducing waste, managing natural resources, and transitioning to renewable energy sources and materials. As we design our own products, we can lead by design and develop products with higher energy efficiency, optimize material choices based on quality, longevity, and environmental impact, and ensure that we provide ample spare parts and aftermarket service. We can also help our customers make well-informed decisions that take sustainability performance into account. While sustainability is rarely the most important factor when choosing gaming hardware, experience shows that

detailed product information deepens customer interest and greatly aids the purchasing process. We see good opportunities for increased dialogue with our customers about sustainability and how we together can contribute to reducing climate impact by extending product life, repairing, upgrading, reselling and finally recycling the products.

Code of conduct and policies

Fractal Gaming Group's board, management and employees follow the company's code of conduct, policies, guidelines and all applicable legislation and other relevant rules such as GDPR, government regulations and industry rules.

In 2020, we developed a code of conduct to ensure that all our employees share the same guidelines and values. The internal code of conduct includes zero tolerance for bribery and corruption in all its forms.

In 2021, we implemented the following measures:

- **Updated** codes of conduct for employees, manufacturers, and partners.
- **Risk** analyses.
- **Operational** inspection at manufacturers.

Responsible purchasing and supplier code of conduct

Fractal Gaming Group's supplier code of conduct is divided into six parts. All our suppliers must sign the code of conduct and comply with the requirements specified within.

Human rights

- **Respect** everyone's personal integrity and rights.
- **Do** not tolerate human rights violations, human trafficking and/or forced labor.
- **All** people are of equal worth and have the same rights regardless of origin, culture, context, and sexual orientation.

Fair working conditions

- **Zero** tolerance for child labor and forced labor.
- **All** employees have the right to a fair salary and fair working hours.
- **Compensate** employees fairly and follow local wage regulations and/or collective agreements.
- **Ensure** that working hours (including overtime) are within legal limits.

Health, safety and environment

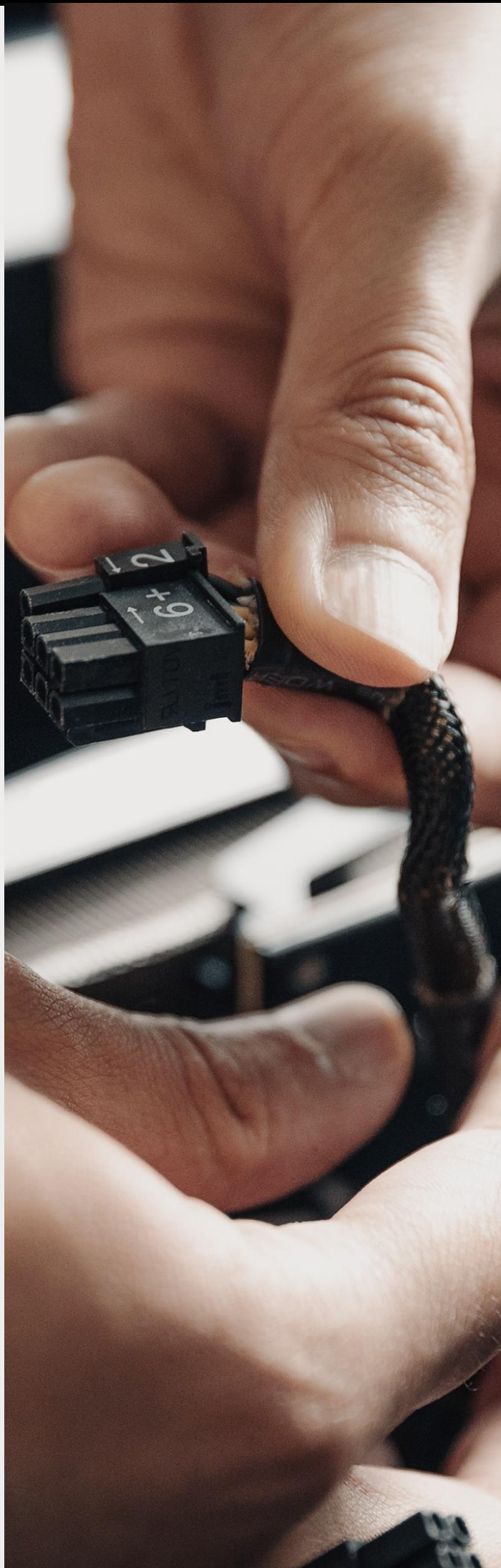
- **Safeguard** the health and safety of all employees.
- **Environmental** aspects must be seen based on relevant goals, requirements, and directives.
- **Provide** a safe and healthy workplace for all employees and run the business in an environmentally sustainable way.
- **Commitment** to environmental protection and management.
- **Sustainable** manufacturing methods.
- **Comply** with all applicable environmental legislation.
- **Organization** and procedures in place for effective management of health, safety, and environmental risks.

Dangerous substances and conflict minerals

- **Comply** with regulatory requirements regarding the prohibition and restriction of substances.
- **EU directive** on the restriction of hazardous substances (RoHS).
- **Only** use DRC Conflict-Free minerals.

Business ethics

- **Conduct** the business according to the highest standards of integrity and ethics.
- **Do** business in an open, honest, and ethical way.
- **Do** not offer customers or suppliers (or any such representatives or entities) any rewards or benefits that violate applicable laws or oppose generally accepted and reasonable business practices.
- **Do** not engage in or facilitate any form of corruption such as fraudulent acts, affecting payments or money laundering.





Personnel and workplace

Our workplace

Ours is an informal, open, and welcoming workplace, characterized by a great deal of personal freedom, plenty of opportunity for growth, and open lines of communication between all departments. We believe this is the best way of finding just the right ideas to turn into new and improved products, and since we're an agile team, we have a good track record of getting our ideas to market without compromising with features or build quality.

Our working environment

There are many important things to consider when attempting to create a pleasant, safe, and stimulating workplace characterized by a strong team spirit. They include aspects such as a balanced employee turnover, a healthy balance between work and leisure – and of course proper development opportunities for everyone.

Our employees are Fractal's most important assets and together we possess a very broad competence. Our success is largely based on our collective commitment and ability for openness, curiosity, and creativity.

In 2021 we updated several documents, policies and guidelines in our personnel handbook covering everything from the working environment and personal development to health and safety regulations and salary.

When it comes to business principles, ethics, and transparency, we have zero tolerance for bribery and corruption. All signs of improper conduct must be reported immediately to a manager or reported via our digital whistleblower tool.

Our work environment policy was also updated during the year. The document describes in detail what constitutes a well-functioning and safe working environment, including areas of responsibility and working methods.

What constitutes a good working environment for us?

- **No one risks** injury or illness because of work
- **Focus on co-operation**, professional development, and job satisfaction
- **Continuous risk assessments** to improve working conditions
- **Proactive efforts** to quickly identify stress problems
- **Opportunities for creative** and solution-oriented conduct
- **A positive workplace** that inspires cross-departmental collaboration



Engaging workplace

In 2021 we started using Winningtemp to measure organizational health in real-time and guide us towards our company goals.

Job satisfaction is measured on a 10-degree scale, with the goal of achieving an average score of at least 8.5 in all categories by 2023. In 2021, we reached an average score of 8.1 – just shy of next year's goal.



The survey clearly showed that our main strengths include cooperation and team spirit, strong leadership, and a high level of commitment. We will build on this, hopefully with more insights into what sets us apart from comparable employers, and other important factors that can help us strengthen our brand both internally and externally.

Inclusion and gender equality

We promote equal rights and opportunities for employees in the workplace, regardless of gender, nationality, ethnic origin, sexual orientation, or religious beliefs, in order to create the conditions for an innovative and inspiring work environment. We strive to create strong teams consisting of different skills, genders, ages, and nationalities.

Fractal Gaming Group gives employees equal opportunities for professional development. Our policy for recruiting managers and employees is always to appoint the most qualified individual. All employees must be treated with respect.

The well-being and development of our employees

It is the responsibility of every department head that our employees enjoy their work and receive the development and training they need. Work efforts are continuously evaluated and reported at regular development discussions where progress, challenges and personal development are discussed. The development talks take place twice a year and are strengthened by an ongoing dialogue that allows management to support the staff's development process and stave off both stress and illness.

To make it easier for new employees, we continuously develop our onboarding process and have implemented a training program that applies to everyone who works for us. Main focus areas of 2021 were to do with meeting the challenges of working from home – and of offering a safe working environment for everyone who needed to be in the office.

Fractal Gaming Group also offers all employees wellness allowance and training during working hours to encourage physical activity.

KPI

Number of employees in December 2021	84
Personnel turnover	12.8%
Gender distribution	73% Men / 27% Women
Sick leave %	4.5%
Employees per country	Sweden: 60 France: 1 Czech Republic: 1 USA: 11 Taiwan: 11
Health incidents	0
Women on the board	17%
Women in management	17%
New hire ratio	30.7%

Ambitions for the working environment

In 2022, we will keep focusing on strong leadership, team spirit and corporate commitment by prioritizing measures to ensure high job satisfaction, making personal development a core issue. We will also increase our efforts to forestall stress and mental illness.

- **Implement** a global onboarding program.
- **Develop** the recruitment process so that it promotes our expansion plans and increases gender equality.
- **Make** sustainability a separate category in Winningtemp with questions about social, environmental, and economic sustainability.
- **Train** group leaders on psychosocial work environment issues and educate all employees on stress management.
- **Counteract** sedentary activities through wellness grants, offering training opportunities, encourage group training and more.
- **Educate** all employees about our code of conduct and focus areas for our sustainability work.



UN's Global Goals for sustainable development

Based on our activities and our social and environmental footprint, we have found ways of making a difference in 4 of the 17 global goals for sustainable development, Agenda 2030. These global development goals has been adopted by the UN General Assembly and was approved by all UN member states in 2015, with the aim of achieving a better and more sustainable future for all by 2030. We have identified goals that can affect the development of our entire value chain: gender equality, decent working conditions and economic growth, sustainable consumption and production, and finally peaceful and inclusive societies.



Goal 5 – Gender Equality

We provide equal opportunities for every one of our employees. We work very hard to be an inclusive company that welcomes and develops extraordinary people regardless of gender and cultural background.



Goal 12 – Responsible Consumption and Production

We control the design process, which enables us to build important sustainability properties into our products from the start. Our focus is to increase sustainability performance throughout the product life cycle and move towards a more circular business model. This will be an important part of reducing our environmental and climate impact.



Goal 8 – Decent Work and Economic Growth

Our employees are our most important asset, and we must offer competitive and safe working conditions throughout our organization. All our suppliers have signed and committed to follow our code of conduct.



Goal 16 – Peace, Justice and Strong Institutions

Responsible and ethical business practices are a central part of who we are and a prerequisite for any fair society. To mitigate the risks that exist in the value chain, we have implemented policies and routines that apply to all employees and business partners.



Sustainability risks and measures

Good risk management is a necessity in order to create sustainable and competitive operations over time. Fractal Gaming Group works systematically with identifying and managing sustainability-related risks. The most significant sustainability risks and associated measures are listed below.

Sustainable products

Sustainability requirements from customers and other important stakeholders are gradually increasing. Commercial success in the market presupposes a high level of trust in the company's operations and that business is conducted in a sustainable and ethical manner. Risks also include hazardous substances or products that do not meet the sustainability requirements of customers or authorities. The requirements for the products' energy efficiency and that they are upgradeable, and recyclable are also expected to increase.

Fractal Gaming Group conducts extensive product tests, quality controls and more to ensure that legal requirements and policies are all complied with.

Climate impact and increased sustainability requirements

EU and UN sustainability goals presuppose improved sustainability performance throughout the value chain. Companies that do not follow suit risk falling behind other players in the market, reducing competitiveness. Demands are also increasing not only from customers, but also as employees, owners, and lenders.

A changing climate and natural disasters can affect companies and their suppliers, which can affect the ability to manufacture and deliver products.

Business risks linked to corruption and ethics

Global companies often face increased risks of corruption and bribery. Risks include damage to trust and trademark, penalties, fines, or other financial consequences of violating laws and regulations.

Fractal Gaming Group's long-term strategy for controlling these risks is a central part of our sustainability work. Implementation and constant updating of our code of conducts (internal and external) is paramount. Approval of suppliers and partners and follow-ups through sustainability audits are important measures for managing the risks that exist. Investing in educational efforts can be an excellent way of ensuring compliance.

Circular resource flows

Lack of natural resources can increase prices directly or indirectly through new legislation making production more expensive and difficult.

Fractal Gaming Group designs all Fractal products, which translates to good control over the material selection, properties, and performance of the entire range.

Auditor's opinion regarding the statutory sustainability report

To the general meeting of the shareholders in Fractal Gaming Group AB, corporate identity number 559080-2970

Engagement and responsibility

It is the board of directors who is responsible for the sustainability report for the year 2021 on pages 13-24 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

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 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 opinion.

Opinion

A sustainability report has been prepared.

Gothenburg, April 21th, 2022

KPMG AB

Mathias Arvidsson

Authorized Public Accountant



Corporate Governance Report

The share and the owners

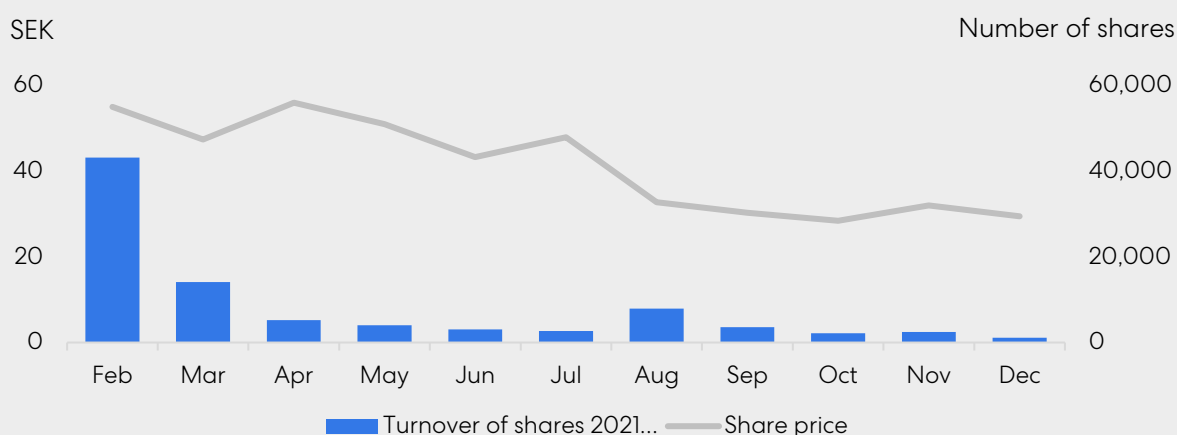
Share price development

Fractal was listed on Nasdaq First North Premier on February 11th, 2021, and trades under FRACTL. The listing price was SEK 41.00 and on December 31, 2021, the share price was SEK 29.50 – a decrease of 28%. This corresponds to a market capitalization of SEK 859m. The share was traded at a maximum of SEK 83.00 on February 11th and a minimum of SEK 24.80 on November 19th. During the period, a total of 17.7 million shares were traded with a total value of SEK 867.1m.

Share capital

On December 31st, 2021, the share capital in Fractal amounted to SEK 500,000, divided into 29,119,500 shares with a quota value of SEK 0.017.

According to the company's Articles of Association, the share capital may not be less than SEK 500,000 and not exceed SEK 2,000,000, and the number of shares must remain between 29,000,000 and 116,000,000. Each share entitles the holder to one vote at the Annual General Meeting to vote for all shares held by the shareholder. On January 8th, 2021, a share split was carried out and the number of shares went from 970,650 to 29,119,500.



Ownership

The number of shareholders as of December 31st was 6,508. The ten largest shareholders controlled 82.9% of capital and votes. The three largest shareholders were Långholmen Holding AB, a company related to Hannes Wallin (CEO), Litorina IV L.P. and Tin Ny Teknik.

Dividend and dividend policy

Fractal's goal is to pay out 30%-50% of the net profit, considering factors such as financial position, cash flow and growth opportunities. The Board of Directors proposes to the Annual General Meeting that no dividend shall be paid for the financial year of 2021.

On December 31st, 2021, the share capital in Fractal amounted to SEK 500,000, divided into 29,119,500 shares with a quota value of SEK 0.017. According to the company's articles of association, the share capital may not be less than SEK 500,000 and not exceed SEK 2,000,000, and the number of shares must remain between 29,000,000 and 116,000,000. Each share entitles the holder to one vote at the Annual General Meeting and each shareholder is entitled to vote for all shares held by the shareholder. On January 8th, 2021, a share split was carried out and the number of shares went from 970,650 to 29,119,500.

Data per share 2021

Stock price as of December 31	29.5
Market capitalization as of 31 December	859,025,250
Dividend, SEK / share	-
Earnings per share, SEK	-0.1
Number of outstanding shares	29,119,500
Average number of shares before dilution	29,119,500
Average number of shares after dilution	29,119,500
The number of shareholders as of December	6,508

10 largest shareholders	Total number of shares	% of total number of shares
Långholmen Holding AB	8,444,655	29.0
Litorina IV L.P.	3,842,587	13.2
Tin Ny Teknik	2,439,024	8.4
SEB Life International	1,890,000	6.5
Herenco Holding Aktiebolag	1,565,741	5.4
Handelsbanken fonder	1,540,341	5.3
SEB Life International	1,469,718	5.0
Enter fonder	1,225,309	4.2
Mediuminvest AS	1,199,599	4.1
Patrick Söderlund	514,290	1.8

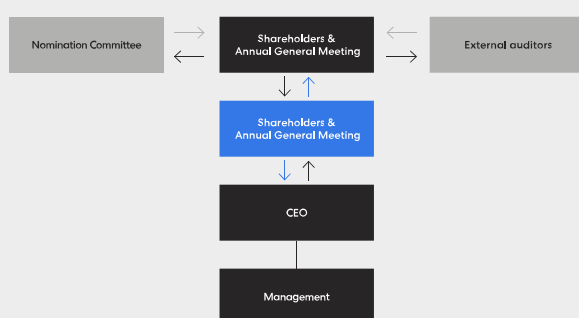
Distribution of shareholdings	Quantity	Holdings,%
1-500	5,751	88.4%
501-1 000	408	6.3%
1 001-5 000	273	4.2%
5 001-10 000	24	0.4%
10 001-15 000	15	0.2%
15 001-20 000	6	0.1%
20 001-	31	0.5%
	6,508	100%

Year	Transaction	Number of shares after transaction	Total share capital after transaction
2018	New share issue	1,015,773	101,577
2020	Withdrawal	970,650	101,577
2021	Split	29,119,500	500,000

Corporate Governance Report

Corporate governance structure

The governance in Fractal Gaming Group AB (Fractal) is regulated by both internal control documents and external regulations. The external regulations include the Swedish Companies Act and the Annual Accounts Act, Nasdaq Stockholm's regulations for issuers and other laws and regulations. The internal governing documents consist of, among other things, the Articles of Association approved by the Annual General Meeting, the Board's rules of procedure and the Board's instructions for the President. The Swedish Code of Corporate Governance (the Code) is applied by the company and no deviations from the Code 2021 has been reported.



Shareholders

At the end of the year, Fractal Gaming Group had a share capital of SEK 500,000. The number of registered shares amounted to 29,119,500.

Fractal's largest shareholder was Långholmen AB (29% of the votes), Litorina IV L.P. (13.2% of the votes) and Tin Ny Teknik (8.4% of the votes). The number of shareholders amounted to 6,508; the distribution of ownership is shown on page 28. Fractal Gaming's shares are affiliated with Euroclear Sweden AB who keep a register of shareholders and therefore no share certificates are issued.

Annual General Meeting

According to the Swedish Companies Act (2005:551), the Annual General Meeting is the company's highest decision-making body. At the Annual General Meeting, the shareholders exercise their voting rights on key issues such as approval of income statements and balance sheets, appropriation of the company's profit or loss, granting discharge from liability for board members and the CEO, election of board members and auditors and remuneration to the board and auditor.

The Annual General Meeting must be held no later than six months after the end of the financial year. In addition to the Annual General Meeting, an Extraordinary General Meeting may be called. In keeping with the Articles of Association, notice of the Annual General Meeting is given by advertising in Post- och Inrikes

Tidningar and by keeping the notice available on the company website. The notice is also announced in Svenska Dagbladet. The Annual General Meeting is held in Stockholm or Gothenburg.

Each share in Fractal entitles the holder to one vote at the Annual General Meeting and each shareholder has the right to vote for all shares held by the shareholder.

Initiative from shareholders

Shareholders who wish to have a matter considered at the Annual General Meeting must request this in writing to the Board no later than seven weeks before the Annual General Meeting.

Annual General Meeting

Fractal's most recent Annual General Meeting was held on January 29th, 2021. The next Annual General Meeting will be held on May 19th, 2022, and will be conducted by postal voting only, in keeping with temporary statutory rules. There will be no attendance in person or by proxy.

Nomination Committee

Companies that comply with the Code must have a nomination committee. The Code states that the Annual General Meeting shall appoint the members of the Nomination Committee or specify how the members are to be appointed. It further states that the Nomination Committee shall consist of at least three members, a majority of which are independent in relation to the company and Group management. Additionally, at least one member of the Nomination Committee must be independent in relation to the largest shareholder in terms of votes or the group of shareholders who collaborate on managing the company.

At the Annual General Meeting of January 29th, 2021, it was decided that the Nomination Committee for the 2022 Annual General Meeting shall consist of representatives from the three largest shareholders listed in the share register kept by Euroclear Sweden as of September 30th, 2021, and the Chairman of the Board who will also convene the Nomination Committee's first meeting. The member who represents the largest shareholder shall be appointed chairperson of the nomination committee unless the nomination committee unanimously appoints someone else. If one or more of the shareholders who appointed representatives to the Nomination Committee earlier than three months before the Annual General Meeting are no longer among the three largest shareholders, representatives appointed by these shareholders shall resign, and the shareholders who subsequently belong to the three largest shareholders may appoint their representatives.

If a representative resigns from the Nomination Committee before the Nomination Committee's work is completed and the Nomination Committee deems it necessary to replace him or her, such a replacement

representative shall represent the same shareholder unless said shareholder is no longer one of the largest shareholders, in which case the replacement representative shall instead represent the largest shareholder in turn. Shareholders who have appointed a representative as a member of the Nomination Committee have the right to dismiss such a member and appoint a new representative as a member of the Nomination Committee. Changes in the composition of the Nomination Committee must be announced immediately.

The composition of the Nomination Committee prior to the Annual General Meeting is usually announced no later than six months before the meeting. Remuneration shall not be paid to the representatives in the Nomination Committee. The company shall reimburse any costs that the Nomination Committee incurs in its work. The term of office for the Nomination Committee ends when the composition of the following Nomination Committee has been announced.

Prior to the 2022 Annual General Meeting, the Nomination Committee consisted of Daniel Johnsson as representative of Långholmen Holding AB, Lars Verneholt as representative of Litorina IV L.P., Carl Armfelt as representative of Tin Ny Teknik and Chairman of the Board Magnus Yngen. Daniel Johnsson has been appointed chairperson of the Nomination Committee. The shareholders appointed as representatives to the Nomination Committee together represent 52.1% of the votes in Fractal.

Board member	Appointed by	* Independent	Participation / number of meetings
Daniel Johnsson	Repr. for Långholmen Holding AB	Yes	3/3
Lars Verneholt	Litorina IV L.P.	Yes	2/3
Carl Armfelt	Litorina IV L.P.	Yes	3/3
Magnus Yngen	In his capacity as Chairman of the Board	Yes	3/3

*by the company and the company management

The Board

The work of the Board

The Board is Fractal's highest decision-making body after the Annual General Meeting. In keeping with the Swedish Companies Act, the Board is responsible for the company's management and organization, which means that the Board is responsible for setting goals and strategies, ensuring routines and systems for evaluating set goals, continuously evaluating operational management and more. The Board is also responsible for ensuring that the annual report and interim reports are prepared in a timely manner. In addition, the Board appoints Fractal's CEO.

Composition of the Board

The Board members are usually elected by the Annual General Meeting for the period until the end of the next Annual General Meeting. In keeping with Fractal's Articles of Association, the Board (as elected by the Annual General Meeting) consists of a minimum of three members and a maximum of ten members (no deputies). In keeping with the Code, the Chairman of the Board is elected by the Annual General Meeting and has a special responsibility for the management of the Board's work and that said work being is organized and carried out in an efficient manner.

The Board follows written rules of procedure that are revised annually and adopted at the yearly statutory Board meeting. The rules of procedure include (but are not limited to) regulating board practice, functions, and the distribution of work between Board members and the CEO. In connection with the statutory Board meeting, the Board also approves the instructions for the CEO, including financial reporting.

The Board has decided to fulfill the tasks of the Remuneration Committee and the Audit Committee in their entirety. This means that the Board as a whole must, for example, monitor Fractal's financial reporting, monitor the efficiency of the company's internal control, internal audit and risk management, stay informed about the audit of the annual accounts and consolidated accounts, review and monitor the auditor's impartiality and independence (and in doing so pay special attention to if the auditor provides Fractal with other than auditing services), and prepare proposals for the AGM's election of an auditor. Furthermore, the Board shall e.g., decide on remuneration and other terms of employment for the CEO and senior executives.

The Board meets according to an annually established schedule. Additional board meetings can be convened to address issues that may not be referred to an ordinary board meeting. Additionally, the Chairman of the Board and the CEO have an ongoing dialogue regarding the management of Fractal. In 2021, nine recorded board meetings were held, including statutory and per capsulam meetings.

Board member	Elected	Independent of the company and the company management	Independent of major share-holders	Participation / number of board meetings
Magnus Yngen	2017	Yes	Yes	9/9
Hannes Wallin (VD)	2010	No	No	8/9
Patrick Söderlund	2019	Yes	Yes	8/9
Gustav Thott	2016	Yes	No	9/9
Pernilla Ekman	2020	Yes	Yes	9/9
Ola Nilsson	2021	Yes	Yes	3/9

CEO and other senior executives

The CEO is subordinate to the Board and responsible for Fractal's day-to-day management and operations. The division of work between the Board and the CEO is outlined in the rules of procedure for the Board and the instructions for the CEO. The CEO is also responsible for preparing reports and compiling information from management prior to board meetings and is the presenter of the material at board meetings.

In keeping with the instructions for financial reporting, the CEO is responsible for financial reporting in the company and must consequently ensure that the Board receives sufficient information to continuously evaluate Fractal's financial position.

The CEO shall keep the Board continuously informed about the development of Fractal's operations, sales, earnings and financial position, liquidity and credit

situation, major business events and any other event or circumstance of significant importance to Fractal's shareholders.

Internal control

Internal control includes control of the Group's organization, procedure, and support measures. The aim is to ensure that the financial reporting is reliable, that the company's and the Group's financial reports are prepared in accordance with law and applicable accounting practice, that Fractal's assets are protected, and that other requirements are complied with. The internal control system also monitors compliance with Fractal's policies, principles, and instructions. It also includes analysis of risks and follow-up of incorporating information and business systems. The Group identifies, assesses, and manages risks based on the Group's vision on goals. Risk assessments of strategical, compliance, operational and financial risks are performed annually by the CFO, and the assessment is presented to the Board.

The Board is responsible for internal control. Processes for managing the business and the Group delivering value must be determined within the business management system. The CEO is responsible for the process structure within the Group.

A separate assessment of the minimum requirements in defined controls for identified risks shall be performed annually and reported to the Board. The CFO is responsible for the self-evaluation process, which is facilitated given that the internal control works. In addition, the internal control function performs assessments of risk controls and internal systems in accordance with the plan agreed upon with the Board and Group Management.

Audit

The auditor shall examine Fractal's annual report and accounts as well as the administration of the Board of Directors and the CEO. After each financial year, the auditor shall submit an auditor's report and a consolidated auditor's report to the Annual General Meeting.

Under Fractal's Articles of Association, the Company shall have a minimum of one (1) and a maximum of two (2) auditors and a maximum of two (2) deputy auditors. The company's independent auditors are KPMG AB, with Mathias Arvidsson as the principal auditor.

The Board



Magnus Yngen

Born: 1958. Chairman of the Board since 2017.

Education: Master of Science in Engineering, Kungliga Tekniska Högskolan.

Other current positions: Chairman of the Board at LMY Stockholm AB. Board member of Dometic Group AB (publ) and Frekamara AB.

Previous positions (last five years): Deputy Chairman of the Board at Intrum AB. Chairman of the Board at Camfil Power Systems AB, Camfil Svenska Aktiebolag, Duni AB, Golviken Newco AB, SD Group Intressenter AB, Sveba-Dahlén Group AB and Vålinge Group AB. Board member of Camfil Aktiebolag.

Shareholding in the Company (incl. any related party holdings): 428,550 shares.



Patrick Söderlund

Born: 1973. Board member since 2019.

Education: -

Other current positions: Chairman of the Board of Embark Studios AB. Board member of Hexagon AB, Ortalis Group AB, Sicalis AB and Surmount Together AB. Managing director of Embark Studios AB.

Previous positions (last five years): Chairman of the Board of ESN Social Software AB and JOOSEO Capital Operations Uppsala AB. Board member of BIMobject AB, Digital Illusions CE AB, EA Digital Illusions CE AB, Ortealis Byggnation AB, Ortalis Fastigheter AB and Peltarion AB.

Shareholding in the Company (incl. any related party holdings): 514,290 shares.



Gustav Thott

Born: 1977. Board member since 2016.

Education: Master's degree, Handelshögskolan i Stockholm.

Other current positions: Physical Medicine Holding AS, Chino BidCo ApS and Chino Holding ApS

Previous positions (last five years): Board member of FHV Intressenter AB, Fiskarhedenvillan AB, Fiskarhedenvillan Group AB, Fiskarhedenvillan Group Holding AB, LL Intressenter AB, L&R Intressenter AB and mySafety Group AB.

Shareholding in the Company (incl. any related party holdings): -



Hannes Wallin

Born: 1982. Board member since 2010

Education: -

Other current positions: Chairman of the Board of JHD Holding AB, Board member of Fnatic Gear Ltd, Långholmen Holding AB and SANNPA Ltd.

Previous positions (last five years): CEO of Långholmen AB.

Shareholding in the Company (incl. any related party holdings): 8,444,655 shares.



Pernilla Ekman

Born: 1972. Board member since 2020.

Education: Master of Science Business Administration and Economics, University of Stockholm.

Other current positions: Chairman of the Board at Aarke Group AB and Stronger AB. Board member of Profoto Holding AB.

Previous positions (last five years): CEO of Zound Industries International AB.

Shareholding in the Company (incl. any related party holdings): 44,340 shares.



Ola Nilsson

Born: 1969. Board member since 2021.

Education: MSc in Economics.

Other current positions: Chief Experience Officer (Head of Consumer Experience) and Executive Vice President at Electrolux.

Previous positions (last five years): Leading positions within Electrolux including Head of the Home Environment and Small Appliances business area, Head of Laundry Products in Appliances EMEA and Head of Vacuum Cleaners and Small Appliances in Asia / Pacific.

Shareholding in the Company (incl. any related party holdings): 70,000 shares.

Management



Hannes Wallin

Born: 1982. CEO since 2010.

For a more detailed description, please refer to "The Board" above.



Karin Ingemarson

Born: 1976. CFO since 2019.

Education: Economics Master's degree, University of Gothenburg.

Other current positions: Deputy board member of Stevia Holding AB.

Previous positions (last five years): Board member of Shiloh Holdings Sweden AB and Shiloh Industries AB. Finance Manager Nordic for Essentra Components AB.

Shareholding in the Company (incl. any related party holdings): 88,650 shares.



Alexander Errnyd

Born: 1985. CMO since 2020.

Education: Game Development, Örebro University and San Diego University

Other current positions: -

Previous positions (last five years): Nordic e-commerce manager for Ingram Micro Mobility Sweden AB.

Shareholding in the Company (incl. any related party holdings): 13,320 shares.



Jens Harnisch

Born: 1964. VP Global Sales since 2010.

Education: Dipl. Kfm. University of Cologne, Germany) MSc in Economics).

Other current positions: Board member of Harnisch Management Consultancy AB and JHD Holding AB.

Previous positions (last five years): -

Shareholding in the Company (incl. any related party holdings): 2,100,000 shares.



Martin Gustavsson

Born: 1977. VP Supply Chain since 2021.

Education: Master of Science in Engineering, Chalmers University of Technology, Gothenburg

Other current positions: -

Previous positions (last five years): Supply & Sourcing Manager at Vitrolife Sweden AB

Shareholding in the Company (incl. any related party holdings): 3,130 shares.



David Jarlestedt

Born: 1975. VP Product since 2012.

Education: Master of Education, Malmö University

Other current positions: -

Previous positions (last five years): -

Shareholding in the Company (incl. any related party holdings): 60,000 shares.

Auditor's report on the corporate governance statement

To the general meeting of the shareholders in Fractal Gaming Group AB, corporate identity number 559080-2970

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2021 on pages 26 – 33 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 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.

Opinions

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

Gothenburg, April 21th, 2022

KPMG AB

Mathias Arvidsson

Authorized Public Accountant

Board of Directors' Report

The Group

The Fractal Group consists of the parent company Fractal Gaming Group AB and the subsidiary Fractal Gaming AB, which in turn has three subsidiaries: Fractal Design North American Inc., Fractal Design Swedish Taiwan Ltd., and Fractal Design (Dongguan) Co., Ltd.

Amounts in these consolidated accounts and annual accounts are stated in tsek, unless otherwise stated.

Parent company

The parent company Fractal Gaming Group AB (publ), corporate identity number 556080-2970, is headquartered in Stockholm. The operations of the Parent Company consist of Group management services performed for the group companies.

General information about the business

Founded in 2010, Fractal quickly became a pioneer using lean design to change the image of what gaming products could look like. Fractal has since developed into both an international brand and a driving force in the premium segment of PC gaming products. Today, Fractal sells in over 50 countries in the attractive and still growing gaming market.

The product categories today consist of computer chassis, power supplies, cooling products and fans for gaming PCs. Fractal is the market leader in computer chassis in several geographical markets, currently number one in the Nordic region, second in Japan and holds a top three position globally. Fractal's offer and range is permeated by Scandinavian design, careful material choice and high quality.

From day one, the Company has delivered profitable growth by successfully combining design, performance, and quality up to consumer demand, while expanding

both product range and geographical presence. Fractal is a leading, well-established brand with a strong premium positioning that has proven popular within relevant and influential communities. Much effort is devoted to improving the customer experience itself, through, for instance, of the industry's most acclaimed customer service and aftermarket departments.

Fractal has identified a number of growth areas for continued profitability and development, such as broader and more innovative marketing, aggressive broadening of both the product portfolio and product range, and a continued focus on geographical expansion and new markets. The head office is based in Gothenburg (Sweden) with satellite offices in Dallas (USA), Dongguan (China), and Taipei (Taiwan).

Development of business and position

After many strong years of profitable growth, external factors provided significant headwind for Fractal Gaming Group and the industry in 2021. The lack of graphics cards meant that end customers held off on upgrading their equipment, which affected sales of Fractal's products. Logistic disruptions in China also led to significant delivery delays.

The Group's net sales during the year amounted to SEK 478.6m (635.7), which was a decrease of 24.7%. Net sales in USD amounted to 56.0 USDm (69.4%), for an organic decrease of 19.3%. The comparative figures for the period were challenging as sales in 2020 were record high and affected by lockdowns in the rest of the world, contributing to strong sales and an organic growth of 62%.

The company's investments consist mainly of tangible and intangible assets and are strongly linked to product development.

The Group in summary

MSEK	Note	2021	2020	2019	2018
Net sales		478.6	635.7	401.5	325.2
Net sales, USDm		56.0	69.4	42.8	37.6
Product profit		158.1	240.8	149.0	123.2
Product margin, %		33%	38%	37%	38%
EBITDA		12.4	125.7	64.1	54.7
EBITDA margin		3%	20%	16%	17%
Adjusted EBITDA		33.5	138.6	64.1	54.7
Adjusted EBITDA margin, %		7%	22%	16%	17%
Operating cash flow		-60.7	62.8	33.2	69.4
Cash generating		-489%	50%	52%	127%
Interest-bearing net debt		126.2	49.7	30.7	50.9
USD/SEK, average		8.5	9.2	9.4	8.6

For the definitions of key ratio, see page 71.

Items affecting comparability were SEK 21.1m (12.9), related to costs for listing.

Parent company in summary

MSEK	Note	2021	2020	2019	2018
Net sales		26.3	12.4	4.5	4.4
Profit/loss after financial items		-0.3	41.7	-3.4	-9.0
Balance sheet total		273.0	279.3	271.8	271.9

Noteworthy events during the financial year

On February 11th, 2021, Fractal was listed on the Nasdaq First North Premier.

During the period, the company made a formal name change to Fractal Gaming Group AB.

On January 1st, 2021, tariffs were reintroduced on all of Fractal's products sold in the United States.

In July of 2021, an extraordinary general meeting was held where Ola Nilsson was elected new board member.

The Board of Directors proposes that no dividends be paid.

Operations in research and development

Fractal conducts internal product development, to further develop both new and existing product areas. Expenditure on product development during 2021 amounted to 13,587 tSEK (8,113), of which 9,967 tSEK (6,879) were capitalized development expenses.

The development operations take place mainly in the subsidiary Fractal Gaming AB.

Sustainability report according to the Annual Accounts Act

A statutory sustainability report has been prepared in keeping with the ÅRL 6, chapter 11, a. (See page 13.)

Information on risks and uncertainties

Fractal is dependent on product launches taking place as planned, and delays can have large effects on total sales volume.

The Group's products are mainly priced in USD. Purchases are also priced mainly in USD but are also partly affected by the relationship between the USD and the Chinese currency CNY. Changes in the exchange rate (especially SEK/USD) greatly affect the Group's earnings.

Fractal is exposed to fluctuations in raw material prices, mainly steel and plastics. Restrictions in the supply chain (such as a lack of semiconductors) can affect the Group's earnings. The business is also dependent on the free global flow of goods (especially between the major markets in North America and Europe), manufacturing in China and more.

Financial instruments and risk management

The Group's finance policy stipulates that liquidity and financial position are forecast and followed up on an ongoing basis. This includes forecasting and following up on the USD flow, and more.

Currency risk is managed primarily by carefully monitoring the net flow of USD and adjusted access to expected needs. Hedging instruments and hedge accounting are not used to manage currency risks. See note 25. Credit risk, which is primarily attributed to accounts receivable, is managed partly through reviews and partly through credit insurance. So far, the net cost of unpaid accounts receivable has been very low.

In the Parent Company, there is an indirect currency risk in the subsidiaries.

Expectations regarding future development

The Company's board and management have high hopes for the future as the Group's global market is growing, as demonstrated by (for example) the continued growth of e-sports. Fractal has a strong

position in this market and the board and management expect continued good growth and profitability as new products are launched while the geographical expansion continues.

It is the Company's board and management's firm belief that the current shortage of graphics cards creates a pent-up need that will drive sales when access to graphics cards and other components is improved, and prices are normalized. The expectation is that access to graphics cards will gradually improve during 2022 and that prices will begin to fall.

There is a strong underlying demand for the high-performance gaming hardware that Fractal offers. The number of viewing hours on Twitch, a good indicator for measuring interest in gaming, continues to increase with a total increase in 2021 by 31 percent – a record-high level. More people are playing computer games, gamers are playing more than before, and the average gamer is willing to spend more on their equipment.

The Board and management have thoroughly analyzed the potential effects of the conflict in Ukraine for the Group. At the time of the preparation of the annual report, the Board and management's assessment is that the effects of the conflict have no significant impact. We closely monitor developments and take continuous measures to limit any negative effects for the Group.

Proposed appropriation of the company's profit

The following amounts in SEK are in disposal to the Annual General Meeting.

Share premium	177,899
Retained earnings	56,388
Net profit/loss for the year	-373
Total	233,914
To be carried forward.	233,914
Total	233,914

Regarding the Group and the Parent Company's earnings and position in general, reference is made to subsequent financial reports and accompanying notes.

Income statement and statement of other comprehensive income - The group

January 1 - December 31

TSEK	Note	2021	2020
Net sales	2, 3	478,560	635,716
Capitalized development expenditure		8,903	5,606
Other operating income	4	123	10,649
		487,586	651,971
Operating expenses			
Goods for resale		-320,443	-394,934
Other external expenses	6	-96,835	-78,422
Personnel expenses	5, 21	-57,880	-52,904
Depreciation and impairment of tangible and intangible non-current assets		-13,848	-10,264
		489,006	536,524
Operating profit		-1,420	115,447
Net financial income and expenses			
Finance income	7	-	2
Finance costs	7	-4,691	-6,758
		-4,691	-6,757
Profit/loss after financial items		-6,111	108,691
Income tax expense	9	1,753	-24,725
Net loss for the year		-4,358	83,966
<i>Other comprehensive income</i>			
Items that have been reclassified or can be reclassified to profit/loss for the period			
Foreign subsidiaries - foreign currency translation differences		650	-1,390
Other comprehensive income for the year		650	-1,390
Total comprehensive income for the year		-3,708	82,576
Profit for the year attributable to:			
Shareholders of the Parent Company		-4,358	83,750
Holdings without control		-	216
Annual profit		-4,358	83,966
Total comprehensive income attributable to:			
Parent Company's shareholders		-3,708	82,360
Non-controlling interests		-	216
Total comprehensive income for the year		-3,708	82,576
Earnings per share, SEK		-0	3
Before and after dilution, SEK	10	-0	3

Statement of the financial position - The group

TSEK	Not	31/12/2021	31/12/2020
Assets			
Goodwill	11	210,167	210,167
Capitalised development costs	12	21,897	14,234
Tangible assets	13	31,706	25,087
Right-of-use assets	14	14,696	944
Deferred Tax Asset	9	601	-
Total non-current assets		279,067	250,432
Inventories	15	170,456	172,793
Accounts receivable	16, 25	93,353	93,505
Prepaid expenses and accrued income	17	9,513	4,321
Other receivables		7,888	2,670
Cash and cash equivalents	18	4,272	15,368
Total current assets		285,483	288,657
TOTAL ASSETS		564,550	539,089
Shareholders' equity			
	19		
Share capital		500	101
Share premium		177,899	177,899
Reserves		-397	-1,047
Retained earnings including profit/loss for the period		88,988	93,745
Equity attributable to the Parent Company's shareholders		266,990	270,698
Total equity		266,990	270,698
Liabilities			
Liabilities to group companies	20, 25	-	-
Long-term lease liabilities	20, 25	11,328	15
Provisions	22	2,810	1,692
Deferred tax liabilities	9	8,463	11,919
Total non-current liabilities		22,602	13,626
Overdraft facility	20, 25	130,461	65,089
Current lease liabilities	20, 25	3,399	817
Accounts payable	25	122,642	164,950
Tax liabilities	9	641	3,811
Other liabilities		1,642	2,518
Accrued expenses and prepaid income	23	16,172	17,580
Total current liabilities		274,959	254,765
Total Liabilities		297,560	268,391
Total Equity and liabilities		564,550	539,089

Statement of changes in equity - The group

TSEK	Equity attributable to the parent company's shareholders				Total	Possession without controlling influence	Total equity
	Share capital	Share premium	Translation reserve	Retained earnings including profit/loss for the period			
Opening equity 2020-01-01	101	177,899	343	45,915	224,258	123	224,381
Comprehensive income for the year							
Other comprehensive income for the year			-1,390	83,750	82,360	216	82,576
Other comprehensive income for the year	-	-	-1,390	83,750	82,360	216	82,576
Dividends paid						-69.0	-69
Fund issue	5			-5	-	-	-
Acquisition of minority				-5,372	-5,372	-270	-5,642
Redemption of shares in the parent company	-5			-30,543	-30,548		-30,548
Total transactions with the Group's owners	-	-	-	-35,920	-35,920	-339.0	-36,259
Outgoing equity 2020-12-31	101	177,899	-1,047	93,745	270,698	-	270,698

	Equity attributable to the parent company's shareholders				Total	Possession without controlling influence	Total equity
	Share capital	Share premium	Translation reserve	Retained earnings including profit/loss for the period			
Opening equity 2021-01-01	101	177,899	-1,047	93,745	270,698		270,698
Comprehensive income for the year							
Other comprehensive income for the year			650	-4,358	-3,708		-3,708
Other comprehensive income for the year	-	-	650	-4,358	-3,708		-3,708
Dividends paid							
Fund issue	399			-399	-		-
Acquisition of minority							
Redemption of shares in the parent com							
Total transactions with the Group's owners	399	-	-	-399	-		-
Outgoing equity 2021-12-31	500	177,899	-397	88,988	266,990		266,990

Statement of cash flows - The group

January 1st – December 31st

TSEK	Note	2021	2020
	32		
<i>Cash flows from operating activities</i>			
Profit/loss after financial items		-6,111	108,691
Adjustments for items not included in cash flow		15,758	4,094
Income tax paid		-10,465	-29,640
Increase (+)/Decrease (-) of inventories		2,337	-65,697
Increase (+)/Decrease (-) of operating receivables		-5,217	-3,129
Increase (+)/Decrease (-) of operating liabilities		-44,591	27,000
Net cash from operating activities		-48,289	41,319
<i>Cash flows from investing activities</i>			
Acquisition of property, plant and equipment		-15,664	-15,687
Disposal of tangible fixed assets		229	-
Acquisition intangible assets		-10,317	-5,369
Net cash used in investing activities		-25,752	-21,056
<i>Cash flows from financing activities</i>			
New share issue		-	-30,546
Redemption of shares		-	-5,504
Acquisition of non-controlling interests		-	-16,141
Amortization of loans to subsidiaries		65,372	35,582
Net change, bank overdraft facility		-2,159	-1,906
Repayment of borrowings		-	-123
Paid dividend to non-controlling interests		-	-
Net cash used in financing activities		63,213	-18,638
Net change in cash and cash equivalents		-10,828	1,625
Cash and cash equivalents at start of the year		15,368	14,943
Effects of movements in exchange rates on cash held		-268.0	-1,199
Cash and cash equivalents at end of the year		4,272	15,368

Parent Company income statement

January 1st – December 31st

TSEK	Note	2021	2020
Net sales		26,287	12,422
Operating expenses			
Other external expenses	6	-21,666	-13,390
Personnel expenses	5, 21	-4,919	-5,364.0
Operating profit		-298	-6,332.0
Net financial income and expenses			
Result from shares in subsidiaries		-	50,000
Finance costs	7	-49	-1,983
Profit/loss after financial items		-347	41,685
Appropriations	8	-	32,191
Net income before taxes		-347	73,876
Income tax expense	9	-26	-6,714
Profit/loss for the year		-373	67,162

Parent Company balance sheet

TSEK	Note	31/12/2021	31/12/2020
Assets			
Non-current assets			
Financial fixed assets			
Shares in group companies	30	271,432	271,432
Total non-current assets		271,432	271,432
Current assets			
Current assets			
Receivables from group companies	2	844	6,517
Other receivables		283	3
Prepaid expenses and accrued income	17	65	94
<i>Total current receivables</i>		<i>1,192</i>	<i>6,614</i>
Cash and cash equivalents		423	1,207
Total current assets		1,614	7,821
Total assets		273,047	279,253
EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital		500	101
<i>Non-restricted equity</i>			
Share premium		177,899	177,899
Retained earnings		56,388	-10,375
Profit for the year		-373	67,162
Shareholders' equity		234,414	234,787
Untaxed reserves	31	26,023	26,023
Long-term liabilities			
Liabilities to group companies	20	-	-
<i>Total long-term liabilities</i>		<i>-</i>	<i>-</i>
Current liabilities			
Overdraft facility		269	953
Debt to group companies		3,500	-
Tax liabilities		6,880	10,192
Other liabilities		509	1,501
Accrued expenses and prepaid income	23	1,452	5,797
<i>Total current liabilities</i>		<i>12,610</i>	<i>18,443</i>
Total equity and liabilities		273,047	279,253

Statement of changes in equity - Parent Company

TSEK	Retristed equity	Unrestricted equity☒			Total equity
	Share capital	Share premium fund	Balanced results	Profit/loss for the year	
Opening equity 2020-01-01	101	177,899	10,012	10,160	198,172
Comprehensive income for the year					
Net profit for the year				67,162	67,162
<i>Comprehensive income for the year</i>	-	-	-	67,162	67,162
Reversal of previous year's results			10,160	-10,160	-
company	-5		-30,542		-30,547
Fund issue	5		-5		-
Outgoing equity 2020-12-31	101	177,899	-10,375	67,162	234,787

TSEK	Retristed equity	Unrestricted equity☒			Total equity
	Share capital	Share premium fund	Balanced results	Profit/loss for the year	
Opening equity 2021-01-01	101	177,899	-10,375	67,162	234,787
Comprehensive income for the year					
Net loss for the year				-373	-373
<i>Comprehensive income for the year</i>				-373	-373
Reversal of previous year's results			67,162	-67,162	-
company					-
Fund issue	399		-399		-
Outgoing equity 2021-12-31	500	177,899	56,388	-373	234,414

Statement of Cash flows - Parent Company

January 1st – December 31st

TSEK	Note	2021	2020
	32		
<i>Cash flows from operating activities</i>			
Profit/loss after financial items		-347	41,685
Adjustments for items not included in cash flow		-	-50,000
Income tax paid		-3,338	-6,852
		-3,685	-15,167
Increase (+)/Decrease (-) of operating receivables		5,422	-6,277
Increase (+)/Decrease (-) of operating liabilities		-2,521	6,197
Net cash from operating activities		-783	-15,247
<i>Cash flows from financing activities</i>			
New share issue		-	-
Redemption of shares		-	-30,546
Amortization of loans to subsidiaries		-	-16,141
Net change, bank overdraft facility		-	-29,507
Received group contribution		-	42,648
Dividend received		-	50,000
Net cash used in financing activities		-	16,454
Net change in cash and cash equivalents		-783	1,207
Cash and cash equivalents at start of the year		1,207	-
Cash and cash equivalents at end of period		424	1,207

Notes to the financial statements

Note 1 – Significant accounting principles

Compliance with standards and laws

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. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied. The Parent Company applies the same accounting principles as the Group, except in the cases listed below under the section "Parent Company's accounting principles".

Valuation criteria applied in the preparation of the financial statements

Assets and liabilities are reported at historical acquisition values. The Group has no assets or liabilities that are reported at fair value.

Functional currency and reporting currency

The Parent Company's functional currency is Swedish kronor, which is also the reporting currency for the Parent Company and for the Group. This means that the financial reports are presented in Swedish kronor. Unless otherwise stated, all amounts are rounded to the nearest thousand.

Significant applied accounting principles

The accounting principles set out below have (with detailed exceptions to follow) been applied consistently to all periods presented in the Group's financial reports. The Group's accounting principles have also been consistently applied by the Group's companies.

New IFRS that have not yet been applied

New and amended IFRS with future applications are not expected to have any significant effect on the company's financial statements.

Classification and more

Fixed assets essentially consist of amounts that are expected to be recovered or paid after more than twelve months from the balance sheet date, while current assets essentially consist of amounts that are expected to be recovered or paid within twelve months from the balance sheet date. Long-term liabilities essentially consist of amounts that the Group at the end of the reporting period has an unconditional right to choose to pay further away in time than twelve months after the end of the reporting period. If the Group does not have such a right at the end of the reporting period, the debt amount is reported as a current liability.

Operating segment reporting

An operating segment is a part of the Group that conducts operations from which it can generate revenue and incur costs and for which independent financial

information is available. The result of an operating segment is further monitored by the company's highest executive decision-makers to evaluate the result and to allocate resources to the operating segments. See Note 3 for more details on the division and presentation of operating segments.

Consolidation principles and business acquisitions

Subsidiaries are companies that are under a controlling influence from Fractal Gaming Group AB. A controlling influence exists if Fractal Gaming Group AB has influence over the investment object, is exposed to, or has the right to a variable return from its commitment and can use its influence over the investment to influence the return. In assessing whether a controlling influence exists, potential voting shares are considered and whether de facto control exists.

Subsidiaries are reported according to the acquisition method. This means that the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and take over its liabilities. The acquisition analysis determines the fair value on the acquisition date of acquired identifiable assets and assumed liabilities as well as any non-controlling interests. Transaction expenses that arise are reported directly in the profit for the year (with the exception of transaction expenses that are attributable to the issue of equity instruments or debt instruments).

In business acquisitions where transferred remuneration, possible holdings without a controlling influence and fair value of previously owned share (in the case of step-by-step acquisitions) exceeds the fair value of acquired assets and assumed liabilities that are reported separately, the difference is reported as goodwill. When the difference is negative, so-called acquisitions at a low price, this is reported directly in the profit for the year.

In cases where the contingent purchase price is classified as an equity instrument, no revaluation is done, and equity is adjusted. For other contingent purchase prices, these are revalued at each reporting date and the change is reported in profit for the year. In cases where the acquisition does not concern 100% of the subsidiary, holdings arise without a controlling influence. There are two ways of reporting non-controlling interest: by share of proportional net assets or at fair value, meaning that non-controlling interests have a share in goodwill. The choice can be made on a case-by-case basis. The Group's acquisitions are reported according to the latter alternative.

Acquisition of non-controlling interests

Acquisitions from non-controlling interests are reported as a transaction within equity, i.e. between the Parent Company's owners (within retained earnings) and non-controlling interests. Therefore, goodwill does not arise in these transactions. The change in non-controlling interests is based on its proportionate share of net assets.

Transactions that are eliminated on consolidation

Intra-group receivables and liabilities, income or expenses and unrealized gains or losses arising from intra-group transactions between Group companies are eliminated in their entirety when preparing the consolidated financial statements.

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are translated into the functional currency at the exchange rate of the transaction date. Functional currency is the currency in the primary economic environments in which the companies operate. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate of the balance sheet date. Exchange rate differences that arise in the conversions are reported in the profit for the year. Non-monetary assets and liabilities that are reported at historical acquisition values are translated at the exchange rate at the time of the transaction. The Group does not contain any assets or liabilities that are reported at fair value.

Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated from the foreign currency's functional currency to the Group's reporting currency, Swedish kronor, at the exchange rate of the balance sheet date. Income and expenses in a foreign operation are translated into Swedish kronor at an average exchange rate that constitutes an approximation of the exchange rates that existed at the time of each transaction. Translation differences that arise from currency translation or foreign operations are reported in other comprehensive income and accumulated in a separate component in equity, called the translation reserve.

Income

Performance commitments and revenue recognition principles

Revenue is valued based on the compensation specified in the agreement with the customer. The Group reports revenue when control of a product or service is transferred to the customer. The Group's revenues mainly pertain to sales of goods in the form of PC gaming products. Customers gain control over the goods when they have been delivered and accepted and at this time the revenue is reported. Invoices are drawn up at this time and usually expire within 30-90 days. Volume discounts occur, are calculated on an ongoing basis and reduce reported income.

Government support

Government grants are reported in the statement of financial position when there is reasonable assurance that the grant will be received and that the Group will meet the conditions associated with the grant. Grants are systematically accrued in the profit for the year in the same way and over the same periods as the costs the grants are intended to compensate. Government grants

related to assets are reported in the statement of financial position as a reduction of the asset's carrying amount.

Leasing

When an agreement is entered into, the Group assesses whether the agreement is, or contains, a leasing agreement. An agreement is, or contains, a leasing agreement if the agreement leaves the right to decide for a certain period of use of an identified asset in exchange for compensation.

At the beginning of (or reconsidering) a leasing agreement that contains several (leasing and non-leasing) components, the Group distributes the compensation in accordance with the agreement to each component based on the independent price.

Leasing agreements where the Group is the lessee

The Group reports a usufruct asset and a lease liability at the commencement date of the lease agreement. The usufruct asset is initially valued at acquisition value, which consists of the initial value of the lease liability with additions for lease fees paid at or before the commencement date to the earlier end of the asset's useful life and the end of the lease term. In rare cases where the acquisition value of the right to use reflects that the Group will exercise an option to purchase the underlying asset, the asset is depreciated until the end of the useful life.

The leasing liability (divided into long-term and short-term) is initially in part valued at the present value of the remaining leasing fees during the assessed leasing period. The leasing period consists of the non-cancellable period with additions for additional periods in the agreement is at the commencement it is deemed reasonably certain that these will be used.

Leasing fees are normally discounted with the Group's marginal borrowing rate, which in addition to the Group's credit risk reflects the respective agreement's leasing period, currency, and quality of the underlying asset as intended collateral.

The value of the debt is increased by the interest cost for each period and is reduced by the lease payments. The interest expense is calculated as the value of the debt times the discount rate.

The lease liability for the Group's premises with rent as an index is calculated on the rent that applies at the end of each reporting period. At this time, the liability is adjusted with a corresponding adjustment of the carrying amount of the usufruct asset. Correspondingly, the value of the debt and the asset is adjusted in connection with a reassessment of the leasing period. This occurs in connection with the last notice date within the previously assessed leasing period for premises lease agreements having passed or noteworthy events occurring or circumstances significantly changing in a way that is within the Group's control and affects the current assessment of the leasing period.

The Group presents usufruct assets and leasing liabilities as separate items in the statement of financial position.

For leasing agreements that have a leasing period of 12 months or less or with an underlying asset of low value (less than SEK 50,000), no usufruct asset and leasing debt are reported. Leasing fees for these leasing agreements are reported as an expense on a straight-line basis over the leasing period.

The Group has no agreements where the Group is the lessor.

Financial income and expenses

Interest income or interest expenses are reported according to the effective interest method.

The effective interest rate is the interest rate that exactly discounts the estimated future inflows and outflows during the expected maturity of the financial instrument to:

- carrying amount of the financial asset, or
- the accrued acquisition value of the financial liability.

Interest income and interest expenses are calculated by applying the effective interest method to the reported gross value of the asset (when the asset is not impaired) or to the accrued acquisition value of the financial liability. For financial assets that have deteriorated in credit after the first reporting date, interest income is calculated by applying the effective interest rate to the accrued acquisition value of the financial asset. If the asset is no longer impaired in credit, interest income is calculated again by applying the effective interest rate to the reported gross value.

Taxes

Income taxes consist of current tax and deferred tax. Income taxes are reported in the profit for the year, except when the underlying transaction is reported in other comprehensive income or in equity, whereby the associated tax effort is reported in other comprehensive income or in equity.

Current tax is tax that must be paid or received for the current year, with application of the tax rates that have been decided or in practice decided on the balance sheet date. Current tax also includes an adjustment of current tax attributable to previous periods.

Deferred tax is calculated using the balance sheet method based on temporary differences between reported and taxable values of assets and liabilities. Temporary differences are not taken into account in consolidated goodwill, nor for differences that arose in the first recognition of assets and liabilities that are not business combinations that at the time of the transaction do not affect either reported or taxable profit. Furthermore, temporary differences attributable to participations in subsidiaries that are not expected to be reversed in the foreseeable future are also not considered. The valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been decided or in practice decided on the balance sheet date.

Deferred tax assets relating to deductible temporary differences and loss carryforwards are reported only to the extent that it is probable that these will be utilized. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilized.

Financial instruments

Accounting and initial valuation

Accounts receivable and issued debt instruments are reported when they are issued. Other financial assets and financial liabilities are reported when the Group becomes a party to the instrument's contractual terms. A financial asset (except for accounts receivable that do not have a significant financing component) or financial liability is valued at fair value at initial recognition plus, in the case of financial instruments that are not valued at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue. A trade receivable without a significant financing component is valued at the transaction price.

Classification and subsequent valuation

Financial assets

At the first reporting date, a financial asset is classified as valued at accrued acquisition value; fair value via other comprehensive income – debt instrument investment; fair value via other comprehensive income – equity investment; or fair value through profit or loss. All the Group's financial assets are classified as valued at amortized costs.

Financial liabilities – Classification, subsequent valuation and gains and losses

Financial liabilities are classified as valued at amortized cost or fair value through profit or loss. All the Group's financial liabilities are classified as valued at accrued acquisition value.

Impairment losses – expected credit losses

The loss reserve for accounts receivable, contract assets and leasing receivables is always valued at an amount corresponding to expected credit losses during the remaining term of the receivable. The Group uses a matrix for calculating the loss reserve with expected loss percentages divided by how many days a receivable is late and which customer category the receivable originates from. The loss percentages are based on historical experience and specific conditions at the end of the reporting period.

Presentation of reserves for expected credit losses in the statement of financial position

Loss reserves for financial assets valued at accrued acquisition value are deducted from the assets' gross value

Write-off

The reported gross value of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in whole or in part.

Removal from the statement of financial position (cancellation)

Financial assets

The Group removes a financial asset from the statement of financial position when the contractual rights to the cash flows from the financial asset cease or if it transfers the right to receive the contractual cash flows through a transaction in which essentially all risks and rewards of ownership have been transferred or which the Group does not transfer or retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group writes off a financial liability from the statement of financial position when the commitments stated in the agreement are fulfilled, canceled, or terminated. The Group also writes off a financial liability when the contractual terms are modified and the cash flows from the modified liability is reported at fair value based on the modified terms.

When a financial liability is written off, the difference between the carrying amount that has been removed and the compensation that has been paid (including transferred non-monetary assets or assumed liabilities) is reported in the income statement

Offsetting

Financial assets and financial liabilities are set off and reported with a net amount in the statement of financial position only when the Group has a legal right to set off the reported amounts and intends to settle the items with a net amount or to simultaneously realize the asset and settle the liability.

Tangible fixed assets

Owned assets

Tangible fixed assets are reported in the Group at acquisition value after deductions for accumulated depreciation and any write-downs. The acquisition value includes the purchase price and expenses directly attributable to the asset to bring it into place and in condition to be utilized in accordance with the purpose of the acquisition.

The carrying amount of a property, plant and equipment is removed from the statement of financial position upon disposal or when no future economic benefits are expected from the use or disposal of the asset. Gains or losses arising from the sales or disposal of an asset consist of the difference between the selling price and the asset's carrying amount less direct selling expenses. Profit and loss are reported as other operating income / expenses.

Additional expenses

Additional expenses are added to the acquisition value if it is probably that the future economic benefits associated with the asset will benefit the company and the acquisition value can be reliably calculated. All other additional expenses are reported as an expense in the period in which they arise.

Depreciation methods

Depreciation takes place on a straight-line basis over the asset's estimated useful life, where applicable regarding the estimated residual value.

Depreciation methods used, residual values and periods of use are reassessed at each year-end.

Intangible assets

Goodwill

Goodwill is valued at acquisition value less any accumulated write-downs. Goodwill is allocated to cash-generating units and tested at least annually for impairment.

Research and Development

Expenditure on research aimed at obtaining new scientific or technical knowledge is reported as an expense when it arises. Expenditure on development, where research results or other knowledge is applied to achieve new or improved products or processes, is reported as an asset in the statement of financial position, if the product or process is technically and commercially useful and the company has sufficient resources to complete the development and then use or sell the intangible asset. The carrying amount includes all directly attributable expenses; for example for materials and services, employee benefits, registration of a legal right, amortization of patents and licenses or borrowing expenses in accordance with IAS 23. Other expenses for development are reported in profit for the year as an expense when they arise. Development expenses reported in the statement of financial position are stated at acquisition value less accumulated depreciation and any write-downs.

Additional expenses

Additional expenses for capitalized intangible assets are reported as an asset in the statement of financial position only when they increase the future economic benefits of the specific asset to which they relate. All other expenses are expensed as incurred.

Depreciation methods

Depreciation is reported in profit or loss for the year on a straight-line basis over the estimated useful lives of intangible assets unless such useful lives are indefinite. The useful lives are reviewed at least annually. Goodwill and other intangible assets with an indefinite useful life or that have not yet been ready for use are tested for impairment annually and as soon as indications arise that the asset in question has decreased in value. Intangible assets with determinable useful lives are amortized from the time they are available for use.

Impairment of tangible fixed assets, intangible assets, and usufruct assets

If there is an indication of impairment, the asset's recoverable amount is calculated (see below). For goodwill, other intangible assets with an indefinite useful life and intangible assets that are not ready for use, the recoverable amount is also calculated annually. If it is not possible to determine substantially independent cash flows for an individual asset (and its fair value less

costs to sell cannot be used), the assets are grouped when testing for impairment at the lowest level where substantially independent cash flows can be identified – a so-called cash-generating unit. An impairment loss is recognized when the carrying amount of an asset or cash-generating unit (group of units) exceeds its recoverable amount. An impairment loss is reported as an expense in the profit for the year. When impairment needs have been identified for a cash-generating unit (group of units), the impairment amount is primarily allocated to goodwill. Thereafter, a proportional write-down is made of other assets included in the unit (group of units). The recoverable amount is the higher of fair value less costs to sell and value in use. When calculating the value in use, future cash flows are discounted with a discount factor that considers risk-free interest and the risk associated with the specific asset.

Impairment reversal

An impairment loss is reversed if there is both an indication that the impairment loss no longer exists and there has been a change in the assumptions that formed the basis for calculating the recoverable amount. Impairment of goodwill is never reversed, however. A reversal is made only to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been reported (less depreciation, where applicable) if no write-down has been made.

Inventory

Inventories are valued at the lower cost and net realizable value. The acquisition value of inventories is calculated by applying the first-in, first-out method (FIFO) and includes expenses incurred in everything from acquiring the inventory assets and transporting them, to their current location and condition. The net sales value is the estimated sales price in operating activities, after deduction of estimated costs to achieve a sale.

Payment of capital to the owners

Dividends

Dividends are reported as a liability after the Annual General Meeting has approved the dividend.

Earnings per share

The calculation of earnings per share before dilution is based on the Group's earnings for the year attributable to the Parent Company's owners and on the weighted average number of shares outstanding during the year. There have been no circumstances that could have led to dilution effects for the Group.

Remuneration to employees

Short-term benefits

Short-term benefits to employees are calculated without discounting and are reported as an expense when the related services are received.

Defined contribution pension plans

Defined contribution pension plans are those plans where the company's obligation is limited to the contributions the company has undertaken to pay. In

such a case, the size of the employee's pension depends on the contributions that the company pays to the plan or to an insurance company and the return on capital the contributions provide. Consequently, it is the employee who bears the actuarial risk (that the remuneration will be lower than expected) and the investment risk (that the invested assets will be insufficient to provide the expected remuneration). All the Group's pension plans are defined contribution, and contributions to these are reported as an expense in the profit for the year at the rate they are earned by the employees' performing services for the company for a period.

Compensation in the event of termination

A cost for remuneration in connection with redundancy is reported at the earliest time when the company can no longer withdraw the offer to the employees or when the company reports costs for restructuring. The benefits that are expected to be adjusted after twelve months are reported at their present value. Remuneration that is not expected to be settled in full within twelve months is reported according to long-term remuneration.

Provisions

A provision differs from other liabilities in that there is uncertainty about the time or size of the payment required. A provision is reported in the statement of financial position when there is an existing legal or informal obligation as a result of an event that has occurred, and it is probably that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are made with the best estimation of the amount to settle the existing obligation on the balance sheet date. Where payment timing is significant, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and the risks associated with the debt (if applicable).

Guarantee

A provision for guarantees is reported when the underlying products or services are sold. The provision is based on historical data on guarantees and a weighting of possible outcomes in relation to the probabilities with which the outcomes are associated.

Contingent liabilities

Disclosure of contingent liability is provided when there is a possible liability arising from events that have occurred (and said occurrence is confirmed by one or more uncertain future events beyond the Group's control), or when there is a liability that is not reported as a liability or provision because it is not likely that an outflow of resources will be required, or cannot be calculated with sufficient reliability.

Parent Company accounting principles

The Parent Company has prepared its annual report in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's

recommendation RFR 2 Accounting for legal entities. Statements issued by the Swedish Financial Reporting Board applicable to listed companies are also applied. RFR 2 states that the Parent Company in the annual report for the legal entity shall apply all IFRSs and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act, the Social Security Act and regarding the connection between accounting and taxation. The recommendation states which exceptions from (and additions) to IFRS should be made.

Differences between the Group's and the Parent Company's accounting principles

The differences between the Group's and the Parent Company's accounting principles are set out below. The accounting principles for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial reports.

Classification and layout forms

For the Parent Company, an income statement and a report on earnings and other comprehensive income are reported. Together, they make up a report on earnings and other comprehensive income. Furthermore, for the Parent Company, the terms balance sheet and cash flow analysis are used for the reports that in the Group have the titles report on financial position and report on cash flows, respectively. The income statement and balance sheet are prepared for the Parent Company in accordance with the schedules of the Annual Accounts Act, while the report on earnings and other comprehensive income, the report on changes in equity and the cash flow analysis are based on IAS 1 Presentation of Financial Statements and IAS 7 Cash

Flows Report. The difference from the Group's reports that apply in the Parent Company's income statements and balance sheets mainly consist of the presentation of fixed assets, equity, and the presence of untaxed reserves in the balance sheet.

Subsidiary

Participations in subsidiaries are reported in the Parent Company according to the acquisition value method. This means that transaction expenses are included in the carrying amount. In consolidated accounts, transaction expenses attributable to subsidiaries are reported directly in the income statement as they arise.

Leased assets

The Parent Company does not apply IFRS 16, in accordance with the exception contained in RFR 2. As a lessee, leasing fees are reported as an expense on a straight-line basis over the leasing period and thus usufruct rights and leasing liabilities are not reported in the balance sheet.

Taxes

In the Parent Company, untaxed reserves are reported in the balance sheet without a breakdown by equity and deferred tax liability, unlike in the Group. In the income statement, no corresponding distribution of part of year-end appropriations is made to the deferred tax expense in the parent company.

Group contribution

Group contributions are reported as appropriations.

Note 2 – Revenue

Revenue streams

The Group generates revenue mainly from the sale of premium PC gaming products such as chassis, power supplies, cooling products and fans. Sales are made to distributors, resellers and system integrators, and purchases are made from contracted manufacturers. Control over the products sold normally passes to the customer upon physical delivery of each product. Other income consists mainly of invoiced transports and exchange rate differences regarding sales and

purchases and is not included in the table below, which describes the nature of the revenue streams. The Parent Company's revenues mainly consist of invoiced group management services.

Distribution of income from agreements with customers

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

Group	Operating segment					
	Chassis		Other products		Total	
	2021	2020	2021	2020	2021	2020
MSEK						
Geographic market						
Americas	137.9	244.4	16.8	39.8	154.8	284.2
EMEA	178.0	224.2	65.2	52.1	243.3	276.3
APAC & Other	60.7	59.2	20	16	80.5	75.2
Time of revenue recognition						
Goods recognized at a point in time	376.7	527.8	101.9	107.9	478.6	635.7
Goods and services recognized over time	-	-	-	-	-	-
Total net sales	376.7	527.8	101.9	107.9	478.6	635.7

Sales by customer group

MSEK	2021	2020
Distributors	299.8	327.4
Resellers	178.8	308.3
Total	478.6	635.7

Contract balances

Information on receivables, contract assets and contractual liabilities from contracts with customers is summarized below.

Group

TSEK	Note	31/12/2021	31/12/2020
Accounts receivable		93,353	93,505
Deferred income		403	253

Parent company

TSEK	Note	31/12/2021	31/12/2020
Accounts receivable, which are included in "receivables on group companies"		844	6,517

Note 3 – Operating segment

The Group's operations are divided into operating segments based on the Group management's follow-up structure. Group management monitors revenues and product results per product segment. The product segments used are Chassis and Other products. The

chassis is the largest segment and includes sales of computer chassis, primarily in the market's premium segment aimed at gamers. Other products include sales of power supplies, cooling products and fans. Including those in the market's premium segment aimed at gamers.

Group operating segment

	Chassis		Other products		Group-wide		Total consolidated	
TSEK	2021	2020	2021	2020	2021	2020	2021	2020
Revenue from external customers	376,710	527,800	101,850	107,916			478,560	635,716
Product profit	134,851	204,136	23,266	36,646			158,117	240,782
other income in operating profit					9,026	16,255	9,026	16,255
Other costs in operating profit					-168,563	-141,590	-168,563	-141,590
Financial income					-	2	-	2
Financial expenses					-4,691	-6,758	-4,691	-6,758
Profit/loss before tax							-6,111	108,691

Product results correspond to the item Net sales less the item Merchandise in the consolidated income statements. The column "Group-wide" refers in summary to the items in the consolidated income statements that are not subject to follow-up at segment level.

Geographical areas

TSEK	2021	2020
Group		
<i>Income from external customers</i>		
Sweden	26,386	26,054
USA	145,272	263,745
Americas excluding USA	12,369	20,628
EMEA excluding Sweden	210,803	251,100
APAC & Other	79,957	74,189
Group		
<i>Fixed assets</i>		
Sweden	275,558	249,935
USA	3,510	497
	279,067	250,432

Information about major customers

In 2021, sales to an individual customer amounted to SEK 84.3 million (178.1).

Note 4 – Other operating income

TSEK	2021	2020
Group		
Re-invoiced costs	-	4,605
Exchange rate differences	-	5,966
Other	124	78
	124	10,649

The Group has large gross flows in foreign currency, mainly USD, and both exchange rate gains and exchange rate losses occur. The table below shows gross profits and gross losses, which are presented net in the consolidated income statement.

TSEK	2021	2020
Group		
Exchange rate gains	76,579	120,066
Exchange rate losses	-77,231	-114,100
	-652	5,966

Note 5 – Employees, personnel costs, and remuneration of senior executives

Costs for compensation to employees

TSEK	2021	2020
Group		
Salaries and allowances, etc.	42,216	41,699
Pension costs, defined contribution pension plans (for more information, see Note 21)	2,780	2,006
Social security contributions	10,316	6,746
	55,311	50,451

Average number of employees

	2021	2020
Parent company		
Sweden	2	2
<i>Total Parent company</i>	2	2

Subsidiaries

Swedem	54	42
USA	11	11
Taiwan	12	14
<i>Total Subsidiaries</i>	77	67

Group total	79	69
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Proportion of men

	Proportion of men	
	31/12/2021	31/12/2020
Parent company		
Board of directors	83%	86%
Other senior executives	100%	100%

Group

Board of directors	83%	80%
Other senior executives	83%	86%

Salaries and other remuneration distributed between senior executives and other employees as well as social costs in the Parent Company

Moderbolaget

2021

	Senior executives (1 person)	Other employees	Total
Salaries and other remuneration	1,564	1,043	2,607
(of which bonus etc.)	-	-	-
<i>Total Parent company</i>	1,564	1,043	2,607
(of which bonus etc.)	-	-	-
Social security contributions	671	464	1,135
(of which pension costs)	315	148	463

2020

TSEK	Senior executives (1 person)	Other employees	Total
Salaries and other remuneration	1,879	1,436	3,315
(of which bonus etc.)	510	376	886
<i>Total Parent company</i>	1,879	1,589	3,468
(of which bonus etc.)	510	376	886
Social security contributions	875	652	1,527
(of which pension costs)	214	153	367

Salaries and other remuneration, pensions costs and pension obligations for senior executives in the Group

	Senior executives (10 persons)	
TSEK	2021	2020
Group		
Salaries and other remuneration	7,103	9,137
(of which bonus etc.)	104	2,318
Pension costs	951	824

Salaries and other remuneration to senior executives

Parent company 2021 TSEK	Basic salary/ board fee	Variable remun- eration	Pension cost	Other compen- sation	Total
Chairman of the Board (Magnus Yngen)					
Remuneration from the parent company	300				300
Remuneration from subsidiaries					
Board member (Patrik Söderlund)					
Remuneration from the parent company	150				150
Remuneration from subsidiaries					
Board member (Pernilla Ekman)					
Remuneration from the parent company	150				150
Remuneration from subsidiaries					
Board member (Ola Nilsson)					
Remuneration from the parent company	63				63
Remuneration from subsidiaries					
CEO (Hannes Wallin)					
Remuneration from the parent company	1,497		315	67	1,880
Remuneration from subsidiaries					
Other senior executives (5 persons)					
Remuneration from the parent company	975	-	148	68	1,191
Remuneration from subsidiaries	3,643	104	487	86	4,321
<i>total</i>	6,778	104	951	221	8,054
Remuneration from the parent company	3,072	-	463	135	3,671
Remuneration from subsidiaries	3,643	104	487	86	4,321
Parent company 2020 TSEK					
	Basic salary/ board fee	Variable remun- eration	Pension cost	Other compen- sation	Total
Chairman of the Board (Magnus Yngen)					
Remuneration from the parent company	300				300
Remuneration from subsidiaries					
Board member (Daniel Johnsson)					
Remuneration from the parent company	47				47
Remuneration from subsidiaries					
CEO (Hannes Wallin)					
Remuneration from the parent company	1,275	510	214	94	2,094
Remuneration from subsidiaries					
Other senior executives (6 persons)					
Remuneration from the parent company	940	376	153	120	1,589
Remuneration from subsidiaries	3,572	1,432	456	446	5,906
	6,159	2,318	824	660	9,960
Remuneration from the parent company	2,586	886	368	215	4,054
Remuneration from subsidiaries	3,572	1,432	456	446	5,906

Other board members are not remunerated.

Note 6 – Fees and cost reimbursement to auditors

TSEK	2021	2020
Group		
<i>KPMG AB</i>		
Audit assignment	350	225
Auditory operation beyond the auditory assignment	215	465
TAX advice	302	250
Other assignments	253	1,614
Parent company		
<i>KPMG AB</i>		
Audit assignment	100	-
Auditory operation beyond the auditory assignment	105	465
TAX advice	302	250
Other assignments	253	1,614

Audit assignments refer to statutory audits of the annual and consolidated accounts and accounting, as well as the Board of Directors' and the President's administration, as well as other audits performed in accordance with an agreement or contract.

This includes tasks that are up to the company's auditor to perform as well as advice or other assistance prompted by observations during such review or the implementation of such other tasks.

Note 7 – Net financial items

TSEK	2021	2020
Group		
Current receivables	0	2
Cash and cash equivalents	-	-
Interest income from financial assets valued at amortised cost		
Exchange rate difference on current receivables	-	-
Financial income - other	-	-
Total financial income	-	2

Financial expenses

Group liabilities valued at accrued amortised cost - interest expenses	-	-841
Other liabilities valued at accrued amortised cost - interest expenses	-4 416	-2 029
Net exchange rate losses	-275	-3 888
Financial costs - other	-4 691	-6 758
Net financial items reported in profit or loss	-4 691	-6 756

TSEK	2021	2020
Parent Company		
Interest expenses and similar earnings items		
Interest expenses	-49	-1,983
Of which group companies	-	-841
Of which others	49	-1,142

Note 8 – Appropriations

TSEK	2021	2020
Parent Company		
TAX allocation reserve, provision for the year	-	-10,457
Group contribution received	-	42,648
Total	-	32,191

Note 9 – Taxes

TSEK	2021	2020
Group		
Current tax expense (-)		
Tax expense for the year	-2,304	-16,277
Deferred tax expense (-) / tax revenue (+)		
Deferred tax on temporary differences	624	-16
Deferred tax on untaxed reserves	3,434	-8,432
	4,058	-8,448
<i>Total reported tax expense in the group</i>	1,753	-24,725

TSEK	2021	2020
Parent company		
Current tax expense (-)		
Tax expense for the year	-26	-6,714
	-26	-6,714
<i>Total reported tax expense in the parent company</i>	-26	-6,714

Reconciliation of effective tax

TSEK	2021	2020
Group		
Profit/loss before tax	-6,111	108,691
Tax according to the current tax rate for the parent company	20.6% 1,259	21.4% -23,260
Effect of other tax rates for foreign subsidiaries	0.1% -5	0.0% -
Non-deductible expenses	4.0% -244	1.3% -1,465
<i>Reported effective tax</i>	-28.7% 1,753	22.7% -24,725

TSEK	2021	2020
Parent company		
Profit/loss before tax	-347	73,876
Tax according to the current tax rate for the parent company	20.6% 71	21.4% -15,809
Non-deductible expenses	28.1% -97	0.0% -
Non-taxable income	0.0% -	-12.3% 9,095
<i>Reported effective tax</i>	7.5% -26	9.1% -6,714

Change in deferred tax in temporary differences and loss carry-forwards

	Balance as at Jan 1 2021	Presented in result for the year	Presented in other comprehensive income	Presented in equity	Acquisition / Sale of business	Balance as at December 31 2021
TSEK						
Group						
Rights of use assets	194	2,833				3,028
tax allocation reserves	11,896	-3,434				8,463
Leasing liabilities	-171	-2,862				-3,033
Other	-	-595				-595
	11,919	-4,058	-	-	-	7,863

	Balance as at Jan 1 2020	Presented in result for the year	Presented in other comprehensive income	Presented in equity	Acquisition / Sale of business	Balance as at December 31 2020
TSEK						
Parent company						
Rights of use assets	516	-322				194
tax allocation reserves	6,611	5,285				11,896
Leasing liabilities	-486	315				-171
	6,641	5,278	-	-	-	11,919

Changed tax rate

As of January 1st, 2019, the tax rate in Sweden was 21.4% for companies whose financial year starts on or after January 1st, 2019. The tax rate is reduced to 20.6% for financial years beginning on or after January 1st, 2021.

Note 10 – Earnings per share

Result per share	Before and after dilution	
SEK	2021	2020
Earnings per share	-0.2	82.5

Profit for the year attributable to the parent company's ordinary shareholders

TSEK	2021	2020
Profit for the year attributable to the parent company's ordinary shareholders	-4,358	83,750
Results attributable to the parent company's ordinary shareholders	-4,358	83,750

The number of shares outstanding at the end of the year	29,119,500	970,650
Weighted average number of shares	29,119,500	1,014,908

No financial instruments that could give rise to a dilution effect have been issued.

Not 11 – Goodwill

	Intangible fixed assets	
TSEK	2021	2020
Group		
Opening balance	210,167	210,167
Acquisition	-	-
Closing balance	210,167	210,167

Impairment testing of goodwill

The Group's goodwill is entirely attributable to the Parent Company's acquisition of Fractal Gaming AB in 2016. No new operations have been acquired or started up since, so the impairment test of the value has been performed on the entire group's operations excluding those conducted in the Parent Company.

The impairment test is based on the calculation of value in use. This value is based on cash flow calculations, of which the first four years are based on the business plan approved by the Board. For year five in the calculation, a growth of 10% has been used. From that point on, cash flows are based on an annual growth of 2%. The estimated cash flows have been calculated at present value with a discount rate of 12% after tax. Assumptions pertinent to the business plan are outlined below.

Important variables and methods for estimating values

Market growth

Expected market growth is based on the fact that the strong market growth that currently exists will level off in

the coming year but then pick up again. New product releases are also the basis for growth in the coming years.

Discount rate

The discount rate is generated by a weighted average cost of capital for the industry in which the Group operates and reflects current market assessments of the time value of money and the risks that relate specifically to the asset for which future cash flows have not been adjusted. The risk-free interest rate has been set at 0%, the market risk premium at 7%, the size premium at 3% and the adjustment for company-specific risk at 2%

Management believes that no reasonable changes in the important assumptions will lead to the estimated recoverable amount being lower than the carrying amount.

Note 12 – Balanced development expenses

	Intangible fixed assets	
TSEK	2021	2020
Group		
Opening balance	17,474	10,545
Internally developed assets	10,317	6,929
Disposals	-147	-
Closing balance	27,644	17,474
Accumulated depreciation		
Opening balance	-3,240	-940
This year's depreciations	-2,654	-2,300
Disposals	147	-
Closing balance	-5,747	-3,240
Reported values	21,897	14,234

Note 13 – Tangible fixed assets

	Fixtures, tools and installations	
TSEK	2021	2020
Group		
Opening balance	53,988	40,207
Acquisition	15,664	13,781
Disposals	-229	-
Closing balance	69,423	53,988
Accumulated depreciation		
Opening balance	-28,901	-22,843
This year's depreciations	-9,045	-6,058
Disposals	229	-
Closing balance	-37,717	-28,901
Reported values	31,706	25,087

Note 14 – Rights of use

	Leasing assets	
TSEK	2021	2020
Group		
Opening balance	5,917	5,571
Acquisition	15,904	346
Disposals	-105	-
Closing balance	21,716	5,917
Accumulated depreciation		
Opening balance	-4,973	-3,067
This year's depreciations	-2,152	-1,906
Disposals	105	-
Closing balance	-7,020	-4,973
Reported values	14,696	944

Note 15 – Inventory

TSEK	31/12/2021	31/12/2020
Group		
Goods for resale	170,456	172,793
	170,456	172,793

Note 16 – Accounts receivable

Accounts receivable are reported after considering customer losses incurred during the year, which amounted to SEK 0 (0) thousand in the Group. The Parent Company has not suffered any customer losses. For the development of the credit loss reserve, see Note 25.

Note 17 – Prepaid expenses and accrued income

TSEK	31/12/2021	31/12/2020
Group		
Prepaid interest expenses		
Prepaid insurance	435	228
Other prepaid expenses and accrued income	9,078	4,093
	9,513	4,321
Parent company		
Prepaid insurance	9	9
Other prepaid expenses and accrued income	56	85
	65	94

Note 18 – Cash and cash equivalents

TSEK	31/12/2021	31/12/2020
Group		
<i>The following components are included in cash and cash equivalents:</i>		
Cash and bank balances	4,272	15,368
<i>Total according to the report on financial position</i>	4,272	15,368
<i>Total according to the cash flow statement</i>	4,272	15,368

Note 19 – Equity

	2021	2020
Ordinary share		
Issued as of January 1st	970,650	1,015,773
Split of shares	28,148,850	-
Withdrawal of shares	-	-45,123
Issued as of December 31 - paid	29,119,500	970,650

As of December 31st, 2021, the registered share capital comprised 29,119,500 ordinary shares (970,650).

Holders of ordinary shares are entitled to dividends that are determined gradually and the shareholding entitles the holder to vote at the Annual General Meeting with one vote per share. All shares have the same right to the Parent Company's remaining net assets.

Translation reserve

The translation reserve includes all exchange rate differences that arise when translating financial reports from foreign operations that have prepared their financial reports in a currency other than the currency in which the Group's financial reports are presented. The Parent Company and the Group present their financial reports in Swedish kronor.

Parent Company

Restricted equity

Restricted equity may not be reduced through dividends.

Unrestricted equity

The following components (together with the profit for the year) constitute unrestricted equity, i.e. the amount available for dividends to shareholders.

Share premium fund

When shares are issued at a premium (i.e. for the shares to be paid more than the quota value of the shares), an amount corresponding to the amount received in addition to the quota value of the shares shall be transferred to the share premium fund.

Balanced profits

Retained earnings consist of the previous year's retained earnings and profit after deductions for dividends paid during the year. Fractal Gaming Group AB has not paid any dividends during the period 2018-2021.

Note 20 – Interest-bearing liabilities

The following is information about the company's contractual terms regarding interest-bearing liabilities. For more information on the company's exposure to interest rate risk and risk of exchange rate fluctuations, see Note 25.

TSEK	2021	2020
Group		
Long-term liabilities		
Liabilities to Group companies	-	-
Leasing liabilities	11,328	15
	11,328	15
Current liabilities		
Overdraft facility	130,461	65,089
Short-term leasing liabilities	3,399	817
	133,860	65,906

Terms and repayment periods

The overdraft facility runs for one year starting on November 23rd. As of December 31st, 2021, the credit granted was SEK 160,000 thousand (SEK 120,000 thousand). As security for the overdraft facility, corporate mortgages of SEK 120,000 thousand (SEK 120,000 thousand) and the shares in the subsidiaries have been provided. The reverse loan has run without collateral.

Note 21 – Pensions

Defined contribution pension plans

The Group only has defined contribution pension plans. Ongoing payments are made in accordance with the rules of each plan.

TSEK	2021	2020
Group		
Costs for defined contribution plans	2,780	2,006
Parent company		
Costs for defined contribution plans	553	368

Note 22 – Provisions

TSEK	31/12/2021	31/12/2020
Group		
Warranty commitments	2,810	1,692
<i>Total</i>	2,810	1,692

TSEK	31/12/2021	31/12/2020
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Group

Total carrying amount at the beginning of the period	1,692	1,601
Provisions made during the period	1,118	91
<i>Total carrying amount at the end of the period</i>	2,810	1,692

Provisions for guarantees relate to product guarantees. The provision is based on calculations made on the basis of historical data linked to product sales.

Note 23 – Accrued expenses and prepaid income

TSEK	31/12/2021	31/12/2020
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Group

Accrued wages	951	3,646
Accrued holiday pay	3,185	2,275
Accrued social security contributions	1,222	2,009
Accrued interest expenses	-	-
Accrued shipping costs	6,056	1,922
Other accrued expenses	4,759	7,728
	16,172	17,580

Parent company

Accrued wages	600	1,364
Accrued holiday pay	486	413
Accrued social security contributions	341	558
Accrued interest expenses	-	-
Other accrued expenses	25	3,462
	1,452	5,797

Note 24 – Valuation of financial assets and liabilities

Classification and fair value

All financial assets and liabilities in the Group are valued at accrued acquisition value. Carrying amount is a reasonable approximation of fair value.

Note 25 – Financial risks and risk management

Through its operations, the Group is exposed to various types of financial risks.

- Credit risk
- Liquidity risk
- Market risk

Framework for financial risk management

The Group's financial policy for managing financial risks has been formulated by the Board and forms a framework of guidelines and rules in the form of risk mandates and limits for financial operations. Responsibility for the Group's financial transactions and risks is handled centrally by the Group's finance function located in the subsidiary Fractal Gaming AB. The overall objective of the financing function is to provide cost-effective financing and to minimize negative effects on the Group's earnings that arise primarily from currency risks.

Liquidity risk

Liquidity risk is the risk that the Group may have problems fulfilling its obligations associated with

financial liabilities. The Group has rolling liquidity planning that covers all the Group's units. The planning is updated quarterly. Liquidity planning is used to manage liquidity risks and the costs of financing the Group. The goal is for the Group to be able to meet its financial commitments in ups and downs without significant unforeseen costs or risking the Group's reputation. Liquidity risks are managed centrally for the entire Group by the finance function in the subsidiary Fractal Gaming AB.

The Group finances its operations partly through the cash flow of the business and partly through bank financing. Existing credit agreements contain restrictions on raising additional credits, making acquisitions and divestments, carrying out mergers or changes in operations, guaranteeing liabilities or incurring other contingent liabilities and granting pledges.

At present, the Group's credit agreement is in the form of an overdraft facility of SEK 160 million (SEK 120 million).

As of December 31st, 2021, SEK 130.4 million (SEK 65.1 million) of the overdraft facility was utilized.

The maturity structure of the Group's financial liabilities is shown in the table below.

Maturity structure of financial liabilities - undiscounted cash flows

TSEK	Total	<1 month	1-3 months	3 months-1 year	1-5 years	> 5 years
2021 Parent company						
Overdraft facility	130,461			130,461		
Liabilities to Group companies						
Accounts payable	122,642	119,078	2,953	611	-	-
Leasing liabilities	14,728	22	786	2,381	11,539	
<i>Total</i>	267,831	119,100	3,739	133,453	11,539	-

TSEK	Total	<1 month	1-3 months	3 months-1 year	1-5 years	> 5 years
2020 Group						
Overdraft facility	65,089			65,089		
Accounts payable	164,950	165,007	-5	-52		
Leasing liabilities	832	175	229	413	15	
<i>Total</i>	230,871	165,182	224	65,450	15	-

Market risks

The Group is mainly affected by currency risk, but loans also involve a certain interest rate risk.

variable interest component Nordea Stiborbas (NSSu) is adjusted to the current level.

Interest rate risk

The Group's interest rate is mainly attributable to the utilization of the overdraft facility and to some extent the use of leasing as financing of the right use of premises and other fixed assets. At present, the fixed interest rate on the overdraft facility is three months, whereby the

Currency risk

The Group's reporting currency is SEK, and the financial reports are exposed to risks linked to currencies other than SEK. The Group sells its products in USD and pays its suppliers mainly in USD. The agreements with suppliers also mean that the Group is exposed to fluctuations in CNY, as mechanisms in the supplier agreements mean that the price of purchased goods varies with the CNY price. The Group is exposed to currency risk in SEK/USD between the time of purchase and sale as the currency flows are not hedged.

In addition to currency exposure that arises when purchases and sales take place in foreign currency (transaction exposure), the Group is exposed to currency exposure when translating the financial statements of foreign operations (translation exposure). At present, the translation exposure is not significant as the Group's operations are largely attributed to the Swedish subsidiary. On the other hand, the transaction flow in foreign currencies is significant where SEK/USD accounts for the largest exposure. Currency exposure is monitored on an ongoing basis by management in accordance with the Group's guidelines for currency exposures. The Group does not use hedging instruments to manage currency risk as the net flow is in foreign currency. In 2021, a change of +/-2% in USD/SEK would have an insignificant impact on the Group's operating profit in the range of -0.9 - +0.9 MSEK. For 2020, the corresponding figure was SEK 3.8 - 4.6 million.

Credit risk

Credit risk is the risk that a customer of counterparty in a financial instrument will not be able to fulfill its obligation and thereby cause the Group a financial loss and arises mainly from the Group's accounts receivable. The Group has active customer credit insurance and strives for at least 90% of accounts receivable to be credit insured in accordance with the Group's financial policy. For 2021, credit losses after insurance compensation amounted to SEK 0 thousand (SEK 0 thousand). The insurance cost in 2021 amounted to SEK 533 thousand (SEK 751 thousand). The Group has some customers who account for a significant share of sales, see Note 3.

The credit exposure for accounts receivable per counterparty (December 31st, 2021):

TSEK	Carrying amount	
	2021	2020
Distributors	60,051	48,357
Re-sellers	32,254	45,448
Other	1,765	3,262
Total	94,070	97,067

The carrying amount for the Group's largest customer (December 31st, 2021): SEK 11,433 thousand (SEK 22,239 thousand).

Reserve for feared credit losses

Assessment of feared credit losses

The Group assesses its reserve for feared customer losses based on the credit risk exposure in absolute terms and its age structure. Based on historical experience, reserves are then reported regarding the age of the exposures. If knowledge of credit impairment is obtained from individual customers, that information is used to assess the individual receivables.

Change in reserves for write-downs regarding accounts receivable

TSEK	2021	2020
Opening balance as of 1 January	57	104
Settled amounts	-57	-104
New loss reserves	466	57
Closing balance as of 31 December	466	57

Capital management

In keeping with the Board's policy, the Group's financial objective is to have a good financial position contributing to maintaining investor, lender and market confidence and forming a basis for continued development of the business – while the long-term return generated to shareholders is satisfactory.

The dividend policy aims to pay out 30% to 50% of the Group's net profit, considering other factors such as financial position, cash flow and growth opportunities.

The Group's credit agreement contains terms which mean that net debt may not exceed 200% of an EBITDA measurement.

Note 26 – Leasing agreements

Leasing agreements where the company is the lessee

The Group's leasing agreements mainly relate to premises and company cars. No leasing agreements contain covenants or other restrictions in addition to the security of the leased asset. The Parent Company has not entered into any leasing agreements.

Rights of use

Information on reported values and additional usufruct assets is provided in Note 14.

Amounts reported in the income statement

TSEK	2021	2020
Group		
Depreciation during the year	-2,152	-1,906
Interest on leasing liabilities	-201	-38
Variable leasing fees that are not included in the valuation of the leasing liability	-211	-297
Costs for short-term leasing	-345	-364
Costs for leases of low value, not short-term leasing of low value	-35	-4

For a maturity analysis of the leasing liabilities, see Note 25
Financial risks and risk management in the section on liquidity risk.

TSEK	2021	2020
Group		
attributable to leasing agreements	2,944	2,609

The above cash outflow includes amounts for leasing agreements that are reported as leasing liabilities, as well as amounts paid for variable leasing fees, short-term leasing, and leases of low value.

Extension and termination options

Some leasing agreements contain extension and termination options that the Group may or may not exercise before the end of the non-cancellable leasing period. Whenever practical, the Group tries to include such options in new leasing agreements as it contributes to operational flexibility. Whether or not it is reasonably certain that an extension option will be exercised, is determined on the commencement date of the leasing agreement. The Group reconsiders if there is an important event or significant changes in circumstances within the Group's control.

Note 27 – Pledged collateral, contingent liabilities, and contingent assets

TSEK	31/12/2021	31/12/2020
Group		
Pledged assets		
<i>As pledged assets for own liabilities and provisions</i>		
Corporate mortgages	120,000	120,000
	120,000	120,000

<i>Total pledged assets</i>	120,000	120,000
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TSEK	31/12/2021	31/12/2020
Parent entity		
Pledged assets		
<i>As pledged assets for own liabilities and provisions</i>		
Pledged shares in group companies	271,432	271,432
	271,432	271,432
<i>Total pledged assets</i>	271,432	271,432

Contingent liabilities

Guarantees for the benefit of subsidiaries	160,000	120,000
<i>Total contingent liabilities</i>	160,000	120,000

Note 28 – Disposition of company's profit**Proposed disposition of the company's profit**

Unrestricted equity in the parent company	233,914
To be carried forward	233,914
<i>Total</i>	233,914

Note 29 – Related parties**Related party relationships**

Salaries and remuneration to management and key personnel are stated in Note 5.

The Parent Company has a related party relationship with its subsidiaries; see Note 30. Net sales in the Parent Company, SEK 26,287 thousand (SEK 12,422 thousand) consist of Group management services. Receivables and liabilities to Group companies are stated in the balance sheets for each year. Transactions with related parties are priced on market terms.

Note 30 – Group companies

The business is mainly conducted in Fractal Gaming AB, which in turn has three subsidiaries: Fractal Design North America Inc., Fractal Design Swedish Taiwan Ltd and Fractal Design (Dongguan) Co., Ltd. The American

subsidiary runs marketing, sales and technical support in the North American market, while the company in Taiwan and China is responsible for e.g. purchasing and quality assurance of the company's products.

Ownership in %			Ownership in %	
Subsidiary's registered office, country			31/12/2021	31/12/2020
Fractal Gaming AB, 556799-7506, Gothenburg			100%	100%
Fractal Design North America Inc, Frisco, Texas USA			100%	100%
Fractal Design Swedish Taiwan Co, Ltd, Taipei, Taiwan			100%	100%
Fractal Design (Dongguan) Co., Ltd, Dongguan City, China			100%	100%
TSEK			2021	2020
Parent company				
Accumulated acquisition values				
At the beginning of the year			271,432	271,432
Carrying amount on 31 December			271,432	271,432
Specification of the parent company's direct holding of shares in subsidiaries				
Subsidiaries / Organization number / Säte	Number of shares	Number in %	Carrying amount	
			31/12/2021	31/12/2020
Fractal Gaming AB, 556799-7506, Gothenburg	600	100	271,432	271,432

Note 31 – Untaxed reserves

TSEK	2021	2020
Parent company		
Tax allocation reserve		
Provision at taxation 2018	10,420	10,420
Provision at taxation 2019	5,146	5,146
Provision at taxation 2020	10,457	10,457
<i>Closing balance 31 December</i>	26,023	26,023
Amount of untaxed reserves	26,023	26,023

Note 32 – Specifications for cash flow statement

TSEK	31/12/2021	31/12/2020
Group		
The following components are included in cash and cash equivalents:		
Cash and bank balances	4,272	15,368
<i>Total according to the balance sheet</i>	4,272	15,368
<i>Total according to the cash flow statement</i>	4,272	15,368
Parent company		
The following components are included in cash and cash equivalents:		
Cash and bank balances	423	1,207
<i>Total according to the balance sheet</i>	423	1,207
<i>Total according to the cash flow analysis</i>	423	1,207

Adjustments for items that are not included in cash flow	2021	2020
Group		
Depreciations	13,848	12,170
Currency translation operating receivables, operating liabilities, bank	728	-8,281
Translation differences within the group	64	114
Changes in provisions	1,118	91
	15,758	4,094
TSEK		
Group		
Acquisition of assets through leasing agreements	15,799	274

Change in liabilities within the financing operations - Group

TSEK	Overdraft credit	Reverse loan from parent company	Leasing liability	Total liabilities arising from financing activities
Opening balance 2020	29,507	16,141	2,362	48,010
Cash flows in financing activities				
Net change	35,582			35,582
Borrowings				-
Amortization of loans		-16,981		-16,981
Amortization of lease liabilities			-1,906	-1,906
<i>Other changes</i>				
Capitalized interest		840		840
Additional leasing liabilities			274	274
Closing balance 2020	65,089	-	730	65,819
Opening balance 2021	65,089	-	730	65,819
Cash flows in financing activities				
Net change	65,372	-		65,372
Amortization of lease liabilities			-2,184	-2,184
<i>Other changes</i>				
Capitalized interest				-
Additional leasing liabilities			16,182	16,182
Total change				-
Closing balance 2021	130,461	-	14,728	145,189

TSEK	2021	2020
Group		
Unutilized credits amount to	29,539	54,911
Parent company		
Unutilized credits amount to	-	-

Note 33 – Subsequent events

In March of 2022, it was announced that the U.S. Trade Representative's office renewed expired tariff exemptions for, among other things, computer chassis. The exemption applies retroactively from October 12th, 2021, to December 31st, 2022, and means that tariffs paid for imports of exempt categories from October 12th, 2021, will be refunded.

Based on the industry in which the Group operates, the conflict in Ukraine has not significantly affected operations. It cannot be ruled out that a far-reaching conflict in Ukraine could have consequences for operations.

Note 34 – Important estimates and judgments

Payment to customers

The Group makes payments to customers partly as compensation for the implementation of specific marketing activities regarding the Group's products and/or brand, and partly through sales-based discounts. The former payments are reported as a reduction in the Group's net sales.

Leasing agreement

Some leasing agreements contain extension and termination options that the Group can choose to exercise before the end of the non-cancellable leasing period. Whenever possible, the Group includes such options in new leasing agreements as it contributes to operational flexibility. An assessment of whether it is reasonably certain that an extension option will be exercised is made on the commencement date of the leasing agreement. The Group reconsiders the leasing period in the event of an important event or significant changes in circumstances that are within the Group's control and that affect whether it is reasonably certain that the Group will or will not exercise any option included in the original agreement.

Important sources of uncertainty in estimates

The sources of uncertainties in estimates stated below refer to those that entail a significant risk that the value of assets or liabilities may need to be adjusted significantly during the coming financial year.

Impairment testing of goodwill

When calculating the recoverable number of cash-generating units for assessing any need for impairment of goodwill, several assumptions about future conditions and estimates of parameters have been made. An account of these can be found in Note 16. As stated in Note 17, changes in 2022 of the conditions for these assumptions and estimates could have a significant effect on the value of goodwill.

Recovery of the value of development expenses

The Group has capitalized expenses for its product development work. Considering current and estimated expected development regarding the sale of these

products, no indications of impairment have been identified. A change in the conditions for these assumptions and estimates could have a significant effect on the value of the capitalized development expenditure.

Note 35 – Information about the Parent Company

Fractal Gaming Group AB (publ), corporate identity number 559080-2970, is a Swedish-registered limited liability company with its registered office in Stockholm. The address of the head office is Victor Hasselblads Gata 16A, 421 31 Västra Frölunda.

The consolidated financial statements for 2021 consist of the parent company and its subsidiaries, collectively referred to as the Group.

Declaration by the Board of Directors and the CEO

The consolidated income statements and balance sheets will be submitted to the Annual General Meeting on May 19th, 2022.

The Board of Directors and the President 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 position and results. The annual report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the Parent Company's position and results.

The Board of Directors' report for the Group and the Parent Company provides a fair overview of the development of the Group's and the Parent Company's operations, position and results and describes significant risks and uncertainties that face the Parent Company and the companies included in the Group.

Stockholm April 21th, 2022

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

Auditor's report

To the general meeting of the shareholders of Fractal Gaming Group AB, corp. id 559080-2970

Report on the annual report and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Fractal Gaming Group AB for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 35-69 in this document. In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. 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 statement of comprehensive income and statement of financial position for the group.

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.

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

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 3-24. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts

represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Fractal Gaming Group AB for the year 2021 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Gothenburg April 21th, 2022

KPMG AB

Mathias Arvidsson

Authorized Public Accountant
Auditor in charge

Definitions

This report contains key financial ratios in accordance with the frameworks applied by Fractal, which is based on IFRS. In addition, there are other key ratios (alternative key ratios) used by company management and other stakeholders to analyze trends and the development of the Group's operations that cannot be directly deduced or derived from the financial statements. Fractal's stakeholders should not consider these alternative key figures as substitutes, but as a complement to the financial reporting prepared in accordance with IFRS. See below for a list of definitions and key figures used and referenced in this report.

Non-IFRS measures	Description	Justification for the use of measures
Net sales, USDm	Invoiced amounts in USD that relate 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 Group's organic growth.
Product result	Net sales less the cost of merchandise.	Indicates the profitability of the core business.
Product margin, %	Product result in relation to net sales.	Indicates the core business's product profitability in relation to net sales.
Operation profit (EBIT)	Fractal's reported operating profit.	Operating profit (EBIT) is a profit measure that, together with EBITDA, shows the profit generated by the operating activities.
Operating margin (EBIT margin), %	Operating profit (EBIT) in relation to net sales.	Enables comparisons of profitability regardless of capital structure of tax situation.
EBITDA	Operating profit (EBIT) with reimbursement of costs for amortization of tangible and intangible fixed assets.	EBITDA together with Operating profit (EBIT) provides an overall picture of the generation of results from operating activities.
EBITDA margin, %	EBITDA in relation to net sales.	This key figure is used for analysis of Fractal's operational profit generation.
Adjusted EBITDA	EBITDA adjusted for items affecting comparability.	Adjusted EBITDA is a performance measure that is considered relevant for understanding Fractal's financial performance from operating activities. The measure shows the financial performance in the operating activities without the impact of significant cost or revenue items that affect the ability to make comparisons over time, as described under "Items affecting comparability" below.
Adjusted EBITDA margin, %	Adjusted EBITDA in relation to net sales.	Adjusted EBITDA margin is a key figure that is considered relevant for understanding Fractal's financial performance from operating activities without the impact of significant cost or revenue items that affect the ability to make comparisons over time.
Items affecting comparability	Revenue and expense items reported separately due to nature and/or amount.	Items affecting comparability are used to explain differences in historical result. Separate reporting and specification of items affecting comparability enables readers of the financial statements to understand and evaluate the adjustments that have been 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 reduced by net working capital liabilities. Net working capital assets are calculated as the sum of inventories, accounts receivable and prepaid expenses and other accrued income and other receivables. Net working capital liabilities are calculated as the	This measure shows how much net working capital is tied up in Fractal's operations.

Non-IFRS measures	Description	Justification for the use of measures
	sum of accounts payable and tax liabilities, accrued expenses and prepaid income as well as other liabilities.	
Operating cash flow	EBITDA less deductions for tangible and intangible fixed assets as well as adjustments for changes in inventories, operating receivables, and operating liabilities.	Operating cash flow is used by Fractal as a measure of how much cash flow the business generates.
Cash generation, %	Operating cash flow in relation to EBITDA.	Fractal uses the key figure to monitor how efficiently the Group handles current investments and net working capital.
Interest-bearing net debt	Interest-bearing liabilities less cash and cash equivalents. Interest-bearing liabilities consist of the sum of overdraft facilities and liabilities of group companies.	Interest-bearing net debt is a measure that shows the Company's total indebtedness.
USD/SEK, average	Net sales in SEKm in relation to net sales in USDm.	The average USD/SEK exchange rate has a significant impact on the Company's net sales and operating profit.
Net sales growth, %	Net sales growth for the period, calculated as an increase in net sales compared with the previous year, expressed as a percentage.	Indicates the business's net sales change compared to the previous period.
Organic net sales growth, %	Growth in net sales in USDm for the period (calculated as the change in net sales) compared with the previous year, expressed as a percentage.	Indicates the business's organic growth compared to the previous period.
Equity / assets ratio	Equity in relation to total assets.	Shows the proportion of the assets that are financed with equity and can be used as an indicator of the company's ability to pay in the long term.
Operational key figures	Description	Justification for use of measures
Sales from resale Sales Out to Consumer (Sales Out), USD	Sales to end consumers in USD, reported by resellers to Fractal.	Reported sales from external resellers measured in USD are used by Fractal as an indicator of the underlying demand for the Company's products.



Financial calendar

Interim report January – March 2022	2022-05-12
Annual General Meeting	2022-05-19
Interim report January – June 2022	2022-08-18
Interim report January – September 2022	2022-11-17

Contact information

Hannes Wallin, CEO
+46 031 380 71 00
ir@fractal-design.com

Fractal Gaming
Fractal Gaming Group AB (publ)
Datavägen 37B, 436 32 Askim
+46 031-380 71 00
www.fractalgaminggroup.se

Karin Ingemarson, CFO
+46 031 380 71 00
ir@fractal-design.com

Certified Advisor
FNCA Sweden AB
Box 5216, 102 45 Stockholm
+46 08 528 00 399
info@fnca.se