

SteelSeries Group A/S – Annual report 2020

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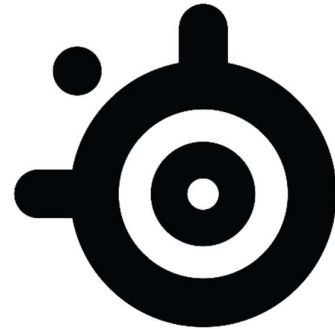
Postbox 2000 Frederiksberg

CVR no: 39 93 61 43

Period: 1 January 2020 – 31 December 2020

Chairman: Lars Stoltze

16 April 2021



steelseries

 steelseries

A green dinosaur-like character with a red loincloth and black arm and leg bands is standing in a museum. The museum has dark wood paneling and shelves filled with various trophies. In the foreground, there are four glass display cases on white pedestals. The first case on the left contains a backlit keyboard with multi-colored keys. The second case contains a mouse with glowing blue and purple lights. The third case contains a mouse with glowing blue and purple lights. The fourth case on the right contains a pair of white headphones. The character is looking towards the right, and a spotlight is shining on it from above.

ANNUAL REPORT 2020

LETTER FROM THE CEO

WHAT A YEAR

2020 has been a year like no other. The global COVID-19 pandemic disrupted lives and industries. In these tough times, the world turned to gaming for a moment of respite, to connect with distant friends and family, and to recharge. I am enormously proud of how we navigated this challenging year to be there for gamers.

Our priority was to protect people's health, livelihoods, our innovation engine, our supply chain, and our business in a world of lockdowns. Our employees around the world demonstrated remarkable stamina and heart, helping each other, our customers, and our company. I am thankful to each and every "Steelhead" around the world, and trust that our shareholders feel the same.

From a business performance perspective, 2020 was also a year like no other. We have doubled the business in two years and have exceeded DKK 2 billion for the very first time. We exited 2019 having outpaced market growth, and we did so again in 2020. We are pleased to present a very satisfying financial performance in 2020 to our owners and external stakeholders, including a solid net result of DKK 100 million and more than DKK 415 million in the underlying cash flow from operations.

We saw strong growth in all three of our geographical regions: Americas, EMEA and APAC. The Americas, led by the United States, has now become our largest region.

Globally, the fastest growth channel for us was our direct-to-consumer business on SteelSeries.com.

As a result of our growth, we have strengthened our position as a global leader in gaming peripherals, especially premium gaming audio. This reflects the continued success of our existing line-up and a number of successful new product introductions. For example,

- We extended our award-winning Arctis 7 headset with new versions that were tailor-made for next generation consoles: the Arctis 7P for PS5 and Arctis 7X for Xbox Series X|S. Both headsets are also compatible with previous generations of the consoles.

- We introduced the Rival 3 Wireless gaming mouse with SteelSeries' Quantum 2.0 wireless technology that results in a lightning fast 1ms polling time, while delivering a staggering 400 hours of battery life.
- We are very proud to partner with Apple in developing the new Nimbus+ controller, the next generation of our best-selling controller for the Apple ecosystem, including iPhone and AppleTV.

Our continued and consistent growth has been accomplished while maintaining our high earnings level - even as we have made large investments in "GG", our software services platform.

We have been working tirelessly for years to develop a truly comprehensive gaming platform that seamlessly connects the best gaming gear with the biggest games, immersive gaming communities and the world of esports. Our new software services platform will be the bedrock of this vision. Preliminary results from beta testing are encouraging, and we look forward to reporting on the number of users and the upside revenue potential that we think it holds.

In addition to building our existing business in 2020, we also completed successful acquisitions of two high-quality companies, A-Volute and KontrolFreek. A-Volute, now rebranded as SteelSeries France, are world-class experts at digital sound engineering. Their Nahimic audio suite powers millions of laptops around the world, including those from Lenovo, Huawei and MSI. KontrolFreek is the world-leader in accessories designed to enhance console controllers and other peripherals with products like performance thumbsticks, grips and rings.

In 2020, SteelSeries became a signatory to the UN Global Compact. We share the Global Compact's values and principles and have embedded these in our sustainability strategy. We will focus on reducing our climate and environmental footprint, being an attractive and responsible employer, and ensuring responsible business conduct. We have launched several initiatives in each of these areas and have started measuring progress against sustainability KPIs. We still have a lot of work ahead of us, and remain committed to our sustainability priorities in 2021 and beyond.

2021 marks SteelSeries' twentieth anniversary as a company. It is incredible to think about how far the company that Jacob Wolff-Petersen founded in a basement in 2001 has come. Our brand DNA is based on esports. We were the very first brand to sponsor professional teams and tournaments, enabling emerging stars to compete globally. We found ways to give esports professionals an edge with innovations like the first purpose-built gaming headset, the first mechanical gaming keyboard, the first gaming mouse with a built-in processor, and of course where it all started, the first gaming surface built specifically for esports. These innovations, and dozens more, have helped esports pros win tournaments for 20 years. We are proud of our heritage.

We had an amazing 2020. And I couldn't be more excited about the years ahead for SteelSeries. We are building a cutting-edge platform of leading hardware and software products to help gamers achieve glory.

Yours sincerely,
Ehtisham Rabbani, CEO



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MANAGEMENT
REVIEW



STEELSERIES AT A GLANCE

Revenue

2,020

DKK million.



62% growth
YoY

Direct-to-Consumer

12%



181% growth
YoY

Adj. EBITDA

264

DKK million. 47% growth
YoY



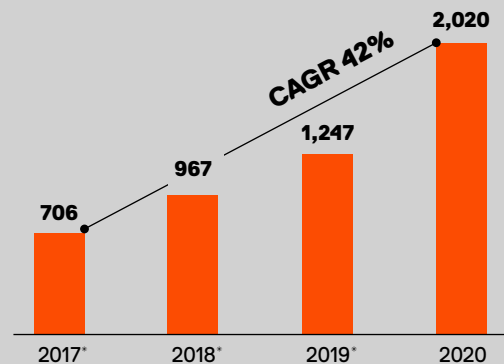
Software users**

9.2

million.

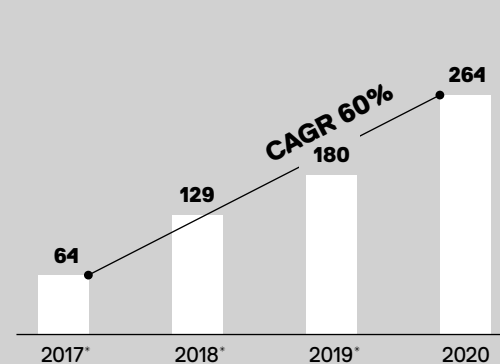
Revenue development

● Revenue, DKKm



Adj. EBITDA development

● Adj. EBITDA, DKKm



Revenue by region

● Americas 47%
● EMEA 39%
● APAC 14%



Revenue by product

● Audio 62%
● Other 38%



* Unaudited consolidated figures from SteelSeries ApS.

** Software Users are defined as the number of users that are running SteelSeries installed software, excluding installations outside of SteelSeries direct reach.

FINANCIAL HIGHLIGHTS

DKK million	2020	2019*
INCOME STATEMENT		
Revenue	2,020.4	429.9
Gross Profit	768.7	178.1
Adj. EBITDA	264.0	79.0
Special items	-15.5	-24.3
Operating profit (EBIT)	188.5	40.3
Net financials	-65.5	-25.3
Income tax	-22.6	2.5
Net profit	100.4	17.5
STATEMENT OF FINANCIAL POSITION		
Total assets	3,116.2	2,527.7
Net interest-bearing debt (NIBD)	785.2	1,353.1
Total equity attributable to shareholders of SteelSeries Group A/S	1,184.6	574.2
Total equity	1,443.3	777.5
STATEMENT OF CASH FLOWS		
Cash flow from operating activities	415.7	50.8
Cash flow from operational investments	-63.2	-7.9
Cash flow from financial investments	-319.2	-1,649.1
Cash flow from financing activities	112.4	1,712.9

DKK million	2020	2019*
INVESTMENTS		
Investments in PPE	26.3	1.1
FINANCIAL RATIOS**		
Gross margin	% 38.0	44.4
EBITDA margin	% 13.1	18.4
Operating margin	% 9.3	9.4
Effective tax rate	% 18.4	16.8
Equity ratio	% 38.0	22.7
NIBD/Equity ratio	x 0.66	2.35
NIBD/Adj. EBITDA	x 2.97	17.1

** Please refer to Section 10 General Accounting Policies in the consolidated financial statements for a definition and calculation of key figures and financial ratios.

*1 October 2018 – 31 December 2019, with operating activities from 1 October 2019

FINANCIAL REVIEW

Entering 2020 with a pre-Covid mindset, SteelSeries had several important business and financial priorities to achieve during the year:

- Drive organic revenue growth by gaining additional market shares within our addressable market of premium gaming peripherals, supported by successful launches of new products.
- Continue to invest and grow our direct-to-consumer, SteelSeries.com channel.
- Remain focused on exercising a strict cash and inventory discipline, supported by tight cost control.
- Explore opportunities to fuel further growth through M&A activities.

However, the impact from COVID-19 had significant and unforeseeable implications for SteelSeries, as the gaming industry experienced a surge in demand for gaming products and services. As a result, ensuring the company's ability to scale (revenues increased by 62% from full year 2019) while at the same time securing inventory levels became paramount.

Looking back at the actual results for the year, we are very pleased that, despite the unforeseen implications of COVID-19, SteelSeries over-delivered on all business and financial priorities.

Revenue surpassed the DKK 2 billion mark with direct-to-consumer sales contributing with more than 12%. The strong result benefitted from a loyal customer base, desirable quality products, an existing strong supply chain and prudent management of cash, which also provided stability during the uncertainty of the COVID-19 pandemic.

Regarding our ambition to fuel further growth through M&A, the SteelSeries Group** successfully acquired two new companies. In April 2020, the French software-based technology company A-Volute S.A.S, a worldwide leader in PC audio gaming software, was acquired. In December 2020, SteelSeries Group acquired KontrolFreek LLC, a US-based global leader of performance accessories for console controllers.

We are proud of our 2020 financial results and, most importantly, SteelSeries ended 2020 with an even stronger market footprint, an exciting new premium product line-up and with two new companies that perfectly match and complement our existing business.

Year-on-year, net sales increased by 63% to DKK 2,020 million and adjusted EBITDA was DKK 264 million – a margin of 13.1%, exceeding our goal of delivering profitable growth.

Income statement development

Group revenue increased by 62% on full year to DKK 2,020 million, outpacing expectations due to continued strengthening of its product offering, successful marketing campaigns expanding SteelSeries' user base and the increase in demand created by the COVID-19 pandemic.

America was the region contributing the most to the increase in sales with +87% year-on-year growth, and sales in EMEA and APAC increased by 48% and 40%, respectively.

Revenue from direct sales through www.steelseries.com constituted 12% of total revenue, increasing 181% since 2019 as our fastest growing channel.

Sales related to the audio category amounted to 62% of total revenue. Other revenue including mice, keyboards, mousepads, performance accessories and software accounted for 38%.

Due to the size and the timing of the acquisitions of A-Volute and KontrolFreek, impact on group revenue was limited in 2020.

Gross profit

Gross profit in 2020 amounted to DKK 768.7 million compared to DKK 552* million in 2019. The gross margin declined by 5.6% to 38.0%,

mainly due to increased air freight to keep up with demand, and changes in customer and products mix.

Operating expenses

OPEX, excluding distribution 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 marketing, esports events and travel were reduced due to COVID-19.

We do see a cost impact of the continued investment in software, supporting the in-house development of our current and future software platform.

Please notice: when comparing historical figures to 2020 in the Financial Review, we are referring to consolidated numbers from the fully-owned SteelSeries ApS, as we do not report full-year numbers in the SteelSeries Group A/S prior to 2020.

* Full year 2019 for SteelSeries ApS

** "SteelSeries Group" refers to SteelSeries Group A/S (previously SteelSeries Holding III ApS) or SteelSeries Group A/S together with its consolidated subsidiaries, as the context may require

Adjusted EBITDA

Adjusted EBITDA (Operating profit before depreciation, amortization, special items and impairment) was DKK 264 million in 2020, when adjusting for special non-recurring items. EBITDA increased by DKK 84 million from DKK 180* million in 2019, or +47%.

Net Profit

The Group's net profit in 2020 amounted to DKK 100 millions, which is considered a strong result to attribute to both non-controlling interest and shareholder's of the Group.

Balance sheet development

Total assets amounted to DKK 3,116.2 million in 2020. This was an increase of DKK 589 million compared with 2019 and mainly due to the acquisition of A-Volute (now renamed SteelSeries France), KontrolFreek and the increase in Q4 trade receivables.

Non-current assets amounted to DKK 2,269.8 million, an increase of DKK 400,8 million compared to 2019. Total current assets amounted to DKK 846.4 million.

Equity increased by DKK 665.8 million to DKK 1,443.3 million, mainly due to a capital increase of DKK 531.7 million and the strong 2020 result of DKK 100.4 million.

Long-term borrowings increased by DKK 195.5 million compared with 2019 to DKK 969.4 million, mainly due to the acquisition of A-Volute and KontrolFreek.

Short-term borrowings declined by DKK 627.1 million to DKK 56.5 million, impacted by the

re-payment of facilities from operating cash and obtaining new loans.

Current liabilities excluding short-term borrowings increased by DKK 295.6 million to DKK 546.7 million mainly impacted by higher trade payables and other liabilities due to the increased activity level.

Cash flows

Cash flow from operating activities amounted to DKK 415.7 million. The positive cash flow contribution was mainly due to the increase in EBITDA and net working capital improvement.

Operational investments of DKK 63.2 million were impacted by a COVID-19 upgrade of our office facilities and higher investments in R&D compared to 2019, with a strong focus on software.

Total financial investments amounted to DKK 319.2 million compared to DKK 1,649.1 million in 2019.

Cash flow from financing activities was impacted by repayment of previously utilized available facilities and installments of loans and offset by increased borrowings related to new acquisitions.

Cash and cash equivalents at year-end amounted to DKK 249.2 million, which together with the unutilized loan facilities of DKK 225 million, totals an available liquidity line of DKK 474.2 million.

The Group views the current cash position as an important element to support future growth initiatives.

Financial expectations for 2021

SteelSeries expects growth in revenue and EBITDA – but remain vigilant in managing potential implications from the COVID-19 pandemic.

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 regions, and including the full-year impact of the newly acquired KontrolFreek product line-up.

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.

Continued investments in the research and development of future products and software solutions will also remain high in 2021, as we view a strong pipeline and complementary software platform to be essential for sustainable growth.

Operating and financial risks

The Group is exposed to currency fluctuations as much of our business is conducted internationally. Although, we do, to some extent, have a natural currency hedging (as many of our costs 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 insures 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.

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks, to limit exposure towards interest increases.

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

Ownership and capital structure

The Group is 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. 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.

* Unaudited figures from SteelSeries ApS.

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**WHO
WE ARE**



THE MARKET, OUR PRODUCTS AND OUR STRATEGY

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

SteelSeries has built a comprehensive platform for gamers that brings together an ecosystem of leading gaming peripherals and software services with over 9M users, and growing. 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 accessories.

The Company's software suite includes SteelSeries Engine that brings advanced features and interoperability to its hardware, the Nahimic sound suite to enhance the gaming experience on millions of gaming computers, and other services that integrate with the world's leading games and gaming communities. In 2020, A-Volute and KontrolFreek were added to the family.

A-Volute offers audio enhancing software solutions, such as advanced digital signal processing and virtual surround sound. Kon-

trolFreek is a leading accessory developer within gaming consoles, most famous for their thumbsticks.

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

SteelSeries operates on a global scale with offices in Copenhagen, Chicago, Taipei, Lille and Singapore. Our products are manufactured in China, Taiwan, Vietnam, Thailand, Myanmar and 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 and supplier choices.



THE GAMING MARKET

In 2020, there were an estimated 2.8bn gamers worldwide, growing consistently at around 7%* annually since 2015. Gaming has indeed become mainstream and the conventional idea of gaming only being for young men is a thing of the past. Today, two out of three new gamers are female, more than half are aged 45+ and four of every five U.S. consumers have played a video game within in the past six months.

The total gaming market is estimated to have surpassed USD 200bn in 2020, fueled by the rise of multiplayer games, cross platform gaming, free-to-play titles and the increasing popularity of esports viewership.

The COVID-19 pandemic and the resulting lockdowns in 2020 also accelerated the trends in gaming and boosted overall internet and media

usage. During shelter-in-place, esports replaced sports for many consumers; going forward, esports will be a major global catalyst for interest in interactive gaming. Young viewers aged 18-35 are already spending more time watching video game and esports content than traditional sports content.

Many industry observers expect to see sustained growth in time spent gaming post-pandemic and forecast gaming to be the fastest growing media category over the next four years, outpacing messaging, social media, video, and audio.

This growth is expected to be driven by the supply of next gen consoles catching up with demand, the increasing adoption of subscription and cloud gaming services, and continued success of cross platform titles.

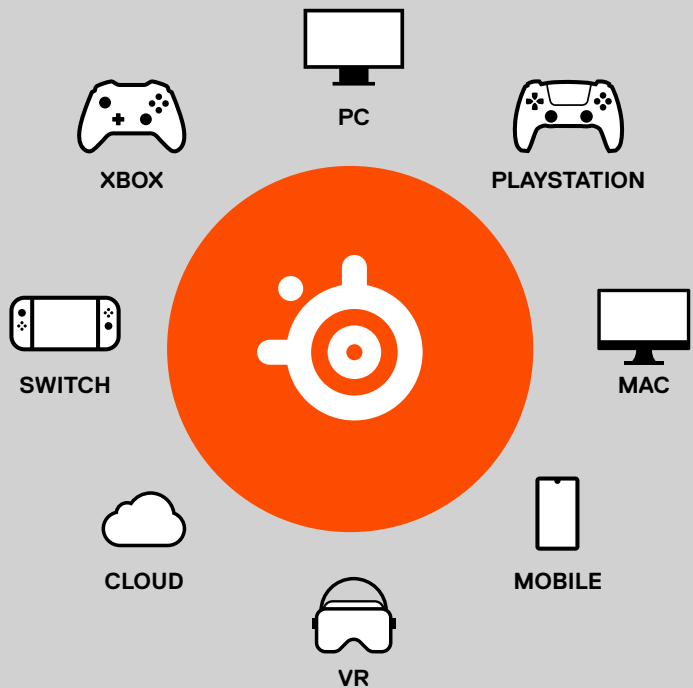
* Newzoo's gaming peripheral revenue forecast - April 2021

THE PERIPHERALS MARKET

The peripherals market is estimated to be around USD 8* billion in 2020, having grown by more than 25% annually since 2017. This is about twice the growth rate of global games revenue (in the same period).

SteelSeries are offering peripherals to all parts of the device eco-system.

DEVICE ECO-SYSTEM



OUR SOFTWARE

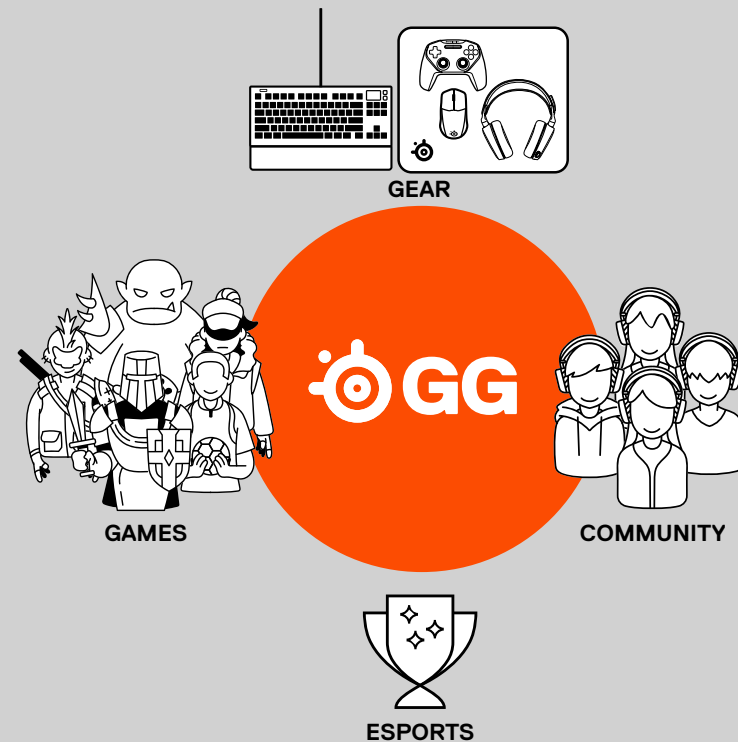
SteelSeries' unique software platform and community ecosystem augments a full suite of software-configurable gaming peripherals to deliver a superior gaming experience and drive user engagement.

SteelSeries has developed a unique software platform with an engaged and growing base of users. This gives a highly

personalized and engaging gaming experience.

Steelseries' GG is the the leading comprehensive platform for enthusiast gamers – seamlessly connecting the best gear, the biggest games, the gamer community and esports.

STEELSERIES GG PLATFORM



IN 2020 STEELSERIES LAUNCHED 6 NEW INNOVATIVE PRODUCTS TO THE MARKET



1 ARCTIS 7P



Designed for PlayStation 5 (also compatible with PlayStation 4, PC, Android, and Nintendo Switch)



Lossless 2.4GHz wireless audio designed for ultra-low latency gaming



Discord-certified ClearCast bidirectional microphone



Hear stunning detail in all next-gen games with award-winning sound



24-hour battery life outlasts even your longest gaming sessions

2 ARCTIS 7X



Designed for Xbox Series X|S (also compatible with Xbox One, PC, Android, and Nintendo Switch)



Lossless 2.4GHz wireless audio designed for ultra-low latency gaming



Discord-certified ClearCast bidirectional microphone



Hear stunning detail in all next-gen games with award-winning sound



24-hour battery life outlasts your longest gaming sessions

3 NIMBUS+



Official Apple-licensed wireless connectivity for all Apple products including iOS, iPadOS and tvOS devices



Compatible with Apple Arcade and thousands of titles across the App Store



Tactile D-pad buttons, new Hall Effect magnetic triggers, and clickable L3/R3 joysticks



Included Nimbus+ iPhone Mount so you can easily attach your iPhone to your Nimbus+



Built-in rechargeable battery for 50 hours of gameplay on a single charge

IN 2020 STEELSERIES LAUNCHED 6 NEW INNOVATIVE PRODUCTS TO THE MARKET



RIVAL 3
BEST BUDGET MOUSE
IGN



AEROX 3 WIRELESS
TOP 2 GAMING MOUSE
EUROGAMER



QcK
WORLD'S FIRST 4/5XL MOUSEPADS

4 RIVAL 3 WIRELESS



Industry-leading 400+ hour battery life for uninterrupted power-efficient use



Dual connectivity via gaming-grade 2.4 GHz and multi-purpose Bluetooth 5.0



Ultra-low latency wireless with wired-like performance



Pixel-perfect TrueMove Air optical gaming sensor



Hyper durable materials engineered with high-grade polymer and switches

5 AEROX 3 WIRELESS



Ultra lightweight 66 g design for effortlessly fast gameplay



Optimized 200-hour battery life plus USB-C fast charging



Dual connectivity via gaming-grade 2.4 GHz and multi-purpose Bluetooth 5.0



Pixel-perfect TrueMove Air optical gaming sensor



AquaBarrier™ for water resistance and protection from dust and more

6 QcK PRISM CLOTH RGB GAMING MOUSEPAD



Brilliant 2-zone RGB dynamic illumination
Easy and intuitive set-up of in-game lighting notifications



QcK micro-woven cloth for maximum control



Optimized for low and high DPI tracking movements



1220 × 762 × 4 mm



OUR STRATEGY AND 5 STRATEGIC INITIATIVES

SteelSeries has defined five strategic initiatives which support a “customer-centric approach” to managing our business.

1. Becoming #1 in premium gaming audio

2. Entering new categories

3. Winning with software

4. Developing our global esports brand

5. Grow direct-to-consumer sales

On top of these 5 must-win battles, we will continue to drive a customer-focused supply chain, diversifying our manufacturing approach and optimizing all our management and control systems.

KEY DELIVERIES FOR 2021:

DRIVING OUR CORE BUSINESS

Our objective is to be the #1 audio brand, and a top 3 peripherals brand, complemented by a full portfolio of top performing products (for the price tiers we compete in, in every country we compete in). As we continue to build on our considerable momentum in audio and keyboards, the two disruptive themes for 2021 will be:

- Drive console audio. This is expected to be a year with record-breaking console sales. Our goal is to become the #1 console audio brand thanks to our custom PlayStation 5 and Xbox Series X offerings.
- Continue to be a top three brand in keyboards and mice with the rollout of our best new line-up ever.

LAUNCHING OUR NEW SOFTWARE SERVICES PLATFORM

For almost two years, we have been working on our new “GG” platform, and our first stand-alone software product, “Moments”. We are launching both of these in the first half of 2021. This will be followed by additional services added to the platform over time. Our software strategy will deliver millions of monthly active users by the end of 2021. Combined with the reach of our Nahimic audio solution, the software services platform will be the bedrock of our burgeoning community of gamers.

INTEGRATING KONTROLFREEK AND MAKING IT THE GO-TO BRAND FOR YOUNG CONSOLE GAMERS.

We welcomed KontrolFreek into the SteelSeries family last year. KontrolFreek is a well-loved brand among young console gamers in the U.S. The newly formed KontrolFreek business unit is already hard at work, looking for cross-sell synergies, sell expanding its product roadmap, leveraging our existing distribution and logistics network and improving its marketing reach. These efforts will drive growth for KontrolFreek in what is expected to be an extraordinary year for consoles.

TELLING OUR STORY

2021 is our twentieth anniversary as a company and we should remind ourselves, everyone, how our DNA, and success, is based on esports. We were the very first brand to sponsor professional teams and tournaments, enabling emerging stars to compete globally. We found ways to give esports professionals an edge with innovations like the first purpose-built gaming headset, the first mechanical gaming keyboard, the first gaming mouse with a built-in processor, and of course where it all started - the first gaming surface built specifically for esports. These innovations, and dozens more, have helped esports pros win more tournament prize money than any other brand.

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SUSTAINABILITY

SUSTAINABILITY



OUR SUSTAINABILITY STRATEGY

We recognize that our business 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.

In our sustainability efforts, 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 user. 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 assessment was conducted

in autumn 2020 based on internal meetings, workshops and benchmarking within the industry. Going forward, we expect to revisit the selected focus areas annually to ensure that we maintain the right topics and that our activities remain compatible with stakeholders' expectations of SteelSeries as both company and workplace.

Our strategy covers three main areas: reducing our climate and environmental footprint, being an attractive and responsible employer, and ensuring responsible business conduct. For each of the focus areas, we have started the process of identifying strategic targets and initiating actions to be conducted in the upcoming year. We have also identified the UN Sustainable Development Goals associated with the highest impacts of our business activities.


We are committed to contributing to the Sustainable Development Goals by identifying initiatives that will help to improve our performance.

In the following year, we will be working on setting baselines for our sustainability KPIs and setting more concrete sustainability targets.



IN 2020, STEELSERIES BECAME A SIGNATORY TO THE UN GLOBAL COMPACT.

Our operations are governed by the Ten Principles of the UN Global Compact related to human rights, labor rights, the environment and prevention of corruption. This report constitutes our first annual Communication on Progress to be submitted to the UN Global Compact. We will continue to support and contribute to the development of the principles of the UN Global Compact and report on progress annually. This report also serves as our statutory statement on sustainability in accordance with section 99a and b of the Danish Financial Statements Act.

 <p>COMMUNICATION ON PROGRESS</p>	<p>This is our Communication on Progress in implementing the Ten Principles of the United Nations Global Compact and supporting broader UN goals.</p> <p>We welcome feedback on its contents.</p>
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REDUCING OUR CLIMATE AND ENVIRONMENTAL FOOTPRINT

At SteelSeries we strive to reduce the environmental and climate impact throughout our 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 handled by SteelSeries, we also consider the environmental impact related to the third party manufacturing and packaging of our products as well as the subsequent transportation of these goods. Our products are mainly transported by ship and, when necessary to support customer demand, also by air. We aim to reduce the share of products transported by air when possible, to lessen the carbon footprint.

Our primary external driver of environment and climate uncertainty relates to regulatory restrictions and strong influence from key stakeholders. We acknowledge the growing demand from customers to use more sustainable materials in products and packaging, and to adhere to stricter environmental regulations in countries where we operate. In an attempt to stay ahead of the curve, we are continuously in close communication with our customers and manufacturers and follow the relevant regulatory developments in all regions where we operate.

The raw materials used in our products consist mainly of plastic and electronics, including certain types of minerals and pre-

cious metals. We aim to find the best ways to reduce the environmental footprint of our product designs and packaging solutions.

We have completely removed single-use plastics in all packaging designed from 2020 on in addition to consciously reducing the size of many of our packaging solutions. This has resulted in reduced material use, an improved climate footprint, and a reduction of harmful volatile organic compounds. For some product lines, we further reduced the environmental impact by moving to water-based ink and reducing the amount of plastic required in manufacturing.

In 2020, we conducted a mapping of the direct carbon footprint of our operations. In the upcoming years, our product development team will further assess the environmental impact related to specific products and opportunities to further reduce their environmental impact.

Based on the learning, we will set targets to reduce our environmental footprint.



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 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 330 employees in 20 countries at the end of December 2020 and 266 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 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 2020, we invested heavily in our human resources department and worked to formalize our human resource strategy and practices. In the past year, the COVID-19 pandemic has affected the working-lives of people globally. At SteelSeries, we understand the importance of working together (even if from home) and promote close contact with all employees on a daily basis. In addition, we

have focused on keeping our offices clean and sanitized and investing in the necessary sanitizing equipment at all locations. We have kept our employees in the loop of current restrictions and recommendations through ongoing communication and ensured implementation of internal safety guidelines. Our US office in Chicago has been closed since spring 2020, and we have invested significantly in office improvements to support the health and safety of our employees and visitors once the office reopens.

Diversity 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 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.

Our workforce is generally young, but all age groups between 18 and 60 are represented. In 2020, our workforce consisted of 34% female and 66% male employees.



BEING AN ATTRACTIVE AND RESPONSIBLE EMPLOYER

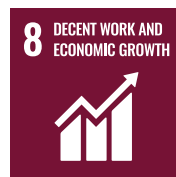
In October 2020, we conducted a diversity and inclusion survey that was sent to all employees globally. The results were very positive with 72% of our employees completing the survey and 71% of them agreeing with the company's values and outlook for the future regarding diversity and inclusion. The results provide us with a good baseline for the future.

All employees have also conducted a mandatory annual training course on sexual harassment. We have set up employee committees in the US focusing on diversity in terms of gender, women, LGBT+ and other members of any under-represented groups. In addition, 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 coming years, we plan to roll out employee committees to other countries.

Our leadership team consists of three females and ten males. The focus on diversity in Management helps create a healthy working environment. We work to achieve a more equal gender balance at all levels in the company by ways of talent development opportunities, promotions and new recruitments.

In 2020, the Board of Directors of the SteelSeries Group elected new members to the Board, which consists of five male and no female representatives. The candidates were chosen based on their specific competencies and fit for the positions. The addition did not change the gender composition. It is our goal to add a female representative to the Board by the end of 2021.

SteelSeries is not a political company. However, we 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.



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. Based on our commitment, we have set up a code of conduct and anti-corruption policy that all employees need to sign.

It is our goal to always act professionally, fairly and with integrity in all our business activities and relationships.

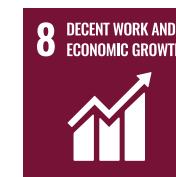
Our employees are encouraged to report any suspected violations of our code of conduct through our whistleblowing channel. In addition, we are in the process of setting up an anonymous whistleblowing website which will be hosted by an independent provider.

SteelSeries' most material risk of violating human rights and risks associated with corrupt behavior is related to the supply chain of our products. We recognize our responsibility to respect human rights and 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. Consequently, we defined 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. In the future we will require all of our main suppliers to adhere

to this supplier code of conduct.

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. In addition, large customers conduct sustainability audits of manufacturers that produce SteelSeries products, reviewing their social, environmental, and business ethics and processes.

Our policies on responsible business conduct also extend to SteelSeries' business partners such as social media influencers or gamers who are expected to uphold our sustainability policies.



SUSTAINABILITY KPIs

This report covers the relevant and material social, ethical, and environmental issues for the financial year 1 January to 31 December 2020. The report complies with the same consolidation principles and boundaries as the financial statements.

Environmental KPIs*	Accounting practice	SteelSeries 2020
Energy consumption (MWh)	The use of energy from SteelSeries' own business and operations, primarily electricity and heating used in offices.	Electricity: 228 MWh District heating: 13 MWh Natural gas: 118 MWh
GHG emissions Scope 1 (tCO₂e)	Direct emissions resulting from the company's own combustion of fuels.	22 tCO ₂ e
GHG emissions Scope 2 (tCO₂e)	Indirect emissions resulting from the purchase of electricity and district heating, in our offices. (emission factors source)	Location-based: 74 tCO ₂ e Market-based: 97 tCO ₂ e

*We recognize that our direct environmental footprint is limited in comparison to the impact of the full value chain, including third party manufacturing and transportation. In the upcoming years, we will further assess the environmental impact related to other areas of the value chain, where possible.

Social KPIs	Accounting practice	SteelSeries 2020
FTE	Average full-time employees (FTEs), defined as full-time employees, FTE-calculated hourly salaried employees, and FTE calculated temporary workers.	266
Gender diversity %	Share of female employees.	33.6%
Gender diversity, Management %	Share of female representatives in Management as defined by the Group.	23%
Sickness absence Days per FTE	Overall sickness absence (% of total working days).	To be tracked from 2021 onwards
Rate of recordable work-related injuries	Absence rate due to work-related injuries (lost working days per employee).	None

Governance KPIs	Accounting practice	SteelSeries 2020
Reported whistleblowing incidents	Incidents in whistleblowing channel.	None



CORPORATE GOVERNANCE

Being owned by the Nordic private equity firm Axcel, the Group is subject to the guidelines of Active Owners Denmark - www.aktiveejere.dk/en/ (formerly known as the Danish Venture Capital and Private Equity Association DVCA) for responsible ownership and corporate governance and complies with all relevant guidelines.

The organization of Management is, among other things, based on the Danish Companies Act, the Danish Financial Statements Act and the Group's articles of association. The Group has based its corporate governance efforts on a two-tier system where the Board of Directors and Management have two distinct roles.

Management undertakes the operational management of the Group, whereas the Board of Directors determines the overall group strategy and acts as a sparring partner to the Group's Management.

The Group has policies for a number of key areas, including, but not limited to, anti-bribery and corruption, competition law, trade sanctions, data protection, labor & human rights, diversity and inclusion and finance. The Board of Directors is responsible for overseeing that the leadership team has an

adequate system and resources in place to ensure compliance with these policies.

Risk management is considered an essential and natural part of the realization of the Group's objectives and strategy. The daily activities, the implementation of the established strategy, and the continuous use of business opportunities involve inherent risks, and the Group's handling of these risks is therefore seen as a natural and integrated part of the daily work and a way to ensure stable and reliable growth.

The Board of Directors are appointed by Axcel and the co-investors. The Board of Directors consists of five members. Board meetings are held at least four times a year and the Chairman Committee meets with Management on an ongoing basis.



BOARD OF DIRECTORS

JOHN SCHAPPERT

Chairman (since 2020)

Nationality:

American

Board function:

Non-executive, independent director

Profession:

CEO, Shiver Entertainment

Non-executive functions:

Chairman in SteelSeries ApS and related group companies.

LARS CORDT

Vice Chairman (since 2019)

Nationality:

Danish

Board function:

Non-executive, non-independent director

Profession:

Partner, Axcel Management A/S

Non-executive functions:

Chairman in AX V Gubi Holding III, AX V SteelSeries Holding III, AX MITA Invest, AX V ESB Holding III and AX V Nissens III ApS.

Vice Chairman in AX V Nissens ApS and related companies, and in SteelSeries ApS and related group companies.

Board member in Gubi Group and related companies, Mountain Top Group and related group companies, Isadora AB and related group companies and AX IV Holdco P/S.

CHRISTIAN BAMBERGER BRO

Board member (since 2019)

Nationality:

Danish

Board function:

Non-executive, non-independent director

Profession:

Partner, Axcel Management A/S

Non-executive functions:

Chairman in AX V Phase One Holding I ApS and related group companies, Loopia Group AB and related group companies, AX VI AddPro Holding I AB and related group companies, and SuperOffice Holding I AS and related group companies.

Vice Chairman in Phase One Group ApS and related group companies, Loopia AB, AX VI AddPro Group AB, and SuperOffice Group AS.

Board member in SteelSeries ApS and related group companies, and Axcel Management Holding ApS.

JACOB WOLFF-PETERSEN

Board member (since 2019)

Nationality:

Danish

Board function:

Non-executive, non-independent director

Non-executive functions:

Chairman in AIAlAI
Board member in SteelSeries and related group companies.

MARK CARGES

Board member (since 2020)

Nationality:

American

Board function:

Non-executive, independent director

Profession:

Advisor, Ocado Technology and Senior Advisor, Generation Investment Management.

Non-executive functions:

Board member in SteelSeries and related group companies, Splunk, Veeva Systems, Phase One Group and related group companies, Magnet Systems Inc.

WE HAVE A LONG HISTORY OF FIRSTS



**2001
Icemat**

First mousepad for esports



**2004
QcK**

First gaming mousepad to sell 10M



**2007
Ikari**

First mouse with on-board profiles



**2008
Xai / Sensei**

First mouse with on-board ARM processor



**2014
Sentry**

First eye tracker for gaming



**2004
Icemat Audio**

First dedicated gaming headset



**2005
Steelsound 5H**

First gaming headset with retractable mic



**2006
Steelkeys 6G**

First mechanical gaming keyboard



**2009
WoW Mouse**

First multi-button mouse for MMOs



**2012
Stratus**

First official iOS gaming controller



BETTER HAS NO FINISH LINE



2015
Nimbus

First official controller for all Apple devices



2015
Rival 700

First gaming mouse with haptic feedback



2017
Sensei 310

First mouse with true 1-to-1 tracking



2018
Rival 600

First mouse with advanced lift-off sensor



2019
Apex Pro

First keyboard with adjustable actuation



2016
Arctis

Launched the most awarded gaming headset



2018
Arctis Pro

First high fidelity gaming sound system



2018
Lars

First dancing troll in a gaming gear advert



2019
Arctis 1 Wireless

First multi-platform wireless headset



2020
Aerox 3

First water resistant Lightweight mouse



/04

**FINANCIAL
STATEMENTS**



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INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

DKK million	Section	2020	2019*
Revenue	1.1	2,020.4	429.9
Cost of sales	1.2	-1,251.7	-251.8
Gross profit		768.7	178.1
Other external expenses	1.3	-322.6	-72.1
Staff costs	7.1	-182.0	-24.6
Operating profit before depreciation, amortization, impairments and special items (Adj. EBITDA)		264.0	79.0
Special items	3.1	-15.5	-24.3
Operating profit before depreciation, amortization and impairments (EBITDA)		248.5	53.1
Depreciation	2.4	-13.7	-2.6
Amortization and impairment	2.4	-46.3	-10.2
Operating profit (EBIT)		188.5	40.3
Financial income	4.1	0.1	0.0
Financial expenses	4.1	-65.6	-25.3
Profit before tax		123.0	15.0
Income tax	6.1	-22.6	2.5
Net profit		100.4	17.5
ATTRIBUTABLE TO:			
Non-controlling interest		18.0	2.7
Shareholders in SteelSeries Group A/S		82.4	14.8
Items that may be reclassified to the income statement			
Foreign exchange adjustments of foreign entities		-4.2	0.0
Value adjustments of cash flow hedging instruments on equity		-0.5	0.0
Income tax effect on equity		0.0	0.0
Items that may be reclassified to the income statement		-4.7	0.0
Total comprehensive income		95.7	17.5
ATTRIBUTABLE TO:			
Non-controlling interest		17.1	2.7
Shareholders in SteelSeries Group A/S		78.6	14.8

* 1 October 2018 – 31 December 2019, with operating activities from 1 October 2019.

STATEMENT OF FINANCIAL POSITION

Assets

DKK million	Section	2020	2019
Non-current assets			
Goodwill	2.3, 2.4	1,519.6	1,330.9
Patents	2.4	138.9	98.4
Trademarks	2.3, 2.4	468.0	364.5
Customer relationships	2.4	25.3	28.2
Development projects	2.4	71.7	30.4
Property, plant and equipment	2.4	26.1	13.3
Right-of-use assets	2.4, 2.5	8.5	2.3
Deposits		1.7	1.0
Deferred tax asset	6.2	10.1	0.0
Total non-current assets		2,269.8	1,869.0
Current assets			
Inventories	2.2	288.5	362.1
Trade receivables	2.1	249.0	172.9
Receivables tax		21.4	0.8
Other receivables	2.1	13.8	11.1
Prepayments		24.6	5.1
Cash and cash equivalents	4.5	249.2	106.7
Total current assets		846.4	658.6
Total assets		3,116.2	2,527.6

STATEMENT OF FINANCIAL POSITION

Liabilities and equity

DKK million	Section	2020	2019
Equity			
Share capital	4.3	1.1	0.6
Reserves		-3.9	0.0
Retained earnings		1,187.4	574.2
Total equity attributable to shareholders of SteelSeries Group A/S		1,184.6	574.8
Non-controlling interest		258.7	202.7
Total equity		1,443.3	777.5
Non-current liabilities			
Deferred tax	6.2	152.3	96.7
Borrowings	4.2	969.4	773.9
Pensions	3.2	0.8	0.0
Lease liabilities	4.2	4.2	0.8
Other payables		0.0	0.9
Total non-current liabilities		1,126.7	872.4
Current liabilities			
Borrowings	4.2	56.5	683.6
Trade payables	4.2	306.0	120.3
Provisions	3.2	5.2	8.2
Lease liabilities	4.2	4.2	1.5
Corporation tax		0.0	8.9
Prepayments from customers		1.4	0.1
Other payables	8.2	172.9	55.1
Total current liabilities		546.2	878.2
Total equity and liabilities		3,116.2	2,527.6

STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Cash flow hedges	Currency translation	Retained earnings	Equity shareholders in SteelSeries Group A/S	Non-controlling interest	Total
2020							
Equity at 1 January	0.6	0	0	574.2	574.8	202.7	777.5
Net profit	0	0	0	82.4	82.4	18.0	100.4
Other comprehensive income	0	-0.4	-3.5	0.0	-3.9	-0.8	-4.7
Total comprehensive income	0.0	-0.4	-3.5	82.4	78.6	17.1	95.7
Transactions with shareholders							
Capital increase	0.5	0.0	0.0	531.2	531.7	0.0	531.7
Warrants	0.0	0.0	0.0	0.8	0.8	0.2	1.0
Changes in non-controlling interest	0.0	0.0	0.0	-1.3	-1.3	38.6	37.3
Total transactions with shareholders	0.5	0.0	0.0	530.8	531.2	38.8	570.0
Total equity at 31 December	1.1	-0.4	-3.5	1,187.4	1,184.6	258.7	1,443.3

DKK million	Share capital	Cash flow hedges	Currency translation	Retained earnings	Equity shareholders in SteelSeries Group A/S	Non-controlling interest	Total
2019							
Equity at 1 October 2018	0.1	0.0	0.0	0.0	0.1	0.0	0.1
Net profit	0.0	0.0	0.0	14.8	14.8	2.7	17.5
Other comprehensive income	0.0	0.0	0.0	14.8	0.0	0.0	0.0
Total comprehensive income	0.0	0.0	0.0	14.8	14.8	2.7	17.5
Transactions with shareholders							
Capital increase	0.6	0.0	0.0	559.4	560.0	200.0	760.0
Total transactions with shareholders	0.6	0.0	0.0	559.4	560.0	200.0	760.0
Total equity at 31 December	0.6	0.0	0.0	574.2	574.8	202.7	777.5

STATEMENT OF CASH FLOWS

DKK million	Section	2020	2019*
Operating profit (EBIT)		188.5	40.3
Depreciation, amortization and impairment	2.4	60.0	12.8
Operating profit before depreciation, amortization and impairment (EBITDA)		248.5	53.1
Other non-cash adjustments		-19.7	4.8
Change in inventories		81.2	117.8
Change in receivables		-82.5	53.4
Change in trade payables and other payables		264.2	-154.2
Interest, etc., received		0.0	0.0
Interest, etc., paid	4.1	-41.6	-18.6
Income tax paid		-34.4	-5.5
Cash flow from operating activities		415.7	50.8
Acquisition of property, plant and equipment	2.4	-20.3	-1.1
Acquisition of intangible assets	2.4	-42.9	-6.7
Total operational investments		-63.2	-7.9
Acquisition of subsidiaries	5.1	-319.1	-1,649.1
Change in financial receivables		-0.1	0.0
Total financial investments		-319.2	-1,649.1
Free cash flow		33.4	-1,606.4
Repayment of borrowings	4.2	-559.7	-501.6
Change in overdraft		-246.8	246.8
Proceeds from borrowings	4.2	353.7	1,208.0
Repayment of lease liabilities	4.2	-3.8	-0.4
<i>Transactions with shareholders and non-controlling interest</i>			
Transaction with shareholders	4.3	531.7	560.0
Transaction with non-controlling interest	5.2	37.3	200.0
Cash flow from financing activities		112.4	1,712.9
Net cash flows		145.8	106.7
Cash and cash equivalents at opening		106.7	0.0
Foreign exchange adjustment of cash and cash equivalents		-3.3	0.0
Cash and cash equivalents at 31 December	4.5	249.2	106.7

* 1 October 2018 – 31 December 2019, with operating activities from 1 October 2019.

1 Operations

1.1 Revenue

Revenue

The Group's revenue of DKK 2.020,4 millions in 2020 cannot directly be compared to the DKK 429.9 millions in 2019, as the Group's first financial performance began October 1, 2019.

Revenue is reported separately for the three geographical regions, where Americas accounts for the largest region with 47% of Group's revenue in 2020.

Audio peripherals accounts for 62% to the 2020 revenue and represents the largest product category.

At 31 December 2020, the value of products expected to be returned in the subsequent year is similar to 31 December 2019 and considered insignificant

DKK million	2020	2019
Revenue		
Americas	944.6	188.8
EMEA	797.6	192.4
APAC	278.2	48.7
Total	2,020.4	429.9

DKK million	2020	2019
Revenue		
Audio	1,261.5	283.8
Other	758.9	146.1
Total	2,020.4	429.9

Revenue information

The Group'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 Group's strategic and financial targets.

ACCOUNTING POLICY

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 Group 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 Group 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.

1.1 Revenue (continued)

Activity-related discounts is a broad term covering incentives for customers to sustain business with the Group 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.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group considers all terms and activities in contracts with customers in order 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 Group 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 Group 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 Group 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.

The Group 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.

1.2 Cost of sales

Cost of sales

Cost of sales increased and was primarily affected by the organic growth of SteelSeries across all regions, higher input prices due to

air shipment as demand increased significantly due to COVID-19, full impact on US tariffs and product mix.

DKK million	2020	2019*
Change in inventory	73.6	117.8
Expenses related to purchase of products	1,178.1	134.0
Total	1,251.7	251.8

ACCOUNTING POLICY

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.

1.3 Other external expenses

Sales & Marketing expenses increased in 2020 compared to 2019, as the Group continued to invest in marketing activities related to growth initiatives and building the corporate brand awareness.

General & Administration expenses increased in line with the expansion of the global organization.

ACCOUNTING POLICY 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 Group'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.

DKK million	2020	2019*
Sales and marketing expenses	255.0	53.4
Other external expenses	67.6	35.3
Total	322.6	88.7

* 1 October 2018 – 31 December 2019, with operating activities from 1 October 2019.

2 Asset base

2.1 Trade and other receivables

The Group's receivables increased by 40%. The increase can be linked to the organic growth in Q4 which contributes to the main

part of the receivables at year end, as well as, the impact from SteelSeries France and KontrolFreek.

DKK million	Gross receivables	Loss allowances	Receivables, net
2020			
Not past due	231.5	0	231.5
Overdue 1 – 30 days	28.6	0	28.6
Overdue 31 – 90 days	3.4	0.7	2.7
Overdue > 90 days	1.0	1.0	0.0
Total	264.5	1.7	262.8

DKK million	Gross receivables	Loss allowances	Receivables, net
2019			
Not past due	163.9	0.0	163.9
Overdue 1 – 30 days	21.3	1.2	20.1
Overdue 31 – 90 days	3.5	3.5	0.0
Overdue > 90 days	2.9	2.9	0.0
Total	191.6	7.6	184.0

In 2020, receivables not past due amounted to 88% (2019: 89%) of total receivables, net. The impairment losses generally relate to minor customers that are not expected to be able to pay their outstanding balances, mainly due to adverse economic developments.

Loss allowances to receivables not past due and overdue 1-30 days are considering insignificant.

Furthermore, converted into DKK, the proportionate shares of the receivables have changed due to differences in the currencies' development against DKK.

The unsecured receivables amount to 40% (2019: 31%) of the total outstanding amount.

DKK million	Receivables from sale of goods	Other receivables	Total	2019
Impairment at 1 January	7.6	0	7.6	12.2
Impairment losses recognized	0.1	0	0.1	2.8
Realized impairment losses	-6.0	0	-6.0	-6.0
Reversed impairment losses	0	0	0.0	-1.4
Impairment at 31 December	1.7	0.0	1.7	7.6

CREDIT RISK

In 2020, receivables not past due amounted to 88% (2019: 89%) of total gross receivables. The closure of business due to COVID-19 restrictions is impacting some of our customers but the main part of the retailers are hypermarkets or customers with large e-commerce presence. Therefore, no significant change is identified.

The credit risk is being closely managed in the markets and assessed in light of the changing restrictions, and the COVID-19 impact on the global risk pattern is being evaluated at group level.

The estimated impairment losses consider the expected impact both from the continuing restrictions and when government financial support schemes and extended payment terms come to an end when markets reopen.

The relative number of receivables increased following increased revenue in Q4 which follows our normal payment terms.

2.1 Trade and other receivables (continued)

ACCOUNTING ESTIMATES AND JUDGEMENTS

Exposure to credit risk on receivables is managed between the Group and the regions, and credit limits are set as deemed appropriate for the customer, taking into account 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.

ACCOUNTING POLICY

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 Group 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.

2.2 Inventories

Inventory decreased by 20,3% compared to 2019, mainly driven by a strong demand for the Group's products in 2020. Inventory levels have been managed in accordance with the ongoing focus to on meeting demand.

DKK million	2020	2019
Raw materials	10.5	4.0
Finished goods	278.0	358.1
Total	288.5	362.1

ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

ACCOUNTING POLICY

Inventories are measured at the lower of cost under the FIFO method and net realizable value. The net realizable value of inventories is

Raw materials consist of consignment components which is sourced and secured early by SteelSeries to be used in the later 3rd party manufacturing process.

In general, write-offs of inventories were in line with 2019 and amounted to less than DKK 500 thousand for the year.

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.

2.3 Impairment

In 2020 and 2019, 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 relating to the acquisition of the SteelSeries Group and KontrolFreek Group account for 10% or more of the total carrying amount of goodwill and trademark with an indefinite useful life at the reporting date.

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 Group gained control of the A Volutes activities and KontrolFreek activities in 2020, and goodwill recognized on the acquisitions was allocated to the relevant geographical CGU. In 2019, the Group gained control of the SteelSeries Group when the gaming peripherals CGU with regional split was established.

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:

- SteelSeries
- KontrolFreek

ACCOUNTING ESTIMATES AND JUDGEMENTS

Identification of cash-generating units

The Group's management structure reflects the geographical split, cf. section 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.

ACCOUNTING POLICY

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.

2.3.1 Impairment of goodwill

The carrying amount of goodwill allocated to groups of CGUs:

DKK million	2020	2019
EMEA	577.4	541.8
Americas	760.7	607.3
APAC	181.5	181.8
Total	1,519.6	1,330.9

Key assumptions

	Pre-tax discount rate	Weighted average cost of capital	Terminal period growth
2020			
EMEA	9.9%	9.7%	2%
Americas	9.5%	9.2%	2%
APAC	10.1%	9.9%	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 2020. The applied cost of debt is 3.3% (2019: 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% (2019: 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.

As SteelSeries was acquired close at the end of 2019, it was assessed that fair value was equal or higher than recoverable amount.

2.3.2 Impairment test of trademarks

DKK million	2020	2019
SteelSeries	364.5	364.5
KontrolFreek	103.5	0.0
Total	468.0	364.5

ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

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.

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.

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.

2020	Pre-tax discount rate	Weighted average cost of capital	Terminal period growth
SteelSeries	9.7%	9.5%	2%
KontrolFreek	9.5%	9.2%	2%

Royalty rates

International	2% - 9%
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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.

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.

2.3.3 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.

2.4 Intangible assets and property, plant and equipment

Intangible assets						
DKK million	Goodwill	Customer relationships	Trademarks	Patents	Development projects and other	Total
2020						
Cost at 1 January	1,330.9	28.9	364.5	101.8	36.5	1,862.5
Business combinations	190.6	0.0	104.8	51.8	31.0	378.3
Additions	0.0	0.0	0.0	2.2	40.7	42.9
Disposals	0.0	0.0	0.0	0.0	-5.2	-5.2
Foreign exchange adjustments	-1.8	0.0	-1.3	-0.7	-0.1	-3.8
Cost at 31 December	1,519.6	28.9	468.0	155.1	103.0	2,274.7
Amortization 1 January	0.0	0.7	0.0	3.3	6.1	10.2
Disposals	0.0	0.0	0.0	0.0	-5.2	-5.2
Amortization	0.0	2.9	0.0	12.8	30.5	46.3
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0
Foreign exchange adjustments	0.0	0.0	0.0	0.0	-0.1	-0.1
Amortization and impairment at 31 December	0.0	3.6	0.0	16.2	31.3	51.1
Carrying amount at 31 December	1,519.6	25.3	468.0	138.9	71.7	2,223.6
2018/2019						
Cost at 1 October 2018	0	0	0	0	0	0
Business combinations	1,330.9	28.9	364.5	101.2	30.3	1,855.8
Additions	0.0	0.0	0.0	0.5	6.2	6.7
Cost at 31 December	1,330.9	28.9	364.5	101.8	36.5	1,862.5
Amortizations 1 October	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	0.0	0.7	0.0	3.3	6.1	10.2
Amortization and impairment at 31 December	0.0	0.7	0.0	3.3	6.1	10.2
Carrying amount at 31 December	1,330.9	28.2	364.5	98.4	30.4	1,852.4

2.4 Intangible assets and property, plant and equipment (continued)

Property, plant and equipment	Other fixtures and fittings, tools and equipment	Leasehold improvements	Right-of-use assets	Total
DKK million				
2020				
Cost at 1 January	14.0	1.5	2.7	18.2
Business combinations	2.0	0.6	4.3	6.9
Additions	11.4	8.9	6.0	26.3
Disposals	-1.2	0.0	0.0	-1.2
Foreign exchange adjustments	-0.1	0.0	-0.4	-0.5
Cost at 31 December	26.2	10.9	12.6	49.7
Depreciation at 1 January	2.0	0.2	0.4	2.6
Disposals	-1.2	0.0	0.0	-1.2
Depreciation	9.3	0.7	3.7	13.7
Depreciation at 31 December	10.2	0.9	4.1	15.1
Carrying amount at 31 December	16.0	10.1	8.5	34.6
2018/2019				
Cost at 1 October 2018	0.0	0.0	0.0	0.0
Business combinations	13.0	1.5	2.7	17.2
Additions	1.1	0.0	0.0	1.1
Disposals	-0.1	0.0	0.0	-0.1
Cost at 31 December	14.0	1.5	2.7	18.2
Depreciation at 1 October	0.0	0.0	0.0	0.0
Reversal of depreciation	-0.1	0.0	0.0	-0.1
Depreciation	2.1	0.2	0.4	2.7
Depreciation at 31 December	2.0	0.2	0.4	2.6
Carrying amount at 31 December	12.0	1.3	2.3	15.6

2.4 Intangible assets and property, plant and equipment (continued)

INTANGIBLE ASSETS AND TANGIBLE ASSETS

Intangible assets consist of development projects related to both hardware- and software-related projects in conjunction with patents. Goodwill, trademarks and customer relations relate to the business combinations carried out by the Group. For further description, please see section 5.

Fixtures and fittings, tools and equipment include various assets, including right-of-use assets, and leasehold improvements relate to the properties that the Group leases.

ACCOUNTING ESTIMATES AND JUDGEMENTS

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 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. Particular importance is attached to whether fulfilment of the contract depends on the use of specific assets. The assessment involves judgement of whether the Group 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.

ACCOUNTING POLICY

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 Group.

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

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

Useful lives	Years
Software	3 - 5
Customer relationships	10
Development projects	3 - 5
Patents	5 - 15
Other fixtures etc.	3 - 5
Leasehold improvements	3

2.5 Right-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.

During the year, additions amounted to DKK 10.3 million (2019: 0) and depreciation to DKK 3.7 million (2019: DKK 0.4 million). Lease expenses recognized in the income statement related to short-term leases and leases of low-value assets and amounted to less than DKK 0.8 million (2019: DKK 0.2 million).

Such contracts comprise the lease of coffee machines, short-term premise leases, small IT devices and similar equipment.

In December 2020, the Group signed a contract for a new location in Denmark for 3 years. It will be recognized in 2021, when the right to use the assets takes effect. The contract amounts to DKK 4 million.

The impact of IFRS 16 increased EBITDA by DKK 3.8 million, as other external expenses decreased by DKK 3.8 million, depreciation increased by DKK 3.8 million and interest by DKK 0.1 million, the net negative impact on the income statement was DKK 0.1 million (2019: DKK 0.0 million).

ACCOUNTING POLICY

Leases

At the commencement date, the Group 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 Group 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.

2.6 Capital commitments

The Group has entered into 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 consolidated financial statements. Capital commitments amounted to DKK 2 million (2019: DKK 2 million).

3 Special items and provisions

3.1 Special items

In 2019 and 2020, the Group carried out various business combinations, and cost related to those business combinations has been recog-

nized as special items. Furthermore, various, disputes and strategy projects have been carried out with focus on continued growth.

ACCOUNTING POLICY

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

DKK million	2020	2019
Strategy	7.6	0.0
Transaction cost	6.3	18.5
Disputes	1.4	5.8
Other	0.2	0.0
Total	15.5	24.3

ACCOUNTING ESTIMATES AND JUDGEMENTS

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 in order to ensure that significant income and expenses of a special nature constitute items that are of a special nature in terms of the Group's revenue-gen-

erating activities and as such in the view of Management cannot be attributed directly to the Group's ordinary operating activities. Further, Management carefully consider 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.

3.2 Provisions

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

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

ACCOUNTING POLICY

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 Group has a current legal or constructive obligation and include warranty and pension provisions. Provisions are recognized on the basis of best estimates.

Provisions overview

DKK million	Warranty	Other	Total
Provisions at 1 January 2020	3.0	5.2	8.2
Business combinations	0.0	0.5	0.5
Additions	4.4	0.3	4.7
Used during the year	-2.2	-5.2	-7.2
Provisions at 31 December 2020	5.2	0.8	6.0
Recognised in:			
Current liabilities	5.2	0.0	5.2
Non-current liabilities	0.0	0.8	0.8

4 Financing costs and capital

4.1 Financial income and expenses

Interest income primarily relates to interest on cash and cash equivalents measured at amortized cost.

Foreign exchange losses net amounted to DKK 17 million, which was primarily due to the deflation of USD vs. DKK. Interest expenses was impacted by the increase in long-term borrowings as a part of financing the business combinations.

DKK million	2020	2019*
Financial income		
Interest income	0.0	0.0
Other	0.1	0.0
Total	0.1	0.0
Financial expenses		
Interest expenses	38.5	9.1
Foreign exchange losses etc.	16.8	3.7
Amortized loan costs	7.0	3.0
Interest expenses lease	0.1	0.0
Other	3.2	9.5
Total	65.6	25.3
Total finance cost related to financial liabilities at amortized cost	45.5	12.1

* 1 October 2018 – 31 December 2019, with operating activities from 1 October 2019.

4.2 Net interest bearing debt

Of the gross financial debt at year end, 94% (2019: 53%) was long term, i.e. with maturity of more than one year. Long-term and short-term borrowings amounted to DKK 1,034.3 million at 31 December 2020 (2019: DKK 1,459.8 million).

Long-term borrowings totaled DKK 973.6 million (2019: DKK 774.7 million) and short-term borrowings totaled DKK 60.7 million (2019: DKK 685.1 million). The change in long-term borrow-

ings is attributable to the investment activities carried out and the change in short-term borrowings is attributable to the capital increase.

Financing costs at 31 December 2020 amounted to DKK 8.2 million (2019: DKK 20.3 million) and are amortized until the expiry date of the loans. Amortization in 2020 amounted to DKK 7 million (2019: DKK 2.9 million).

Net interest-bearing debt overview:

DKK million	2020	2019
Non-current borrowings	973.6	774.7
Current borrowings	60.7	685.1
Gross financial debt	1,034.3	1,459.8
Cash and cash equivalents	249.2	106.7
Net interest-bearing debt	785.2	1,353.1

All debt related to facilities and bank overdrafts is subject to quarterly covenant assessments where the leverage ratio is not to exceed 5.0x (2019: 5.5x) and interest coverage to be above 3.8x (2019: 3.8x) as of 31 December 2020.

There were no covenant breaches in 2020, and based on management budget assessment, no such breaches are expected to occur in 2021.

4.2 Net interest-bearing debt (continued)

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

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

DKK million	2020	2019
Gross financial debt at 1 January	1,459.8	0.0
Recognition of lease liabilities	0.0	2.3
Restated gross financial debt	1,459.8	2.3
Proceeds	361.9	1,228.3
Borrowing costs, paid	-8.2	-20.3
Acquisition of entities	17.1	501.6
Repayments	-526.9	-501.6
Installments	-32.8	0.0
Change in revolving facility	-246.8	246.8
Lease liabilities	-3.8	0.0
<i>Non-cash movements:</i>		
Additon lease liabilites	10.3	0.0
Amortization of borrowing costs	7.0	3.0
Exchange rate adjustment	-3.3	-0.2
Total at 31 December	1,034.3	1,459.8
Borrowings, non-current	969.4	773.9
Lease liabilities, non-current	4.2	0.8
Borrowings, current	56.5	683.6
Lease liabilities, current	4.2	1.5
Total at 31 December	1,034.3	1,459.8

ACCOUNTING POLICY

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.

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 remea-

surement 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 Group reassesses the circumstances leading to it not recognizing extension or termination options on an ongoing basis.

4.2 Net interest bearing debt (continued)

DKK million	2020	2019
Financial assets at amortised cost		
Trade receivables	249.0	172.9
Other receivables	13.8	11.1
Cash	249.2	106.7
	511.9	290.7
Financial liabilities at fair value		
Financial instruments measured at fair value (level 2) (liability)	0.5	0
Financial liabilities at amortised cost		
Borrowings	1,025.9	1,457.5
Lease liabilities	8.5	2.3
Trade payables	306.0	120.3
Other payables (excluding financial instruments at fair value)	172.4	56.0
	1,512.8	1,636.1

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 amortised cost

The carrying amounts of the Group's financial instruments, measured at amortised 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 Group's interest-bearing borrowings and loans which are measured as amortised cost as the reflects the issuer's borrowing rate at the end of the reporting period. The own non-performance risk at 31 December 2019 was assessed to be insignificant.

4.3 Capital structure

Management regularly assesses whether the Group's capital structure is in the interests of the Group and its shareholders. The overall objective is to ensure a continued development and strengthening of the Group's 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 Group A/S' share capital is divided into three classes (A shares, B shares and C shares). Combined with the Axcel V K/S position as majority shareholder (in terms of

control), Management considers that this structure will remain advantageous for all of the shareholders, enabling and supporting the long-term development of the Group.

Share capital	Class A Shares		Class B Shares		Class C Shares		Total share capital	
	Shares of DKK 0.01	Nominal value	Shares of DKK 0.01	Nominal value	Shares of DKK 0.01	Nominal value	Shares of DKK 0.01	Nominal value
DKK Thousand								
1 October 2018	50	50.0	0	0	0	0	50	50.0
Capital increase on 8 April			49,500	49.5	500	0.5	50,000	50.0
Cancellation of original shares	-50	-50.0	0	0	0	0.0	-50	-50.0
Capital increase on 27 september	560,000	560.0	0	0	0	0.0	560,000	560.0
31 December 2019	560,000	560.0	49,500	49.5	500	0.5	610,000	610.0
Capital increase			471,313	471.3	4,761	4.8	476,074	476.1
31 December 2020	560,000	560.0	520,813	520.8	5,261	5.3	1,086,074	1,086.1

4.4 Other comprehensive income

Other comprehensive income has mainly been impacted by a negative foreign exchange adjustment from the appreciation of USD.

4.5 Cash

Assessment of credit risk

The Group is exposed to credit risk on cash and cash equivalents (including fixed deposits) and the Group primarily enters into 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.

DKK million	2020	2019
Cash and cash equivalents	249.2	106.7
Cash and cash equivalents, net	249.2	106.7

The carrying amount of DKK 249.2 million (2019: DKK 106.7 million) represents the maximum credit exposure related to cash and cash equivalents.

4.6 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.

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, tapping a range of funding sources.

At 31 December 2020, the Group had total credit resources available of DKK 599 million (2019: DKK 160 million) consisting of cash and cash equivalents of DKK 249 million (2019: DKK 107 million) plus committed unutilized current credit facilities of DKK 350 million (2019: DKK 53 million).

4.6 Liquidity risk (continued)

Maturity table of liabilities:

DKK million	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Total
2020				
Derivative financial instruments				
Interest rate swap	0	0.5	0	0
Non-derivative financial instruments				
Lease liabilities	4.4	4.3	0	8.7
Borrowings and leases	93.2	327.2	756.2	1,176.6
Trade payables and other financial liabilities	478.9	0.0	0.0	478.9
Total	575.1	332.0	756.2	1.663.2

DKK million	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Total
2019				
Derivative financial instruments				
Interest rate swap	0	0	0	0
Non-derivative financial instruments				
Lease liabilities	1.6	0.8	0	2.4
Borrowings	716.5	321.7	643.5	1,681.6
Trade payables and other financial liabilities	175.4	0.0	0.0	175.4
Total	893.5	322.5	643.5	1,859.4

4.7 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.

In accordance with the Group's risk management policy, the Group hedges foreign currency risks arising from financing activities using interest rate swaps.

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, with all other variables held constant, would have impacted revenue and gross profit by the amounts below:

DKK million	Revenue	Gross profit
USD	114.3	6.6
EUR	7.3	7.0
Total	121.6	13.6

4.8 Interest rate risk

The Group's exposure to interest rate risk is considered limited. At the reporting date, 99% of the net financial debt consisted of floating-rate borrowings where DKK 667 million equal to 65% is hedged via swaps that are fixed for more than one year. An interest mar-

gin increase of 100bp for the facilities which are not hedged would increase the interest expense by DKK 3.6 million.

The Group uses derivative financial instruments such as interest rate swaps to hedge

its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Interest-bearing loans and borrowings

DKK million	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	742.7	742.7
Revolving facility	Sep/26	3.50%	Floating	225.0	0.0
Other facilities	jun 21 - sep 26	0% - 2%	Fixed	15.0	15.0
Total				1,269.3	1,044.3
Capitalised borrowing costs					18.5
Total borrowings					1,025.8

4.8 Interest rate risk (continued)

DKK million

Interest-bearing loans and borrowings	Expiry	Interest margin	Type	Nominal amount 2019	Carrying amount 2019
Facility A1	Sep/25	3.50%	Floating	208.4	208.4
Facility B1	Sep/26	4.00%	Floating	493.0	493.0
Bridge facility	Mar/20	2.00%	Floating	526.9	526.9
Season facility	Mar/20	3.50%	Floating	125.0	125.0
Revolving facility	Sep/26	3.50%	Floating	121.8	121.8
Total				1,475.1	1,475.1
Capitalised borrowing costs					17.6
Total borrowings					1,457.5

ACCOUNTING POLICY

Positive fair values of derivatives are recognized as other receivables and negative values as other payables. The impact on other comprehensive income and the fair value of derivatives classified as cash flow hedges is presented in the cash flow hedge table.

DKK million - Financial liabilities at fair value	2020	2019
Financial instruments measured at fair value (level 2) (liability)	0.5	0

5 Acquisitions

In 2020, the Group completed two acquisitions totaling DKK 326 million, and in 2019, one acquisition totaling DKK 1,649 million was completed.

A Volute

At 3 April 2020, SteelSeries gained control of the A Volute Group (France) through the acquisition of 100% of the shares, giving SteelSeries the full ownership interest.

The acquisition of the A Volute Group was carried out to further strengthen the Group's competencies within software. The calculated goodwill represented staff competences and synergies from expected optimizations within several functions.

The total revenue generated since the acquisition amounts to DKK 21.8 million and the loss amounts to DKK 2.3 million. If ownership had been since 1 January 2020, revenue impact would have been DKK 26.3 million and a loss of DKK 4.3 million.

The total acquisition costs amount to DKK 2.5 million. All costs have been recognized as special items.

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

DKK million	2020
Consideration paid	59.1
Contingent considerations	7.4
Total cost of acquisition	66.5
Acquired assets and liabilities	
Development projects	31.0
Right-to-use assets	4.3
Property, plant & equipment	0.8
Financial assets	0.6
Trade & other receivables	4.0
Tax receivable	1.9
Prepayments	0.7
Deferred tax asset	12.0
Cash and cash equivalents	3.4
Borrowings	-17.1
Lease liabilities	-4.3
Pension obligation	-0.5
Prepayments from customers	-1.7
Deferred income	-0.2
Trade payables	-1.3
Other payables	-3.2
Net assets acquired	30.2
Goodwill	36.3
Total acquisition price	66.5
Payable contingent consideration	-7.4
Hereof cash in A Volute	3.4
Total purchase price	55.7

5 Acquisitions (continued)

KontrolFreek

At 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.

The acquisition of the KontrolFreek was carried out to further strengthen the Group's presence within console peripherals and access to the strong userbase which KontrolFreek has built since it was founded. The calculated goodwill represented staff competences and synergies from expected optimizations within several functions.

The total revenue generated since the acquisition amounts to DKK 10.3 million and the profit amounts to DKK 2.9 million. If ownership had been since 1 January 2020, revenue impact would have been DKK 162.2 million and a profit of DKK 31.5 million.

The total acquisitions costs amount to DKK 3.7 million. All costs have been recognized as special items.

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

DKK million	2020
Consideration paid	287.1
Contingent considerations	0.0
Total cost of acquisition	287.1
Acquired assets and liabilities	
Brand	104.8
Patents	51.8
Property, plant & equipment	1.7
Trade & other receivables	11.0
Inventory	7.5
Prepayments	0.2
Cash and cash equivalents	23.7
Deferred tax liability	-42.3
Trade payables	-2.5
Other payables	-23.2
Net assets acquired	132.7
Goodwill	154.3
Total acquisition price	287.1
Hereof cash in KontrolFreek	23.7
Total purchase price	263.4

5 Acquisitions (continued)

SteelSeries

At 30 September 2019, SteelSeries Holding II gained control of the SteelSeries Holdings ApS (Denmark) through the acquisition of 100% of the shares, giving SteelSeries Group majority of the ownership interest.

The acquisition of SteelSeries was carried out by the Investment Fund Axcel who is the ultimate owner of the SteelSeries Group, see section 8.3. A potential to streamline, unleash the potential and expand the current set-up was the main factors.

The total revenue generated since the acquisition amounts to DKK 442,5 million and the profit amounts to DKK 41,9 million. If ownership had been since 1 January 2020, revenue impact would have been DKK 1.243,3 million and a profit of DKK 65.3 million.

The total acquisitions costs amount to DKK 18.5 million. All cost has been recognized as special items.

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

DKK million	2019
Consideration paid	1,668.2
Total cost of acquisition	1,668.2
Acquired assets and liabilities	
Brand	364.5
Patents and technology	101.2
Customer relations	28.9
Development projects	30.3
Right-to-use assets	2.7
Property, plant & equipment	14.5
Financial assets	1.0
Trade & other receivables	231.9
Inventories	479.9
Prepayments	10.6
Deferred tax asset	4.3
Cash and cash equivalents	19.0
Tax liability	-8.4
Borrowings	-501.6
Lease liabilities	-2.7
Deferred tax liability	-108.2
Trade payables	-201.6
Other payables	-129.0
Net assets acquired	337.3
Goodwill	1,330.9
Total acquisition price	1,668.2
Hereof cash in SteelSeries	19.0
Total purchase price	1,649.1

5 Acquisitions (continued)

ACCOUNTING ESTIMATES AND JUDGEMENTS

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 the majority 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 Group's cash generating units.

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 on the basis of the same underlying cash flows.

Customer relationships

The value of acquired customer relationships and customer portfolios is assessed based on the available data. For most entities, there is a close relationship between trademarks and sales.

Consumer demand for gaming peripherals drives sales, and therefore the value of a trademark is closely linked to consumer demand, while there is no separate value attached to customers (retailers, e-tailer etc.), as their choice of products is driven by consumer demand. The relationship between trademarks and customers is carefully considered so that trademarks and customer relationships are not both recognized on the basis of the same underlying cash flows.

Receivables

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

Liabilities

Liabilities were recognized at fair value.

Acquisition of the A Volute, KontrolFreek and SteelSeries Purchase price allocation

Management believes that the purchase price for the acquisitions accounted for in the consolidated financial statements reflects the best estimate of the total fair value of the business at the time of acquisition and the proportionate value of identified assets, liabilities and contingent liabilities, and accordingly the allocation of goodwill. The goodwill is not deductible for tax purposes.

ACCOUNTING POLICY

Acquisitions

The acquisition date is the date when the Group 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.

5 Acquisitions (continued)

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.

5.2 Non-controlling interest

In May 2020 selected employees invested in SteelSeries Holding II ApS as a part of the incentive program. This investment changed the ownership percentage from 84.45% to 82.08% for the shareholders in SteelSeries Group A/S.

The transaction is accounted for as an equity transaction with the non-controlling interest and resulted in a net increase in equity for non-controlling interest and a corresponding

decrease for shareholders in SteelSeries Group A/S.

The transaction was completed in May 2020 and had an insignificant impact on the allocation of profit. At completion, the transferred shareholdings impacted the allocation of equity between shareholders in SteelSeries Group A/S and non-controlling interests by DKK 1.3 mio.

2020	Shareholders in SteelSeries Group A/S	Non- controlling interest	Total equity
DKK million			
Change in ownership from MIP program	-1.3	38.6	37.3
Recognised in equity	-1.3	38.6	37.3

6 Tax

6.1 Income tax

The nominal weighted tax rate for the Group is calculated as domestic tax rates applicable to profits in the entities as a proportion of each entity's share of the Group's profit before tax.

Reconciliation of tax for the year:

DKK million	2020	2019
Current tax	9.5	8.9
Change in deferred tax	12.6	-11.5
Adjustments to tax in prior years	0.5	0.0
Total tax	22.6	-2.5

6.1 Income tax (continued)

The effective tax rate for the Group of 18.4% (2019: 11.9%) was positively impacted tax loss carryforwards from previous years.

Reconciliation of the effective tax rate for the year

Effective tax rate	2020		2019	
	%	TDKK	%	2019
Calculated 22% tax on profit	22.0	27.1	22.0	3.3
Adjusted calculated tax in foreign subsidiaries	0.2	0.3	-0.5	-0.1
Adjust. to prior year tax	0.4	0.5	4.7	0.7
Special items	0.0	0.0	0.0	0.0
R&D credits	-4.5	-5.5	0.0	0.0
Unrecogn tax losses	0.0	0.0	0.0	0.0
Non-deduct interest	-2.0	-2.4	-10.1	-1.5
Dividend, etc.	0.0	0.0	0.0	0.0
Non-taxable income og non-deductible costs, net	2.3	2.6	0.7	0.1
Total tax	18.4	22.6	16.8	2.5

ACCOUNTING POLICY

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.

6.2 Tax assets and liabilities

The tax loss carryforwards relate to SteelSeries France and the investments carried out in previous years. The tax loss carryforwards have been recognized as a deferred

tax asset, as it is expected that the tax loss carryforwards will be utilized in the next 3-5 years based on the business plan.

Specification of deferred tax:

DKK million	2020	2019
Intangible assets	13.5	7.0
Property, plant and equipment	-2.4	-1.9
Inventories	-1.8	-1.7
Trade receivables	-0.4	-0.8
Provisions	0.8	-0.4
Tax amortization on intangibles	146.0	107.2
Tax loss carryforwards	-13.6	-12.8
Other	0.1	0.0
Total tax	142.2	96.7
1 January 2020	96.0	0.0
Foreign exchange rate	0.0	0.0
Tax for the year	12.6	-11.5
Adjust. to prior year tax	3.4	4.3
Business combinations	30.3	103.9
Equity movements	0.0	0.0
31 December 2020	142.2	96.7
Deferred tax assets	10.1	0.0
Deferred tax liability	152.3	96.7
31 December 2020	142.2	96.7

6.2 Tax assets and liabilities (continued)

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group recognizes deferred tax assets, including the expected tax value of tax loss carryforwards, if Management assesses they can be offset against positive taxable income in the foreseeable future. This judgement is made annually and based on budgets and business plans for the coming years, including planned commercial initiatives.

ACCOUNTING POLICY

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.

7 Staff costs and remuneration

7.1 Staff costs

The average costs per employee increased due high investments in the entire organization to accommodate the growth in previous year. Staff costs were furthermore impacted by higher bonuses for a year exceeding expectation.

The average number of employees increased during 2020 due to insourcing several competencies, expanding to new countries and the effect of A Volute, acquired in April 2020 and KontrolFreek in December 2020. The investment is made to make the foundation of a strong organization to continue the solid growth in the coming years.

7.1 Staff costs and remuneration (continued)

Overview of wages and salaries:

DKK million	2020	2019
Wages and salaries	159.7	24.0
Pension costs	3.2	0.5
Other social security costs	18.2	0.1
Warrants	1.0	0.0
Other staff costs	0.0	0.0
Total staff costs	182.0	24.6
Average number of employees	266	183
Remuneration of the Executive Board		
Wages and salaries	11.6	1.2
Pensions	0.0	0.0
Total	11.6	1.2
Remuneration of the Board of Directors		
Wages and salaries	0.5	0
Remuneration of key management personnel*		
Wages and salaries	20.1	3.9
Pensions	0.0	0.0
Total	20.2	3.9

* Key management personnel comprise of the leadership team excluding Management. Key management is defined as: COO, CTO, CSO, CMO, CIO, HR Director, VP's and GM for each region.

ACCOUNTING POLICY

Staff costs are recognized in the financial year in which the employee renders the related service.

The majority of the Group's pension schemes are defined contribution plans where contributions are paid to publicly or privately administered 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 Group has no further payment obligations once the contributions have been paid. In addition, the Group has a few defined benefit plans where the responsibility for the pension obligation towards the employees lies with the Group. The Group'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.

7.2 Share-based incentive plans

Warrant programs

SteelSeries has a warrant-based long-term equity-settled incentive program whereby Management and other employees in key positions are granted warrants linked to shares in SteelSeries Holding II ApS. Warrants are granted at no consideration.

The calculation basis for the warrants is Black-Scholes valuation with an illiquidity discount.

The warrant programs are incentive programs with a five-year vesting period from the grant date. Vested warrants may be exercised during a four-week exercise window opening 30 September 2025 and every second year after that.

The following table list the inputs to the models used for the plan for the 2020 program:

	Equity settled
Weighted average fair values at measurement date	1.1
Weighted average share price	10
Exercise price	14.69
Expected volatility	26.9%
Expected life of share options	60 months
Dividend yield	0.0%
Risk-free interest rate	-0.3%
Illiquidity discount	20%
Valuation method	Black-Scholes

The following table list the inputs to the models used for the plan for the 2020 program:

	Average exercise price	Executive manage- ment	Other employees	Total
Outstanding warrants at January 1, 2019	0	0	0	0
Warrants exercised during the year	0	0	0	0
Warrants forfeited during the year	0	0	0	0
Outstanding warrants at December 31, 2019	0	0	0	0
Warrants granted	0.873	3,393,665	5,376,449	8,770,114
Warrants exercised during the year	0	0	0	0
Warrants forfeited during the year	0	0	0	0
Outstanding warrants at December 31, 2020	0.873	3,393,665	5,376,449	8,770,114

The expected volatility reflects 26.9%, which is based on a peer group median.

Exercise of warrant

When employees exercise their warrants, they are exchanged with shares in SteelSeries Holding II ApS.

ACCOUNTING POLICY

The Executive Management and a number of key employees are included in share-based incentive plans (equity-settled plans). For equity-settled programs, the warrants are measured at the fair value at the grant date and recognized in the income statement as a staff cost over the vesting period. The counter item is recognized in equity.

On initial recognition, an estimate is made of the number of warrants and options expected to vest. This estimate is subsequently revised for changes in the number of warrants and options expected to vest. Accordingly, recognition is based on the number of warrants and options that are ultimately vested.

The fair value of granted warrants and options is estimated using the Black-Scholes option pricing model. Vesting conditions are taken into account when estimating the fair value of the warrants.

8 Other disclosures

8.1 Fees to auditors

Fees for services other than the statutory audit of the financial statements provided by EY Godkendt Revisionspartnerselskab, Denmark (2019: PwC Statsautoriseret Revisionspartnerselskab, Denmark), amounted to DKK 0,8 million (2019: DKK 2,7 million), including advice relating to transfer-pricing, indirect tax, and accounting advice.

DKK million	2020	2019
Statutory audit	0.5	0.3
Tax advisory	0.1	0.2
Other services	0.2	2.1
Total tax	0.8	2.7

8.2 Other payables

Other payables increased compared to 2019 and can be linked to the impact of Kontrol-Freek, SteelSeries France and the general increase in the business.

DKK million	2020	2019
Salary related	53.0	12.2
Sales and marketing related	74.3	15.9
VAT, duties etc.	1.8	1.2
Other	43.8	25.9
Total 31 December	172.9	55.1

8.3 Contingent liabilities

The Group is ongoing part of few disputes. In Management's opinion the outcome of known disputes are recognized in the consolidated 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 total value DKK 92 million (2019: DKK 92 million).

Negative pledges registered in respect of SteelSeries Holding I ApS, SteelSeries Group ApS, SteelSeries ApS, pledges of shares in respect of the shares in each of the SteelSeries Group ApS (to be renamed SteelSeries Holding ApS) and SteelSeries ApS.

Assignment of rights under acquisition agreement and W&I insurance granted by SteelSeries Group ApS (to be renamed SteelSeries Holding ApS).

Capital commitments, lease liabilities and service agreements are described in section 2.6.

8.4 Related parties

Axcel V K/S, Amerika Plads 37, 2100 Copenhagen E, Denmark exercises control over SteelSeries Group A/S. Axcel V K/S holds 44.2% of the shares and indirectly more than 90% of the voting rights, as the shareholder agreements with co-investors AlInvest and PKA delegate their voting rights to Axcel V K/S.

There has been one transaction with shareholders in the year, which consisted of a capital increase of DKK 531.7 million (2019: DKK 560,0 million).

Related parties also comprise SteelSeries Group A/S' 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 section 7 of the consolidated financial statements.

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

8.5 Events after the reporting period

Apart from the events recognized or disclosed in the consolidated financial statements, no events have occurred after the reporting

period of importance to the consolidated financial statements.

9 Impact of transition to IFRS

The financial statements for the year ended 31 December 2020 with comparative figures are the first set of financial statements prepared in accordance with IFRS as endorsed by the EU.

For period up to and including the year ended 31 December 2019, SteelSeries Group A/S prepared its financial statements in accordance with the Danish Financial Statements Act.

Accordingly, SteelSeries Group A/S has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2020, together with the comparative period at and for the year ended 31 December 2019, as described in the accounting policies. In preparing these financial statements, SteelSeries Group's opening balance sheet was prepared at 1 October 2018, the date of transition to IFRS.

This note explains the principal adjustments made by SteelSeries Group A/S in restating its financial statements prepared in accordance with the Danish Financial Statements Act, including the balance sheet at 1 October 2018 and the financial statements at and for the year ended 31 December 2019.

Exemptions applied:

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

For the purpose of preparing these consolidated financial statements, SteelSeries Group A/S has not applied any exemption.

9 Impact of transition to IFRS (continued)

Balance sheet 1 October 2018

DKK Thousands	DK GAAP	Effect of transition	IFRS 1 October 2018
Non-current assets			
Development projects	0		0
Patents	0		0
Trademarks	0		0
Customer relation	0		0
Goodwill	0		0
Other fixtures and fitting, tools and equipment	0		0
Right-to-use assets	0		0
Leasehold improvements	0		0
Deposits	0		0
Deferred tax asset	0		0
Total non-current assets	0	0	0
Current assets			
Inventories	0		0
Trade receivables	0		0
Corporation tax	0		0
Other receivables	0		0
Prepayments	0		0
Cash and cash equivalents	50		50
Total current assets	50	0	50
Total assets	50	0	50

DKK Thousands	DK GAAP	Effect of transition	IFRS 1 October 2018
Equity			
Share capital	50		50
Retained earnings	0		0
Total equity attributable to shareholders of SteelSeries Group A/S	50	0	50
Non-controlling interests	0	0	0
Total equity	50	0	50
Non-current liabilities			
Deferred tax	0		0
Borrowings	0		0
Lease liabilities	0		0
Provision	0		0
Other payables	0		0
Total non-current liabilities	0	0	0
Current liabilities			
Borrowings	0		0
Lease liabilities	0		0
Provision	0		0
Trade payables	0		0
Corporation tax	0		0
Payables to group enterprises	0		0
Prepayments from customers	0		0
Other payables	0		0
Total current liabilities	0	0	0
Total Equity and liabilities	50	0	50

9 Impact of transition to IFRS (continued)

Balance sheet 31 December 2019

DKK million	DK GAAP	Adjust- ment	DK GAAP adjusted	Effect of tran- sition	IFRS 31 Decem- ber 2019	
Non-current assets						
Development projects	30.4	-	30.4	-	30.4	
Patents	98.4	-	98.4	-	98.4	
Trademarks	359.9	-	359.9	A	4.6	364.5
Customer relation	28.2	-	28.2	-	28.2	
Goodwill	1,278.4	F	1,298.2	A	32.7	1,330.9
Other fixtures and fitting, tools and equipment	13.3	-	13.3	-	13.3	
Right-to-use assets	-	-	-	B	2.3	2.3
Leasehold improvements	-	-	-	-	-	
Deposits	1.0	-	1.0	-	1.0	
Deferred tax asset	-	-	-	-	-	
Total non-current assets	1,809.6	19.8	1,829.4	39.6	1,869.0	
Current assets						
Inventories	362.1	-	362.1	-	362.1	
Trade receivables	267.4	E	-94.5	172.9	172.9	
Corporation tax	0.8	-	0.8	-	0.8	
Other receivables	11.1	-	11.1	-	11.1	
Prepayments	5.1	-	5.1	-	5.1	
Cash and cash equivalents	106.7	-	106.7	-	106.7	
Total current assets	753.2	-94.4	658.8	-	658.8	
Total assets	2,562.7	-74.6	2,488.1	39.6	2,527.7	

DKK million	DK GAAP	Adjust- ment	DK GAAP adjusted	Effect of tran- sition	IFRS 31 Decem- ber 2019	
Equity						
Share capital	0.6	-	0.6	-	0.6	
Retained earnings	543.6	-	543.6	30.6	574.2	
Total equity attributable to shareholders of SteelSeries Group A/S	544.2	-	544.2	30.6	574.8	
Non-controlling interests	197.1	-	197.1	5.6	202.7	
Total equity	741.3	-	741.3	36.3	777.5	
Non-current liabilities						
Deferred tax	95.7	-	95.7	C	1.0	96.7
Borrowings	773.9	-	773.9	-	773.9	
Lease liabilities	-	-	-	B	0.8	0.8
Provision	-	-	-	-	-	
Other payables	0.9	-	0.9	-	0.9	
Total non-current liabilities	870.6	-	870.6	1.8	872.4	
Current liabilities						
Borrowings	683.6	-	683.6	-	683.6	
Lease liabilities	-	-	-	B	1.5	1.5
Provision	3.0	G	5.2	8.2	8.2	
Trade payables	120.3	-	120.3	-	120.3	
Corporation tax	8.9	-	8.9	-	8.9	
Payables to group enterprises	0.1	-	0.1	-	0.1	
Prepayments from customers	-	-	-	-	-	
Other payables	135.1	E	-79.8	55.1	55.1	
Total current liabilities	950.9	-74.6	876.2	1.5	877.7	
Total Equity and liabilities	2,562.7	-74.7	2,488.1	39.6	2,527.7	

9 Impact of transition to IFRS (continued)

INCOME STATEMENT

DKK million	DK GAAP	Adjust- ment	DK GAAP adjusted		Effect of tran- sition	IFRS 31 Decem- ber 2019
Revenue	442.5		442.5	H	-12.6	429.9
Cost of goods sold	-251.8		-251.8			-251.8
Gross Profit	190.7	-	190.7		-12.6	178.1
Other external expenses	-113.4		-113.4	B,D,H	37.3	-76.1
Staff expenses	-24.6		-24.6			-24.6
Operating profit before depreciation, amortization, impairments and special items (Adj. EBITDA)	52.8	-	52.8		24.7	77.5
Special items, net	-		-	D	-24.3	-24.3
Operating profit before depreciation, amortization and impairments (EBITDA)	52.8	-	52.8		0.4	53.1
Depreciations	-2.3		-2.3		-	-2.3
Amortization and impairments	-47.5		-47.5	A	36.9	-10.6
Operating profit (EBIT)	3.0	-	3.0		37.3	40.3
Financial income	0.0		0.0			0.0
Financial expenses	-25.3		-25.3			-25.3
Profit before tax	-22.2	-	-22.2		37.3	15.0
Income tax	3.5		3.5	C	-1.0	2.5
Net profit	-18.8	-	-18.8		36.3	17.5

DKK million	DK GAAP	Adjust- ment	DK GAAP adjusted		Effect of tran- sition	IFRS 31 Decem- ber 2019
Attributable to:						
Non-controlling interest	-2.9		-2.9		5.6	2.7
Shareholders in SteelSeries Group A/S	-15.8		-15.8		30.6	14.8
Items that may be reclassified to the income statement						
Foreign exchange adjustment of foreign entities	-		-		-	-
Value adjustments of cash flow hedging instruments on equity	-		-		-	-
Income tax effect on equity						
	-		-		-	-
Items that may be reclassified to the income statement						
	-	-	-		-	-
Total comprehensive income	-18.8	-	-18.8		36.3	17.5
Attributable to:						
Non-controlling interest	-2.9	-	-2.9		5.6	2.7
Shareholders in SteelSeries Group A/S	-15.8	-	-15.8		30.6	14.8

9 Impact of transition to IFRS (continued)

CASH FLOW STATEMENTS

DKK million	DK GAAP	Adjust- ment	DK GAAP adjusted		Effect of tran- sition	IFRS 31 Decem- ber 2019
Operating profit (EBIT)	3.0	-0.0	3.0	A, B, C	37.3	40.3
Depreciation, amortiza- tion and impairment	49.8	-	49.8	A	-36.9	12.8
Operating profit before depreciation, amortiza- tion and impairments (EBITDA)	52.8	-0.0	52.8		0.4	53.1
Other non-cash adjust- ments	-	2.8	2.8			2.8
Change in working capital	36.6	-17.8	18.8			18.8
Interest etc. received	-	0.0	0.0			0.0
Interest etc. paid	-17.1	-1.5	-18.6			-18.6
Income tax paid	-5.5	-	-5.5			-5.5
Cash flow from operating activities	66.7	-16.5	50.2		0.4	50.6
Acquisition of property, plant and equipment	-1.1	-	-1.1			-1.1
Acquisition of intangible assets	-6.7	-	-6.7			-6.7
Disposal of property, plant and equipment and intangible assets	-	-	-			-
Total operational investments	-7.9	-	-7.9		-	-7.9
Acquisition of subsidiaries,	-1,468.2	F, G	-181.0	-1,649.1		-1,649.1
Change in financial receivables	-	-	-			-
Total financial investments	-1,468.2	-181.0	-1,649.1		-	-1,649.1
Free cash flow	-1,409.4	-197.5	-1,606.8		0.4	-1,606.4

DKK million	DK GAAP	Adjust- ment	DK GAAP adjusted		Effect of tran- sition	IFRS 31 Decem- ber 2019
Repayment of borrowings	-501.6	-0.0	-501.6			-501.6
Change in overdraft	247.0	-	247.0			247.0
Proceeds from borrowings	1,210.5	-2.5	1,208.0			1,208.0
Repayment of lease liabilities	-	-	-	B	-0.4	-0.4
<i>Transactions with shareholders and Non-controlling interest</i>						
Transaction with shareholders	560.0	-	560.0			560.0
Transaction with non-controlling interest	-	G	200.0			200.0
Cash flow from financing activities	1,516.0	197.5	1,713.5		-0.4	1,713.1
Net cash flow	106.6	0.0	106.7		0.0	106.7
Cash and cash equiva- lents at opening		-	-			-
Foreign exchange adjust- ment of cash and cash equivalents		-	-			-
Cash and cash equivalents at 31 December	106.6	0.0	106.7		0.0	106.7

9 Impact of transition to IFRS (continued)

Impact from the transition

- A)** Amortization of goodwill and trademarks are under DK GAAP amortized, but under IFRS are goodwill and trademarks with indefinite life not amortized but tested at least annually for impairment.
- B)** Leases are under DK GAAP expenses under other external expenses, but are under IFRS 16 recognized with a right-of-use assets and liabilities in the balance sheet and in the income statement other external expenses are reversed and depreciation of the right of use assets and interest on the lease liabilities are recognized instead.
- C)** Tax impact related to adjustment of leases and amortization of trademarks.

Reclassifications

Apart from changes in accounting policies, the following reclassifications and changes in format, including restatement of comparative figures for 2018/19, have been made:

Income statement

- D)** One-off items are considered special items, which are reclassified to a separate line between Operating profit before special items and EBIT.

Other external expenses were prior included in gross profit, but under IFRS the line other external expenses are between gross profit and EBITDA.

Balance sheet

Assets are presented as either non-current or current assets compared to fixed assets and current assets previously.

Deferred tax is classified as non-current assets or non-current liabilities. Previously, deferred tax was classified as current assets.

Cash flow

Except from "other adjustment" the cash flow statement is for the transition mainly impacted by the changes in recognition of leases.

Other adjustments

- E)** Rebates and discounts that will be offset against trade receivables have been reclassified from other payables to trade receivables. And provision for the same are included as provision and not other payables.
- F)** As part of finalizing the purchase price allocation related to the acquisition of SteelSeries Group, goodwill and purchase price has been adjusted with DKK 19.8 million within 12 months from the acquisition date.
- G)** Investment from non-controlling entities are presented and reclassified to financing cash flow instead part of investment cash flow, net.
- H)** Prior year the Company has recognized certain discounts under other external expenses. The comparative figures for 2019 have been adjusted. The correction has resulted in a reduction of revenue of DKK 12.6 million in 2019 and correspondingly a reduction in other external expenses of DKK 12.6 million in 2019.

10 Basis for preparation

10.1 Significant accounting estimates and judgements

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

made are based on historical experience and other factors that management assesses to be reliable, but that, by nature, are associated with uncertainty and unpredictability and may therefore prove incomplete or incorrect.

Section

Revenue section	1.1
Receivables	2.1
Inventory	2.2
Impairment	2.3
Intangible assets and Property plan and equipment	2.4
Special items	3.1
Provisions	3.2
Business combinations	5.0
Deferred tax asset	6.2

10.2 General accounting policies

The Group is incorporated and domiciled in Denmark. The registered office is located in Copenhagen. The comparative figures are for 1 October 2018 – 31 December 2019, but only with operating activities for 3 months, 1 October – 31 December 2019 as SteelSeries ApS was acquired 30 September 2019. Hence comparative figures for the income statement cannot be compared like for like.

The financial statements of SteelSeries Group A/S 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.

The financial statements are prepared based on the standards and interpretations that are effective at 31 December 2020. There have been no impact of the implementation of the standards and interpretations.

For the period 1 October 2018 - 31 December 2019, SteelSeries Group A/S prepared its financial statements in accordance with the Danish Financial Statements Act. The financial statements for the year ending 31 December 2020 are the first financial statements which SteelSeries Group A/S has prepared the financial statements in accordance with IFRS as adopted by the EU. Refer to section 9 for information on how SteelSeries Group A/S has adopted IFRS.

The comparative numbers for 2019 cover the period 1 October 2018 – 31 December 2019, with operating activity for a 3 months period, 1 October – 31 December 2019.

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

The Board of Directors considered and approved the 2020 SteelSeries Group A/S annual report on 16 April 2021. The annual report will be submitted to the shareholders of SteelSeries Group A/S for approval at the annual general meeting on 16 April 2021.

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 Group's business model, geographical diversity, are also presented individually in the financial statements.

Consolidation

The consolidated financial statements are prepared as a consolidation of the financial statements of the Parent Company, SteelSeries Group A/S and its subsidiaries according to the Group's accounting policies.

10.2 General accounting policies (continued)

The assessment of whether SteelSeries Group A/S exercises control or significant influence includes potential voting rights exercisable at the reporting date.

The accounting items of subsidiaries are included in full in the consolidated financial statements. Non-controlling interests' share of subsidiaries' profit/loss for the year and of equity are included in the Group's profit/loss and equity but are disclosed separately. Entities acquired or established in the year are recognized in the consolidated financial statements from the date of acquisition or formation. The comparative figures are not restated.

Foreign currency translation

A functional currency is determined for each of the reporting entities in the Group. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized as financial income or expenses. Receivables, payables, and other monetary items denominated in foreign currencies are translated at the exchange rates

at the reporting date. The difference between the exchange rates at the reporting date and at the date at which the receivable or payable arose or the exchange rate in the latest consolidated financial statements is recognized as financial income or expenses.

On recognition of entities with a functional currency other than the presentation currency, the income statement and statement of cash flows are translated at the exchange rates at the transaction date, and the statement of financial position items are translated at the exchange rates at the reporting date. Foreign exchange differences arising on translation of the opening balance of equity, and of the income statement on the reporting date, are recognized in other comprehensive income and attributed to a separate translation reserve in equity.

Income statement

The presentation of the Group'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 in order to facilitate a better understanding of the Group's financial performance.

Balance:

Prepayments:

Prepayments comprise expenses incurred concerning subsequent financial years.

Financial liabilities

Financial liabilities within the scope of IAS 39 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 Group determines the classification of its financial liabilities on initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, after initial recognition at amortised cost. This includes directly attributable transaction and borrowing costs.

The Group'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 amortised cost.

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.

10.3 Changes in accounting policies

The financial statements for the year ended 31 December 2020 with comparative figures are the first set of financial statements prepared in accordance with IFRS as endorsed by the EU. For periods up to and including the year ended 31 December 2020, SteelSeries Group A/S prepared its financial statements in accordance with the Danish Financial Statements Act.

Accordingly, SteelSeries Group A/S has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2020, together with the comparative period at and for the period 1 October 2018 – 31 December 2019, as described in the summary of significant accounting policies. In preparing these financial statements,

SteelSeries Group A/S' opening balance sheet was prepared at 1 October 2018, the date of transition to IFRS. This note explains the principal adjustments made by SteelSeries Group A/S in restating its financial statements prepared in accordance with the Danish Financial Statements Act, including the balance sheet at 1 October 2018 and the financial statements at and for the year ended 31 December 2019.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. For the purpose of preparing these consolidated financial statements, SteelSeries Group A/S has not applied any exemptions.

10.4 New accounting policies and disclosures

SteelSeries Group A/S has implemented the standards and amendments that are effective for the financial year 2020. The new standards and amendments have neither affected SteelSeries Group A/S' recognition or measurement of financial items for 2020, 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 2020 consolidated financial statements. SteelSeries Group A/S 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 consolidated financial statements when implemented.

Ratios (APM):

In the consolidated annual report for SteelSeries Group 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 groups stakeholders.

DKK million	2020	2019
INCOME STATEMENT RATIOS:		
EBIT	188.5	40.3
Depreciation	13.7	2.6
Amortization and impairment	46.3	10.2
EBITDA	248.5	53.1
Special items	15.5	24.3
Adj. EBITDA	264.0	77.4
BALANCE RATIOS:		
Operating cash-flow	415.7	50.8
Total operational investments	-63.2	-7.9
Total financial investments	-311.7	-1,649.1
Free cash flow	40.8	-1,606.2
Non-current borrowings	969.4	773.9
Non-current lease liabilities	4.2	0.8
Current borrowings	56.5	683.6
Current lease liabilities	4.3	1.5
Gross financial debt	1,034.4	1,459.8
Cash and cash equivalents	249.2	106.7
Net interest-bearing debt (NIBD)	785.2	1,353.1

Financial ratios

Gross margin	Gross profit as a percentage of revenue
EBITDA margin before special items	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/EBITDA	Net interest-bearing debt divided by operating profit before depreciation, amortization and impairment losses
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

10.5 Group companies

EMEA	Market	Ownership and voting rights
SteelSeries Holding II ApS	Denmark	82.08%
SteelSeries Holding I ApS	Denmark	100%*
SteelSeries Holding ApS	Denmark	100%*
SteelSeries ApS	Denmark	100%*
SteelSeries France S.A.S (f. A Volute)	France	100%*
AMERICAS		
SteelSeries North America Corp.	USA	100%*
SteelSeries US Holding Inc	USA	100%*
SteelSeries Canada Inc.	Canada	100%*
KontrolFreek LLC.	USA	100%*
KontrolFreek International Inc.	USA	100%*
APAC		
SteelSeries Japan K.K.	Japan	100%*
SteelSeries (Shanghai) Commercial and Trading Co. Ltd	China	100%*
Nahimic Singapore Pte. Ltd.	Singapore	100%*

* Based on ownership percentage of SteelSeries Holding II ApS.

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INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

DKK thousand	Note	2020	2019
Revenue		0	0
Cost of Sales		0	0
Gross Profit		0	0
Other external expenses		-20	-63
Staff expenses		0	0
Other operating expenses		0	0
Operating profit		-20	-63
Financial income		0	0
Financial expenses	3	-4,342	-948
Loss before tax		-4,362	-1,011
Income tax	6	960	219
Loss for the year		-3,402	-792
Attributable to:			
Shareholders in SteelSeries Group A/S		-3,402	-792
Items that may be reclassified to the income statement		0.0	0.0
Total comprehensive income		-3,402	-792

BALANCE SHEET

Assets

DKK thousand	Note	2020	2019
Investment in subsidiaries		1,086,000	1,086,000
Deferred tax	6	0	219
Non-current assets		1,086,000	1,086,219
Other receivables		15	0
Corporation tax	6	960	0
Cash at bank		173	8
Current assets		1,148	8
Total assets		1,087,148	1,086,227
Liabilities			
Share capital		1,086	610
Retained earnings		1,086,017	558,648
Equity		1,087,103	559,258
Credit institutions		0	526,906
Trade payables		20	63
Payables to group entities		25	0
Current liabilities		45	526,969
Liabilities and equity		1,087,148	1,086,227

STATEMENT OF CHANGES IN EQUITY

DKK thousand	Share capital	Retained earnings	Total
2020			
Equity at 1 January	610	558,648	559,258
Profit/loss for the year		-3,402	-3,402
Capital increase	476	530,771	531,247
Total changes in Equity	476	527,369	527,845
Total Equity at 31 December	1,086	1,086,017	1,087,103

DKK thousand	Share capital	Retained earnings	Total
2018/2019			
Equity at 1 October 2018	0	0	0
Payment concerning formation of entity	50	0	50
Profit/loss for the year	-	-792	-792
Capital increase	560	559,440	560,000
Total changes in Equity	610	558,648	559,258
Total Equity at 31 December	610	558,648	559,258

STATEMENT OF CASH FLOW

DKK thousand	2020	2019
Operating profit	-20	-63
Depreciation, amortization, and impairment losses	0	0
Operating profit before depreciation, amortization, and impairment losses	-20	-63
Change in working capital	186	63
Interest etc. received	0	0
Interest etc. paid	-4,342	-948
Income tax paid	0	0
Cash flow from operating activities	-4,176	-948
External financing	-526,906	526,906
Group contribution	0	-1,086,000
Capital increase	531,247	560,050
Cash flow from financing activities	4,341	956
Net cash flow	165	8
Cash and cash equivalents at opening	8	0
Foreign exchange adjustment of cash and cash equivalents	0	0
Cash and cash equivalents at 31 December	173	8

Note 1 Key activities

The Company's key activities are equity investments and other related activities.

The Company has no activity and the results is in line with the expectations. Refer to the description of the SteelSeries Group' activities in the consolidated financial statement.

Note 2 Investment in subsidiaries

The carrying amount amount TDKK 1,086,000 (2019: 1,086,000).

DKK thousand	2020	2019
Cost at 1 January	1,086,000	0
Additions	0	1,086,000
Carrying amount 31 December	1,086,000	1,086,000

ACCOUNTING ESTIMATES AND JUDGEMENTS

Indications of impairment of investments in subsidiaries are assessed annually by management. Impairment tests are conducted in the same way as for goodwill in the Group, cf. section 2.3 in the consolidated financial statements. It is management's assessment that no indications of impairment existed at year-end 2020. Impairment tests have therefore not been carried out for subsidiaries.

ACCOUNTING POLICY

Dividends on investments in subsidiaries are recognized in the income statement of the Parent Company in the financial year in which the dividend is declared.

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

Note 3 Related parties

Axcel V K/S, Amerika Plads 37, 2100 Copenhagen E, Denmark exercises control over SteelSeries Group as they hold 44.2% of the shares and more than 90% of the voting power in SteelSeries Group A/S.

The following transactions took place between SteelSeries Group or subsidiaries and Axcel V K/S

- SteelSeries Group received a capital increase.
- SteelSeries Group paid for external cost related to travel for key employees related to SteelSeries activities.

These transactions are described in further detail in section 8.3 of the consolidated financial statements. It is estimated that the benefit for the SteelSeries Group corresponds to the value of the services provided to Axcel V K/S, which in turn corresponds to what each party would have had to pay to have the same deliverables provided by external parties.

Related parties also comprise SteelSeries Group' Management 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 section 7.

Note 4 Financial items

Interest expenses relate to interest on borrowings.

In 2020 the expenses amounted to TDKK 4,342 (2019: 948).

None of these was related to intercompany.

ACCOUNTING POLICY

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year.

Note 5 Net interest-bearing debt

SteelSeries Group A/S held a current bond which expired in March 2020 and was repaid in accordance with loan agreement

ACCOUNTING POLICY

Borrowings are recognized initially at the proceeds received net of transaction expenses incurred. Subsequently, the borrowings are

measured at amortized cost; the difference between the proceeds and the nominal value is recognized as an interest expense in the income statement over the loan period. Other debts are measured at amortized cost, substantially corresponding to nominal value.

Note 6 Share Capital

The total number of shares amounts to 1,086,074 (2019: 610,000)

The capital increase was approved on the extraordinary general assembly 27 March 2020 which increased the shares with 476,074.

The share capital consists of:

A-shares:	560,000
B-shares:	520,813
C-shares:	5,261

Note 7 Tax

Tax for the year amounted to TDKK 960 (2019: TDKK 219) is related to tax losses. The utilization of tax loss carryforwards depends

on future positive taxable income exceeding the realized deferred tax liabilities.

DKK million	2020	2019
Current tax for the year	960	0
Deferred tax for the year	0	219
Total	960	219

ACCOUNTING ESTIMATES AND JUDGEMENTS

SteelSeries Group recognizes deferred tax assets, including the tax base of tax loss carryforwards if management assesses that these tax assets can be offset against positive taxable income in the foreseeable future. This judgement is made annually and based on budgets and business plans for the coming years.

ACCOUNTING POLICY

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity.

SteelSeries Group is subject to the Danish rules on mandatory joint taxation of

the SteelSeries Group's Danish companies. SteelSeries Group A/S in the administration company and accordingly pays all income taxes to the tax authorities under the joint taxation scheme. Danish subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The jointly taxed Danish companies are taxed under the on-account tax scheme. On payment of joint taxation contributions, the current Danish income tax is allocated between the Danish jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint taxation contributions from other companies that have used the tax losses to reduce their own taxable profit (full absorption).

Note 8 Financial risk management objectives and policies

SteelSeries Group has only investments in the subsidiary SteelSeries Holding II ApS and does not have any significant receivables or debt. Risk related to currency, credit and liquidity is

handled at group level. Please refer to section 4 to the consolidated financial statements for further information on the Group's exposure to the risk.

Note 9 Capital management

The primary objective of the Company's capital management is to maximise shareholder value which is handled on group level. Please

refer to section 4 to the consolidated financial statements for further information on the Group's capital management.

Note 10 Contingent liabilities and other commitments

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc. of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of SteelSeries Group A/S, which is the management company of the joint taxation purposes. Moreover, the Danish

group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Note 11 Fee to auditors appointed at the general meeting

Fees for services other than the statutory audit of the financial statements provided by EY Godkendt Revisionspartnerselskab, Denmark

(2019: PwC Statsautoriseret Revisionspartnerselskab, Denmark), amounted to TDKK 20 (2019: TDKK 63)

DKK thousand	2020	2019
Statutory audit	20	63
Tax advisory	0	0
Other services	0	0
Total tax	20	63

Note 12 Events after the reporting period

Apart from the events recognized or disclosed in the financial statements, no events have oc-

curred after the reporting date of importance to the financial statements.

Note 13 Transition to IFRS

The financial statements for the year ended 31 December 2020 with comparative figures are the first set of financial statements prepared in accordance with IFRS as endorsed by the EU. For periods up to and including the year ended 31 December 2019, SteelSeries Group A/S prepared its financial statements in accordance with the Danish Financial Statements Act.

Accordingly, SteelSeries Group A/S has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2020, together with the comparative period at and for the year ended 31 December 2019, as described in the summary of significant accounting policies.

In preparing these financial statements, SteelSeries Group A/S' opening balance sheet was prepared at 1 October 2018, the date of transition to IFRS. This note explains that no adjustments is made by SteelSeries Group A/S in restating its financial statements prepared in accordance with the Danish Financial Statements Act, as there is no difference the recognition. There has only some changes in presentation:

Reclassifications

The following reclassifications and changes in format, including restatement of comparative figures for 2019, have been made:

- Assets are presented as either non-current or current assets compared to fixed assets and current assets previously.

Cash flow statement

The transition from the Danish Financial Statements Act to IFRS has not had any impact on the cash flow statement

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

For the purpose of preparing the parent company financial statements, SteelSeries Group A/S has not applied any exemptions.

Note 14 General accounting policy

The 2020 financial statements of SteelSeries Group A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

The financial statements are presented in Danish kroner (DKK), which is the presentation currency.

The accounting policies for the Parent Company are the same as for the Group, cf. section 10 in the consolidated financial statements and the individual sections.

Investments in subsidiaries:

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, writedown is made to this lower value.

Income from investment in subsidiary

Dividend from subsidiary are recognised 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 Parent Company are set off against the cost of the subsidiary.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing SteelSeries Group A/S' financial statements, management makes various accounting estimates and judgements that form the basis of presentation, recognition and measurement of the Company's assets and liabilities.

The estimates and judgements made are based on historical experience and other factors that management assesses to be reliable, but that by their very nature are associated with uncertainty and unpredictability. These estimates and judgements may therefore prove incomplete or incorrect, and unexpected events or circumstances may arise.

The significant accounting estimates and judgements made and accounting policies specific to the Parent Company are presented in the explanatory notes.

MANAGEMENT STATEMENT

Management and the Executive Board have today discussed and approved the Annual Report of the SteelSeries Group and the Parent Company for 2020.

The Consolidated Annual Report and Parent Annual Report have 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 consolidated financial statements and the Parent Company's financial statements give a true and fair view of the SteelSeries Group's and the Parent Company's assets, liabilities and financial position at 31 December 2020 and of the results of the

SteelSeries Group's and the Parent Company's operations and cash flows for the financial year 2020.

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

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

Copenhagen, 16 April 2021

Mian Ehtisham Rabbani
CEO

Oluf Riddersholm
CFO

BOARD OF DIRECTORS

John Schappert
Chairman

Lars Cordt
Deputy Chairman

Christian Bamberger Bro

Jacob Wolff-Petersen

Mark Carges

INDEPENDENT AUDITOR'S REPORT

To the shareholders of SteelSeries Group A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of SteelSeries Group A/S for the financial year 1 January – 31 December 2020, 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 Group and the Parent Company. The consolidated financial statements and the parent 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 consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020 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 consolidated financial statements and the parent 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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.

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 consolidated financial statements and parent 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 prepara-

tion 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 Group's and the Parent 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 Group or the Parent 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.

INDEPENDENT AUDITOR'S REPORT

(continued)

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of ac-

counting 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 Group's and the Parent 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 Group and the Parent 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 16 April 2021

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Mikkel Sthyr
State Authorised
Public Accountant
mne26693

Ole Becker
State Authorised
Public Accountant
mne33732

A green, muscular character with a fierce expression is shown from the waist up, holding a large, ornate silver trophy with both hands above its head. The character has a textured, scaly skin and is wearing black, segmented arm guards and a black loincloth. The background is a dramatic, fiery arena with a large, glowing logo on the left that consists of a circle with a dot in the center, resembling a target or a stylized 'O'. Below the logo, the words "FOR GLORY" are written in large, bold, white capital letters. The scene is filled with falling confetti and bright, orange and yellow flames on the right side, creating a celebratory and intense atmosphere.

**FOR
GLORY**