

**Turtle Beach Corporation**  
**Consolidated Balance Sheets**

|   | December 31, 2018                                  | December 31, 2017 |
|---|--|-------------------|
|   | (in thousands, except par value and share amounts) |                   |
| ASSETS  |  |                   |
| Current Assets:   |  |                   |
| Cash and cash equivalents   | \$ 7,078   | \$ 5,247          |
| Accounts receivable, less allowances of \$23,271 and \$12,704 in 2018 and 2017, respectively  | 52,797   | 50,534            |
| Inventories   | 49,472   | 27,518            |
| Prepaid expenses and other current assets   | 4,469  | 3,467             |
| Total Current Assets  | 113,816  | 86,766            |
| Property and equipment, net   | 5,856  | 4,677             |
| Intangible assets, net  | 1,036  | 1,404             |
| Deferred income taxes   | —  | 362               |
| Other assets  | 1,212  | 1,042             |
| Total Assets  | \$ 121,920   | \$ 94,251         |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)  |  |                   |
| Current Liabilities:  |  |                   |
| Revolving credit facilities   | \$ 37,385  | \$ 38,467         |
| Term loans  | —  | 4,173             |
| Accounts payable  | 17,724   | 13,459            |
| Other current liabilities   | 18,488   | 11,451            |
| Total Current Liabilities   | 73,597   | 67,550            |
| Term loans, long-term portion   | —  | 6,789             |
| Series B redeemable preferred stock   | —  | 18,921            |
| Deferred income taxes   | 187  | —                 |
| Subordinated notes - related party  | —  | 20,836            |
| Financial instrument obligation   | 7,848  | —                 |
| Other liabilities   | 2,792  | 2,312             |
| Total Liabilities   | 84,424   | 116,408           |
| Commitments and Contingencies   |  |                   |
| Stockholders' Equity (Deficit)  |  |                   |
| Common stock, \$0.001 par value - 100,000,000 shares authorized; 14,268,184 and 12,349,449 shares issued and outstanding as of December 31, 2018 and 2017, respectively | 14   | 12                |
| Additional paid-in capital  | 169,421  | 148,082           |
| Accumulated deficit   | (131,463)  | (170,048)         |
| Accumulated other comprehensive loss  | (476)  | (203)             |
| Total Stockholders' Equity (Deficit)  | 37,496   | (22,157)          |
| Total Liabilities and Stockholders' Equity (Deficit)  | \$ 121,920   | \$ 94,251         |

*See accompanying Notes to the Consolidated Financial Statements*

**Turtle Beach Corporation**  
**Consolidated Statements of Operations**

|   | Year Ended                            |                   |                   |
|---|---------------------------------------|-------------------|-------------------|
|   | December 31, 2018                     | December 31, 2017 | December 31, 2016 |
|   | (in thousands, except per share data) |                   |                   |
| Net Revenue                                       | \$ 287,437                            | \$ 149,135        | \$ 173,978        |
| Cost of Revenue                                   | 178,738                               | 98,132            | 131,368           |
| Gross Profit                                      | 108,699                               | 51,003            | 42,610            |
| Operating expenses:                               |                                       |                   |                   |
| Selling and marketing                             | 32,389                                | 24,385            | 28,572            |
| Research and development                          | 5,611                                 | 5,587             | 8,259             |
| General and administrative                        | 16,658                                | 15,700            | 19,580            |
| Goodwill and other intangible asset impairment    | —                                     | —                 | 63,236            |
| Restructuring charges                             | —                                     | 533               | 664               |
| Total operating expenses                          | 54,658                                | 46,205            | 120,311           |
| Operating income (loss)                           | 54,041                                | 4,798             | (77,701)          |
| Interest expense                                  | 5,335                                 | 7,916             | 7,447             |
| Other non-operating expense (income), net         | 7,779                                 | (463)             | 2,421             |
| Income (loss) before income tax expense (benefit) | 40,927                                | (2,655)           | (87,569)          |
| Income tax expense (benefit)                      | 1,737                                 | 593               | (387)             |
| Net income (loss)                                 | \$ 39,190                             | \$ (3,248)        | \$ (87,182)       |
| Net earnings (loss) per share :                   |                                       |                   |                   |
| Basic   | \$ 2.90                               | \$ (0.26)         | \$ (7.18)         |
| Diluted   | \$ 2.74                               | \$ (0.26)         | \$ (7.18)         |
| Weighted average number of shares:                |                                       |                   |                   |
| Basic   | 13,512                                | 12,336            | 12,148            |
| Diluted   | 14,289                                | 12,336            | 12,148            |

*See accompanying Notes to the Consolidated Financial Statements*

**Turtle Beach Corporation**  
**Consolidated Statements of Cash Flows**

|   | Year Ended December 31, |            |             |
|---|-------------------------|------------|-------------|
|   | 2018                    | 2017       | 2016        |
| CASH FLOWS FROM OPERATING ACTIVITIES  | (in thousands)          |            |             |
| Net income (loss)   | \$ 39,190               | \$ (3,248) | \$ (87,182) |
| Adjustments to reconcile net income (loss) to net cash used for operating activities: |                         |            |             |
| Depreciation and amortization   | 3,954                   | 4,074      | 5,066       |
| Amortization of intangible assets   | 303                     | 348        | 4,128       |
| Amortization of deferred financing costs  | 1,081                   | 1,593      | 1,342       |
| Stock-based compensation  | 1,877                   | 1,430      | 3,960       |
| Accrued interest on Series B redeemable preferred stock                               | 501                     | 1,441      | 1,335       |
| Paid in kind interest   | 2,028                   | 2,508      | 2,156       |
| Deferred income taxes   | 549                     | 181        | (547)       |
| Provision for (Reversal of) sales returns reserve                                     | 3,679                   | 942        | (1,677)     |
| Provision for doubtful accounts   | 431                     | 48         | 144         |
| Provision for obsolete inventory  | 3,437                   | 1,676      | 11,414      |
| Loss on disposal of property and equipment  | 111                     | 9          | 15          |
| Unrealized loss on financial instrument obligation                                    | 5,291                   | —          | —           |
| Loss on debt extinguishment   | 1,572                   | —          | —           |
| Loss on impairment of HyperSound assets   | —                       | —          | 63,236      |
| Changes in operating assets and liabilities:  |                         |            |             |
| Accounts receivable   | (6,978)                 | 3,109      | 4,092       |
| Inventories   | (25,391)                | (7,496)    | (6,966)     |
| Accounts payable  | 4,101                   | 1,494      | (5,057)     |
| Prepaid expenses and other assets   | (481)                   | 755        | 245         |
| Income taxes payable  | 562                     | 89         | 395         |
| Other liabilities   | 6,432                   | (5,535)    | 2,071       |
| Net cash provided by (used for) operating activities                                  | 42,249                  | 3,418      | (1,830)     |
| CASH FLOWS FROM INVESTING ACTIVITIES  |                         |            |             |
| Purchase of property and equipment  | (5,079)                 | (4,411)    | (3,229)     |
| Net cash used for investing activities  | (5,079)                 | (4,411)    | (3,229)     |
| CASH FLOWS FROM FINANCING ACTIVITIES  |                         |            |             |
| Borrowings on revolving credit facilities   | 361,073                 | 172,694    | 208,920     |
| Repayment of revolving credit facilities  | (362,154)               | (170,132)  | (205,468)   |
| Repayment of capital leases   | —                       | (4)        | (41)        |
| Borrowings on term loan   | 3,265                   | —          | —           |
| Repayment of term loan  | (14,985)                | (2,647)    | (4,011)     |
| Repayment of subordinated notes   | (23,940)                | —          | —           |
| Settlement of Series B redeemable preferred stock                                     | (1,390)                 | —          | —           |
| Proceeds from sale of common stock, net of issuance costs                             | —                       | —          | 5,968       |
| Repurchase of common stock  | (246)                   | —          | —           |
| Proceeds from exercise of stock options and warrants                                  | 4,235                   | —          | —           |
| Debt financing costs  | (612)                   | (73)       | (1,155)     |
| Cash portion of loss on debt extinguishment   | (375)                   | —          | —           |
| Net cash provided by (used for) financing activities                                  | (35,129)                | (162)      | 4,213       |
| Effect of exchange rate changes on cash and cash equivalents                          | (210)                   | 219        | (85)        |
| Net increase (decrease) in cash and cash equivalents                                  | 1,831                   | (936)      | (931)       |
| Cash and cash equivalents - beginning of period                                       | 5,247                   | 6,183      | 7,114       |
| Cash and cash equivalents - end of period   | \$ 7,078                | \$ 5,247   | \$ 6,183    |
| SUPPLEMENTAL DISCLOSURE OF INFORMATION  |                         |            |             |
| Cash paid for interest  | \$ 1,496                | \$ 1,975   | \$ 2,053    |
| Cash paid for income taxes  | \$ —                    | \$ —       | \$ —        |
| Accrual for purchases of property and equipment                                       | \$ 348                  | \$ 183     | \$ 145      |
| Exchange of Series B redeemable preferred stock                                       | \$ 18,032               | \$ —       | \$ —        |

*See accompanying Notes to the Consolidated Financial Statements*