



Interim Report

Interim Report, Q3 2022

Third quarter 2022

- Net sales amounted to SEK 131.0 million (85.1).
- Product profit amounted to SEK 50.2 million (26.0), with a product margin of 38.3% (30.6).
- EBITDA amounted to SEK 12.5 million (-2.7), corresponding to an EBITDA margin of 9.5% (-3.2).
- EBIT amounted to SEK 7.5 million (-6.1), corresponding to an EBIT margin of 5.7% (-7.2).
- Operating cash flow amounted to SEK 12.2 million (-12.2).
- Interest-bearing net debt was SEK 126.0 million (110.5).
- Earnings per share amounted to SEK 0.2 (-0.2).
- No items affecting comparability for the quarter.

Jan-Sep 2022

- Net sales amounted to SEK 343.9 million (357.9).
- Product profit amounted to SEK 126.8 million (118.6), with a product margin of 36.9% (33.1).
- EBITDA amounted to SEK 20.8 million (9.9), corresponding to an EBITDA margin of 6.0% (2.8).
- EBIT amounted to SEK 7.2 million (0.2), corresponding to an EBIT margin of 2.1% (0.1).
- Operating cash flow amounted to SEK 11.4 million (-49.4).
- Earnings per share amounted to SEK 0.3 (-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	Q3		Jan-Sep		Oct-Sep	Full year
	2022	2021	2022	2021	21/22	2021
Net sales	131.0	85.1	343.9	357.9	464.6	478.5
Net sales, USDm	12.4	9.8	34.7	42.3	48.4	56.0
Product profit	50.2	26.0	126.8	118.6	166.3	158.1
Product margin, %	38.3	30.6	36.9	33.1	35.8	33.0
EBITDA	12.5	-2.7	20.8	9.9	23.3	12.4
EBITDA margin	9.5	-3.2	6.0	2.8	5.0	2.6
EBIT	7.5	-6.1	7.2	0.2	5.6	-1.4
EBIT margin, %	5.7	-7.2	2.1	0.1	1.2	-0.3
Operating cash flow	12.2	-12.2	11.4	-49.4	-11.2	-60.7
Interest-bearing net debt	126.0	110.5	126.0	110.5	126.0	126.2
Earnings per share, SEK	0.2	-0.2	0.3	-0.1	0.2	-0.2
USD/SEK, average	10.6	8.7	9.9	8.5	9.6	8.5

CEO's comments

Comments on the quarter

As we expected, demand for PC gaming hardware improved during the quarter and we reported sharp growth in sales and higher earnings than the year-earlier period. This is despite the prevailing increased macroeconomic uncertainty, with high inflation and low consumer confidence in several markets. Historically, the gaming industry has been less sensitive to market fluctuations than several other industries and 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, increased 54.0% to SEK 131.0 million (85.1), with organic growth of 26.0%. The quarter's strong growth reflects increased demand as well as a more normal stock level than the excessively high level among resellers in the year-earlier period. Total sales from resellers to end consumers increased by 7.4% organically, with an increase of 14.0% in the case category. Sales of our new Torrent and Pop case series contributed to increased sales for the quarter.

EBITDA for the quarter was SEK 12.5 million (-2.7), corresponding to an EBITDA margin of 9.5% (-3.2). The product margin increased to 38.3% (30.6), primarily driven by a positive currency effect, reduced tariffs, lower freight costs to the US and a higher share of case sales than in the previous year. The Office of the U.S. Trade Representative's (USTR) decision to reinstate the expired tariff exclusions for cases, which was announced in March, applies from October 12, 2021 until December 31, 2022. The tariff exclusion will continue to have a positive effect on the product margin during the fourth quarter compared with the previous year. We have reason to hope for a renewed exclusion starting on January 1, 2023, considering the current situation and its high inflation. However, these things are difficult to predict and there is little visibility in the process.

We saw a continued decrease in prices for raw materials during the quarter, including steel and plastic, and the Chinese currency has weakened dramatically against the American dollar. This has resulted in a favorable situation for our product costs and we see good opportunities for lower purchase prices in the future. Freight prices also continued to decline during the quarter, which will have a positive effect on the product margin. The strong dollar has had, overall, a positive impact on both net sales and earnings for the quarter. At the same time, the strong dollar entailed significant price increases for PC gaming hardware in markets outside the US, which dampened sales growth, primarily in Europe.

During the quarter, we have focused intently on our operational costs, balancing our stock levels and improving cash flow, and will continue to work with these issues going forward.

Pent-up need for new PC gaming equipment The shortage of graphics cards during the past year, and the resulting strong price increases, have impacted the demand for PC gaming hardware globally for the past 12 to 18 months. As we expected, we are now seeing increased demand for PC gaming hardware during the

quarter as a result of price normalization for graphics cards. Prices for graphics cards have dropped significantly as new generations of graphics cards were launched from Nvidia, AMD and Intel in the third and fourth quarters. This new generation of graphics cards performs significantly better, which is also reflected in their price. Intel and AMD also launched new CPUs during the second half of the year, also with better performance, which has led to increased interest among many gamers in upgrading their computers. This is also positive for the entire PC gaming industry, which can once again enter a growth phase after a difficult period. Interest in esports and high-performance gaming increased hugely in the pandemic years of 2020 and 2021 and remains at high levels. The number of viewing hours on Twitch, for example, are more than double as high as in 2019.

Innovative marketing reaches new potential target groups

Fractal has a strong global market position and a well-established premium brand in our segments, and we are taking advantage of increased demand. We have many new, strong products in our range, including the new Torrent and Pop case series, which received several highly favorable reviews and awards since their launch last year. More exciting product news is planned for the next quarter. A key component of our growth strategy is to further develop our marketing to reach more gamers. 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. The venture is going well and we have now established partnerships with over 100 streamers who will help us reach broader target groups in gaming.

Outlook for the full-year 2022

Despite extensive macroeconomic and geopolitical uncertainty that is affecting consumer confidence and overall purchasing power, demand for PC gaming hardware improved during the third quarter. We see potential for continued growth during the rest of the year, based on our attractive product portfolio that meets the demand we see from high-performance gamers.

There is strong underlying demand and 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
November 2022



MARKET POSITION

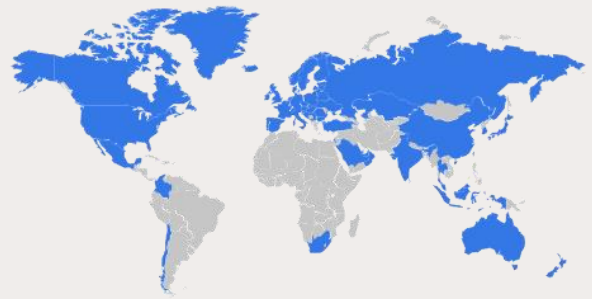
Top 3

GLOBAL REACH

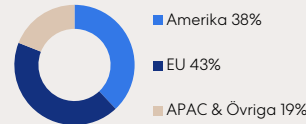
50+ countries

NUMBER OF EMPLOYEES

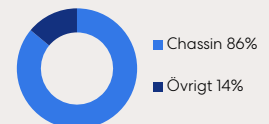
80



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.

HARDWARE RELEASE

Nvidia GeForce 40-series is launched

PC GAMING – GROWTH 2022

+1.6% \$196 billions

SOURCE: NEWZOO



Market trends and demand

The interest in gaming has continued to increase with high user growth. A recent report from PwC stated that the game industry is expected to be worth over USD 321 billion by 2026, which they note includes retained interest from the massive growth that occurred in the pandemic years. Apps and mobile games, especially in China and the US, function as a gateway to PC gaming and thereby benefits our primary target group.

The analytics firm NewZoo's report on 2022 is largely in agreement, predicting a user base of 3.2 billion gamers by the end of the year. Sales are expected to reach USD 196 billion by the end of 2022, or year-on-year growth of 2.1%. The PC gaming segment is expected to grow +1.6%, while console gaming is expected to decline -2.2%, for example.

The gaming industry is considered to be more resilient to potential economic downturns than other industries. Even if some gamers will spend less, interest in PC gaming is expected to remain strong – which means that the user base will continue to grow. The gaming market is also expected to rapidly return to more normal spending behavior after a weak economic period. A contributing factor is that many games today are free, where for example seasonal titles take up a lot of room, which means that everyone can participate in gaming regardless of income level.

Advertising to end customers in gaming is a business model that continues to grow. “In-game

advertising” is estimated to be worth over USD 65 billion today and is expected to grow to USD 118 billion by 2026, which indicates a strong will to invest. It also suggests that PC games will be used as a primary communication channel going forward for many different industries and companies.

On the gaming and hardware side, we can note that Google shut down its cloud-based gaming service “Stadia” due to low interest and poor user growth, where the service suffered from a mediocre game offering and was unable to sway PC gamers over to its own platform to any significant degree.

Nvidia launched its long-awaited 4000 series during Q3, which had a significant improvement in performance compared with the previous generation. Reception in the market was, however, lukewarm, due to the high price of the series. New releases of graphics cards drive further upgrade needs and, in turn, require additional cooling, improved power supply and sufficient physical space in the case itself. The increasing availability of graphics cards for our customers means more competition and lower prices for models that have already been launched, which has a positive effect on our market.

Sources: PwC Global Entertainment & NewZoo



Third quarter launches

Fractal kickstarted August with no fewer than three launches, the first of which was the Mini and Nano variations in our popular Meshify 2 and Define 7 families. These long-awaited products have the same exterior design as their physically larger siblings while also offering good functionality and performance in more space-efficient sizes.

In the same month we also launched Focus 2, a follow-up to our best-selling Focus G. Compared with its predecessor, Focus 2 offers an upgraded performance, new functionality, updated Scandinavian design and, most importantly, our well-known seal of quality at an introductory price for our more budget-conscious customer group.

On September 22, we launched a less expensive variant of the existing Meshify 2 Compact, which we decided to call the Meshify 2 Compact Lite. Customers can expect the same high level of product quality as the regular Meshify 2 series but with specifically chosen functionality to match the price point of the previous Meshify Compact, a product that has been in many customer builds since its launch in 2017. The same release also introduced an RGB version of the regular Meshify 2 Compact, which many customers had been demanding.

Financial performance

Third quarter 2022

Net sales

The Group's net sales amounted to SEK 131.0 million (85.1), growth of 54.0%. All of Fractal's sales take place in USD and net sales amounted to USD 12.4 million (9.8), an organic increase of 26.0% year-on-year. The increase was supported by overall higher demand for gaming hardware during the quarter as well as better access to, and prices for, graphics cards. Cases accounted for 82.6% (77.9) 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 50.2 million (26.0), corresponding to a product margin of 38.3% (30.6). The product margin increased by a total of approximately 7.7 percentage points compared with the third quarter of 2021, primarily due to:

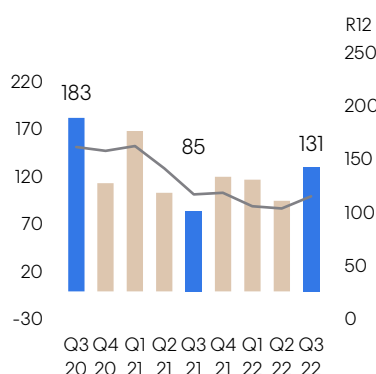
- Lower freight costs to the US, which had a positive effect of approximately 1.3 percentage points on the product margin. This was due in part to lower freight prices and a lower share of sales in the US. Freight prices decreased significantly at the end of the quarter, which will have a positive impact on earnings for the coming quarter.
- Higher proportion of cases sold compared with other products but increased sales of products with lower margins. This led to the product mix impacting the product margin negatively by 0.7 percentage points.

- Reduced tariffs improved the product margin by approximately 2.2 percentage points 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 1.3 percentage points.
- The product margin was positively impacted by approximately 7.3 percentage points due to a positive currency effect attributable to 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 1.1 percentage points, due to expanded campaigns for selected products.

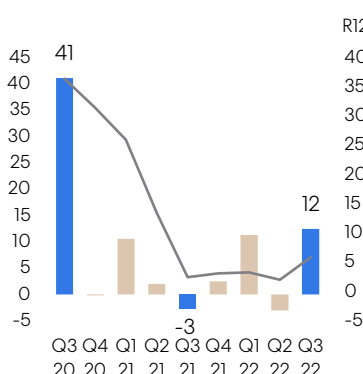
EBIT amounted to SEK 7.5 million (-6.1), corresponding to an EBIT margin of 5.7% (-7.2). Depreciation/amortization amounted to SEK -5.0 million (-3.4) and was mainly related to investments in product tools and capitalized development hours related to new product launches.

Earnings for the period amounted to SEK 6.3 million (-5.5) and net financial items to SEK 0.5 million (-0.8), positively impacted by currency effects. Income tax amounted to SEK 0.4 million (0.3). Earnings per share amounted to SEK 0.2 (-0.2). There is no dilution effect as no shares were issued during the period. The number of historical shares was restated taking into account the split that took place on January 8, 2021.

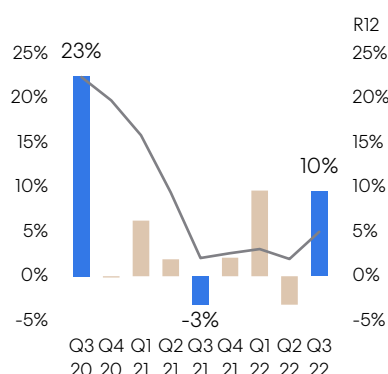
Net sales, SEKm



Adjusted EBITDA, SEKm



Adjusted EBITDA margin

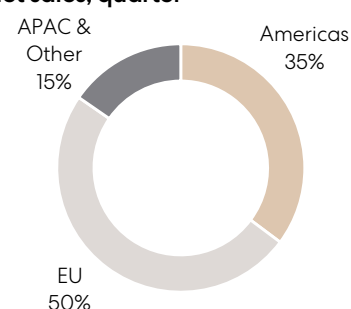


Geographic markets

The strongest region during the quarter was the EU, with net sales of SEK 64.7 million (33.6), while the Americas amounted to SEK 46.1 million (36.4) and APAC & Other amounted to SEK 20.2 million (15.0). Net sales was stronger in all regions compared to the year-earlier quarter.

Of total net sales, the EU accounted for 49.4% (39.5), Americas for 35.2% (42.8) and APAC & Other for 15.4% (17.6).

Net sales, quarter



By geography (Americas, EU, APAC & Other)

SEKm	Q3		Δ %	Oct-Sep	Full year
	2022	2021		21/22	2021
Net sales Americas	46.1	36.4	26.6	175.7	154.8
Net sales Americas, USDm	4.4	4.2	3.5	18.3	18.1
Net sales EU	64.7	33.6	92.5	202.1	243.3
Net sales EU, USDm	6.1	3.9	57.0	21.1	28.5
Net sales APAC & Other	20.2	15.0	34.3	86.8	80.5
Net sales APAC & Other, USDm	1.9	1.7	11.0	9.1	9.4



January–September 2022

Net sales

The Group's net sales amounted to SEK 343.9 million (357.9) in the period, a decrease of 3.9%. Net sales in USD amounted to USD 34.7 million (42.3), an organic decrease of 18%.

Demand, especially during the first half of the year, was negatively impacted by the limited availability and high price of graphics cards, which meant that many gamers delayed upgrades to their equipment. During the period, availability and prices of graphics cards gradually improved, with increased demand and sales during the third quarter despite continued macroeconomic and geopolitical uncertainty, high inflation and low consumer confidence.

Earnings

Product profit amounted to SEK 126.8 million (118.6), corresponding to a product margin of 36.9% (33.1), which was an increase of 3.8 percentage points.

The higher margin was due in part to a product mix with a higher share of case sales and a positive currency effect attributable to stocks that were purchased at a lower exchange rate and sold at a higher exchange rate.

Fractal's renewed tariff exclusion, which extends from October 12, 2021 to December 31, 2022,

also had a positive impact on the margin and is expected to have a positive full-year effect of approximately SEK 15 to 20 million.

The freight costs remained high during the period 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 increased to SEK 7.2 million (0.2), corresponding to an adjusted EBIT margin of 2.1% (0.1). Depreciation/amortization amounted to SEK -13.5 million (-9.7) and was mainly related to investments in tools related to 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 7.6 million (-2.5). Net financial items amounted to SEK 2.4 million (3.2), primarily impacted by a positive currency effect and the utilization of bank overdraft facilities. Income tax amounted to SEK -2.2 million (-1.2). Earnings per share amounted to SEK 0.3 (-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.

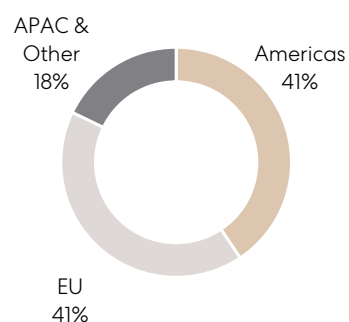


Geographic markets

The EU region demonstrated the highest net sales of SEK 142.8 million (184.0), followed by Americas at SEK 139.7 million (118.8) and APAC & Other at SEK 61.4 million (55.1).

Of total net sales for the period, the EU accounted for 41.5% (51.4), the Americas for 40.6% (33.2) and APAC & Other for 17.9% (15.4).

Net sales, Jan–Sep



By geography (Americas, EU, APAC & Other)

SEKm	Jan–Sep		Δ %	Oct-Sep	Full year
	2022	2021		21/22	2021
Net sales Americas	139.7	118.8	17.6	175.7	154.8
Net sales Americas, USDm	14.2	14.0	1.2	18.3	18.1
Net sales EU	142.8	184.0	-22.4	202.1	243.3
Net sales EU, USDm	14.3	21.8	-34.2	21.1	28.5
Net sales APAC & Other	61.4	55.1	11.4	86.8	80.5
Net sales APAC & Other, USDm	6.2	6.5	-5.0	9.1	9.4

Financial position and cash flow

Financial performance

At the end of the period, the Group's balance sheet total amounted to SEK 565.0 million (537.1). Stock levels were SEK 160.3 million (167.3), which is a significant improvement over the second quarter, when the figure was SEK 185.5 million. A major focus on stock size and increased sales reduced stock levels.

Utilization of the bank overdraft facility amounted to SEK 123.7 million (116.2) and was mainly related to the purchase of stock items. During the latter part of the quarter, Fractal Gaming Group signed an additional agreement with the bank, expanding the amount available for use by SEK 20 million. In connection with the expanded credit, a shareholder loan of SEK 10 million was also raised. The expanded liquidity will contribute to increased flexibility in connection with product purchases and launches of new products. Total credit facility amounts to 180 SEKm.

During the period, the company signed an updated loan agreement with the bank within the framework of the existing credit scope and the agreement includes temporarily renewed financial covenants.

Interest-bearing net debt amounted to SEK 126.0 million (110.5). Net working capital amounted to SEK 124.2 million (129.8) at the end of the period.

The Group's equity amounted to SEK 275.8 million (268.8) and the equity ratio to 48.8% (50.0) at the end of the period.

Cash flow for the quarter

Cash flow from operating activities amounted to SEK

19.6 million (-6.1). The increase was primarily due to reduced stock items.

Cash flow from investment activities amounted to SEK -6.2 million (-9.5) and was mainly related to the development of new products.

During the quarter, cash flow from financing activities amounted to SEK -9.3 million (15.5), where the difference was largely related to changes in the bank overdraft facility.

Total cash flow in the quarter amounted to SEK 4.1 million (0.0).

Cash flow, Jan-Sep

Cash flow for the period from operating activities amounted to SEK 40.1 million (-38.4). The increase was primarily due to reduced stock items and accounts receivable.

Cash flow from investment activities amounted to SEK -25.8 million (-21.2) and was mainly related to the development of new products.

During the period, cash flow from financing activities amounted to SEK -9.2 million (49.8), where the difference was largely related to changes in the bank overdraft facility.

Total cash flow in the period amounted to SEK 5.1 million (-9.7).

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 applies from October 12, 2021 until December 31, 2022.

Nomination Committee appointed ahead of the 2023 Annual General Meeting of the Fractal Gaming Group AB (publ). According to a resolution from the Annual General Meeting, Fractal Gaming Group AB's Nomination Committee is to consist of representatives from the three largest shareholders as of September 30 as well as the Chairman of the Board. More information is available at www.fractal-design.com.

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 September 30, there were 76 (84) full-time employees, of whom 22 women (24) and 54 men (60). During the third quarter, the average number of employees in the organization was 75 (83), of whom 20 women (24) and 55 men (59).

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 1.0 million (1.3) in the third quarter. Operating loss amounted to SEK -0.2 million (0.0) and loss for the period to SEK -0.2 million (0.0).

The share

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

The largest shareholders were:

- Långholmen Holding AB 29.0%
- Litorina IV L.P. 13.2%
- Herenco Holding AB 11.7%
- SEB Life International I 9.3%
- SEB Life International II 6.5%

Fractal's shares were allocated among 5,461 shareholders as of September 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.

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.



Assurance of the Board of Directors and the CEO

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

Stockholm, November 17, 2022

Magnus Yngen
Chairman of the Board

Patrick Söderlund
Board member

Gustav Thott
Board member

Pernilla Ekman
Board member

Ola Nilsson
Board member

Erik Stenberg
Board member

Hannes Wallin
CEO and Board member

Audit

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

Introduction

We have reviewed the condensed interim financial information (interim report) for Fractal Gaming Group AB for September 30, 2022 and the nine-month period then ended. The Board of Directors and the President are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

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

Conclusion

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

Gothenburg, November 17, 2022

KPMG AB

Mathias Arvidsson

Authorized Public Accountant

Income statement, Group

SEKm	Q3		Jan—Sep		Oct-Sep	Full year
	2022	2021	2022	2021	21/22	2021
Net sales	131.0	85.1	343.9	357.9	464.6	478.6
Capitalized development expenditure	2.0	1.7	7.4	7.3	9.0	8.9
Other operating income	0.0	0.0	1.1	0.0	1.2	0.1
Total revenue	133.0	86.8	352.4	365.2	474.8	487.6
Operating expenses						
Goods for resale	-80.8	-59.1	-217.1	-239.3	-298.2	-320.4
Other external expenses	-22.9	-17.3	-64.7	-74.5	-87.0	-96.8
Personnel expenses	-16.9	-13.1	-49.8	-41.5	-66.2	-57.9
Depreciation and impairment of tangible and intangible non-current assets	-5.0	-3.4	-13.5	-9.7	-17.6	-13.8
Other operating expenses	-	-	-	-	-	-
Total operating expenses	-125.6	-92.9	-345.2	-364.9	-469.1	-489.0
Operating profit	7.5	-6.1	7.2	0.2	5.7	-1.4
Finance income	2.8	-	7.3	-	7.3	-
Finance costs	-2.3	-0.8	-4.9	-3.2	-6.5	-4.7
Profit/loss after financial items	8.0	-7.0	9.7	-2.9	6.5	-6.1
Income tax expense	-1.1	-0.3	-2.2	-1.2	-3.3	-2.3
Deferred tax liabilities	-0.5	1.7	0.2	1.7	1.8	4.0
Profit for the period	6.3	-5.5	7.6	-2.5	5.7	-4.4
Other comprehensive income						
Items that have been reclassified or can be reclassified to profit/loss for the period						
Foreign subsidiaries - foreign currency translation differences	0.5	0.1	1.1	0.2	1.5	0.6
Other comprehensive income for the period	0.5	0.1	1.1	0.2	1.5	0.6
Total comprehensive income for the period	6.8	-5.4	8.7	-2.3	7.2	-3.8
Profit for the year attributable to:						
Parent Company's shareholders	6.3	-5.5	7.6	-2.5	5.7	-4.4
Non-controlling interests	-	-	-	-	-0.0	-0.0
Profit for the period	6.3	-5.5	7.6	-2.5	5.7	-4.4
Total comprehensive income attributable to:						
Parent Company's shareholders	6.8	-5.4	8.7	-2.3	7.2	-3.8
Non-controlling interests	-	-	-	-	-0.0	-0.0
Total comprehensive income for the period	6.8	-5.4	8.7	-2.3	7.2	-3.8
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	0.2	-0.2	0.3	-0.1	0.2	-0.2
Before and after dilution, SEK	0.2	-0.2	0.3	-0.1	0.2	-0.2



Balance sheet, Group

SEKm	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
ASSETS			
Non-current assets			
Goodwill	210.2	210.2	210.2
Capitalised development costs	29.4	20.8	21.9
Property, plant and equipment	38.8	31.3	31.7
Right-of-use assets	12.2	15.1	14.7
Deferred Tax Asset	0.8	1.7	0.6
Total non-current assets	291.3	279.1	279.1
Current assets			
Inventories	160.3	167.3	170.5
Accounts receivable	85.8	65.7	93.4
Prepaid expenses and accrued income	3.7	5.8	9.5
Other receivables	16.3	13.5	7.8
Cash and cash equivalents	7.7	5.7	4.3
Total current assets	273.7	258.0	285.4
TOTAL ASSETS	565.0	537.1	564.5
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	0.5	0.5	0.5
Share premium	178.0	177.9	177.9
Reserves	0.7	-0.9	-0.4
Retained earnings including profit/loss for the period	96.6	91.3	89.0
Equity attributable to the Parent Company's shareholders	275.8	268.8	267.0
Non-controlling interest	-	-	-
Total equity	275.8	268.8	267.0
Non-current liabilities			
Long-term lease liabilities	8.9	12.0	11.3
Provisions	3.0	2.5	2.8
Deferred tax liabilities	8.5	11.9	8.5
Total non-current liabilities	20.4	26.4	22.6
Current liabilities			
Overdraft facility	123.7	116.2	130.5
Current lease liabilities	3.4	3.1	3.4
Accounts payable	103.7	102.7	122.6
Tax liabilities	0.1	7.4	0.7
Other liabilities	20.4	1.8	1.6
Accrued expenses and prepaid income	17.7	10.6	16.2
Total current liabilities	268.8	241.8	275.0
TOTAL EQUITY AND LIABILITIES	565.0	537.1	564.5



Cash flow, Group

SEKm	Q3		Jan—Sep		Oct-Sep	Full year
	2022	2021	2022	2021	21/22	2021
Cash flows from operating activities						
Profit/loss after financial items	8.0	-7.0	9.7	-3.0	6.5	-6.1
Adjustments for items not included in cash flow	5.7	4.2	15.1	11.1	19.8	15.8
Income tax paid	-	-3.3	-1.1	-8.3	-3.3	-10.5
	13.7	-6.1	23.7	-0.2	23.0	-0.8
Increase (+)/Decrease (-) of inventories	25.2	-3.4	10.2	5.5	7.0	2.3
Increase (+)/Decrease (-) of operating receivables	-18.5	12.4	5.0	26.0	-26.3	-5.2
Increase (+)/Decrease (-) of operating liabilities	-0.8	-9.0	1.3	-69.7	26.4	-44.6
Net cash from operating activities	19.6	-6.1	40.1	-38.4	30.2	-48.3
Cash flows from investing activities						
Acquisition of property, plant and equipment	-3.9	-7.3	-15.4	-12.7	-18.1	-15.4
Acquisition intangible assets	-2.3	-2.2	-10.4	-8.5	-12.2	-10.3
Net cash used in investing activities	-6.2	-9.5	-25.8	-21.2	-30.3	-25.7
Cash flows from financing activities						
Net change, bank overdraft facility	-8.4	15.9	-6.8	51.1	7.5	65.4
Repayment of borrowings	-0.9	-0.4	-2.4	-1.3	-3.4	-2.2
Net cash used in financing activities	-9.3	15.5	-9.2	49.8	4.1	63.2
Net increase in cash and cash equivalents	4.1	-0.0	5.1	-9.7	4.0	-10.8
Cash and cash equivalents at start of period	4.7	5.7	4.3	15.4	5.7	15.4
held	-1.1	-	-1.7	-	-2.0	-0.3
Cash and cash equivalents at end of period	7.7	5.7	7.7	5.7	7.7	4.3

Change in equity, Group

Amounts in SEKm	Share capital	Share premium	Reserves	Retained earnings including profit/loss for the year	Total	Non-controlling interest	Total equity
Balance at 2021-01-01	0.1	177.9	-1.0	93.7	270.7	-	270.7
Profit for the period				-2.5	-2.5		-2.5
Translation differences			0.2		0.2		0.2
Total comprehensive income for the period			0.2	-2.5	-2.3		-2.3
Bonus issue	0.4				0.4		0.4
Balance at 2021-09-Se	0.5	177.9	-0.9	91.3	268.8	-	268.8
 Balance at 2022-01-01	 0.5	 177.9	 -0.4	 89.0	 267.0	 -	 267.0
Profit for the period				7.6	7.6		7.6
Translation differences			1.1		1.1		1.1
Total comprehensive income for the period			1.1	7.6	8.7		8.7
Premium paid when issuing stock options		0.1			0.1		0.1
Balance at 2022-09-Se	0.5	178.0	0.7	96.6	275.8	-	275.8



Parent Company

Income statement

SEKm	Q3		Jan—Sep		Oct-Sep	Full year
	2022	2021	2022	2021	21/22	2021
Net sales	1.0	1.3	3.6	24.5	5.4	26.3
Other operating income	-	-	0.2	-	0.2	-
	1.0	1.3	3.8	24.5	5.6	26.3
Operating expenses						
Other external expenses	-0.2	-0.2	-1.2	-21.2	-1.6	-21.7
Personnel expenses	-1.0	-1.2	-3.5	-3.7	-4.8	-4.9
	-1.2	-1.3	-4.7	-24.9	-6.4	-26.6
Operating profit	-0.2	-	-0.9	-0.4	-0.8	-0.3
<i>Net financial income and expenses</i>						
Finance costs	-0.0	0.0	-0.1	-0.0	-0.1	-0.0
Profit/loss after financial items	-0.2	0.0	-1.0	-0.4	-0.9	-0.3
Net income before taxes	-0.2	0.0	-1.0	-0.4	-0.9	-0.3
Income tax expense	-	-0.0	-	0.0	-0.0	0.0
Deferred tax liabilities	0.0	-	0.2	-	0.2	-
Profit for the period	-0.2	-0.0	-0.8	-0.4	-0.7	-0.3

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



Balance sheet

SEKm	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
ASSETS			
Non-current assets			
Shares in group companies	271.4	271.4	271.4
Deferred Tax Asset	0.2	-	-
Total non-current assets	271.6	271.4	271.4
Current assets			
Receivables from group companies	0.4	0.5	0.8
Other receivables	1.3	0.1	0.3
Prepaid expenses and accrued income	0.3	0.1	0.1
Cash and cash equivalents	0.0	0.3	0.4
Total current assets	2.0	1.0	1.6
TOTAL ASSETS	273.6	272.4	273.0
EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	0.5	0.5	0.5
Total restricted equity	0.5	0.5	0.5
Non-restricted equity			
Share premium	178.0	177.9	177.9
Retained earnings	56.0	56.4	56.4
Profit for the period	-0.8	-0.4	-0.4
Total non-restricted equity	233.2	233.9	233.9
Shareholders' equity	233.7	234.4	234.4
Untaxed reserves	26.0	26.0	26.0
Current liabilities			
Debt to group companies	12.2	3.5	3.5
Accounts payable	0.1	-	0.3
Tax liabilities	-	6.8	6.9
Other liabilities	0.5	0.4	0.5
Accrued expenses and prepaid income	1.1	1.2	1.5
Total current liabilities	13.8	11.9	12.6
TOTAL EQUITY AND LIABILITIES	273.6	272.4	273.0

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	Q3		Jan—Sep		Oct-Sep	Full year
	2022	2021	2022	2021	21/22	2021
Net sales	131.0	85.1	343.9	357.9	464.6	478.6
- Cases	108.3	66.3	295.7	272.5	399.9	376.7
- Other	22.8	18.8	48.2	85.4	64.7	101.9
Product profit	50.2	26.0	126.8	118.6	166.3	158.1
- Cases	42.0	22.3	111.6	99.1	147.4	134.9
- Other	8.2	3.7	15.1	19.5	18.9	23.3
Capitalized development expenditure	2.0	1.7	7.4	7.3	9.0	8.9
Other operating income	0.0	0.0	1.1	0.0	1.2	0.1
Other external expenses	-22.9	-17.3	-64.7	-74.5	-87.1	-96.8
Personnel expenses	-16.9	-13.1	-49.8	-41.5	-66.2	-57.9
Depreciation and impairment of tangible and intangible non-current assets	-5.0	-3.4	-13.5	-9.7	-17.7	-13.8
Operating profit	7.5	-6.1	7.2	0.2	5.6	-1.4
Finance income	2.8	-	7.3	-	7.3	-
Finance costs	-2.3	-0.8	-4.9	-3.2	-6.4	-4.7
Net financial income and expenses	0.5	-0.8	2.4	-3.2	0.9	-4.7
Net income before taxes	8.0	-7.0	9.7	-2.9	6.5	-6.1

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—Sep		Jan—Sep		Jan—Sep	
	2022	2021	2022	2021	2022	2021
SEKm						
Geographic market						
Americas	131.7	104.6	8.1	14.2	139.7	118.8
EU	114.2	127.4	28.6	57.0	142.8	184.4
APAC & Other	49.8	40.5	11.6	14.2	61.4	54.7
Time of revenue recognition						
Goods recognized at a point in time	295.7	272.5	48.2	85.3	343.9	357.9
Goods and services recognized over time	-	-	-	-	-	-
Total net sales	295.7	272.5	48.2	85.3	343.9	357.9

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 EBITDA 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

Year-end report, January–December 2022

February 9, 2023

Annual Report 2022

April 26, 2023

Interim report, January–March 2023

May 11, 2023

Annual General Meeting

May 17, 2023

Interim report, January–June 2023

August 17, 2023

Interim report, January–September 2023

November 16, 2023

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