

SteelSeries ApS

Annual report for 2021

1 January – 31 December

CVR No 25 92 31 70

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
23 June 2022

Lars Stoltze
Chairman of the General
Meeting

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Management's Statement

Executive Board and the Board of Directors have today discussed and approved the Annual Report of SteelSeries ApS and for the Company for 2021.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion the Company's financial statements give a true and fair view of the Company's assets, liabilities and financial position on 31 December 2021 and of the results of the Company's operations and cash flows for the financial year 2021.

Further, in our opinion the Management review includes a fair review of the development in the Company's operations and financial matters, of the result for the year, and of the Company's financial position, as well as describing the significant risks and uncertainties affecting the Company.

We recommend that the Annual General Meeting approve the Annual Report.

Copenhagen, 23 June 2022

Executive Board

Mian Ehtisham Rabbani

Oluf Riddersholm

Board of Directors

Rene Svendsen-Tune
Chairman

Peter Gormsen

Mian Ehtisham Rabbani

Independent Auditor's Report

To the shareholder of SteelSeries ApS

Opinion

We have audited the financial statements and the company financial statements of SteelSeries ApS for the financial year 1 January – 31 December 2021, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Company. The financial statements and the company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements and the company financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements and the company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

Independent Auditor's Report (continued)

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements and company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit.

Independent Auditor's Report (continued)

We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

FINANCIAL STATEMENT

Independent Auditor's Report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 23 June 2022

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Mikkel Sthyr

State Authorised

Public Accountant

mne26693

Ole Becker

State Authorised

Public Accountant

mne33732

FINANCIAL STATEMENT

Company Information

The Company	SteelSeries ApS Havneholmen 8, 1. DK-2450 Copenhagen SV CVR No: 25 92 31 70 Financial period: 1 January - 31 December Incorporated: 21 February 2001 Municipality of reg. office: Copenhagen
Board of Directors	Rene Svendsen-Tune, Chairman Peter Gormsen Mian Ehtisham Rabbani
Executive Board	Mian Ehtisham Rabbani Oluf Riddersholm
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 DK-2000 Frederiksberg

FINANCIAL STATEMENT

Financial Highlights

	2021	2020	2019	2018	2017
DKK million					
Income statement					
Revenue	2,577.3	1,988.2	1,244.2	969.8	730.5
Gross profit	962.7	741.0	521.6	400.3	278.1
Adj. EBITDA	382.5	256.6	171.3	129.7	46.9
Special items	-22.0	-15.5	-5.9	-10.3	4.3
EBITDA	360.5	241.1	165.4	119.4	51.2
Operating profit (EBIT)	324.6	202.2	130.1	94.0	22.2
Adj. EBIT	346.6	217.7	136.0	104.3	17.9
Net financials	0.4	-41.6	-13.3	-3.8	1.4
Income tax	63.5	-31.6	-9.3	-11.6	0
Net profit	263.6	129.0	107.5	78.7	21.4
Attributable to					
Shareholder in SteelSeries ApS	263.6	129.0	107.5	78.7	21.4
Statement of financial position					
Total assets	1,477.7	1,183.8	672.1	490.0	348.4
Net interest-bearing debt (NIBD)	514.5	403.3	93.2	-46.5	-2.0
Total Equity	348.6	105.0	226.8	219.3	224.6
Statement of cash flows					
Cash flow from operating activities	53.8	188.9	-96.5	149.8	21.6
Cash flow from operational investments	-366.2	-69.4	-45.0	-26.1	-18.3
Cash flow from financial investments	-10.8	-66.4	1.9	-0.8	0.0
Cash flow from financing activities	222.7	36.6	171.9	-79.2	-32.8
Investments					
Investments in property, plant and equipment	-26.3	20.3	-13.9	-4.6	-4.1
Average number of employees					
	302	230	183	158	151

FINANCIAL STATEMENT

Financial Highlights (continued)

Financial ratios*		2021	2020	2019	2018	2017
Gross margin	%	37.4	37.3	41.9	41.3	38.1
Adj. EBITDA margin	%	14.9	12.9	13.8	13.4	6.4
Operating margin	%	12.6	10.2	10.5	9.7	3.0
Equity ratio	%	23.6	8.9	33.7	44.7	64.5

* Please refer to the General Accounting Policies in the financial statements for a definition and calculation of key figures and financial ratios.

Management's Review

Main activity

SteelSeries is a leader in gaming peripherals focused on quality, innovation, and design. The company was founded in Denmark in 2001 and celebrated its twentieth birthday. The company is currently one of the world's leading global gaming brands - positioned in the premium part of the market.

SteelSeries has built a comprehensive platform for gamers that brings together an ecosystem of premium gaming peripherals and proprietary software solutions. The Company's gaming peripherals include Arctis, the world's leading premium gaming audio line, as well as best-selling keyboards, mice, controllers, and other gaming accessories. The Company's free software suite included with SteelSeries GG brings advanced features such as a unique in-game video capture application, as well as SteelSeries Engine which seamlessly manages all hardware customizations and enhances the gaming experience for millions of gamers.

Our products are sold through retail, e-tail, strategic distribution, as well as directly to consumers via our websites. Our software solutions are integrated in computers, headsets, and other peripherals.

SteelSeries operates on a global scale with offices in Copenhagen, Chicago, Taipei, Lille in France, Warsaw, Shanghai and Singapore. Our products are mainly manufactured in China, Taiwan, Vietnam, Thailand, and in the USA.

We strive to run a responsible business respectful of our employees, society and the environment. We are mindful of the manufacturing impact of our products and work to minimize the impact through smart design and supplier choices.

This report also serves as our statutory statement on corporate responsibility in accordance with section 99a, 99b and 99d of the Danish Financial Statements Act.

Development in the year

Overall, the development in the year was in line with the expectation of a growth in both revenue and EBITDA with increasing margins compared to 2020, the overall result was satisfactory.

Acquisition

On 2nd July 2021 acquired SteelSeries a minority interest in Louqe AB which produces premium PC cases, which can be used by customers to make their own customize desktop computers. Louqe is located in Stockholm, Sweden.

Management's Review (continued)

SteelSeries has the opportunity to acquire the remaining 74% of the company as of 1st January 2022 and within the following two years to an already settled price structure. The option has not yet been exercised. One key employee will be present in the Board of Louqe to lead the SteelSeries strategy of the investment.

KontrolFreek

On July 23, 2021 the 100% owned KontrolFreek entities, consisting of SteelSeries US Holding Inc., KontrolFreek LLC and KontrolFreek International Inc. were dissolved by design and activities were transferred to SteelSeries ApS as of that date. The transaction does not significantly affect the Group financials but will create a more integrated business model for future growth.

Ownership

On 6th October 2021 a deal between Axcel and GN Audio A/S was signed and SteelSeries Group A/S was to be acquired by GN Audio A/S, part of GN Store Nord A/S a C25 listed company on Nasdaq Copenhagen. Closing of the acquisition was finalized on 12th January 2022 whereafter 100% ownership of SteelSeries Group A/S was transferred to GN Audio A/S.

Revenue

Revenue increased by DKK 589 million, to DKK 2,577 million in 2021 compared with DKK 1,988 in 2020. The strong result benefitted from a loyal customer base, desirable premium products, an existing strong supply chain and prudent management of cash, which also provided stability during the continued uncertainty of the COVID-19 pandemic.

APAC was the region contributing the most to the increase in sales with 52% year-on-year growth, and sales in EMEA and Americas increased by 33% and 20%, respectively. Revenue from direct sales through www.steelseries.com and www.kf.com constituted 9% of total revenue.

Sales related to the audio category amounted to 56% of total revenue. Other revenue including mice, keyboards, mousepads, performance accessories and software accounted for 44%.

Gross profit

Gross profit increased by DKK 222 million to DKK 963 million in 2021 compared to DKK 741 million in 2020.

Management's Review (continued)

Operating expenses

OPEX, excluding logistic expenses, declined as a percentage of net sales, in line with our continued focus on driving operational efficiency and leverage from scaling our business. In addition, expenses related to promotions, e-sport events and travels were reduced due to the lock-down during COVID-19. One investment area continues to be within R&D and software, in order to support current and future growth.

Adjusted EBITDA

Adjusted EBITDA (Operating profit before depreciation, amortization, special items and impairment) increased by DKK 72 million to DKK 328 million in 2021 from DKK 256 million in 2020, when adjusting for special non-recurring items. Adjusted EBITDA margins improved to 14.9% in 2021 from 12.9% in 2020 mainly due to managing fixed costs and operational leverage.

Special items

Special items amount to DKK 22 million compared with DKK 15 million in 2020. The increase is mainly linked to transactions cost related to the GN Audio A/S sale.

EBIT

Operating profit (EBIT) increased DKK 123 million to DKK 325 million in 2021 compared to DKK 202 million in 2020. The development in EBIT is due to a generally increase in the activity in the Company and scaling on the cost.

Net Profit

The net profit in 2021 amounted to DKK 264 million, up 104% compared to 2020, which is considered a strong result to attribute to the shareholder of the Group.

Balance sheet development

Total assets amounted to DKK 1,478 million in 2021. This was an increase of DKK 294 million compared with 2020 and mainly due to the increase of net working capital as strong Q4 sales and continued inventory build-up impacted the end-year balances.

Equity increased by DKK 244 million to DKK 349 million. The increase in equity can be linked to the result for the year.

Cash flows

Cash flow from operating activities amounted to DKK 54 million. The positive cash flow development was mainly due to the increase in EBITDA which was somewhat offset by net working capital development.

Management's Review (continued)

Operational investments of DKK 366 million were impacted by the transfer of assets from the former subsidiary, KontrolFreek LLC and an update of our office facilities and higher investments in R&D totaling DKK 70 million, with a strong focus on software development.

Total financial investments amounted to DKK 11 million compared to DKK 66 million in 2020. Cash flow from financing activities was impacted by installments of loans and offset by increased revolving credit facilities related the continued increase of net working capital to accommodate expected growth.

Cash and cash equivalents at year-end amounted to DKK 70 million compared to DKK 171 million end of 2020. Subject to the GN Audio A/S transaction, the company's debt and liquidity position is likely to be restructured.

Operating and financial risks

The Group is exposed to currency fluctuations as much of the business is conducted internationally. Although, there, to some extent, is a natural currency hedging as a large part of the cost base are in USD. Cash flows and equity will be affected by exchange rate changes, especially against the US Dollar. The Group is mitigating the USD currency exposure through selling and purchasing in the same currency and exchanging surplus USD to DKK as frequently as possible.

The Group externally ensures a significant part of its trade receivables to counter potential losses caused by bad debtors' inability to pay. Despite this, and the efficient management of credit, sales on credit still involve an inherent business risk.

In addition, the Group continues to closely monitor and manage the sourcing, logistics and supply chain functions. The increased global pressure on product manufacturing and international transportation may also impact our ability to operate the business efficiently, with smooth and secure product deliverables, at the same low-cost levels previously experienced.

If the gaming industry does not continue to grow as expected or decline, it could have an adverse effect on the company's business and financial results. SteelSeries also operates in a highly competitive environment, and it could lose market share and the demand of its products could decline. It is part of the Management's ongoing responsibility to assess and address the current and future competitive situation as well as the trends in the global gaming market.

Management's Review (continued)

Ownership and capital structure

At 31 December 2021, the Group was ultimately owned by the private equity fund Axcel, PKA and AlInvest. The founder Jacob Wolff-Petersen and selected members of the leadership team and board have invested via SteelSeries Holding II ApS. Axcel controls the majority of the voting rights.

The Group's loan capital consists primarily of a bank facility provided by a joint consortium of Danske Bank A/S, Nykredit Bank A/S and Nordea Danmark, an affiliated branch of Nordea Bank Abp, Finland. Subsequent to GN's acquisition of SteelSeries Group as per 12 January 2022 current loan capital is terminated and replaced by GN.

Subsequently to the closing of the transaction between Axcel V K/S and GN Audio A/S all loans will be paid and funded by intercompany loans from the GN Group.

Our sustainability strategy

We truly believe that every gamer should have the chance to feel like a star. We are committed to achieving this vision, but also recognize that our activities can have both a positive and negative societal impact. Our sustainability efforts are driven by the desire to provide high quality and innovative products while minimizing our environmental footprint and being a responsible employer and corporate citizen. The SteelSeries Sustainability Policy reflects our commitment to this and our expectations of those we do business with.

Our sustainability strategy is underpinned by three focus areas: reducing our climate and environmental footprint, being an attractive and responsible employer, and ensuring responsible business conduct. For each focus area we have identified a long-term strategic direction and actions that need to be conducted in the upcoming year and beyond in order to get there. We have also mapped these initiatives to the Sustainable Development Goals (SDG) we materially impact and the relevant underlying targets to ensure our initiatives are in line with these.

In addition to driving our own sustainability agenda, we aim to proactively act upon the development in stakeholder requirements and our operating environment. Sustainable business is of high priority to many of our stakeholders including our largest corporate customers, with a growing focus on the environmental and societal impact of the products they purchase and sell to end users. SteelSeries is also affected by increasing climate and environmental regulation in countries where our products are manufactured and sold.

In our sustainability work, we focus on the topics identified as the most relevant for SteelSeries as a company and with the largest societal impact. These priorities have been identified through a materiality assessment of the most important sustainability topics, risks and impacts to be managed by our business. The initial assessment was conducted in autumn 2020 based on internal meetings, workshops and benchmarking within the industry.

Management's Review (continued)

In 2021, we updated the assessment to ensure that we maintain the right topics and that our activities remain compatible with stakeholders' expectations of SteelSeries as both a company and workplace.

In the following year, we will be working on setting baselines for a wider set of sustainability KPIs in order to set more targets and drive our sustainability performance for the short-, medium- and long-term.

The section constitutes our statutory reporting on corporate responsibility in accordance with section 99a of the Danish Financial Statements Act.

Reducing our climate and environmental footprint

At SteelSeries we strive to reduce the environmental and climate impact throughout our operations and value chain. The environmental impact of our own business and operations is somewhat limited and primarily consists of the energy use and waste generated in our offices and employee travel. Although not directly managed by SteelSeries, we acknowledge that the majority of our environmental impact lies in our upstream and downstream supply chain, and we are committed to reducing this impact in partnership with relevant stakeholders. We can also influence this impact through our design decisions, for example, by reducing the size of packaging or the weight and type of materials used to manufacture our products. Building on this belief, we have reduced the packaging size for our headsets, our largest product line, by 47% since 2015. During this time, we also reduced the packaging size of our keyboards and mice by 57% and 38% respectively.

The raw materials used in our products consist mainly of plastic and electronics, including certain types of minerals and precious metals. We aim to find the best ways to reduce the environmental footprint of our product designs while still delivering products that deliver the most impact to our customers and their gaming experience. In 2021 through our Aerox ultralightweight mouse, we showed that new innovations can both improve gaming performance and also reduce the impact of our products, the mouse contains 25% less plastic than a standard mouse while maintaining the highest quality expected of a SteelSeries product.

Due to the nature of our products and the industry in which we operate, regulatory restrictions and strong influence from key stakeholders have a significant impact on our environmental agenda. We want to support our customers' increasing demands for more sustainable products and we plan to do this by assessing the impacts of our best-selling products across their full lifecycle and incorporating sustainability considerations into our product development process. In addition, we will continue to adhere to strict environmental regulations in all countries where we operate. We communicate regularly with our customers and manufacturers and follow the relevant regulatory developments in all regions where we operate.

In 2021 we continued to prioritize the elimination of single-use plastics in all our packaging in addition to consciously reducing the size of our packaging. We are aiming for all new packaging to be FSC certified, 100%

Management's Review (continued)

recyclable and single use plastic-free by 2025. In the coming years, we will continue to use design as a mechanism to reduce material use, improve our climate footprint and implement more circular processes.

While our direct carbon emissions are small, this year we have set a target to be carbon neutral in our scope 1 and 2 emissions by 2025 at the very latest. This will be achieved with a focus on procuring renewable energy for all our offices globally. While this commitment is important, we recognize that over 95% of our total value chain emissions are scope 3 emissions. We are therefore committed to measuring our scope 3 footprint in 2022 with a plan to set a science-based reduction target before the end of 2023. We will also use lifecycle assessment to measure our product footprints and identify opportunities to further reduce their environmental impact.

Being an attractive and responsible employer

SteelSeries is a responsible employer and business partner. We are passionate about our employees and want everyone to feel at home and safe in their workplace. At SteelSeries, we treat each other with respect and we support the internationally recognized labor rights as specified in the International Labor Organization (ILO) core conventions. We respect the freedom of association of our employees and comply with local labor laws in each operating country.

SteelSeries had more than 380 employees in over 20 countries at the end of December 2021 and 363 on average throughout the year. We are dedicated to employee well-being, satisfaction, personal and professional development and equal rights and opportunities. As a knowledge-based company, we are dependent on skilled employees and our continued success relies on the ability to attract, develop and retain the right talent. We work purposefully to create an engaging workplace with good working conditions, equal opportunities, and development opportunities for our employees.

In 2021, we continued to invest in our human resources department and formalize our human resource strategy and practices. The ongoing impacts of the COVID-19 pandemic have continued to test our resilience as a company, but it has also provided us with an opportunity to promote our values and embed ways of working that provide our employees with the required flexibility based on their personal needs. We continue to monitor the impacts of COVID-19 across all of our offices and request employees to work from home when the situation demands. In cases where employees have been impacted by COVID-19 we make sure that they are supported.

Diversity, equity and inclusion

SteelSeries finds that tolerance and respect are fundamental values necessary to achieve the best working environment. At SteelSeries, all employees are appreciated for their skills, experience and individual points of view regardless of nationality, skin color, gender, age, sexual orientation, language, religion, political views or

Management's Review (continued)

disabilities. We are committed to creating and maintaining a workplace that welcomes the exchange of experience, attitudes, and views which we consider necessary for our development. Below we have outlined our policies, targets and actions taken to increase the underrepresented gender in Management, which also constitutes our statutory reporting on §99b.

In October 2021, we conducted a diversity, equity and inclusion survey for the second time to understand how employees view the diverse and inclusive culture we seek to create. Following a review of last year's survey, we decided to expand the scope to include more questions specifically on employee engagement to provide us with more data on how we can provide the best possible employee experience. The survey was sent to all employees globally and the results were again very positive with 84% of our employees agreeing that SteelSeries is a great place to work and 88% believing the company is headed in the right direction. The survey also identified new opportunities for improvement and these have been incorporated into an action plan that will be implemented in 2022. The updated survey will be repeated in future years to allow us to measure the progress of our initiatives in this area.

In 2021, our workforce consisted of 34.0% female, 65.7% male and 0.3% non-binary employees. The percentage of our managers that are women is 25%. Our workforce is generally young, but all age groups between 18 and 60 are represented. We are determined to increase the level of female representation across all levels of our business and will look to support other organizations seeking to increase the number of women working in the technology and gaming industry.

In 2021, building on our DE&I (Diversity, Equity and Inclusion) committee set up in the US in 2020, we created a DE&I committee with a global focus. The main areas that are discussed include diversity in terms of gender, women, LGBT+ and other members of any under-represented groups. We want to continue to foster a workplace that actively values diversity and in 2022, we plan to provide all hiring and people managers with specific DE&I training and also provide wider training to all employees.

The company achieved its goal of electing one female member to the Board of Directors. At year end, the Board now consists of five male and one female representatives. The candidates were chosen based on their specific competencies and fit for the positions.

Our leadership team consists of two females and twelve males. Diversity in Management is a key priority for us as we believe it helps create a healthy working environment. We are working to achieve a more equal gender balance at all levels in the company by ways of talent development opportunities, promotions and new recruitments, but this will be subject to further alignment with our new parent company GN Store Nord.

Management's Review (continued)

In addition to promoting an inclusive workplace, we also contribute to our local communities and to support this we provide two company-paid days off for employees to use when volunteering in the local community. We also conduct annual donations to support philanthropic organizations that support diversity and equality in the communities where we operate. In the future, we will continue to support community initiatives that are consistent with our values and that help to remove systemic inequality within the gaming industry and beyond.

SteelSeries is not a political company. However, we do take a stance for civil and human rights. We donate to charities such as Black Lives Matter and the Trevor Project alongside our employees, and we have an active employee base that supports many local causes. This year during Pride week, in conjunction with The Trevor Project, we created products in rainbow themes and "For Pride" and 100% of the proceeds from these were donated to The Trevor Project. All products were sold within days of release.

Ensuring responsible business conduct

We require all our employees and all our business partners to respect the Universal Declaration of Human Rights. SteelSeries has zero-tolerance against any form of corrupt and fraudulent behavior or human rights violations. Our code of conduct lays the foundation for our approach to business ethics and sustainability management and sets out our position and policies on the most important issues for our business. We require all employees to read and sign our code of conduct.

SteelSeries' most material risk of violating human rights and risks associated with corrupt behavior is related to product supply chain. We recognize our responsibility to respect human rights and will always have zero-tolerance for corrupt behavior not only in relation to the Group's own employees, but also in relation to partners, customers, suppliers, and subcontractors' employees. In 2020, we established a more stringent supplier code of conduct which covers our expectations and requirements related to child labor, forced labor, discrimination, anti-corruption, and bribery, among other things. During 2021 we engaged with all our major component providers and contract manufacturers to make them aware of these updated standards; all of these suppliers confirmed that they are able to comply with the code. Going forward we will look to further develop our approach to supplier engagement and evaluation, performing a supplier risk assessment and further incorporating environmental and human rights considerations into our supplier due diligence and onboarding processes.

In addition to our own processes, SteelSeries signs the code of conduct of certain customers such as US-based retailers and e-tailers with extensive sustainability requirements and potential audit schemes. Some of these large customers conduct sustainability audits of manufacturers that produce SteelSeries products, reviewing their social, environmental, and business ethics and processes and issuing corrective action reports.

Management's Review (continued)

It is our goal to always act professionally, fairly and with integrity in all our business activities and relationships. We use a variety of marketing channels to promote our products across our key markets and our expectations regarding responsible business conduct also extend to SteelSeries' business partners such as social media influencers or gamers who are expected to uphold our sustainability policies. In 2021, we incorporated an influencer specific code of conduct into all new agreements to ensure the influencers we associate with act in ways that are consistent with our values.

Our employees are encouraged to report any suspected violations of our code of conduct through our whistleblowing channel. In addition, we have set up an anonymous whistleblowing website (a.k.a. SteelSeries Speak-Up integrity line), which is hosted by an independent provider and available in multiple languages. We will continue to increase awareness of our code of conduct and encourage our employees to use this whistleblowing channel when necessary. In 2021, there were zero cases reported.

Data ethics

SteelSeries uses data for various purposes. While these uses provide benefits for both SteelSeries and its customers, SteelSeries is committed to using this data in a responsible way and in compliance with its ethical principles. As part of these considerations SteelSeries seeks to uphold the core principles of Objectivity, Integrity and Responsibility to ensure human dignity, equality, fairness, responsible use of data, while minimizing risk of algorithm bias and discrimination, lack of transparency, lack of control, and lack of responsibility and accountability.

SteelSeries has implemented relevant measures to ensure data is secure and promotes a 5-step approach for considering data ethics and the impacts of data processing. Training will also be held with relevant staff to strengthen awareness across the company. SteelSeries will regularly review the contents of its Data Ethics Policy to ensure that it continues to meet the expectations of its employees, partners, regulators and societal views more broadly. This section constitutes our statutory reporting on §99d.

Target and expectations for next year

SteelSeries expects growth in revenue and EBITDA – but remain vigilant in managing potential implications from the post-pandemic uncertainties and general concerns about increasing pressure on inflation.

Despite the market uncertainty due to COVID-19, growth is expected to be driven by the launch of new products, adding new customers within our existing and new regions, and including the full-year impact of the newly acquired KontrolFreek product line-up. Implications of the new ownership structure with GN Audio A/S may also contribute to new growth opportunities.

Management's Review (continued)

The Group will continue to invest in marketing initiatives to increase brand awareness and support our position in the market as a global leader in premium gaming peripherals in all key regions.

Based on current information, an increase in revenue between 0-10% is expected, corresponding to a revenue level between DKK 2.6 – 2.8 billion and a net profit at a level of DKK 0.3 billion for 2022.

Continued investments in the research and development of future products and software solutions will also remain high in 2022, as we view a strong pipeline and complementary software platform to be essential for sustainable growth.

Subsequent events

No events have occurred after the balance sheet date except the closing of GN Audio A/S acquisition of SteelSeries Group A/S and becoming the sole owner of the Group as of 12th January 2022.

FINANCIAL STATEMENT

Income Statement and Other Comprehensive Income

<i>DKK million</i>	Note	2021	2020
Revenue	1.1	2,577.3	1.988.2
Cost of sales	1.2	-1,614.5	-1.247.2
Gross Profit		962.7	741.0
Other external expenses	1.3	-400.3	-322.2
Staff costs	2.1	-179.9	-162.2
Operating profit before depreciation, amortization, impairments and special items (Adj. EBITDA)		382.5	256.6
Special items	3.1	-22.0	-15.5
Operating profit before depreciation, amortization, and impairments (EBITDA)		360.5	241.1
Depreciation	6.1	-10.2	-10.7
Amortization and impairment	6.1	-25.7	-28.2
Operating profit (EBIT)		324.6	202.2
Income from subsidiaries & associates	6.2	2.1	-
Financial income	4.1	67.1	1.0
Financial expenses	4.2	-66.7	-42.6
Profit before tax		327.1	160.6
Income tax	5.1	-63.5	-31.6
Net profit		263.6	129.0
Attributable to:			
Shareholder in SteelSeries ApS		263.6	129.0
Items that may be reclassified to the income statement			
Foreign exchange adjustments of foreign entities		-	-
Items that may be reclassified to the income statement		-	-
Total comprehensive income		263.6	129.0
Attributable to:			
Shareholder in SteelSeries ApS		263.6	129.0

FINANCIAL STATEMENT

Balance Sheet 31 December

Assets

<i>DKK million</i>	Note	2021	2020
Non-current assets			
Goodwill	6.1	115.8	-
Trademarks	6.1	99.8	-
Patents	6.1	52.3	1.6
Development projects	6.1	109.5	61.6
Property, plant, and equipment	6.1	27.2	13.6
Leasehold improvements	6.1	0.7	0.7
Right-to-use assets	6.1	3.0	0.5
Investments in subsidiaries and associates	6.2	81.0	68.0
Receivables from group enterprises		-	280.0
Deposits		0.6	0.8
Total non-current assets		489.9	426.8
Current assets			
Inventories	7.1	384.6	303.6
Trade receivables	7.2	432.0	236.0
Receivables from subsidiaries and associated companies		54.7	-
Receivable tax		-	13.8
Other receivables		10.1	9.3
Prepayments		36.0	23.5
Cash and cash equivalents	7.3	70.4	170.9
Total current assets		987.8	757.0
Total assets		1,477.7	1,183.8

FINANCIAL STATEMENT

Balance Sheet 31 December

Equity & liabilities

<i>DKK million</i>	Note	2021	2020
Equity			
Share capital		0.2	0.2
Retained earnings		348.4	104.8
Total equity		348.6	105.0
Non-current liabilities			
Deferred tax	5.2	22.8	9.2
Borrowings and Lease liabilities	7.3	1,7	517.2
Total non-current liabilities		24.5	526.4
Current liabilities			
Borrowings	7.3	581.9	56.5
Trade payables		279.6	334.2
Payables to group enterprises		22.9	6.1
Lease liabilities	7.3	1.3	0.5
Provisions	7.4	6.0	5.2
Corporation tax		1.2	-
Other payables	7.5	211.7	149.9
Total current liabilities		1,104.6	552.4
Total Equity and liabilities		1,477.7	1,183.8

FINANCIAL STATEMENT

Statement of Changes in Equity

2021				
<i>DKK million</i>	Share capital	Retained earnings	Proposed dividend	Equity shareholder in SteelSeries ApS
Equity on 1 January	0.2	84.8	20.0	105.0
Net profit	-	263.6	-	263.6
Other comprehensive income	-	-	-	-
Total comprehensive income	-	263.6	-	263.6
Transactions with shareholder				
Dividend paid to shareholder	-	-	-20.0	-20.0
Total transactions with shareholder	-	-	-20.0	-20.0
Total Equity on 31 December	0.2	348.4	0.0	348.6
2020				
<i>DKK million</i>	Share capital	Retained earnings	Proposed dividend	Equity shareholder in SteelSeries ApS
Equity on 1 January	0.2	226.6	-	226.8
Effect of Merger*	-	-212.6	-	-212.6
Net profit	-	109.0	20.0	129.0
Other comprehensive income	-	-	-	-
Total comprehensive income	-	109.0	20.0	129.0
Transactions with shareholder				
Group contribution	-	61.8	-	61.8
Dividend paid to shareholder	-	-100.0	-	-100.0
Total transactions with shareholder	-	-38.2	-	-38.2
Total Equity on 31 December	0.2	84.8	20.0	105.0

FINANCIAL STATEMENT

Statement of Cash Flows

<i>DKK million</i>	Note	2021	2020
Operating profit (EBIT)		324.6	202.2
Depreciation, amortization, and impairment	6.1	35.9	38.9
Operating profit before depreciation, amortization, and impairment (EBITDA)		360.5	241.1
Other non-cash adjustments		21.4	-23.4
Change in inventories		-81.0	51.0
Change in receivables		-209.4	-362.0
Change in trade payables and other payables		8.0	332.6
Interest etc. Received	4.1	9.7	1.0
Interest etc. Paid	4.2	-20.5	-15.6
Income tax paid		-34.9	-35.8
Cash flow from operating activities		53.8	188.9
Acquisition of property, plant and equipment	6.1	-26.3	-10.9
Acquisition of intangible assets	6.1	-339.9	-58.5
Total operational investments		-366.2	-69.4
Acquisition of subsidiaries and associates		-11.0	-66.4
Change in financial receivables		0.2	-
Total financial investments		-10.8	-66.4
Free cash flow		-323.2	53.1
Repayment of borrowings		-51.8	-31.1
Change in overdraft		50.0	-246.8
Proceeds from borrowings	7.3	-	353.7
Repayment of lease liabilities		2.4	-1.0
Transaction with shareholder			
Group contribution		242.1	61.8
Dividend		-20.0	-100.0
Cash flow from financing activities		222.7	36.6
Net cash flow		-100.5	89.7
Cash and cash equivalents at opening		170.9	81.2
Foreign exchange adjustment of cash and cash equivalents		-	-
Cash and cash equivalents on 31 December	7.3	70.4	170.9

FINANCIAL STATEMENT

Notes to Financial Statements

1.1 Revenue

Revenue by region

	2021	2020
Americas	1,122.3	932.3
EMEA	1,057.4	794.8
APAC	397.6	261.1
Total	2,577.3	1,988.2

Revenue by Product Category

	2021	2020
Audio	56%	63%
Other	44%	37%

Revenue by Channel

	2021	2020
B2B	91%	88%
D2C	9%	12%

Revenue by Large Customers (%)

	2021	2020
Customer A*	26%	27%
Customer B*	12%	13%

*Customer A and B are those which contribute with more than 10% of revenue individually.

1.2 Cost of sales

<i>DKK million</i>	2021	2020
Change in inventory	17.8	51.0
Expenses related to purchase of products	1,596.7	1,196.2
Total	1,614.5	1,247.2

1.3 Other external expenses

<i>DKK million</i>	2021	2020
Sales and Marketing expenses	307.3	254.1
Other external expenses	93.0	68.1
Total	400.3	322.2

FINANCIAL STATEMENT

Notes to Financial Statements (continued)

2.1 Staff costs

<i>DKK million</i>	2021	2020
Wages and salaries	154.9	145.1
Pension cost	3.0	2.1
Other social security costs	22.0	15.0
Warrants	-	-
Other staff cost	-	-
Total staff cost	179.9	162.2
Average number of employees	302	230

Remuneration of the Management

Wages and Salaries	10.7	11.6
Total	10.7	11.6

Remuneration of the Board of Directors

Wages and salaries	0.8	0.5
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3.1 Special items

<i>DKK million</i>	2021	2020
Strategy	4.6	7.6
Transaction cost	8.4	6.3
Disputes	8.8	1.4
Other	0.2	0.2
Provision 31 December 2020	22.0	15.5

In 2021, the Group initiated an IPO process and a possible sale of the entire group. Cost related to these projects have been recognized as special items. Furthermore, strategy projects have been carried out with focus on continued growth. The group has in 2021 and in previous years taken part in various disputes related to former employees and customers.

FINANCIAL STATEMENT

Notes to Financial Statements (continued)

4.1 Financial income

<i>DKK million</i>	2021	2020
Financial income		
Interest income from subsidiaries	9.7	1.0
Foreign exchange gains etc.	57.4	
Total	67.1	1.0

4.2 Financial expenses

<i>DKK million</i>	2021	2020
Financial expenses		
Interest expenses	20.3	14.4
Foreign exchange losses etc.	36.1	22.0
Amortized loan cost	10.1	4.9
Interest expenses lease	0.1	0.1
Other	0.1	1.1
Total	66.7	42.6
Total finance cost related to financial liabilities at amortized cost	30.5	19.4

5.1 Reconciliation of tax for the year

<i>DKK million</i>	2021	2020
Current tax	53.3	15.2
Change in deferred tax	13.6	16.5
Adjustments to tax in prior years	-3.4	-0.1
Total tax	63.5	31.6

FINANCIAL STATEMENT

Notes to Financial Statements (continued)

5.2 Reconciliation of the effective tax rate of the year

Effective tax rate	2021		2020	
	%	TDKK	%	TDKK
Calculated 22% tax on profit	22.0	72.0	22.0	35.3
Adjust. to prior year tax	-1.0	-3.4	-0.1	-0.1
R&D credits	-1.7	-5.6	-2.3	-3.7
Unrecognized tax losses	-	-	-	-
Non deduct interest	0.0	-0.1	-1.5	-2.4
Interest restriction	-0,5	-1.7	-	-
Non-taxable income and non-deductible costs, net	0.7	2.3	1.6	2.5
Total tax	19.5	63.5	19.7	31.6

5.3 Deferred tax

<i>DKK million</i>	2021	2020
Intangible assets	28.7	13.8
Property, plant and equipment	-1.6	-2.4
Inventories	-1.8	-1.8
Trade receivables	-2.0	-0.4
Loan costs	-0.5	-
Total tax	22.8	9.2
1 January 2020	9.2	1.0
Tax for the Year	13.6	16.5
Adjust. to prior year tax	-	1.1
Business combinations	-	-9.4
31 December 2020	22.8	9.2
Deferred tax liability	22.8	9.2
31 December 2020	22.8	9.2

Management makes judgements on uncertain tax positions to ensure recognition and measurement of tax assets and liabilities and there has not in 2020 or 2021 been recognized any cost related to uncertain tax positions based on management's assessment.

FINANCIAL STATEMENT

Notes to Financial Statements (continued)

6.1 Intangible assets and property, plant and equipment

2021

<i>DKK million</i>	Goodwill	Trademarks	Patents	Development projects and other	Total
Cost on 1 January	-	-	19.3	126.9	146.2
Additions business combinations	115.8	99.8	49.7	-	265.3
Additions	-	-	4.6	70.0	339.9
Disposals	-	-	-	-	-
Cost on 31 December	115.8	99.8	73.6	196.9	486.1
Amortization 1 January	-	-	17.7	65.3	83.0
Amortization	-	-	3.6	22.1	25.7
Reversal of amortization of disposals for the year	-	-	-	-	-
Amortization and impairment on 31 December	-	-	21.3	87.4	108.7
Carrying amount on 31 December	115.8	99.8	52.3	109.5	377.4

As per 23 July 2021, SteelSeries ApS acquired all activities, assets and liabilities from the 100% owned subsidiary, KontrolFreek LLC.

Intangible assets

2020

<i>DKK million</i>	Patents	Development projects and other	Total
Cost on 1 January	17.0	134.5	151.5
Additions	2.2	56.3	58.5
Disposals	-	-63.9	-63.9
Foreign exchange adjustments	0.1	-	0.1
Cost on 31 December	19.3	126.9	146.2
Amortization 1 January	14.6	104.1	118.7
Disposals	-	-63.9	-63.9
Amortization and depreciation	3.1	25.1	28.2
Amortization and impairment on 31 December	17.7	65.3	83.0
Carrying amount on 31 December	1.6	61.6	63.2

FINANCIAL STATEMENT

Notes to Financial Statements (continued)

2021

<i>DKK million</i>	Other fixtures and fittings tools and equipment	Leasehold improvements	Right to use assets	Total
Cost on 1 January	44.1	4.3	3.3	51.7
Additions business combinations	1.6	-	-	1.6
Additions	20.0	0.7	4.0	26.3
Cost on 31 December	65.7	5.0	7.3	78.0
Depreciation on 1 October	30.5	3.6	2.8	36.9
Reversal of depreciation	-	-	-	-
Depreciation	8.0	0.7	1.5	10.2
Depreciation on 31 December	38.5	4.3	4.3	47.1
Carrying amount on 31 December	27.2	0.7	3.0	30.9

As per 23 July 2021, SteelSeries ApS acquired all activities, assets and liabilities from the 100% owned subsidiary, KontrolFreek LLC.

Tangible assets

2020

<i>DKK million</i>	Other fixtures and fittings tools and equipment	Leasehold improvements	Right to use assets	Total
Cost on 1 January	34.4	4.3	3.3	42.0
Additions	10.9	-	-	10.9
Disposals	-1.2	-	-	-1.2
Cost on 31 December	44.1	4.3	3.3	51.7
Depreciation on 1 January	22.6	3.0	1.8	27.4
Disposals	-1.2	-	-	-1.2
Depreciation	9.1	0.6	1.0	10.7
Depreciation on 31 December	30.5	3.6	2.8	36.9
Carrying amount on 31 December	13.6	0.7	0.5	14.8

Rights-of-use assets

The Group leases various properties. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Lease expenses recognized in the income statement related to short-term leases and leases of low-value assets and amounted to less than DKK 0.1 million (2020: DKK 0.1 million). Such contracts comprise the lease of coffee machines, small IT devices and similar equipment.

Notes to Financial Statement (continued)

The impact of IFRS 16 increased EBITDA by DKK 1.5 million (2020: DKK 1.0 million) as other external expenses decreased by DKK 1.5 million (2020: DKK 1 million), depreciation increased by DKK 1.5 million (2020: DKK 1.0 million) and interest by DKK 0.0 million (2020: DKK 0.0 million), the net negative impact on the income statement was DKK 0.0 million (2020: DKK 0.0 million).

6.2 Impairment test of non-current assets

In 2021, the impairment tests of goodwill and trademarks with indefinite useful lives were prepared at the reporting date without this leading to recognition of impairment losses. Goodwill and trademarks with indefinite useful lives relates to the acquisition of the KontrolFreek Group.

Goodwill

Goodwill does not generate largely independent cash inflows on its own and is therefore allocated to the Group's operational regions. At the time of acquisition of entities, goodwill is allocated to a CGU. The Company gained control of the KontrolFreek activities in 2020, and goodwill recognized on the acquisitions was allocated to the relevant geographical CGU.

Trademarks

Cash flows for trademarks are separately identifiable and are therefore tested individually for impairment. This test is performed in addition to the test for impairment of goodwill. The following trademarks are considered significant when comparing their carrying amount with the total carrying amount of trademarks with indefinite useful lives:

- KontrolFreek

6.2.1 Impairment test of goodwill

The carrying amount of goodwill, DKK 115.8 is allocated to the CGU, Americas.

Notes to the Consolidated Financial Statements (continued)

6.2.1 Impairment of goodwill (continued)

Key assumptions

	2021	Pre-tax discount rate	Weighted average cost of capital	Terminal period growth
Americas		8.6%	8.3%	2%

Potential upsides are not identified and adjusted in the cash flows used for impairment testing.

The value-in-use cash flow projections are based on financial budgets approved by Management covering the subsequent financial years. The assumptions applied in the short to medium term are based on Management's expectations as to the operational development and growth in product contribution. The terminal growth rates applied for periods beyond 5 years do not exceed an expected weighted long-term average growth rate, including inflation.

The applied discount rates represent the current market assessment of the risks, taking into consideration the individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The estimated discount rates are based on expected market participant perspectives on the relevant weighted average cost of capital (WACC). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investments by equity investors. The specific discount rates are generally based on 10-year government bonds.

The cost of debt has been estimated using a weighted average of the credit facilities as of December 2021. The applied cost of debt is 3.3%. A size premium has been applied of 1.4% including an additional 1% illiquidity risk premium.

A capital structure with a ratio of 90% between the market value of debt and equity value has been applied in the calculation based on the capital structure of comparable companies as this represents the expected market participant perspective.

Notes to the Consolidated Financial Statements (continued)

6.2.2 Impairment of trademarks

<i>DKK million</i>	2021	2020
KontrolFreek	99.8	-
Total	99.8	-

The test for impairment of trademarks is performed using the relief from royalty method and is based on the expected future cash flows generated from the royalty payments avoided for the individual trademark for the next 25 years and projections for subsequent years. The risk-free cash flows are discounted using a discount rate with a weighted average from the goodwill calculations.

Key assumptions

The key assumptions on which Management bases its cash flow projection include the expected useful life, revenue growth, a theoretical tax amortization benefit, the royalty rate and the discount rate.

Expected useful life

Management has assessed that the value of trademarks with indefinite useful lives can be maintained for an indefinite period, as it is a well-established trademark in its markets. Control of the trademarks is legally established and is enforceable indefinitely. In Management's opinion, the risk of the useful lives of these trademarks becoming finite is minimal because of their individual market positions, expectation of the general gaming industry and because current and planned marketing initiatives are expected to sustain their useful lives.

Revenue growth

At the time of acquisition of any individual trademark, a revenue growth curve is forecast based on a long-term strategic view of the risk and opportunities relevant to the trademark.

The curve is forecast for a 25-year horizon. This horizon reliably reflects the lengthy process of implementing trademark strategies to support a trademark occupying its intended place in the Group's portfolio.

2021	Pre-tax discount rate	Weighted average cost of capital	Terminal period growth
KontrolFreek	8.6%	8.3%	2%

Notes to the Consolidated Financial Statements (continued)

Discount rates

The discount rate is a weighted average cost of capital (WACC) that reflects the risk-free interest rate with the addition of a risk premium relevant to each trademark. The risk-free interest rates used in the impairment tests are based on observed market

Royalty rate

Royalties generated by a trademark are based on the Group's total income from the trademark and are earned globally. The royalty rate is based on the actual market position of the individual trademark in the global markets and assumes a 25-year horizon. A rate between 2- 8.75% has been used in the calculation.

Discount rates

The discount rate is a weighted average cost of capital (WACC) that reflects the risk-free interest rate with the addition of a risk premium relevant to each trademark. The risk-free interest rates used in the impairment tests are based on observed market data. The added credit risk premium (spread) for the risk-free interest rate is fixed at market price or slightly higher, reflecting the expected long-term market price. The aggregate interest rate, including spread, thereby reflects the long-term interest rate applicable to the Group's investments.

6.2.3 Sensitivity tests

Sensitivity tests have been performed to determine the lowest forecast and terminal period growth rates and/or highest discount rates that can occur in the groups of CGUs and trademarks with indefinite useful lives without leading to any impairment loss.

Goodwill

The test for impairment of goodwill did not identify any CGUs to which goodwill is allocated where a reasonably possible negative change in a key assumption would cause the carrying amount to exceed the recoverable amount.

Trademark

Following the strong momentum in the market it is not identified that a reasonably possible negative change in a key assumption would cause the carrying amount to exceed the recoverable amount.

FINANCIAL STATEMENT

Notes to the Consolidated Financial Statements (continued)

6.3 Investments in subsidiaries and associates

2021

<i>DKK million</i>	Investments in subsidiaries	Investment in associates	Total
Cost on 1 January	68.0	-	
Additions	-	13.5	
Disposals	-0.3		
Cost on 31 December	67.8	13.5	81.3
Value adjustments 1 January	-	-	-
Dividend	2.6	-	
Share of Income for the year	-	-0,3	-0,3
Value adjustments on 31 December	-	-0.3	-0.3
Carrying amount on 31 December	67.8	13.2	81.0

In 2021, SteelSeries completed a minority investment in Louqe AB totaling DKK 13.5 million.

On 1 July 2021, SteelSeries acquired 26% of the shares. SteelSeries has the option to acquire the remaining 74% at the earliest on 1 January 2022 on already agreed terms. The option has not been exercised and is not considered "In the money".

Louqe AB is producing high-end cases for computers that can be custom made by users. The company's HQ and production are located in Sweden. SteelSeries sees it as a fit to its current product portfolio. We are in the process of assessing their fair value. The acquisition cost is expected to relate primarily to goodwill. As such the initial accounting (PPA) is not yet completed. At present, access to financial statements etc. is not granted.

2020

<i>DKK million</i>	Investments in subsidiaries
Cost on 1 January	1.2
Additions	66.8
Cost on 31 December 2020	68.0

Investments in subsidiaries and associates are specified as follows:

	Market	Ownership and voting rights
EMEA		
SteelSeries France	France	100%
Loque AB	Sweden	26%
AMERICAS		
SteelSeries North America Corp.	USA	100%
SteelSeries Canada Inc.	Canada	100%
APAC		
SteelSeries Japan K.K.	Japan	100%
SteelSeries (Shanghai) Commercial and Trading Co. Ltd.	China	100%
Nahimic Singapore Pte. Ltd.	Singapore	100%*

* Indirect ownership

FINANCIAL STATEMENT

Notes to the Consolidated Financial Statements (continued)

7.1 Inventories

<i>DKK million</i>	2021	2020
Raw materials	26.3	10.5
Finished goods	358.3	293.1
Total	384.6	303.6

7.2 Trade and other receivables

2021 <i>DKK million</i>	Gross receivables	Loss allowances	Receivables, net
Not past due	360.7		360.7
Overdue 1 – 30 days	46.7		46.7
Overdue 31 – 90 days	23.3		23.3
Overdue > 90 days	10.3	9.0	1.3
Total	441.0		432.0

2020 <i>DKK million</i>	Gross receivables	Loss allowances	Receivables, net
Not past due	214.0	-	214.0
Overdue 1 – 30 days	28.6	-	28.6
Overdue 31 – 90 days	3.4	0.7	2.7
Overdue > 90 days	1.0	1.0	-
Total	247.0	1.7	245.3

<i>DKK million</i>	2021	2020
Impairment on 1 January	1.7	7.6
Impairment losses recognized	8.3	0.1
Realized impairment losses	0.0	-6.0
Reversed impairment losses	-1.0	-
Impairment on 31 December	9.0	1.7

Notes to the Consolidated Financial Statements (continued)

7.3 Net interest-bearing debt

Of the gross financial debt at year end, 0% (2020: 89%) was long term, i.e. with maturity of more than one year. Long-term and short-term borrowings amounted to DKK 584.9 million at 31 December 2021 (2020: DKK 574.2 million).

Long-term borrowings totaled DKK 1.7 million (2020: DKK 517.2 million) and short-term borrowings totaled DKK 583.2 million (2020: DKK 57.0 million, 2018: DKK 1.0). The change in long-term borrowings is related to the acquisition of SteelSeries Group by GN Audio which at the balance sheet date was expected to be within the next 12 month and therefore was all bank debt classified as short-term.

Financing costs on 31 December 2021 amounted to DKK 1.1 million (2020: DKK 8.2 million) and are amortized until the expiry date of the loans. Amortization in 2021 amounted to DKK 10.1 million (2020: DKK 5 million).

Net interest-bearing debt overview:

<i>DKK million</i>	2021	2020
Non-current borrowings and lease liabilities	1.7	517.2
Current borrowings and lease liabilities	583.2	57.0
Gross financial debt	584.9	574.2
Cash and cash equivalents	70.4	170.9
Net interest-bearing debt	514.5	403.3

All debt, related to facilities and bank overdrafts is subject to quarterly covenant assessments where the leverage ratio is not to exceed 4.6x (2020: 5.0x) and interest coverage to be above 4.0x (2020: 3.8x) as of 31 December 2021. Covenant testing is performed at SteelSeries Holding ApS consolidated level, which is the entity owning the senior facilities agreement.

There were no covenant breaches in 2021, nor in 2020. The senior facility agreement has been terminated when GN acquisition of SteelSeries Group A/S was final approved 12 January 2022. Subsequently, GN is providing funding.

FINANCIAL STATEMENT

Notes to Financial Statements (continued)

The change during the year in liabilities arising from financing activities is specified below:

<i>DKK million</i>	2021	2020
Gross financial debt on 1 January	574.2	174.4
Proceeds from borrowings	-	361.9
Borrowing cost, paid	-	-8.2
Installments of borrowings	-51.8	-31.1
Change in bank revolver	50.0	-246.8
Lease liabilities	-1.5	-1.7
Acquisition of entities	-	321.5
Amortization of borrowing cost	10.1	5.0
Addition of lease liabilities	3.9	0.0
Exchange rate adjustment	-	-0.8
Total 31 December	584.9	574.2
Borrowings, non-current	-	517.2
Lease liabilities, non-current	1.7	-
Borrowings, current	581.9	56.5
Lease liabilities, current	1.3	0.5
Total 31 December	584.9	574.2

<i>DKK million</i>	2021	2020
Financial assets at amortized cost		
Trade receivables	432.0	236.0
Other receivables	10.1	9.3
Cash	70.4	170.9
	512.5	416.2
Financial liabilities at amortized cost		
Borrowings	581.9	517.2
Lease liabilities	3.0	0.5
Trade payables	279.6	334.2
Other payables	235.8	149.9
	1,100.3	1,001.8

Financial instruments measured at fair value

Financial instruments measured at fair value are limited to derivative instruments.

Financial instruments measured at amortized cost

The carrying amounts of the Group's financial instruments, measured at amortized cost, are reasonable approximations of fair values.

Valuation techniques:

Management has assessed that cash, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The following methods and assumptions were used to estimate the fair values of other financial instruments:

FINANCIAL STATEMENT

Notes to Financial Statements (continued)

Fair values of the Group's interest-bearing borrowings and loans which are measured as amortized cost as the reflects the issuer's borrowing rate at the end of the reporting period. The own non-performance risk on 31 December 2021 was assessed to be insignificant.

7.4 Provisions

Provisions primarily comprise warranty provisions regarding any form of hardware warranties on goods sold and customer claims.

<i>DKK million</i>	Warranty	Total
Provisions on 1 January 2021	5.2	5.2
Additions	5.0	5.0
Used during the year	-4.2	-4.2
Provision 31 December 2021	6.0	6.0
Recognized in:	6.0	6.0
Current liabilities	-	

7.5 Other payables

<i>DKK million</i>	2021	2020
Salary related	39.7	46.7
Sales and marketing related	159.8	70.6
Other	12.2	32.6
Total 31 December	211.7	149.9

7.6 Cash and cash equivalents

Assessment of credit risk

The Group is exposed to credit risk on cash and cash equivalents (including fixed deposits) and the Group primarily enters financial instruments and transactions with the Group's relationship banks. i.e., banks extending loans to the Group. Group Reporting monitors the Group's gross credit exposure to banks and operates with individual limits on banks based on rating.

<i>DKK million</i>	2021	2020
Cash and cash equivalents	70.4	170.9
Cash and cash equivalents. Net	70.4	170.9

The carrying amount of DKK 70.4 million (2020: DKK 170.9 million represents the maximum credit exposure related to cash and cash equivalents.

FINANCIAL STATEMENT

Notes to Financial Statements (continued)

7.7 Liquidity risk

Liquidity risk results from the Group's potential inability to meet the obligations associated with its financial liabilities, for example, settlement of financial debt and paying suppliers. Subsequently, to the approval of the GN acquisition as per 12 January 2022, GN is providing funding to carry out SteelSeries activities.

The Group's liquidity is managed by Group Reporting. The aim is to ensure effective liquidity management, which involves obtaining sufficient committed credit facilities to ensure adequate financial resources and to some extent optimizing a range of funding options.

On 31 December 2021, the Group had total credit resources available of DKK 245 million (2020: DKK 428 million) consisting of cash and cash equivalents of DKK 70 million (2020: DKK 203 million) plus committed unutilized current credit facilities of DKK 175 million (2020: DKK 225 million).

	Maturity	Maturity	Maturity	Total
2020	< 1 year	> 1 year < 5 years	> 5 years	
<i>DKK million</i>				
Non-derivative financial instruments				
Lease liabilities	0.5	-	-	0.5
Borrowings	78.9	294.0	346.5	719.4
Trade payables and other financial liabilities	490.2	-	-	490.2
Total	569.6	294.0	346.5	1,210.1
2021				
<i>DKK million</i>	< 1 year	> 1 year < 5 years	> 5 years	Total
Non-derivative financial instruments				
Lease liabilities	1.3	1.7	-	3.0
Borrowings	581.9	-	-	581.9
Trade payables and other financial liabilities	491.3	-	-	491.3
Total	1,074.5	1.7	-	1,076.2

7.8 Currency risks

The Group's activities and main sales are carried out by the Danish entity and is affected by exchange rate fluctuations, as part of the sales and procurement are settled mainly in USD, EUR and DKK, whereas costs of goods are settled in USD.

Moreover, the Group is affected by changes in exchange rates, as the foreign subsidiaries' results at year end are translated into Danish kroner based on average exchange rates. The Group is exposed to foreign currency risks arising from its operating and financing activities, as the Company has sales, purchases and financing in foreign currencies.

FINANCIAL STATEMENT

Notes to Financial Statements (continued)

In accordance with the Group's risk management policy, the Group hedges foreign currency risks arising from financing activities using interest rate swaps. The hedging is carried out in SteelSeries Holding ApS.

The operating currency risk exposure is considered relevant, but as the sales in Americas and goods purchased are settled mainly in USD, the exposure is considered limited. A 10% change for USD and 1% change for EUR in SteelSeries ApS, covering 93% of the revenue, with all other variables held constant, would have impacted revenue and gross profit by the amounts below:

<i>DKK million</i>	Revenue	Gross profit
USD	157.1	3.1
EUR	10.0	9.5
Total	167.1	12.6

7.9 Interest rate risk

The Group's exposure to interest rate risk is considered limited. The Group uses interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Facility A, B and the revolving facility have furthermore been terminated as of 12 January 2022 and repaid as an element of the new ownership structure. No new loans have been established as funding going forward is via the new Parent entity.

2021

<i>DKK million</i>				Nominal amount	Carrying amount
Interest-bearing loans and borrowings	Expiry*	Interest margin	Type	2021	2021
Facility A	Sep/25	3.50%	Floating	234.9	234.9
Facility B	Sep/26	4.00%	Floating	298.4	298.1
Revolving facility	Sep/25	3.50%	Floating	225.0	50.0
Other facilities	Jun 21 - Sep 26	0% - 2%	Fixed	9.7	-
Total				768.0	583.0

Capitalized borrowing cost	1.1
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Total borrowings	581.9
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* Subsequent to the final approval of the GN acquisition as per 12 January 2022 the loan and credit facilities are terminated and replaced by GN funding.

FINANCIAL STATEMENT

Notes to Financial Statements (continued)

2020

DKK million

Interest-bearing loans and borrowings	Expiry	Interest margin	Type	Nominal amount 2020	Carrying amount 2020
Facility A	Sep/25	3.50%	Floating	286.6	286.6
Facility B	Sep/26	4.00%	Floating	298.4	298.4
Revolving facility	Sep/25	3.50%	Floating	225.0	-
Other facilities	Jun 21 - Sep 26	0% - 2%	Fixed	15.0	15.0
Total				825.0	600.0
Capitalized borrowing cost					11.1
Total borrowings					588.9

7.10 Capital structure

Management regularly assesses whether the SteelSeries capital structure is in the interests of SteelSeries and its shareholder. The overall objective is to ensure a continued development and strengthening of SteelSeries capital structure that supports long-term profitable growth and a solid increase in key earnings and ratios.

This includes assessment of and decisions on the split of financing between share capital and borrowings, which is a long-term strategic decision to be made in connection with significant investments and other transactions.

SteelSeries ApS consist of one type of shares with the same voting power.

Management considers that this structure will remain advantageous for the shareholder, enabling and supporting the long-term development of SteelSeries.

8.1 Capital commitments

SteelSeries has entered various capital commitments related to licenses. etc. that will not take effect until after the reporting date and have therefore not been recognized in the financial statements. Capital commitments amounted to DKK 10.6 million (2020: DKK 2 million).

Notes to Financial Statements (continued)

8.2 Fees to auditors

Fees to the elected audit firm EY Godkendt Revisionspartnerselskab, Denmark in 2020 amounted to DKK 0.6 million. In 2019 and 2018 PwC Statsautoriseret Revisionspartnerselskab, Denmark was the elected firm and the fees amounted to 2019: DKK 2.7 million and 2018: DKK 0.3 million.

<i>DKK million</i>	2021	2020
Statutory audit	2.7	0.3
Tax advisory	0.1	0.1
Other services including preparation of an IPO	7.4	0.2
Total tax	10.4	0.6

8.3 Contingent liabilities

The company is ongoing part of few disputes. In Management's opinion the outcome of known disputes is recognized in the financial statements.

The following assets have been placed as security with banks: Floating company charge granted by SteelSeries ApS providing security on receivables, inventories, plant and equipment as well as goodwill and trademark up to a total value of DKK 92 million (2020: DKK 92 million) of the carrying value of the assets DKK 1,477.7 million (2020: DKK 1,183.8 million).

Negative pledges registered in respect of SteelSeries ApS pledges of shares in respect of the shares owned by SteelSeries Holding ApS. Assignment of rights under acquisition agreement and W&I insurance granted by SteelSeries Holding ApS.

Capital commitments, lease liabilities and service agreements are described in note 8.1.

8.4 Related parties

SteelSeries Holding ApS, Havneholmen 8. 1st. 2450 Copenhagen SV, Denmark exercises control over SteelSeries ApS.

There have not been any transactions with shareholder in the year except for dividend payments, DKK 20 million (2020: DKK 100.0 million). Related parties also comprise SteelSeries ApS' Board of Directors and Executive Board, their close family members and companies in which these persons have significant influence. During the year, there were no transactions between these parties and the Group, except for remuneration as disclosed in note 2.1 of the financial statements.

Transaction with subsidiaries include purchase of R&D services from SteelSeries, France, DKK 19.1 million (2020: DKK 12.1 million) and Interest income from US Holding, DKK 9.7 million (2020: DKK 0.9 million).

No other transactions have been carried out with the related parties.

Notes to Financial Statements (continued)

8.5 Events after the reporting period

On the 12 January 2022 the final approval of GN Audio A/S acquisition of SteelSeries Group A/S was received and the parent entity of SteelSeries Group A/S changed from Axcel V K/S to GN Audio A/S.

Apart from the events recognized or disclosed in the financial statements, no events have occurred after the reporting period of importance to the financial statements.

8.5 Acquisitions

No acquisitions of subsidiaries have been made in 2021.

On 11 December 2020, SteelSeries gained control of the KontrolFreek LLC (USA) through the acquisition of 100% of the shares, giving SteelSeries the full ownership interest. Subsequently, KontrolFreek activities, assets and liabilities have been acquired directly by SteelSeries ApS and KontrolFreek LLC (USA) dissolved.

The final valuation of acquired identifiable assets has been completed during 2021 for the acquisition made in 2020, leading to adjustment to previously reported fair values for KontrolFreek Inc. The following table summarises the adjustments made as a consequence of the final valuation.

The fair values of the identifiable assets and liabilities at the date of acquisition were:

DKK million	Business combinations - Initial recognition	Adjustments	Business combination final
Consideration paid	287.1		287.1
Contingent considerations	0,0		0.0
Total cost of acquisition	287.1		287.1
Acquired assets and liabilities			
Brand	104.8		104.8
Patents	51.8		51.8
Property, plant & equipment	1.7		1.7
Trade & other receivables	11,0		11.0
Inventory	7.5		7.5
Prepayments	0.2		0.2
Cash and cash equivalents	23.7		23.7
Deferred tax liability	-42.3	42.3	0.0
Trade payables	-2.5		-2.5
Other payables	-23.2		-23.2
Net assets acquired	132.7	42.3	175.0
Goodwill	154.3	-42.3	112.0
Total acquisition price	287.0	-42.3	287.1
Hereof cash in KontrolFreek	23.7		23.7
Total purchase price	263.3		263.4

Accounting Policies

9. Basis for preparation

9.1 General Accounting Policy

SteelSeries ApS is incorporated and domiciled in Denmark. The registered office is located in Copenhagen. The financial statements of SteelSeries ApS and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements according to the Danish Financial Statements Act applying to large enterprises of reporting class C. The financial statements are prepared based on the standards and interpretations that are effective on 31 December 2021. There have been no impact of the implementation of the standards and interpretations.

The financial statements are presented in DKK, which is the Company's functional and presentation currency, and all values are rounded to the nearest million with one decimal, except when otherwise indicated.

The Board of Directors considered and approved the 2021 SteelSeries ApS annual report on 23 June 2022. The annual report will be submitted to the shareholder of SteelSeries ApS for approval at the annual general meeting on 23 June 2022.

New accounting policies and disclosures

SteelSeries ApS has implemented the standards and amendments that are effective for the financial year 2021. The new standards and amendments have neither affected SteelSeries ApS' recognition nor measurement of financial items for 2021, nor are they expected to have any significant future impact.

Standards issued but not yet effective.

The IASB has issued a number of new standards and amendments not yet in effect or adopted by the EU and therefore not relevant for the preparation of the 2021 financial statements. SteelSeries ApS expects to implement these standards when they take effect.

None of the new standards issued are currently expected to have any significant impact on the financial statements when implemented.

Defining materiality

Significant items are presented individually in the financial statements as required by IAS 1. Other items that are considered relevant to stakeholders and necessary for an understanding of the company's business model, geographical diversity, are also presented individually in the financial statements.

Accounting Policies (continued)

Income statement

The presentation of the company's income statement is based on the internal reporting structure. as IFRS does not provide a specific disclosure requirement. Special items are not directly attributable to ordinary operating activities and are shown separately to facilitate a better understanding of the company's financial performance.

9.2 Accounting policy

Income statement

Revenue information

Revenue information of the company's gaming peripherals activities are disaggregated according to the three geographical regions where sales take place and category of peripherals. The regions reflect the geographical, decision and reporting structure applied by Management for monitoring the company's strategic and financial targets.

Revenue

Recognition and measurement

Revenue from contracts with customers comprises sales of goods and software/license income. Revenue from the sale of finished goods is recognized at the point in time when the control of goods and products is transferred to the customer, which is generally upon delivery. For contracts providing the customer with a right of return within a specified period, the company considers the timing of recognition. Royalty and license fees are recognized when earned according to the terms of the license agreements. Revenue from contracts with customers is measured at an amount that reflects the expected consideration for those goods. Amounts disclosed as revenue include discounts but excludes VAT and duties collected on behalf of authorities.

Variable consideration

The company offers various discounts depending on the nature of the customer and business. Discounts comprise on-invoice discounts, volume- and activity-related discounts, including specific promotion prices offered, and other sell-in discounts. On-invoice discounts arise from sales transactions where the customer immediately receives a reduction in the sales order. This also includes cash discounts. Activity-related discounts is a broad

Accounting Policies (continued)

term covering incentives for customers to sustain business with the company over a longer period and may be related to a current campaign or a sales target measured in volumes or total value.

Examples include discounts paid as a lump sum, discounts for meeting certain sales targets or progressive discounts offered in step with increasing sales to a customer and incentives for early payments. Other discounts include listing fees, i.e., fees for certain listings on shelves, in favorable store locations, as such specific promotions are closely related to the quantities sold.

Cost of sales

Cost of sales comprises cost of materials used in finished goods, including packaging materials, and royalties for items paid when they are produced. The cost of purchased finished goods and packaging materials includes the purchase cost and costs directly related to bringing inventories to the relevant place of sale and getting them ready for sale, for example, tariffs insurance, warehouse handling, transportation, distribution and duties.

Other external expenses

Other external expenses comprise rent of premises, marketing both trademark and trade, office supplies etc. Sales marketing is promotional activities directed towards end-users, such as the supply of point-of-sale materials, promotional materials, events and trade offers. Trademark marketing is an investment in the company's trademarks and consists of trademark-specific investments in the development of communication vehicles, the use of these to drive the sale of trademarked products, sales campaigns, and sponsorships.

Staff costs

Staff costs are recognized in the financial year in which the employee renders the related service. Most of the company's pension schemes are defined contribution plans where contributions are paid to publicly or privately administrated pension plans on a statutory, contractual, or voluntary basis. Contributions to defined contribution plans are recognized as staff costs when the related service is provided.

The company has no further payment obligations once the contributions have been paid. In addition, the company has a few defined benefit plans where the responsibility for the pension obligation towards the employees lies with the company. The company's net obligation is calculated annually by an actuary. The present value less the fair value of any plan assets is recognized as pensions in the statement of financial position and as a part of non-current provision.

Accounting Policies (continued)

Special items

Special items include significant recurring and non-recurring income and costs which in management assessment are of a special nature in terms of the company's revenue-generating activities and as such cannot be attributed directly to the company's ordinary operating activities.

Such income and costs relate primarily to transaction costs in connection with business combinations, restructuring- and strategy related costs which are, or are expected to be, significant over time, and significant disputes. Special items are presented separately in the income statement to facilitate a better understanding of company's financial performance.

Income from investment in subsidiary and associates

Dividend from subsidiaries is recognized as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Company are set off against the cost of the subsidiary.

Investments in associates and joint ventures are recognised according to the equity method, which entails measurement at cost and adjustment for the company's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. The share of the result must be calculated in accordance with the company's accounting policies. The proportionate share of unrealised intragroup profits and losses is eliminated.

Financial items

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year incl. interest related to leases and currency gains and losses.

Income tax

Income tax comprises current tax and changes in deferred tax for the year. including changes as a result of a change in the tax rate. The tax expense relating to the profit/loss for the year is recognized in the income statement, while the tax expense relating to items recognized in other comprehensive income is recognized in the statement of comprehensive income.

Accounting Policies (continued)

Balance sheet

Intangible assets and property, plant and equipment

Cost

Intangible assets and property, plant and equipment are initially recognized at cost and subsequently measured at cost less accumulated amortization or depreciation and impairment losses. Cost comprises the purchase price and costs directly attributable to the acquisition until the date when the asset is available for use.

Research and development costs are recognized in the income statement as incurred. Development costs of intangible assets, for example software, are recognized as development projects if the costs are expected to generate future economic benefits. It comprises direct and indirect costs of materials, components, sub-suppliers, wages and salaries. For assets acquired in business combinations, including trademarks and property, plant and equipment, cost at initial recognition is determined by estimating the fair value of the individual assets in the purchase price allocation.

Goodwill and trademarks are only acquired in business combinations and is measured in the purchase price allocation. Goodwill and trademarks are not amortized but is subject to an annual impairment test.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items. Subsequent costs, for example in connection with replacement of components of property, plant and equipment, are recognized in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the company.

Useful life, amortization, depreciation, and impairment losses

Useful life and residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

Amortization and depreciation are recognized on a straight-line basis over the expected useful lives of the assets, taking into account any residual value. The expected useful life and residual value are determined based on past experience and expectations of the future use of assets. Amortization/depreciation is calculated on the basis of the cost less the residual value and impairment losses.

Impairment losses of a non-recurring nature are recognized under special items.

Accounting Policies (continued)

Type	Years
Development projects	3 - 5
Patents	5 - 15
Hardware	3
Plant and equipment	3 - 5
Leasehold improvements	3

Impairment

Goodwill and trademarks with indefinite useful lives are subject to an annual impairment test, performed initially before the end of the year of acquisition. The test is performed at the level where cash flows are considered to be generated. All assets are tested if an event or circumstance indicates that the carrying amount may not be recoverable. If an asset's carrying amount exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use.

For all assets, the value in use is assessed based on budget and target plan with reference to the expected future net cash flows. The assessment is based on the lowest CGU affected by the changes that indicate impairment. The cash flow is discounted by a discount rate adjusted for any risk specific to the asset, if relevant to the applied calculation method.

Right-of-use assets

At the commencement date, the company recognizes a lease liability and a corresponding right-of-use asset at the same amount, except for short-term leases of 12 months or less and leases of low-value assets.

A right-of-use asset is initially measured at cost, which equals the initial lease liability and initial direct costs less any lease incentives received. Subsequently, the right-of-use asset is measured at cost less depreciation and impairment losses and adjusted for remeasurement of the lease liability.

The right-of-use asset is depreciated over the earlier of the lease term or the useful life of the asset. The impairment testing of right-of-use assets follows the same principles as those applied for property, plant and equipment.

Right-of-use assets are recognized as property, plant and equipment. The company has elected not to recognize right-of-use assets and liabilities for leases with a term of 12 months or less and leases of low-value assets. Lease payments related to such leases are recognized in the income statement as an expense on a straight-line basis over the lease term.

Accounting Policies (continued)

Tax assets and liabilities

Current tax payable and receivable are recognized in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account. Deferred tax on all temporary differences between the carrying amount and the tax base of assets and liabilities is measured using the balance sheet liability method. However, deferred tax is not recognized on temporary differences relating to goodwill that is not deductible for tax purposes or on office premises and other items where temporary differences, apart from business combinations, arise at the acquisition date without affecting either profit/loss for the year or taxable income. Deferred tax assets related to tax loss carryforwards are recognized under other non-current assets at the expected value of their utilization, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction. Deferred tax is measured according to the tax rules at the reporting date and at the tax rates applicable when the deferred tax is expected to materialize as current tax.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realizable value. The net realizable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realizable value is determined allowing for marketability, obsolescence, and development in expected selling price. The cost of goods for resale comprises the cost of the purchase plus freight costs.

Trade and other receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost less loss allowance or impairment losses. Trade receivables comprise sale of goods, licenses, or software. Other receivables comprise VAT receivables, interest receivables and other financial receivables. The company applies the simplified approach to measure expected credit losses. This entails recognizing a lifetime expected loss allowance for all trade receivables. Loss rates are determined based on grouping of trade receivables sharing the same credit risk characteristics and past due days.

Prepayments

Prepayments comprise expenses incurred concerning subsequent financial years.

Borrowings

Borrowings are initially recognized at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method. Accordingly, the difference between the fair value less transaction costs and the nominal value is recognized under financial expenses over the term of the loan.

Accounting Policies (continued)

Lease liability

The lease liability is measured at the present value of the remaining lease payments at the reporting date, discounted using the incremental borrowing rate for similar assets, taking into account the terms of the leases. A remeasurement of the lease liability, for example a change in the assessment of an option to purchase, results in a corresponding adjustment of the related right-of-use assets.

Extension or termination options are included in the lease term if the lease is reasonably certain to be extended or not terminated. Consequently, all cash outflows that are reasonably certain to impact the future cash balances are recognized as lease liabilities at initial recognition of leases. The company reassesses the circumstances leading to it not recognizing extension or termination options on an ongoing basis.

Financial instruments

Financial instruments measured at fair value.

Financial instruments measured at fair value are limited to derivative instruments. As described below, the fair value of derivatives is based on observable market data and valuation techniques (level 2). The financial instruments are measured at fair value on a recurring basis.

Financial instruments measured at amortized cost

The carrying amounts of the company's financial instruments, measured at amortized cost, are reasonable approximations of fair values.

Valuation techniques

Management has assessed that cash, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The following methods and assumptions were used to estimate the fair values of other financial instruments:

Fair values of the company's interest-bearing borrowings and loans which are measured as amortized cost as the reflects the issuer's borrowing rate at the end of the reporting period. The own non-performance risk on 31 December 2019 was assessed to be insignificant.

Accounting Policies (continued)

Provisions

In connection with restructurings, Management assesses the timing of the costs to be incurred, which influences the classification as current or non-current liabilities. Management assesses provisions, contingent assets and liabilities and the likely outcome of pending or probable lawsuits, etc. on an ongoing basis. The outcome depends on future events, which are by nature uncertain. In assessing the likely outcome of disputes, etc. Management bases its assessment on external legal advice and established precedents. Provisions are recognized when the company has a current legal or constructive obligation and include warranty and pension provisions. Provisions are recognized based on best estimates.

Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans, and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The company determines the classification of its financial liabilities on initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, after initial recognition at amortized cost. This includes directly attributable transaction and borrowing costs. The company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments. Trade and other payables, bank overdrafts, loans and borrowings are subsequently measured at amortized cost.

Acquisitions

The acquisition date is the date when the Company effectively obtains control of an acquired subsidiary. The cost of a business combination comprises the fair value of the consideration agreed upon, including the fair value of consideration contingent on future events if such exists. Goodwill and fair value adjustments in connection with the acquisition of an entity are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date.

The acquired entities' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date.

Identifiable intangible assets are recognized if they are separable or arise from a contractual right. Deferred tax on revaluations is recognized. The identifiable assets, liabilities and contingent liabilities on initial recognition at the acquisition date are subsequently adjusted up until 12 months after the acquisition. The effect of the adjustments is recognized in the opening balance of equity, and the comparative figures are restated accordingly if the amount is material.

FINANCIAL STATEMENT

Trademarks

The value of the trademarks acquired, and their expected useful lives are assessed based on the individual trademark's market position, expected long-term developments in the relevant markets and profitability. The estimated value includes all future cash flows associated with the trademark, including the related value of customer relationships etc.

Management determines the useful life based on the trademark's relative local, regional and global market strength, market share, and the current and planned marketing efforts that are helping to maintain and increase its value. When the value of a well-established trademark is expected to be maintained for an indefinite period in the relevant markets, and these markets are expected to be profitable for a long period, the useful life of the trademark is determined to be indefinite.

Trademarks are measured using the relief from royalty method, under which the expected future cash flows are based on key assumptions about expected useful life, royalty rate, growth rate and a theoretically calculated tax effect. A post-tax discount rate is used that reflects the risk-free interest rate with the addition of a risk premium associated with the particular trademark. The model and assumptions applied are consistent with those used in impairment testing.

Patents

The value of acquired patents is assessed based on the available data and expected relationship between the patents, technology and sales adjusted for impact for the trademark. For most entities, there is a close relationship between trademarks and sales. The relationship between trademarks and customers is carefully considered so that trademarks and patents are not all recognized based on the same underlying cash flows.

Receivables

Receivables consist primarily of trade receivables and are recognized at the amount that is expected to be collected.

Investments in subsidiaries

Investments in subsidiaries and affiliated companies are measured at cost. Where cost exceeds the recoverable amount, write down is made to this lower value.

Associates

Investments in associates and joint ventures are recognised according to the equity method, which entails measurement at cost and adjustment for the company's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. The share of the result must be calculated in accordance with the company's accounting policies. The proportionate share of unrealised intragroup profits and losses is eliminated. Investments in associates and joint ventures with negative net asset values are measured at DKK 0.

Accounting Policies (continued)

Cash flow

Cash flow is calculated using the indirect method and is based on operating profit before special items adjusted for depreciation, amortization, and impairment losses. Cash flow cannot be derived directly from the statement of financial position and income statement.

Segments

The acquired entities are allocated to the relevant geographical segment. The segmentation reflects the geographical and strategic management, decision and reporting structure applied by Management for monitoring the Group's strategic and financial targets.

Segments are managed based on business performance measured as gross profit. Not allocated comprises expenses incurred for ongoing support of the Group's overall operations and strategic development. The expenses write-downs of SKU's which are not considered part of the regional performance.

The geographical allocation of revenue is based on the acquiring entities' domicile and comprises countries individually accounting for more than 10% of the Group's consolidated revenue.

9.3 Accounting estimates and judgements

In preparing the financial statements, management makes various accounting estimates and judgements that form the basis of presentation, recognition and measurement of the company's assets, liabilities, income and expenses.

Revenue

The company considers all terms and activities in contracts with customers to determine the performance obligation, the transaction price and the allocation of the transaction price. If the consideration in a contract includes a variable amount, the company estimates the consideration to which it will be entitled in exchange for transferring goods to the customer. The variable consideration is estimated at contract inception based on expected sales volumes using historical and year-to-date sales data and other information about trading with the individual customer or with a group of customers.

The company considers whether contracts include separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the company considers the effects of variable consideration. No element of financing is deemed present, as payment is generally made as prepayment or based on 14-60 days of credit.

Accounting Policies (continued)

The company estimates discounts using either the expected value method or the most likely amount method, depending on which method better predicts the amount of consideration to which it will be entitled. Management makes judgements when deciding whether supporting activities with a customer should be classified as a discount or a marketing expense. Generally, activities with the individual customer are accounted for as a discount, whereas costs related to broader marketing activities are classified as marketing expenses.

Special items

The use of special items entails management judgment in the separation of such costs of special nature from other ordinary operating costs. Management carefully considers individual items and projects to ensure that significant income and expenses of a special nature constitute items that are of a special nature in terms of the company's revenue-generating activities and as such in the view of Management cannot be attributed directly to the company's ordinary operating activities.

Further, Management carefully considers the note disclosure in respect of such special items. In respect of restructuring and strategy projects. Management initially assesses the entire project and recognizes all current incurred costs of the project. The projects are assessed on an ongoing basis, with additional costs possibly being incurred during the lifetime of the project.

Goodwill and Trademarks

The Company's management structure reflects the geographical split, cf. note 1.1. and decisions are made by the regional managements responsible for performance, operating investments, and growth initiatives in their respective regions; therefore, gaming peripherals are seen as three CGUs. There is significant vertical integration of the production, logistics, supporting and promoting optimizations across the Group. Within 12 months from the date of acquisition, the determination of CGU allocation is made, and cash inflows are assessed in connection with the purchase price allocation.

The test for impairment of trademarks is performed using the relief from royalty method and is based on the expected future cash flows generated from the royalty payments avoided for the individual trademark for the next 25 years and projections for subsequent years. The risk-free cash flows are discounted using a discount rate with a weighted average from the goodwill calculations.

Useful lives and residual value of intangible assets with finite useful lives and property, plant and equipment

Useful life and residual value are initially assessed in business combinations. Management assesses intangibles and property, plant and equipment for changes in useful life. If an indication of a reduction in the value or useful life exists, such as changes in restructuring the asset is tested for impairment.

If necessary, the asset is written down or the amortization/depreciation period is reassessed and, if necessary, adjusted in line with the asset's changed useful life. When changing the amortization or depreciation period due

Accounting Policies (continued)

to a change in the useful life, the effect on amortization/depreciation is recognized prospectively as a change in accounting estimates.

Lease

At inception of a contract, Management assesses whether the contract is or contains a lease. Management considers the substance of any service being rendered to classify the arrangement as either a lease or a service contract.

Particularly important is whether fulfilment of the contract depends on the use of specific assets. The assessment involves judgement of whether the company obtains substantially all the economic benefits from the use of the specified asset and whether it has the right to direct how and for what purpose the asset is used. If these criteria are satisfied at the commencement date, a right-of-use asset and a lease liability are recognized in the statement of financial position.

In determining the lease term, Management considers all the facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension or termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The term is reassessed if a significant change in circumstances occurs.

Inventories

The calculation of the net realizable value of inventories is relevant to all finished goods. The net realizable value is normally calculated monthly, and end-of-life products are scrapped.

Trade receivables

Exposure to credit risk on receivables is managed between the company and the regions, and credit limits are set as deemed appropriate for the customer, considering the current local market conditions.

Regional management assesses the credit risk and adhere to group guidelines, which include setting credit limits, encouraging prepayments, and credit insurance. In assessing credit risk, Management analyses the need for impairment of trade receivables due to customers' inability to pay.

Management assesses the expected credit losses (ECL) for portfolios of receivables based on customer segments, historical information on payment patterns, terms of payment, concentration maturity, and information about the general economic situation in the countries.

Provisions

Provisions are recognized when the company has a current legal or constructive obligation and include warranty and pension provisions. Provisions are recognized based on best estimates.

Accounting Policies (continued)

Acquisitions

For acquisitions of entities, the assets, liabilities and contingent liabilities of the acquiree are recognized using the acquisition method. The most significant assets acquired generally comprise goodwill, trademarks, property, plant and equipment, receivables and inventories. No active market exists for most of the acquired assets and liabilities, in particular in respect of acquired intangible assets. Accordingly, Management makes estimates of the fair value of acquired assets, liabilities and contingent liabilities. Depending on the nature of the item, the determined fair value of an item may be associated with uncertainty and possibly adjusted subsequently. The unallocated purchase price (positive amount) is recognized in the statement of financial position as goodwill and allocated to the Company's cash generating units.

9.4 Ratios (APM):

In the consolidated annual report for SteelSeries company are the following ratios used, which are not defined by IFRS (Alternative Performance Measures): EBIT, EBITDA. Adj., EBITDA, Interest-bearing debt. The ratios are currently being used as a part of the daily operations and while communicating with the group's stakeholders.

Ratios (APM):

	2021	2020
Income statement ratios:		
EBIT	324.6	202.2
Depreciation	10.2	10.7
Amortization and impairment	25.7	28.2
EBITDA	360.5	241.1
Special items	22.0	15.5
Adj. EBITDA	382.5	256.6
Depreciation	-10.2	-10.7
Amortization and impairment	-25.7	-28.2
Ajd. EBIT	346.6	217.7
Balance ratios:		
Operating cash-flow	53.8	188.9
Total operational investments	-366.2	-69.4
Total financial investments	-10.8	-66.4
Free cash flow	-323.2	53.1
Non-current borrowings	-	517.2
Non-current lease liabilities	1.7	-
Current borrowings	581.9	56.5
Current lease liabilities	1.3	0.5
Gross financial debt	584.9	574.2
Cash and cash equivalents	70.4	170.9
Net interest-bearing debt (NIBD)	514.5	403.3
Cash conversion (FCF/Adj EBITDA)	1.14	0.21

FINANCIAL STATEMENT

Accounting Policies (continued)

Financial ratios

Gross margin	Gross profit as a percentage of revenue
EBITDA margin	Operating profit before depreciation, amortization, impairment losses and special items as a percentage of revenue
Operating margin	Operating profit as a percentage of revenue
Effective tax rate	Income tax as a percentage of profit before tax
Equity ratio	Equity attributable to shareholders in SteelSeries at year-end as a percentage of total assets at year-end
NIBD/Equity ratio	Net interest-bearing debt at year-end divided by total equity at year-end
NIBD/Adj. EBITDA	Net interest-bearing debt divided by operating profit before depreciation, amortization, impairment losses and special items
Leverage Ratio	Proforma EBITDA (recognition of acquisitions with full-year impact) / Adj. EBITDA
Free Cash Flow	Free Cash Flow (FCF) represents the cash generated after accounting for cash outflows to support operations and maintain its capital assets.
Cash conversion	Free cash flow divided by adjusted EBITDA.
Organic growth	Percentage change in the company's organic revenue as compared to total revenue from the prior period to the current period.

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