

# Interim Report

# Interim Report, Q2 2022

## Second quarter 2022

- Net sales amounted to SEK 95.4 million (103.7).
- Product profit amounted to SEK 29.3 million (33.8), with a product margin of 30.7% (32.6).
- EBITDA amounted to SEK -3.0 million (2.0), corresponding to an EBITDA margin of -3.2% (1.9).
- EBIT amounted to SEK -7.5 million (-1.3), corresponding to an EBIT margin of -7.9% (-1.2).
- Operating cash flow amounted to SEK -7.7 million (0.9).
- Interest-bearing net debt was SEK 127.4 million (94.5).
- Earnings per share amounted to SEK -0.1 (0.0)
- No items affecting comparability for the quarter.

## Jan–Jun 2022

- Net sales amounted to SEK 212.9 million (272.8).
- Product profit amounted to SEK 76.6 million (92.6), with a product margin of 36.0% (33.9).
- EBITDA amounted to SEK 8.3 million (12.6), corresponding to an EBITDA margin of 3.9% (4.6).
- EBIT amounted to SEK -0.2 million (6.3), corresponding to an EBIT margin of -0.1% (2.3).
- Operating cash flow amounted to SEK -0.8 million (-37.2).
- Earnings per share amounted to SEK 0.1 (0.1)
- No items affecting comparability during the period in 2022. For the period in 2021, items affecting comparability amounted to SEK 21.1 million and were entirely related to transactions costs.

## Financial performance

Amounts in SEKm	Q2		Jan–Jun		Jul–Jun	Full year
	2022	2021	2022	2021	21/22	2021
Net sales	95.4	103.7	212.9	272.8	418.6	478.5
Net sales, USDm	9.7	12.3	22.3	32.5	45.8	56.0
Product profit	29.3	33.8	76.6	92.6	142.1	158.1
Product margin, %	30.7	32.6	36.0	33.9	33.9	33.0
EBITDA	-3.0	2.0	8.3	12.6	8.1	12.4
EBITDA margin	-3.2	1.9	3.9	4.6	1.9	2.6
EBIT	-7.5	-1.3	-0.2	6.3	-8.0	-1.4
EBIT margin, %	-7.9	-1.2	-0.1	2.3	-1.9	-0.3
Operating cash flow	-7.7	0.9	-0.8	-37.2	-24.2	-60.7
Interest-bearing net debt	127.4	94.5	127.4	94.5	127.4	126.2
Earnings per share, SEK	-0.1	0.0	0.1	0.1	-0.2	-0.2
USD/SEK, average	9.8	8.4	9.5	8.4	9.1	8.5

# CEO's comments

## Comments on the quarter

The market conditions remained challenging during the quarter, with generally weak demand for gaming hardware, which impacted both sales and earnings. We predict a stronger trend during the second half of the year and that we will return to profitable growth. Historically, the gaming industry has been less sensitive to market fluctuations than several other industries and the assessment is that there is a major pent-up need given that many have refrained from upgrading their equipment in the past year.

Net sales for the quarter, which are entirely in USD, declined to SEK 95.4 million (103.7). Total sales from resellers to end consumers decreased by 10.5%. The downturn in the market is affecting the entire industry and the continued weak market demand has led to generally high stock levels at the reseller level and to many distributors restricting their purchasing during the period, which had a negative impact on our sales.

EBITDA for the quarter was SEK -3.0 million (2.0), corresponding to an EBITDA margin of -3.2% (1.9). The product margin amounted to 30.7% (32.6), impacted by extraordinarily high freight costs. However, the underlying product margin continued its positive trend as a result of the price increases implemented in 2021, an advantageous product mix, positive currency effect and tariff exclusions.

The Office of the U.S. Trade Representative's (USTR) decision to reinstate the expired tariff exclusions for cases, which was announced at the end of the first quarter, applies from October 12, 2021 until December 31, 2022. The repayment of tariffs will also have a positive effect on the product margin during the second half of the year in pace with our sale of products from stock. During the quarter, we noted continued stable or slightly lower raw material prices in Asia where our products are manufactured. Freight prices have also gradually fallen since the beginning of the year, but remain at high levels. In brief, we currently see very limited inflationary pressure for Fractal and a low risk of cost increases.

## Pent-up need for new PC gaming equipment

The availability of graphics cards and strong price increases, which have impacted the demand for PC gaming hardware globally for the past 12 months, gradually improved during the first half of the year. A new generation of graphics cards from Nvidia and AMD will be launched in the second half of the year and these, together with continued greater

availability of graphics cards, is predicted to boost interest among many gamers to upgrade their computers. Interest in esports and high-performance gaming increased hugely in 2020 and 2021 and remains at high levels – levels that are more than double as high as those experienced pre-pandemic. Fractal is in a good position to leverage an increase in demand due to our strong brand and prominent global market position.

We have many new, strong products in our range, including the Torrent case series, which has received a number of highly favorable reviews and awards since its launch last year. During the second quarter of this year, we launched POP, an affordable case series available in a number of different colors and variations. During the quarter, we also broadened the Meshify case family to include the new Meshify 2 RGB and Meshify 2 Lite, as well as introducing the Anode Bronze power supply. Several exciting launches are planned for the autumn and we are looking forward to launching these in the market. Another key component of our growth strategy is to further develop our marketing to reach more end customers. Fractal is a strong brand within initiated communities and during the first half of the year, we launched a new market initiative in which Fractal sponsors a large number of small and medium-size Twitch streamers, who, in turn, serve as brand and product ambassadors. Our network of streamers will be further developed during the year and will be a strong contributing factor in reaching more potential target groups.

## Outlook for the full-year 2022

Although the uncertainty regarding demand and product supply has increased due to the war in Ukraine and continued pandemic effects in Asia, we expect to be able to again report growth in the second half of the year as prices for graphics cards continue to fall. Our view of the market and our financial targets in the medium to long term is unchanged 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. We will continue to drive our growth-promoting initiatives with a focus on delivering high-quality products and a high level of service as well as expanded marketing activities.



Hannes Wallin, CEO,  
August 2022

## MARKET POSITION

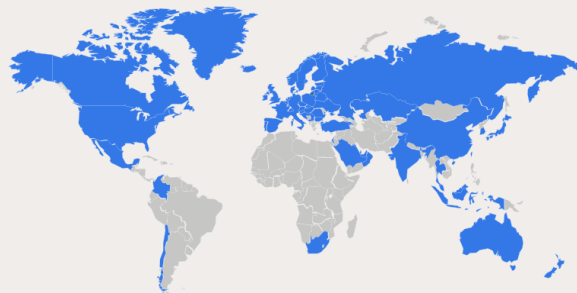
# Top 3

## GLOBAL REACH

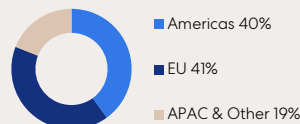
# 50+ countries

## NUMBER OF EMPLOYEES

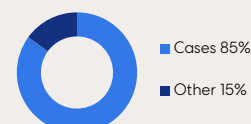
# 84



Net sales per region



Net sales per product category



Note: LTM numbers

>5,000,000 products sold

Offices in Gothenburg / Dallas / Taipei / Dongguan Founded 2010

# This is Fractal

**Founded in 2010**, Fractal quickly became a pioneer that challenged the idea of what gaming products should look like using sleek and scaled-down design. Since then, we've grown into an international brand and an influential company within the premium segment of PC gaming products. Fractal products are available in over 50 countries in the attractive and ever-growing gaming market.

**Our product categories** are cases, power supply units, cooling products and fans for PC gaming computers. Fractal is a market leader for cases in several geographic markets: number one in the Nordics, number two in Japan, and a top three position globally. Our products are characterized by Scandinavian design, carefully considered materials and high quality.

**From day one**, we have achieved profitable growth by successfully combining design,

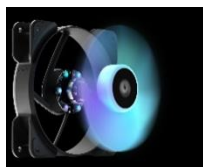
performance and quality demanded by consumers, while expanding our product range and geographic presence. Fractal is a leading, well-established brand with a strong premium position – something that has earned us a clear and strong position in relevant and influential communities. We have focused a great deal on the customer experience, for which our customer service and aftermarket department have received high praise in the industry.

**We have** identified several growth areas for continued profitability and development, through initiatives like broader and more innovative marketing, continued focus on geographic expansion and new markets. Our head office is based in Gothenburg (Sweden) with satellite offices in Dallas (the US), Dongguan (China) and Taipei (Taiwan).



### Cases

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



### Fans

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



### AIO/CPU coolers

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



### Power Supplies

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





# Market trends and demand

PC gaming continues to grow in terms of purchasing power and new customers. In a recent report from NewZoo, the PC hardware market is expected to increase to more than USD 70 billion by 2023, with the gaming market, in turn, expected to reach the record sum of USD 200 billion already in 2022 (5.4% YoY). The growth in the number of new gamers is also expected to reach new records, with an estimated 3.1 billion active players at the end of 2022 (+10% YoY).

In other words, the hardware and gaming market has not only retained its growth during the pandemic, but also continued to expand despite increasing numbers of countries opening up after the pandemic.

Viewing esports via streaming and live events reported growth and audience involvement on a par with before the pandemic. The interest from the Gen-Z target group attracted a total of 474 million viewers in the US alone (2021), which, for example, is more viewers than the entire NFL league – the same target group is expected to drive up the number of viewers to a full 577 million in 2024. On the same subject, we noted several newly opened esports universities around the world, where it is now possible to take a degree in competitive gaming. In other words, gaming and esports are making new strides and continuing their journey from hobby to lifestyle throughout the world. Another example is that more and more celebrities have made their way into our customers' virtual gaming worlds, where, for example, music artists Dr. Dre (GTA Online), Travis Scott (Fortnite) and Snoop Dog (Call of Duty) have appeared in popular gaming titles, which is further driving interest toward even more potential customer groups and closely related communities.

In May and June 2022, we noted several record figures in various streaming categories on Twitch in terms of number of viewing hours. The return of gaming tournaments also provided traction for new streaming records, with "League of Legends" increasing by a full 23% in June compared with May through the "Mid Season Invitational" tournament, which also resulted in a new record of 2.19 million simultaneous active viewers. PGL Major Antwerp and ESL One Stockholm conducted two major tournaments that increased the number of viewing hours by 59% and 30%, respectively, compared with the preceding month within the popular game of "Counter-Strike: Global Offensive".



# LOSTARK

## RECORD

# 1,324,761

active players **simultaneously**

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During the second quarter, the Steam gaming platform noted two new records in the number of simultaneously active players through the game “Lost Ark” (1.3 million players) and “Elden Ring” (0.9 million players), with both titles qualifying for the top five of most players ever online simultaneously on the platform.

Although the physical edition of the E3 gaming convention did not take place, there were numerous game releases via digital events during the latter part of the quarter. In addition to a number of interesting PC portings (from consoles), we noted that one of the most popular esports titles, “Overwatch”, has gained a successor with the scheduled launched (early access) announced as October 4, which will attract interest from both old and new gamers.

In components, AMD continues to challenge Intel, where the upcoming Zen 4/Ryzen 7000 series has a scheduled release sometime in the autumn and the subsequent Zen 5/Ryzen 8000 series is expected in 2023. The Computex hardware fair offered, for example, new gaming displays with a full 500Hz, which continue to drive the development of gaming monitors as a whole with low response times intended for competitive gaming and esports. Nvidia’s upcoming RTX 4000 graphics card series is expected to beat new records in power consumption, as well as making additional demands on air flow and cooling, and thus drive the upgrade requirement for other components in the customer’s gaming PC. Otherwise, Nvidia launched the more budget-friendly Geforce 1630 graphics card at the end of June.

*Sources: SteamCharts, Statista, TheDrum, StreamCharts, WePC, CompareCamp & NewZoo*



## Second quarter launches

In the middle of the second quarter, two new additions to the Meshify case family were launched. Our existing Meshify 2 case is now also offered with pre-installed RGB fans and accompanying light controls for simple customization according to taste, which has been requested by new and existing customers.

In addition to Meshify 2 RGB, Meshify 2 Lite was also presented as a scaled-down variation compared with the existing Meshify 2 and offers selected functionality for those customers who want to experience the Meshify series' unique appearance, high performance and, at the same time, share in Fractal's sense of quality at a somewhat lower price. Both Meshify 2 RGB and Meshify 2 Lite (which are also offered as RGB alternatives) were launched globally through our reseller network on May 19.

The Anode Bronze SFX power supply was launched in June and is targeted at enthusiast customers who build the very smallest computers, where the Anode series benefits from, for example, our in-house developed UltraFlex cables

that are also present in the existing Ion+ Platinum series, which ensures a simple installation, cable-routing and building experience.

On June 29, the new POP case series was launched in all key markets, with availability from day one. POP is an affordable case series that is offered in a number of different colors and variations, with all-round high performance and Fractal's renowned product quality. The POP series is offered as two different models, with the vibrant POP Air variation focusing on air flow and giving the customer the opportunity to build a unique gaming system with its own character, given the five different color alternatives. In addition to the Air variations, a more sober, Silent series was launched at the same time for those customers who prefer a noise-dampened case and a more classic design experience – available in black and white.

The POP series was very well received by both the media and the community and has already gathered more than 15 awards from influential opinion leaders in our industry.



# Financial performance

## Second quarter 2022

### Net sales

The Group's net sales amounted to SEK 95.4 million (103.7). All of Fractal's sales take place in USD and net sales amounted to USD 9.7 million (12.3), an organic decrease of 20.8% year-on-year. The decline is attributable to generally weak demand for gaming hardware during the quarter. The availability and prices of graphics cards improved, but uncertainty due to such factors as the war in Ukraine, rising inflation and interest rates, dampened demand. Cases accounted for 86.8% (75.7) of net sales, which was an increase on the year-earlier period and was in part due to the favorable reception of case launches.

### Earnings

Product profit amounted to SEK 29.3 million (33.8), corresponding to a product margin of 30.7% (32.6). The product margin declined by a total of approximately 1.9 percentage points compared with the second quarter of 2021, primarily due to:

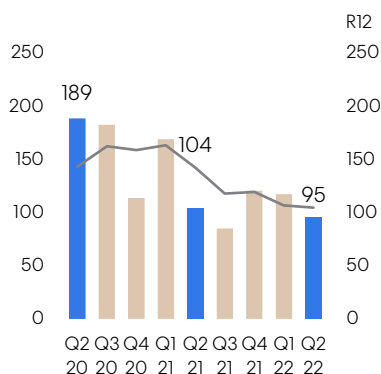
- Continued high freight costs to the US, which reduced the product margin by approximately 7.6 percentage points, since goods sold during the quarter had high freight costs when that were purchased. However, freight prices successively declined during the quarter, but due to a time-lag effect, the income statement will only be impacted when products are sold from stock.
- An advantageous product mix impacted the product margin positively by 2.9 percentage points. A higher proportion of cases sold compared with other products and the mix in the product groups were advantageous, with increased sales of products with higher margins.

- Reduced tariffs improved the product margin by approximately 2.6 percentage points compared with the second quarter of 2021, which was due to reinstated tariff exclusions that extend from October 12, 2021 to December 31, 2022.
- The currency translation of accounts payable and accounts receivable had a negative impact on the product margin of approximately 2.0 percentage points.
- The product margin was positively impacted by approximately 3.2 percentage points due to a positive currency effect attributable to sales of stocks that were purchased at a lower exchange rate and sold at a higher exchange rate.
- Sales discounts had a negative impact on the product margin of approximately 0.9 percentage points, which was due to increased stocks at the reseller level. However, it is deemed that stock levels will normalize in pace with increased demand.

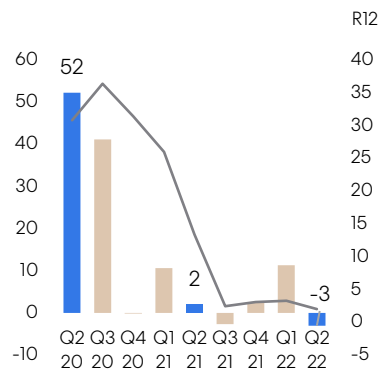
EBIT amounted to SEK -7.5 million (-1.3), corresponding to an EBIT margin of -7.9% (-1.2). Depreciation/amortization amounted to SEK 4.5 million (3.3) and was mainly related to investments in product tools and capitalized development hours related to new product launches.

Earnings for the period amounted to SEK -4.1 million (-1.1) and net financial items to SEK 2.3 million (-0.2). Income tax amounted to SEK 0.4 million (0.3). Earnings per share amounted to SEK -0.1 (0.0). There is no dilution effect as no shares were issued during the period. The number of historical shares was restated taking into account the split that took place on January 8, 2021.

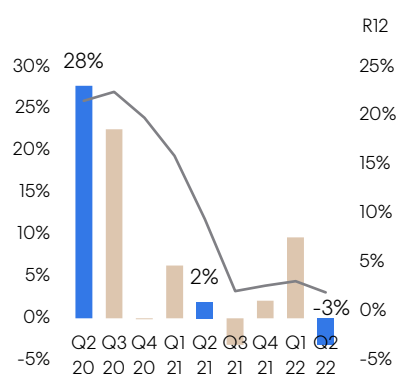
Net sales, SEKm



EBITDA, SEKm



EBITDA margin





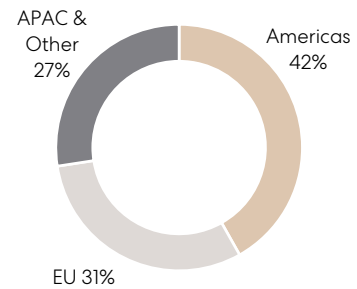


### Geographic markets

The strongest region during the quarter was the Americas, with net sales of SEK 39.9 million (37.4), while the EU amounted to SEK 29.3 million (51.2) and APAC & Other amounted to SEK 26.1 million (15.1). Net sales in the Americas was stronger year on year, but the EU reported weaker figures. The price of graphics cards and uncertainty due to the war in Ukraine dampened demand.

Of total net sales, the Americas accounted for 41.8% (36.1), the EU for 30.8% (49.4) and APAC & Other for 27.4% (14.5).

### Net sales, quarter



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

SEKm	Q2		Δ %	Jul-Jun	Full year
	2022	2021		21/22	2021
Net sales Americas	39.9	37.4	6.6	166.0	154.8
Net sales Americas, USDm	4.1	4.4	-8.4	18.1	18.1
Net sales EU	29.3	51.2	-42.8	171.0	243.3
Net sales EU, USDm	3.0	6.1	-50.4	18.9	28.5
Net sales APAC & Other	26.1	15.1	73.7	81.6	80.5
Net sales APAC & Other, USDm	2.7	1.8	48.4	8.9	9.4



## January–June 2022

### Net sales

The Group's net sales amounted to SEK 212.9 million (272.8) in the period, a decrease of 22.0%. Net sales in USD amounted to USD 22.3 million (32.5), an organic decrease of 31.3%.

Availability and prices of graphics cards gradually improved during this period. Macro-economic factors and uncertainty resulting from the war in Ukraine have, however, dampened demand, which meant that gamers have postponed upgrading their equipment, thereby affecting our sales.

### Earnings

Product profit amounted to SEK 76.6 million (92.6), corresponding to a product margin of 36.0% (33.9), which was an increase of 2.1 percentage points.

The higher margin was due, for example, to a product mix with a higher share of sales of cases and that the mix in cases was advantageous, with increased sales of cases with higher margins.

Another positive effect was attributable to Fractal receiving a renewed tariff exclusion that extends from October 12, 2021 and December 31,

2022, which is estimated to provide a positive full-year effect of approximately SEK 15–20 million.

The freight costs remained high during the first six months and had a negative impact on the product margin. The freight costs were attributable to our warehouse in the US and they first have an impact on the income statement when we sell the goods, meaning there is a delayed effect.

EBIT fell to SEK -0.2 million (6.3), corresponding to an adjusted EBIT margin of -0.1% (2.3). Depreciation/amortization amounted to SEK -8.5 million (-6.3) and was mainly related to investments in new product launches.

Items affecting comparability amounted to SEK 0 million (21.1) and was related in the preceding year to costs for the IPO.

Earnings for the period amounted to SEK 1.3 million (3.1). Net financial items amounted to SEK 1.9 million (-2.3), primarily impacted by the utilization of bank overdraft facilities. Income tax amounted to SEK -1.0 million (-0.9). Earnings per share amounted to SEK -0.1 (0.1). There is no dilution effect as no shares were issued during the period. The number of historical shares was restated taking into account the split that took place on January 8, 2021.

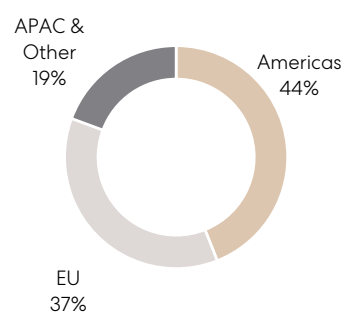


### Geographic markets

The Americas region demonstrated the highest net sales of SEK 93.6 million (82.4), followed by the EU at SEK 78.0 million (150.4) and APAC & Other at SEK 41.2 million (40.1).

Of total net sales for the period, the Americas accounted for 44.0% (30.2), the EU for 36.7% (55.1) and APAC & Other for 19.4% (14.7).

### Net sales, Jan–Dec



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

SEKm	Jan–Jun		Δ %	Jul-Jun	Full year
	2022	2021		21/22	2021
Net sales Americas	93.6	82.4	13.7	166.0	154.8
Net sales Americas, USDm	9.8	9.8	0.2	18.1	18.1
Net sales EU	78.0	150.4	-48.1	171.0	243.3
Net sales EU, USDm	8.2	17.9	-54.0	18.9	28.5
Net sales APAC & Other	41.2	40.1	2.8	81.6	80.5
Net sales APAC & Other, USDm	4.3	4.8	-10.7	8.9	9.4



# Financial position and cash flow

## Financial performance

At the end of the period, the Group's balance sheet total amounted to SEK 568.3 million (523.8). The year-on-year rise was mainly due to increased stocks and bank overdraft facility. Stock levels were SEK 185.5 million (163.9) and the change from the previous year was primarily related to lower sales.

Utilization of the bank overdraft facility amounted to SEK 132.1 million (100.2) and was mainly related to the purchase of stock items. During the quarter, Fractal Gaming Group signed an updated loan agreement with Nordea within the existing credit facility. The loan agreement contains updated financial covenants regarding the group's EBITDA results in 2022 and net debt in relation to EBITDA in 2023.

Interest-bearing net debt amounted to SEK 127.4 million (94.5). Net working capital amounted to SEK 130.1 million (126.6) at the end of the period.

The Group's equity amounted to SEK 269.0 million (274.2) and the equity ratio to 47.3% (52.3) at the end of the period.

## Cash flow for the quarter

Cash flow from operating activities amounted to SEK 2.1 million (7.3). The decrease was primarily due to increased stock.

Cash flow from investment activities amounted to SEK -9.9 million (-2.9) and was mainly related to the development of new products.

During the quarter, cash flow from financing activities amounted to SEK 8.5 million (-4.3), where the year-on-year difference was largely related to changes in the bank overdraft facility.

Total cash flow in the quarter amounted to SEK 0.7 million (0.1).

## Cash flow Jan-Jun

Cash flow for the period from operating activities amounted to SEK 20.4 million (-32.2). The increase was primarily due to reduced operating receivables.

Cash flow from investment activities amounted to SEK -19.6 million (-11.7) and was mainly related to the development of new products.

During the period, cash flow from financing activities amounted to SEK 0.1 million (34.3), mainly as a result of the bank overdraft facility.

Total cash flow in the period amounted to SEK 0.9 million (-9.6).

# Additional information

## Important events during and after the quarter and period

Erik Stenberg was elected as a new Board member at the Annual General Meeting on May 19, 2022. In addition, it was resolved at the Annual General Meeting to introduce a long-term incentive program (LTIP) for certain senior executives.

During the first quarter, an announcement was made that Fractal is to be excluded from tariffs on cases for sales to the US. The exemption will be applied from October 12, 2021 until December 31, 2022.

## Effects of war in Ukraine

Given the industry in which the Group operates, the conflict in Ukraine had no material impact on operations during the period. It cannot be ruled out that an extended conflict in Ukraine could have consequences on the business and could indirectly affect sales through increased macroeconomic uncertainty, higher inflation, higher interest rates and reduced consumer confidence and purchasing power.

## Organization

On June 30, there were 76 (71) full-time employees, of whom 20 women (18) and 56 men (53). During the second quarter, the average number of employees in the organization was 78 (69), of whom 21 women (20) and 57 men (49).

## Seasonal variations

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

## Parent Company

The Parent Company's operations comprise Group management services performed for the Group's companies. The Parent Company's net sales amounted to SEK 1.3 million (1.6) in the second quarter. Operating loss amounted to SEK -0.6 million (-0.1) and loss for the period to SEK -0.6 million (-0.1).

## The share

At June 30, 2022, the number of shares in Fractal amounted to 29,119,500 (29,119,500).

At June 30, 2022, the largest shareholders were Långholmen Holding AB (29.0%), Litorina IV L.P. (13.2%), Herenco Holding AB (11.7%), SEB Life International (9.3%) and SEB Life International (6.5%).

Fractal's shares were allocated among 5,704 shareholders as of June 30, 2022.

## Significant risks and uncertainties

Fractal is dependent on product launches progressing as planned and delays could potentially have a substantial impact on total sales volume.

Changes in exchange rates, particularly SEK/USD, are very important for the Group's earnings as all sales as well as product purchasing take place in USD.

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

The business is dependent on free global flows of goods, particularly between the major markets in North America and Europe and manufacturing in China.

Further information about risks and uncertainties can be found in the annual report for 2021 and in the prospectus, which are available at [www.fractal-design.com](http://www.fractal-design.com).

## Accounting policies

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

## Income statement, Group

SEKm	Q2		Jan—Jun		Jul-Jun	Full year
	2022	2021	2022	2021	21/22	2021
Net sales	95.4	103.7	212.9	272.8	418.7	478.6
Capitalized development expenditure	3.6	2.0	5.4	5.6	8.7	8.9
Other operating income	0.9	-0.8	1.1	-0.0	1.2	0.1
<b>Total revenue</b>	<b>99.8</b>	<b>104.9</b>	<b>219.4</b>	<b>278.4</b>	<b>428.5</b>	<b>487.6</b>
<b>Operating expenses</b>						
Goods for resale	-66.1	-69.9	-136.3	-180.2	-276.5	-320.4
Other external expenses	-20.5	-18.1	-41.8	-57.2	-81.4	-96.8
Personnel expenses	-16.3	-15.0	-32.9	-28.4	-62.4	-57.9
Depreciation and impairment of tangible and intangible non-current assets	-4.5	-3.3	-8.5	-6.3	-16.1	-13.8
Other operating expenses	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>-107.3</b>	<b>-106.2</b>	<b>-219.6</b>	<b>-272.1</b>	<b>-436.4</b>	<b>-489.0</b>
<b>Operating profit</b>	<b>-7.5</b>	<b>-1.3</b>	<b>-0.2</b>	<b>6.3</b>	<b>-7.9</b>	<b>-1.4</b>
Finance income	3.7	-	4.5	-	4.5	-
Finance costs	-1.4	-0.2	-2.6	-2.3	-5.0	-4.7
<b>Profit/loss after financial items</b>	<b>-5.2</b>	<b>-1.4</b>	<b>1.7</b>	<b>4.0</b>	<b>-8.4</b>	<b>-6.1</b>
Income tax expense	0.4	0.3	-1.0	-0.9	-2.4	-2.3
Deferred tax liabilities	0.7	-	0.7	-	4.7	4.0
<b>Profit for the period</b>	<b>-4.1</b>	<b>-1.1</b>	<b>1.3</b>	<b>3.1</b>	<b>-6.1</b>	<b>-4.4</b>
<b>Other comprehensive income</b>						
<b>Items that have been reclassified or can be reclassified to profit/loss for the period</b>						
Foreign subsidiaries - foreign currency translation differences	0.6	-	0.6	0.1	1.1	0.6
<b>Other comprehensive income for the period</b>	<b>0.6</b>	<b>-</b>	<b>0.6</b>	<b>0.1</b>	<b>1.1</b>	<b>0.6</b>
<b>Total comprehensive income for the period</b>	<b>-3.5</b>	<b>-1.1</b>	<b>1.9</b>	<b>3.2</b>	<b>-5.1</b>	<b>-3.8</b>
<b>Profit for the year attributable to:</b>						
Parent Company's shareholders	-4.1	-1.1	1.3	3.1	-6.1	-4.4
Non-controlling interests	-	-	-	-	-0.0	-0.0
<b>Profit for the period</b>	<b>-4.1</b>	<b>-1.1</b>	<b>1.3</b>	<b>3.1</b>	<b>-6.1</b>	<b>-4.4</b>
<b>Total comprehensive income attributable to:</b>						
Parent Company's shareholders	-3.5	-1.1	1.9	3.2	-5.1	-3.8
Non-controlling interests	-	-	-	-	-0.0	-0.0
<b>Total comprehensive income for the period</b>	<b>-3.5</b>	<b>-1.1</b>	<b>1.9</b>	<b>3.2</b>	<b>-5.1</b>	<b>-3.8</b>
Average number of shares before dilution	29.1	29.1	29.1	29.1	29.1	29.1
Average number of shares after dilution	29.1	29.1	29.1	29.1	29.1	29.1
Earnings per share, SEK	-0.1	0.0	-0.1	0.1	-0.2	-0.2
Before and after dilution, SEK	-0.1	0.0	-0.1	0.1	-0.2	-0.2





## Balance sheet, Group

SEKm	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	210.2	210.2	210.2
Capitalised development costs	28.2	19.3	21.9
Property, plant and equipment	38.1	26.3	31.7
Right-of-use assets	13.1	11.3	14.7
Deferred Tax Asset	1.3	-	0.6
<b>Total non-current assets</b>	<b>290.8</b>	<b>267.1</b>	<b>279.1</b>
<b>Current assets</b>			
Inventories	185.5	163.9	170.5
Accounts receivable	63.8	80.7	93.4
Prepaid expenses and accrued income	7.0	3.2	9.5
Other receivables	16.5	3.2	7.8
Cash and cash equivalents	4.7	5.7	4.3
<b>Total current assets</b>	<b>277.5</b>	<b>256.7</b>	<b>285.4</b>
<b>TOTAL ASSETS</b>	<b>568.3</b>	<b>523.8</b>	<b>564.5</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	0.5	0.5	0.5
Share premium	178.0	177.9	177.9
Reserves	0.2	-1.0	-0.4
Retained earnings including profit/loss for the period	90.3	96.8	89.0
<b>Equity attributable to the Parent Company's shareholders</b>	<b>269.0</b>	<b>274.2</b>	<b>267.0</b>
Non-controlling interest	-	-	-
<b>Total equity</b>	<b>269.0</b>	<b>274.2</b>	<b>267.0</b>
<b>Non-current liabilities</b>			
Long-term lease liabilities	9.8	9.4	11.3
Provisions	2.9	1.9	2.8
Deferred tax liabilities	8.5	11.9	8.5
<b>Total non-current liabilities</b>	<b>21.2</b>	<b>23.2</b>	<b>22.6</b>
<b>Current liabilities</b>			
Overdraft facility	132.1	100.2	130.5
Current lease liabilities	3.4	1.8	3.4
Accounts payable	127.6	111.0	122.6
Tax liabilities	0.1	0.0	0.7
Other liabilities	1.8	1.5	1.6
Accrued expenses and prepaid income	13.2	11.8	16.2
<b>Total current liabilities</b>	<b>278.1</b>	<b>226.4</b>	<b>275.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>568.3</b>	<b>523.8</b>	<b>564.5</b>

## Cash flow, Group

SEKm	Q2		Jan—Jun		Jul-Jun	Full year
	2022	2021	2022	2021	21/22	2021
<b>Cash flows from operating activities</b>						
Profit/loss after financial items	-5.2	-1.4	1.7	4.0	-8.4	-6.1
Adjustments for items not included in cash flow	4.6	3.3	8.6	6.9	17.2	15.8
Income tax paid	-2.3	3.6	-0.4	-5.0	-5.9	-10.5
	<b>-3.0</b>	<b>5.5</b>	<b>9.9</b>	<b>5.9</b>	<b>2.8</b>	<b>-0.8</b>
Increase (+)/Decrease (-) of inventories	-27.5	-21.4	-15.0	8.9	-21.6	2.3
Increase (+)/Decrease (-) of operating receivables	25.9	54.1	23.3	13.6	4.5	-5.2
Increase (+)/Decrease (-) of operating liabilities	6.8	-30.9	2.2	-60.7	18.4	-44.6
<b>Net cash from operating activities</b>	<b>2.1</b>	<b>7.3</b>	<b>20.4</b>	<b>-32.2</b>	<b>4.0</b>	<b>-48.3</b>
<b>Cash flows from investing activities</b>						
Acquisition of property, plant and equipment	-5.8	-0.2	-11.5	-5.4	-21.5	-15.4
Acquisition intangible assets	-4.1	-2.7	-8.1	-6.3	-12.1	-10.3
<b>Net cash used in investing activities</b>	<b>-9.9</b>	<b>-2.9</b>	<b>-19.6</b>	<b>-11.7</b>	<b>-33.6</b>	<b>-25.7</b>
<b>Cash flows from financing activities</b>						
Acquisition of non-controlling interests	-	-	-	-	-	-
Redemption of shares	-	-	-	-	-	-
Amortization of loans to subsidiaries	-	-	-	-	-	-
Net change, bank overdraft facility	9.3	-3.8	1.6	35.2	31.8	65.4
Repayment of borrowings	-0.8	-0.4	-1.6	-0.9	-2.9	-2.2
Paid dividend to non-controlling interests	-	-	-	-	-	-
<b>Net cash used in financing activities</b>	<b>8.5</b>	<b>-4.3</b>	<b>0.1</b>	<b>34.3</b>	<b>28.9</b>	<b>63.2</b>
Net increase in cash and cash equivalents	0.7	0.1	0.9	-9.6	-0.7	-10.8
Cash and cash equivalents at start of period	3.7	5.7	4.3	15.4	5.7	15.4
held	0.3	-	-0.5	-0.1	-0.3	-0.3
<b>Cash and cash equivalents at end of period</b>	<b>4.7</b>	<b>5.7</b>	<b>4.7</b>	<b>5.7</b>	<b>4.7</b>	<b>4.3</b>

## Change in equity, Group

Amounts in SEKm	Share capital	Share premium	Reserves	Retained earnings including profit/loss for the year	Total	Non-controlling interest	Total equity
<b>Balance at 2021-01-01</b>	<b>0.1</b>	<b>177.9</b>	<b>-1.0</b>	<b>93.7</b>	<b>270.7</b>	<b>-</b>	<b>270.7</b>
Profit for the period				3.1	3.1		3.1
Translation differences					-		-
<b>Total comprehensive income for the period</b>				<b>3.1</b>	<b>3.1</b>		<b>3.1</b>
Bonus issue	0.4				0.4		0.4
Acquisition of non-controlling interests							-
Redemption of shares in the parent company							-
<b>Balance at 2021-06-Ju</b>	<b>0.5</b>	<b>177.9</b>	<b>-1.0</b>	<b>96.8</b>	<b>274.2</b>	<b>-</b>	<b>274.2</b>
 <b>Balance at 2022-01-01</b>	 <b>0.5</b>	 <b>177.9</b>	 <b>-0.4</b>	 <b>89.0</b>	 <b>267.0</b>	 <b>-</b>	 <b>267.0</b>
Profit for the period				1.3	1.3		1.3
Translation differences			0.6		0.6		0.6
<b>Total comprehensive income for the period</b>			<b>0.6</b>	<b>1.3</b>	<b>1.9</b>		<b>1.9</b>
Premium paid when issuing stock options		0.1			0.1		0.1
<b>Balance at 2022-06-Ju</b>	<b>0.5</b>	<b>178.0</b>	<b>0.2</b>	<b>90.3</b>	<b>269.0</b>	<b>-</b>	<b>269.0</b>



# Parent Company

## Income statement

SEKm	Q2		Jan—Jun		Jul-Jun	Full year
	2022	2021	2022	2021	21/22	2021
Net sales	1.3	1.6	2.6	23.2	5.7	26.3
Other operating income	-	-	0.2	-	0.2	-
	<b>1.3</b>	<b>1.6</b>	<b>2.9</b>	<b>23.2</b>	<b>5.9</b>	<b>26.3</b>
<b>Operating expenses</b>						
Other external expenses	-0.6	-0.4	-0.9	-21.1	-1.5	-21.7
Personnel expenses	-1.3	-1.3	-2.6	-2.5	-5.0	-4.9
	<b>-1.9</b>	<b>-1.7</b>	<b>-3.5</b>	<b>-23.6</b>	<b>-6.5</b>	<b>-26.6</b>
<b>Operating profit</b>	<b>-0.6</b>	<b>-0.1</b>	<b>-0.7</b>	<b>-0.4</b>	<b>-0.6</b>	<b>-0.3</b>
<i>Net financial income and expenses</i>						
Result from shares in subsidiaries	-	-	-	-	-	-
Finance costs	-0.1	-0.0	-0.1	-0.0	-0.1	-0.0
<b>Profit/loss after financial items</b>	<b>-0.7</b>	<b>-0.1</b>	<b>-0.8</b>	<b>-0.4</b>	<b>-0.7</b>	<b>-0.3</b>
Appropriations	-	-	-	-	-	-
<b>Net income before taxes</b>	<b>-0.7</b>	<b>-0.1</b>	<b>-0.8</b>	<b>-0.4</b>	<b>-0.7</b>	<b>-0.3</b>
Income tax expense	0.1	0.0	-0.8	0.0	-0.8	0.0
<b>Profit for the period</b>	<b>-0.6</b>	<b>-0.1</b>	<b>-0.8</b>	<b>-0.4</b>	<b>-0.8</b>	<b>-0.3</b>

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



## Balance sheet

SEKm	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Shares in group companies	271.4	271.4	271.4
Deferred Tax Asset	0.1		
<b>Total non-current assets</b>	<b>271.6</b>	<b>271.4</b>	<b>271.4</b>
<b>Current assets</b>			
Receivables from group companies	0.9	0.8	0.8
Other receivables	1.0	0.3	0.3
Prepaid expenses and accrued income	0.3	0.0	0.1
Cash and cash equivalents	0.0	0.2	0.4
<b>Total current assets</b>	<b>2.2</b>	<b>1.3</b>	<b>1.6</b>
<b>TOTAL ASSETS</b>	<b>273.7</b>	<b>272.7</b>	<b>273.0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted equity</b>			
Share capital	0.5	0.5	0.5
<b>Total restricted equity</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>
<b>Non-restricted equity</b>			
Share premium	178.0	177.9	177.9
Retained earnings	56.0	56.4	56.4
Profit for the period	-0.6	-0.3	-0.4
<b>Total non-restricted equity</b>	<b>233.4</b>	<b>233.9</b>	<b>233.9</b>
<b>Shareholders' equity</b>	<b>233.9</b>	<b>234.4</b>	<b>234.4</b>
Untaxed reserves	26.0	26.0	26.0
<b>Current liabilities</b>			
Debt to group companies	11.7	4.3	3.5
Overdraft facility	-	-	-
Accounts payable	0.6	0.0	0.3
Tax liabilities	-	6.8	6.9
Other liabilities	0.4	0.2	0.5
Accrued expenses and prepaid income	1.2	1.0	1.5
<b>Total current liabilities</b>	<b>13.8</b>	<b>12.3</b>	<b>12.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>273.7</b>	<b>272.7</b>	<b>273.1</b>

## Operating segment and revenue distribution

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

### Note 1 – Net sales and earnings by segment

SEKm	Q2		Jan—Jun		Jul-Jun	Full year
	2022	2021	2022	2021	21/22	2021
<b>Net sales</b>	<b>95.4</b>	<b>103.7</b>	<b>212.9</b>	<b>272.8</b>	<b>418.6</b>	<b>478.6</b>
- Cases	82.7	78.5	187.4	206.3	357.9	376.7
- Other	12.7	25.3	25.5	66.5	60.8	101.9
<b>Product profit</b>	<b>29.3</b>	<b>33.8</b>	<b>76.6</b>	<b>92.6</b>	<b>142.1</b>	<b>158.1</b>
- Cases	27.3	28.6	69.6	76.8	127.7	134.9
- Other	2.0	5.2	6.9	15.8	14.4	23.3
Capitalized development expenditure	3.6	2.0	5.4	5.6	8.7	8.9
Other operating income	0.9	-0.8	1.1	-0.0	1.2	0.1
Other external expenses	-20.5	-18.1	-41.8	-57.2	-81.5	-96.8
Personnel expenses	-16.3	-15.0	-32.9	-28.4	-62.4	-57.9
Depreciation and impairment of tangible and intangible non-current assets	-4.5	-3.3	-8.5	-6.3	-16.1	-13.8
<b>Operating profit</b>	<b>-7.5</b>	<b>-1.3</b>	<b>-0.2</b>	<b>6.3</b>	<b>-8.0</b>	<b>-1.4</b>
Finance income	3.7	-	4.5	-	4.5	-
Finance costs	-1.4	-0.2	-2.6	-2.3	-5.0	-4.7
<b>Net financial income and expenses</b>	<b>2.3</b>	<b>-0.2</b>	<b>1.9</b>	<b>-2.3</b>	<b>-0.4</b>	<b>-4.7</b>
<b>Net income before taxes</b>	<b>-5.2</b>	<b>-1.4</b>	<b>1.7</b>	<b>4.0</b>	<b>-8.4</b>	<b>-6.1</b>

## Note 2 – Distribution of revenue

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

### Disaggregation of revenue from agreements with customers

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

Group	Business Segment					
	Cases		Other		Total	
	Jan—Jun		Jan—Jun		Jan—Jun	
SEKm	2022	2021	2022	2021	2022	2021
<b>Geographic market</b>						
Americas	88.3	73.1	5.4	9.3	93.6	82.4
EU	66.4	103.6	11.7	46.7	78.1	150.3
APAC & Other	32.8	29.6	8.5	10.6	41.2	40.2
<b>Time of revenue recognition</b>						
Goods recognized at a point in time	187.5	206.3	25.5	66.5	212.9	272.8
Goods and services recognized over time	-	-	-	-	-	-
<b>Total net sales</b>	<b>187.5</b>	<b>206.3</b>	<b>25.5</b>	<b>66.5</b>	<b>212.9</b>	<b>272.8</b>

## Note 3 – Financial instruments at fair value

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

# Definitions

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

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





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



## Financial calendar

Interim report, January–September 2022

November 17, 2022

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