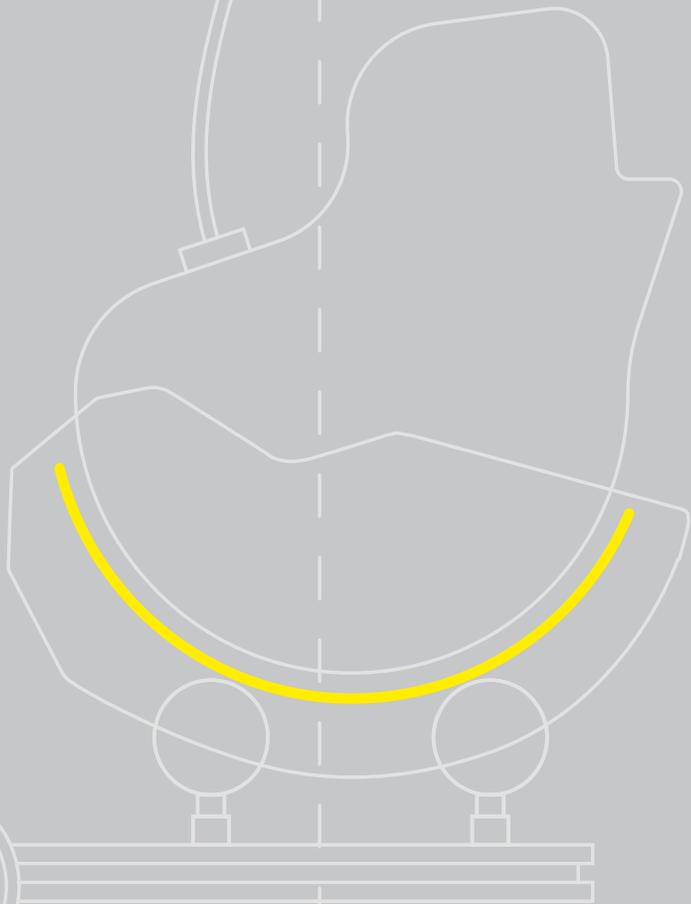




# 2019

ANNUAL REPORT



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**MIPS** is a pioneer in helmet-based safety through its patented Brain Protection System (BPS). Established in the world of science with over 20 years of research and having sold more than 14 million units – MIPS keeps pursuing its mission of leading the world towards safer helmets.

## MIPS IN BRIEF

MIPS currently sells its patented solutions through an ingredient brand model to world leading brands and up through 2019, MIPS sold more than 14.2 million MIPS BPS units in the snow, bike, moto, climbing, safety and equestrian helmet models.

MIPS is the market leader in rotational motion protection solutions and works with many of the leading global helmet brands. The company markets patented helmet safety solutions based on more than 20 years of research.

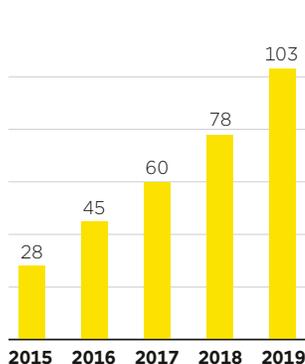
Rotational motion is a combination of rotational energy and rotational forces. This rotational motion causes the tissue in the brain to move and/or to stretch, which increases the risk of brain injury in the event of impact.

The principal component in MIPS BPS is the MIPS Low Friction Layer, which mimics the brain's own protective system and allows relative movement between the head and the helmet.

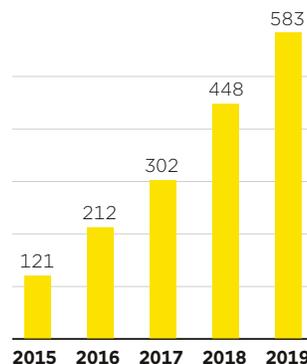
MIPS BPS is designed to function on impact from any angle - hence the name MIPS, which is an acronym for 'Multidirectional Impact Protection System'.

MIPS BPS can be implemented in both new and existing helmet models. MIPS customers are leading players in the helmet industry who integrate MIPS BPS in their helmets. For brands in the helmet industry as a whole, this means that manufacturers can sell helmets with potential protection against rotational motion, and can therefore differentiate the brand and generate added value. MIPS customers actively market the benefits of MIPS BPS, as well as the MIPS brand, to end users.

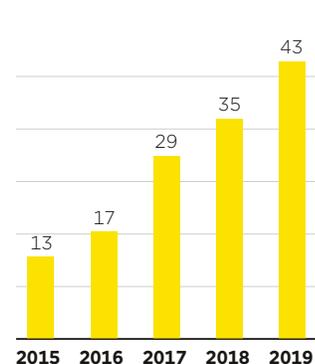
**Number of brands to which the company delivered MIPS BPS**



**Number of models on the market equipped with MIPS**



**Average number of employees**



*Rotational motion is a combination of rotational energy and rotational forces. The rotational motion causes the tissue in the brain to shear and/or to stretch, which affects the brain itself and increases the risk of brain injury in the event of impact.*



## 2019 IN BRIEF



### Increased trust from MIPS customers

More and more customers make the strategic decision that all their helmet models should be equipped with MIPS BPS. The American helmet brand Specialized received a great deal of attention in bicycle media when they communicated their plan to do this. At the end of the year we saw two more of such commitment when the helmet brands Nutcase and Bollé communicated that they intended to implement MIPS BPS in all their models for both bicycle- and snowhelmets.

Read more at [mipsprotection.com/news/](https://mipsprotection.com/news/)

Net sales increased by 39 percent to

SEK **267.9** m (192.5)

Adjusted operating profit\* increased to

SEK **110.5** m (73.0)

Adjusted operating margin\* was

**41.2** percent (37.9)

The number of MIPS BPS units sold increased to

**5.0** million (3.8)

Helmet models with MIPS BPS

**583** (448)



### Successful penetration in several categories

MIPS continued to increase its penetration during the year in all categories and on all markets where the company is active. During the year, safety helmets were also launched. Increased penetration contributed to the strong organic growth of 29 percent.

Read more at [mipsprotection.com](https://mipsprotection.com)

\* Operating profit for 2019 was adjusted by SEK 2.5 million (0.0) for costs related to acquisitions.



### Strategically important customers in Germany implemented MIPS in their helmets

MIPS initiated collaboration with four customers that were new for MIPS in the strategically important German market: UVEX, CUBE, Alpina and KED. During the year total sales doubled in Europe.

### First solution in a safety helmet launched

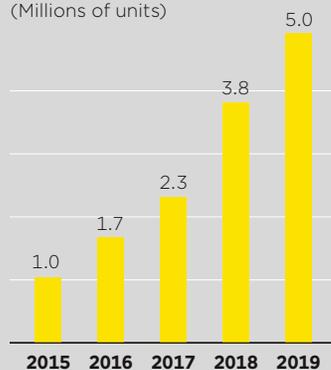
MIPS continued to make inroads into new types of helmets during the year and MIPS BPS is now also available in the strategically important safety helmet category. During the year the first safety helmet was launched on the market together with the Guardio brand.

Read more at [mipsprotection.com](https://mipsprotection.com)



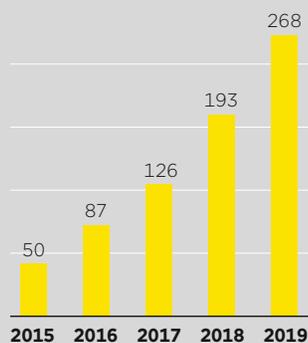
#### Development in total sales of MIPS BPS units

Total volume sold  
(Millions of units)



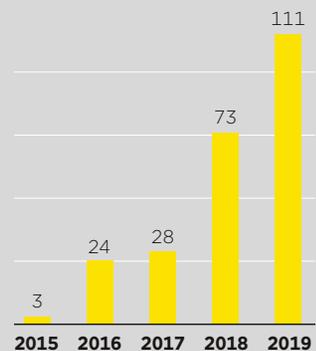
#### Net sales

(SEKm)



#### Adjusted operating profit\*

(SEKm)



\* Operating profit for 2019 was adjusted by SEK 2.5 million (0.0) for costs related to acquisitions.

## WE LEAVE ANOTHER STRONG YEAR BEHIND US

### **2019 was a strong year during which we created a good foundation for continued expansion**

In 2019 we continued to strengthen our position as the market leader in helmet-based solutions designed to protect the brain. With growth of 39 percent and organic growth of 29 percent, we increased our volumes with all of our ten largest customers and within all of the helmet categories in which we are active. During the year we focused on increasing penetration with our largest customers and several of them have communicated that they will offer MIPS technology in their entire product line.

### **Establishment on the German market**

I am extremely pleased that in 2019 we also successfully established ourselves on the strategically important German market with new brands such as *UVEX*, *Alpina*, *KED* and *CUBE*. This market has previously been somewhat more difficult to access, but with these new customers we have gained a solid foothold on the German market. Although these new brands had only a marginal impact on our full year result for 2019, they represent an important strategic component in our penetration of the European market, which we managed to double in terms of revenue in 2019.

### **Increased trust from MIPS customers**

The MIPS brand is continuously strengthened, driven by repeated superior independent testing results, favorable articles in various sports and category-specific media and an increased number of helmet brands. This has resulted in growing consumer demand for helmets marked with the yellow MIPS logo. More and more customers are strategically deciding to equip 100 percent of their helmet models with MIPS BPS. The helmet brands Nutcase and Bollé have announced that they intend to implement MIPS BPS in all of their models moving forward.

### **First safetyhelmet launched for industrial use**

During the year the first safetyhelmet equipped with MIPS BPS was launched in the important safety category. The market for helmets for industrial use is large, in total, the market is estimated to be over 300 million helmets annually and of this market, MIPS estimates 60 million as directly addressable today. I'm glad we now also can help increase safety for many within industry.

### **EBIT margin over 40 percent for the year**

In conjunction with our stock exchange listing in 2017, we set a long-term profitability target to reach an EBIT margin exceeding 40 percent by 2020. It is extremely rewarding to see that we achieved this target already in 2019, even though we continued to invest in our strategic priorities in the marketing area, as well as in research and development. All in all, this accomplishment demonstrates the efficiency and scalability of our business model.

### **Over 100 purchasing customers and 583 models on the market**

In 2019 we implemented MIPS BPS in more helmets than in any other year. As of December 31, 2019 we have implemented and sold MIPS technology in 583 (448) models and we now have 103 (78) customers from all over the world. We delivered MIPS technology in almost 5 million helmets during the year. This achievement provides us with a unique position in the market and a solid platform for continued growth.

### **New long-term plan launched**

In September we presented our new long-term plan that extends to 2025. Over the next few years we will focus our work on three main categories: Sport, Moto and Safety helmets. With this focus and a broader product offering, our addressable market has increased from 43 million to 130 million helmets, giving us a substantially larger market

to penetrate. Our new plan and strategy include a target of reaching more than SEK 1 billion in net sales by 2025, with an EBIT margin of more than 40 percent and with an ambition to pay at least 50 percent of annual net earnings in dividends over time.

**Innovators behind MIPS technology received prestigious Polhem Prize**

We have long known that MIPS is based on pioneering research and technological development. This was confirmed once again in October 2019 when the Swedish Association of Graduate Engineers (Sveriges Ingenjörer) awarded the highly prestigious Polhem Prize to Peter Halldin (Chief Science Officer at MIPS), Hans von Holst (Professor, Senior neurosurgeon at Karolinska University Hospital) and Svein Kleiven (KTH Royal Institute of Technology) for their work with MIPS technology. We are also extremely proud of yet another PhD thesis that was published on MIPS technology and that there are now three theses that validate MIPS technology.

**Influence from covid-19**

The rapid spread of the corona virus (covid-19) globally has led to increased uncertainty in the world. Initially, we noticed an impact on our supply chain as a large part of the world's helmets are produced in China. The Chinese subcontractors and helmet factories with which we cooperate resumed production later than planned after the annual holiday in connection with the Chinese New Year and have gradually returned to normal production capacity. It is difficult to assess what the future effects on the demand of helmets as a result of the spread of covid-19 will be and how long such effects are likely to affect the market. At present, however, we do not see any underlying change in long-term demand for MIPS products or helmets in general. We are following developments and relevant authorities' recommendations closely and are taking the measures we deem necessary to



minimize the short- and long-term impact of covid-19 on MIPS.

**Continued strengthening of the organization**

During the year, we increased the number of employees from a total of 36 people to 50 people and we continue to reinforce several parts of the organization in order to deliver in accordance with our long-term goals. For example, we strengthened the organization in sales and marketing, as well as in product development and implementation. In addition, we now also have in-house legal and intellectual property (with a focus on patents) expertise to be even better equipped for the future.

With the customers we currently have on board and our newly launched strategic initiative, I continue to be confident that MIPS is well positioned to deliver in accordance with our 2025 goals.

Max Strandwitz, CEO

## LARGE ADDRESSABLE MARKET AND GLOBAL TRENDS

The global helmet market encompasses a large number of helmet categories that are under constant development. Although the market for helmets is very large, no aggregate global data are available. MIPS has therefore chosen to describe the part of the market for which concrete data are available and where the company also sees an opportunity for integration of MIPS BPS.

MIPS estimates that its total market today is 410 million helmets annually. Based on this estimate, the company has chosen to organize its operations according to three different categories:

1. Sports helmets
2. Moto helmets
3. Safety helmets

The market for different types of Sports helmets is estimated at 50 million helmets sold annually. Bike helmets account for the largest proportion of these helmets, but the category also includes helmets for snow sports, equestrian helmets and helmets for various team sports.

The market size for the Moto category, like the one for Sports helmets, is estimated at 50 million helmets annually. MIPS has chosen to divide the Moto category into two sub-categories: I) road moto helmets and II) motocross helmets. Some of the helmets in this category are also used in other areas such as snowmobiling, automobiles and other activities involving travel at high speeds.

The largest category of these three categories is Safety helmets, estimated at 310 million helmets annually, including 300 million helmets for industrial use and 10 million in *Law Enforcement and Armed Forces (LEAF)*. MIPS aims to be able to offer its solution to as

many helmet users as possible all over the world. However, applications are limited in some respects by the following factors:

1. MIPS works based on the principle that it must be scientifically proven that the company's technology actually improves the safety of the helmet in which MIPS BPS is implemented.
2. There are certain technical limitations that make it difficult to include MIPS BPS in certain types of helmets.
3. There is a price floor for helmets in which MIPS BPS is offered, which is currently USD 30.

Historically, MIPS BPS is mainly implemented in helmets at higher price points. As demand has increased and the company has developed new solutions that make it possible to offer products at lower price points as well, the addressable market has grown.

Although MIPS is the market leader in solutions for handling rotational motion solutions to protect the brain, to date the company has only penetrated a small portion of the total market.

### Helmet categories

#### Sports helmets

Historically, MIPS BPS is mainly implemented in helmets at higher price points, but today the company offers products that can be implemented in helmets at price points as low as USD 30. Previously, replacement cycles for helmet users in Sports Helmets have been estimated at an average of five to eight years. Although no newer data is available regarding how often helmets actually are replaced, MIPS estimates that the replacement cycles have been shortened more and more. Below is a summary of the main subcategories of the Sports Helmets category.



## Global Trends

### Knowledge of rotational protection

Realizing the importance and recognizing the benefits of including rotational protection in helmets is increasing among consumers.

### Validating third party tests

Several third-party tests have been published that validate the functionality and benefit of implementing MIPS BPS in a helmet.

### Increased focus on safety

Focus on increased safety, especially in workplaces, but where MIPS has a good opportunity to help employers improve protection for their employees.



*A further development of helmet types worn primarily in industrial settings has enabled implementation of MIPS BPS in helmets for industrial use as well.*

**Bike helmets**

Bicycle helmets are the single largest subcategory of Sports Helmets, with an estimated annual volume of 35 million helmets. MIPS believes that the greatest limitation in this subcategory is the price level, since MIPS BPS is currently only implemented in helmets that cost more than USD 30 on the market. This portion of the bike helmet market is estimated at 20 million helmets annually.

The bike helmet market is divided primarily into helmets for daily use and commuting, helmets for road biking, helmets for mountain biking and children’s helmets, where helmets for daily use represent the largest portion. Helmets for electric bikes is a rapidly growing

subcategory, though it still represents only a small portion of the total bike helmet market.

Bike helmets currently comprise MIPS’ largest sales area by far and this subcategory is the source of the majority of MIPS’ revenues. Awareness of MIPS technology in this market is relatively high, with the greatest awareness in the US market, followed by the European market. In the rest of the world, awareness of MIPS’ technology is still relatively low. MIPS has delivered bike helmet solutions since 2010.

**Snow helmets**

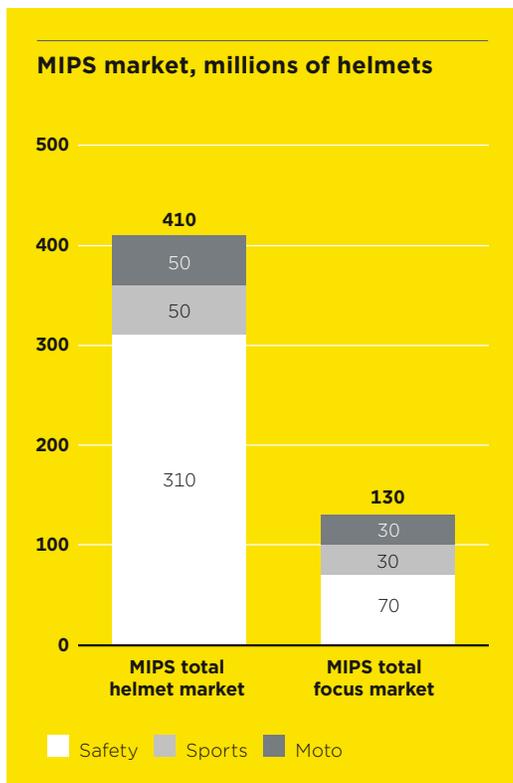
The Snow helmets category is one of the larger subcategories in the Sports helmets category. Snow helmets are used for both skiing and snowboarding. The helmets are usually divided into helmets for recreational use (children/family/novice and intermediate levels) and helmets for advanced use (alpine and freestyle). Awareness of MIPS technology is high in this subcategory and deviations from this are often geographic in nature. MIPS has delivered snow helmet solutions since 2010.

**Equestrian helmets**

Equestrian helmets are divided into helmets for equestrian sports and for polo. Interest in MIPS technology from this category has historically been low, but has substantially increased in recent years. However, awareness of MIPS technology in this subcategory remains low. MIPS has delivered equestrian helmet solutions since 2007.

**Team sports**

The Team sports helmet subcategory is relatively large and is divided into a number of different team sports. The major team sports in which helmets are used are primarily American football, ice hockey and lacrosse. Awareness of MIPS technology in team sports is relatively low. In 2019 MIPS began to deliver solutions in this subcategory.





**Other**

The category “Other” includes helmets for activities such as climbing, snowmobiling and white water rafting. In 2019 the company only delivered solutions for climbing helmets in this subcategory. Awareness of MIPS technology in this subcategory is low. MIPS has delivered solutions for helmets in this subcategory since 2018.

**Moto helmets**

The moto market is a large global market that is fragmented in terms of both type and geography. The category can be divided into three different subcategories: road moto helmets, motocross helmets and helmets for the moped and scooter market. MIPS sees a large addressable market in the first two of these subcategories, but less potential in the market for moped and scooter helmets since they primarily comprise helmets at lower price points in developing countries.

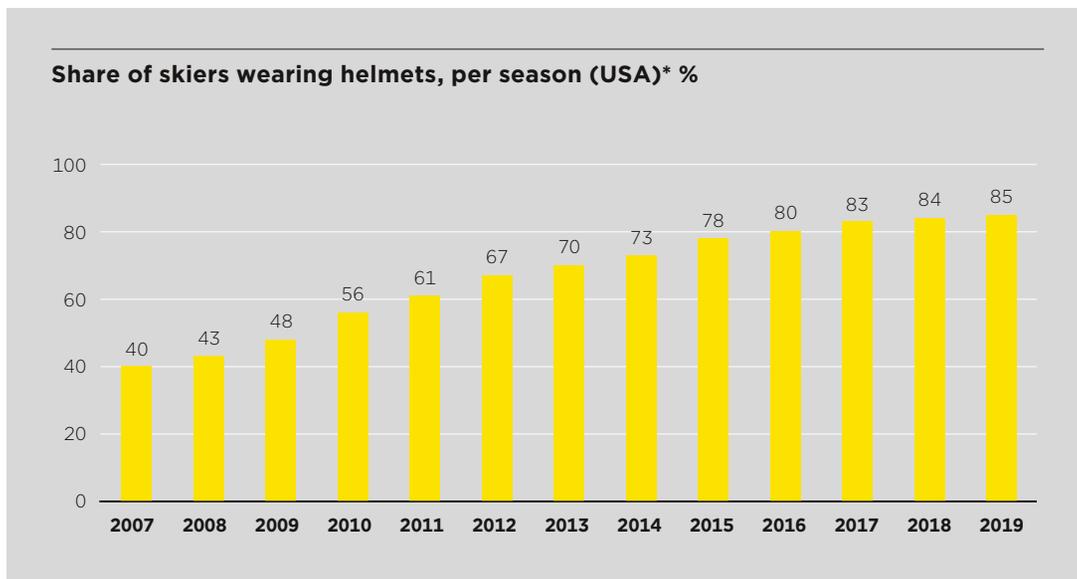
Awareness of MIPS technology is high in the market for helmets for motocross, but lower in the markets for road moto helmets and moped and scooter helmets. MIPS has delivered solutions for helmets in this category since 2013.

**Safety helmets**

Helmets in the Safety category can be divided into two main subcategories: safety helmets for industrial use (mainly in the construction, manufacturing, mining and oil industries) and helmets in Law Enforcement and Armed Forces (LEAF).

**Safety helmets for industrial use**

The market for the subcategory industrial use helmets is large and estimated at more than 300 million helmets annually. The majority of these helmets are “Type I helmets”, which are a simpler form of helmets primarily intended to protect against falling objects. This type of helmet is less expensive and costs around



\* National Ski Areas Association, nsaa.org.

USD 10-15. The other type of helmet in this safety helmets subcategory is “Type II helmets”, which have been added in recent years; these helmets have their origin in climbing helmets and offer more complete protection. There are different types of helmets in the class “Type II helmets” that are intended for different types of certification. These helmets are priced at USD 50–100. MIPS’ addressable market currently only includes “Type II helmets”. In 2019 the company delivered a solution for safety helmets for the first time.

#### Safety helmets in LEAF

MIPS estimates that the market for helmets intended for LEAF is more than 10 million helmets annually. MIPS has launched solutions in this subcategory, but to date has only delivered a limited number of MIPS BPS units for LEAF helmets. The main subcategories within the helmet market for LEAF are briefly described below.

**Military** – The subcategory of helmets for military use is divided into helmets for ground forces and helmets used in the air force. Helmets for ground forces are used by both regular troops and special forces. MIPS is initially concentrating on helmets for special units, with the long-term ambition of also providing MIPS solutions for helmets used by regular troops and the air force. A distinctive feature of military helmets is that the inner liner of the helmet is usually replaced once or twice a year, which represents an interesting aftermarket for MIPS.

**Police** – The market for police helmets comprises helmets for riot police and helmets for ballistic protection. The latter use helmets that are often the same as those used by military special forces; these helmets are also expected to represent an interesting aftermarket, since the inner liner is usually replaced once or twice a year.

**Rescue services** – Helmets for rescue service workers include firefighters’ helmets (used by smoke divers), and helmets used in other rescue situations including traffic accidents, forest fires, ambulance emergency response operations, and search and rescue missions at high heights and on the water. MIPS currently delivers solutions used in search and rescue helmets.

#### Global trends in helmet use

Helmet use around the world is on the rise, mainly driven by a growing safety mindset among consumers. Since MIPS applies an ingredient brand model and does not sell directly to consumers, the company is dependent on helmet use by consumers and thus, on helmet sales in general. Below is a list of the main trends that affect the company’s opportunities to increase penetration of MIPS technology in global helmet sales and that thus also drive demand for MIPS products.

- **Awareness of MIPS technology** – Awareness that rotational motion is harmful to the brain and that traditional helmets are not designed to protect the brain, but only to protect against skull fractures caused by straight impact, including awareness among consumers of the advantages of MIPS technology.
- **Regulatory requirements** – Currently there are no regulations that require helmets to provide rotational protection. However, an active debate is underway about the importance of including rotational motion as a test protocol element when testing helmets, but this is not yet a requirement. The first regulatory body that will include tests for oblique impacts (rotational motion) is the Fédération Internationale de Motocyclisme (FIM), which certifies moto helmets for Grand Prix moto racing. Their new certification standard will come into effect in June 2020.

- *Validating third-party tests* – Several third-party tests have been published that validate the functionality and benefit of implementing MIPS BPS in a helmet.
- *Increased focus on safety* – Focus on improving safety, especially at workplaces, but also in general, has substantially increased in recent years. A further development of helmet types worn primarily in industrial settings has enabled implementation of MIPS BPS in helmets for industrial use as well.

The global trends are to some extent also category-specific and the company has observed the following development within the different categories:

- The market for Sports helmets continues to grow and MIPS believes that consumers are prepared to pay more for safety equipment today than ten years ago. This market is relatively strongly concentrated to the US.
- The market for Moto helmets continues to grow worldwide, mainly driven by Asia and certain developing countries. MIPS sees a relatively stable market and price trend in both Europe and the US.
- The market for Safety helmets is growing worldwide, mainly through increased helmet use. The volume of the type of helmet on which MIPS focuses is growing faster than the category overall since both end-users and the companies they work for are placing higher demands on safety.

### Competitors

MIPS is currently the market-leading company in helmet-based solutions for protection against rotational motion. Current competitors on the market offer solutions in only a few helmet models and helmet categories. Increased awareness of the importance of protection against rotational motion is likely to increase demand for rotational protection. One likely consequence is that competition from other companies will increase.

Among those competitors who currently market a solution that is alleged to protect against rotational motion, there is a distinction between those companies who serve as an ingredient brand and helmet brands that have developed their own technologies. Competition from other ingredient brands that market a solution for protection against rotational motion is currently limited to a few companies who have a few customers as a base. There are several helmet brands in the market that have developed their own technology, but in such cases the technology is limited to a single brand, thus the competition from these companies is limited. In addition to the above, MIPS has a broad patent portfolio that to a certain extent limits the opportunity for others to launch new competing technologies.

		<b>MIPS Total market</b> (millions)	<b>MIPS Focus market</b> (millions)	<b>Number of helmet models*</b>	<b>Active helmet brands*</b>	
<b>SPORTS</b>	Bike	> 35	> 20	375	62	 
	Snow	> 6	> 5	142	26	 
	Equestrian	> 2	> 2	16	6	 
	Team sports	> 2	> 2	2	2	 
	Other	> 4	> 2	3	2	 
	<b>Total</b>	<b>~ 50</b>	<b>~ 30</b>	<b>538</b>	<b>96</b>	
<b>MOTO</b>	Road bike	> 47	> 28	7	4	 
	Motocross	> 3	> 2	37	16	 
	<b>Total</b>	<b>50</b>	<b>30</b>	<b>44</b>	<b>20</b>	
<b>SAFETY</b>	Industrial use	> 300	> 60	1	1	 
	LEAF	> 10	> 3	-	-	 
	<b>Total</b>	<b>310</b>	<b>70</b>	<b>1</b>	<b>1</b>	
<b>TOTAL</b>		<b>&gt; 410</b>	<b>&gt; 130</b>	<b>583</b>	<b>103**</b>	

\* Helmet brands to which MIPS BPS has been delivered during the period.

\*\* Some helmet brands are active in several categories.

## BUSINESS MODEL, STRATEGY AND FINANCIAL TARGETS

### Ingredient brand

MIPS operates today as an ingredient brand. This means that MIPS sells its products to helmet manufacturers who implement MIPS technology in helmets that are then marketed to end users. MIPS works with several of the major helmet manufacturers around the world in the Sport category, but also sells the company's solutions to brands active in the Moto and Safety categories. Helmets equipped with MIPS technology are often priced somewhat higher and the premium for the MIPS product starts at USD 15–20 and upwards.

The ingredient brand model enables MIPS to reach, with limited costs, a large number of customers and receive high exposure to end-users through the helmet brand's broad and global marketing resources.

MIPS enjoys close working relationships with customers with a view to ensuring a uniform and controlled message to end-users and the media. This also includes MIPS providing the necessary expertise, resources and marketing material to the customers' sales staff and distributors – through participation in sales and distribution meetings, for example.

MIPS also actively works with strategic and cost-efficient marketing strategies targeting distributors, dealers and the media. This work takes place in close collaboration with the company's customers (helmet brands) by educating distributors, dealers and the media about the benefits of MIPS technology, for example through various sales programs and by providing follow-up training materials.

### Vision

MIPS wants the company's technology to be the expected helmet safety solution by becoming the obvious safety solution that consumers and the industry demand regarding increased safety.

### Financial targets

The company's long-term financial targets are ambitions that the Board of Directors and senior management believe are reasonable expectations for MIPS.

**Growth:** The target is to organically grow net sales to more than SEK 1,000 million by 2025.

**Profitability:** The target is to achieve an operating margin of more than 40 percent.

### Dividend policy

The target is to distribute approximately 50 percent of the company's annual net earnings as dividends, taking into account the company's financial stability, future profits, investment needs, liquidity and development opportunities, as well as general economic and business conditions.

### Strategic ambition:

MIPS wants to increase safety for every individual who wears a helmet.

To achieve this objective, the company aims to become the obvious partner to all relevant helmet brands by:

- *offering the best and most cost-effective solution based on science and research*

MIPS is a company that is based on research. MIPS aims to invest 5–7 percent of net sales annually to ensure that the company continues to have superior technology whose function is scientifically proven. MIPS is engaged in ongoing dialogue with leading universities and other technological institutes around the world to ensure that MIPS remains at the forefront of developments.

MIPS has access to one of the world's most validated data models on the brain (the "Finite Element model," developed by the Royal Institute of Technology), which enables

The new 2025 strategy has been built around the three main helmet categories Sport, Moto and Safety, which together represent a focus market of a total of 130 million helmets, compared with the previous focus market of 43 million helmets.



## SPORTS

- Bike
- Snow
- Equestrian
- Team sports
- Other

MIPS estimates that the market for sport helmets today is about 50 million helmets annually. Historically, MIPS BPS is mainly implemented in helmets at higher price points, but today the company offers products that can be implemented in helmets at price points as low as USD 30.

**30** MIPS Focus market million helmets



## MOTO

- Road motos
- Motocross
- \* Other

The moto market is a large global market, though it is highly fragmented in terms of both type and geography. The category can be divided into three different subcategories: road moto helmets, motocross helmets and helmets for the moped and scooter market. MIPS sees an addressable market of about 30 million helmets annually in these categories.

**30** MIPS Focus market million helmets



## SAFETY

- industrial use
- LEAF

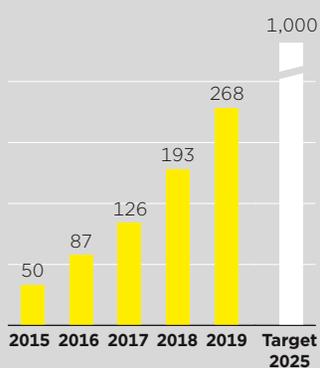
Helmets in the Safety category can be divided into two main subcategories: safety helmets for industrial use (mainly in the construction, manufacturing, mining and oil industries) and helmets in Law Enforcement and Armed Forces (LEAF), which include helmets for police, the military and rescue services. The addressable market for Safety helmets today is estimated at about 70 million helmets annually.

**70** MIPS Focus market million helmets

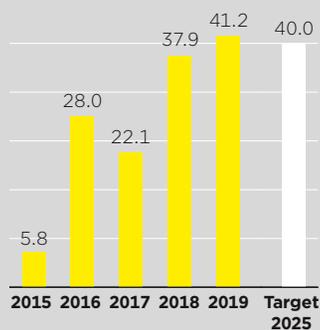
## Development toward our financial targets



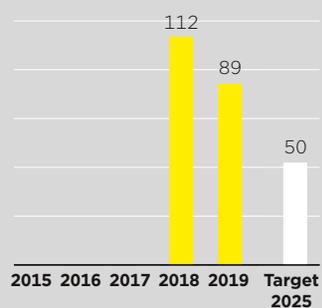
### Net sales, SEKm



### Adjusted operating margin\*\*, %



### Dividend\*, %



\*The Board's proposal for a decision on dividend distribution 2019, based on amount of shares per 31 December 2019.

\*\* The EBIT margin 2016 and 2017 is adjusted for costs attributable to the listing of the company with Nasdaq, Stockholm of SEK 5,8m and SEK 7,0m respectively.

the company to continue leading development of solutions to protect the brain in the field of helmet safety.

- *develop solutions that make it possible for MIPS technology to be included in all types of helmets*

MIPS has a large addressable market with the opportunity to make a difference in a large number of applications in which a helmet is worn. It is important for MIPS to be able to offer a relevant solution to all areas of use that the company addresses. The company therefore constantly develops new solutions in order for the technology to work in as many different types of helmets as possible. Currently, MIPS offers eight different types of solutions and is able to cover a large part of what the company considers to be its market.

- *develop an intellectual property portfolio that will continue to protect the company's technology*

MIPS currently has a large patent portfolio consisting of 36 patent families and a total of 187 granted patents. The company is constantly developing new patents to protect both the solutions that MIPS markets today and the solutions that are intended to be marketed in the future. In 2019, MIPS strengthened the organization with internal expertise in patents, but also uses external expertise when necessary to ensure that the company's intellectual property protection is as strong as possible.

- *strengthen the company's brand to ensure that consumers understand the added value of MIPS technology and always look for the yellow MIPS logo when buying a helmet*

MIPS conducts business according to an ingredient brand model. The company's vision is for its technology to be the safety solution in demand in all types of helmets. Achieving this vision requires increased awareness regarding and understanding of MIPS technology. In addition, consumers need to recognize the added value of buying a helmet with MIPS technology. To make this happen, MIPS intends to invest 5-7 percent of annual net sales in marketing over the next few years. In addition, the company has invested in strengthening the organization to ensure that this aspiration is achieved in the long term.

## MIPS CONTINUES TO EXPAND WITH LEADING PRODUCTS AND A WIDER ASSORTMENT

Net sales in 2019 increased by 39 percent to SEK 268m (193), with organic growth of 29 percent. Operating profit was SEK 108m (73), corresponding to an adjusted operating margin of 41 percent (38). A total of 5 million MIPS Brain Protection Systems (BPS) were sold in 2019 and MIPS secured its position as the leader in helmet-based brain protection solutions. The Sport category accounted for the largest portion of the company's revenue, but the Moto helmet category and Safety helmets, the company's new category, also grew.

### Customers and helmet brands

MIPS customer base consists of a number of global helmet manufacturers. The scope of the company's products makes it possible to implement MIPS BPS in many different types of helmets intended for both consumers and for professional use. MIPS has chosen to organize its operations around three main categories:

1. Helmets in the Sport category, which primarily include helmets for biking, snow sports, equestrian sports, climbing and team sports.
2. Helmets in the Moto category, which is divided into road motos and motocross.
3. Helmets in the Safety category which is divided into industrial safety helmets and helmets in LEAF (military, police and rescue services).

In 2019 MIPS delivered MIPS BPS solutions to 103 (78) helmet brands. The five largest customers accounted for about 55 percent (62) of sales. All of the company's ten largest customers grew, in terms of volume, during the year. The company delivered MIPS BPS solutions to a total of 583 different types of helmets.

### Operations overview

MIPS sales process can be divided into sales to existing customers and sales from recruit-

ment of new customers. MIPS has a standardized process for developing MIPS BPS in helmet models. The majority of the work is carried out at MIPS' test center in Sweden. MIPS' test center is central in the development work and testing for implementing MIPS technology in specific helmet models. The majority of MIPS employees are based in Stockholm, other staff have been taken on by the MIPS subsidiary in China.

MIPS works based on an ingredient brand model. Since the company does not carry out production directly, but uses subcontractors instead, the MIPS production model is scalable. This means that MIPS can grow substantially without having to significantly increase the size of the organization.

Production of the components for MIPS BPS is outsourced to a variety of manufacturers based primarily in China, either within the same facilities as – or in plants in the immediate vicinity of – the helmet brands' own production. This simplifies the logistics, with all work to integrate MIPS BPS in the helmets being handled by the helmet brands' manufacturers. MIPS' low friction layers are produced at receipt of purchase order, inventory consisting of only other BPS components.

MIPS is marketed actively toward end-users by helmet brands and retailers alike, via both digital marketing initiatives and hard copy marketing material in the form of in-store communication, where the benefits of MIPS BPS are clearly highlighted in accordance with the MIPS guidelines for communication and marketing.

### Strengths and competitive advantages

MIPS has several advantages over its competitors, which has contributed to the positive development of the company, including:



### Key figures

	2019	2018	Change, %
<b>Net sales, SEKm</b>	267.9	192.5	39
<b>Operating profit, SEKm</b>	108	73.0	40
<b>Operating margin, %</b>	40.3	37.9	-
<b>Adjusted operating profit*, SEKm</b>	110.5	73.0	51
<b>Adjusted operating margin*, %</b>	41.2	37.9	-

\* Operating profit for 2019 was adjusted by SEK 2.5m (0.0) for acquisition-related costs.

### Selection of active helmet brands, 2019

Abus	Charles Owen	Oakley
Alpina	Cube	Pret
Alpinestars	Fox	Scott
Anon	Giro	Smith
Bell	Guardio	Specialized
Bern	Head	Sweet Protection
Blackdiamond	Ked	Thor
Bollé	Lazer	Troy Lee
Bontrager	Mammut	True
Champion	Nutcase	Uvex

- A validated technology based on research which, which MIPS believes, is world-leading, and that can be implemented in most different types of helmets at several different price points.
- A broad patent portfolio consisting of 36 different patent families, with 187 patents granted and 125 pending patent applications, designed to protect the company's technology.
- A unique technology platform based on over 20 years of research and development in collaboration with the Royal Institute of Technology and Karolinska Institutet in Stockholm, which has been validated by at least three different PhD theses and scientific publications about rotational motion.
- A technology that has been validated by independent testing institutes; in addition, MIPS has conducted more than 27,000 internal tests to date.
- A large number of globally leading helmet brands are already MIPS customers, especially within the Sport helmet category. The position of the company is further strengthened by its established platform, which facilitates the aim of implementing MIPS BPS in as many of these customers' helmet models as possible.
- A business model that leads to operational leverage effects and high efficiency.
- An attractive financial profile with good cash generating capacity. MIPS does not directly produce any of these products and therefore does not need to invest in production facilities. MIPS' current investments are primarily limited to product development and testing equipment to ensure that MIPS has a world-class testing laboratory.

## Technology and product offering

### MIPS Brain Protection System

MIPS BPS is designed to add protection in helmets against rotational motion. Rotational motion is a combination of rotational energy (angular velocity) and rotational forces (from angular acceleration), which both have an effect on the brain and increase the risk of different types of brain injuries.

In connection with certain types of impact, MIPS BPS has proved to reduce rotational motion when the system is implemented in a helmet. Through a small movement in the low friction layer in relation to the helmet (10–15 mm) during the short duration of an angled impact (5–10 milliseconds), MIPS BPS allows the head to continue in the direction it was heading instead of remaining fixed to the impact surface. The intention is to redirect and absorb some of the rotational motion that might otherwise be transferred to the brain. Absorption is achieved as a result of the friction heat, and by MIPS BPS spreading the load to a larger area of the helmet liner. MIPS BPS is designed to function regardless of the direction of impact.

The development of MIPS BPS is founded on many years spent studying the biomechanical functions of the human brain. The brain is surrounded by cerebrospinal fluid which protects it by allowing the brain to move slightly when it is subjected rotational motion that arises as a result of an angled impact. The function of MIPS BPS mimics the function of the cerebrospinal fluid through the implemented low friction layer, which allows a relative movement (10–15mm) between the head and the helmet.

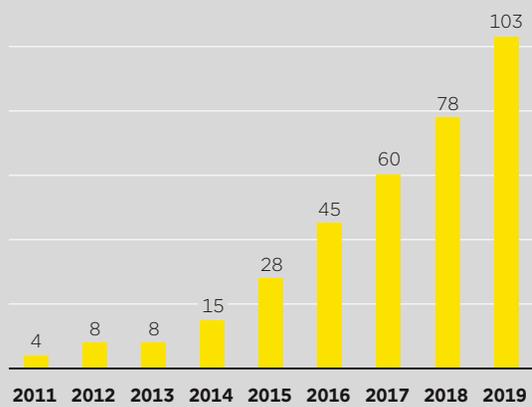
A MIPS BPS unit that is adapted to a specific helmet model usually includes a low friction layer, an attachment mechanism for the low friction layer that is adapted to the helmet, snap pin and possibly a slide device. MIPS

*MIPS BPS is implemented in many different types of helmets intended for consumers and for professional use.*



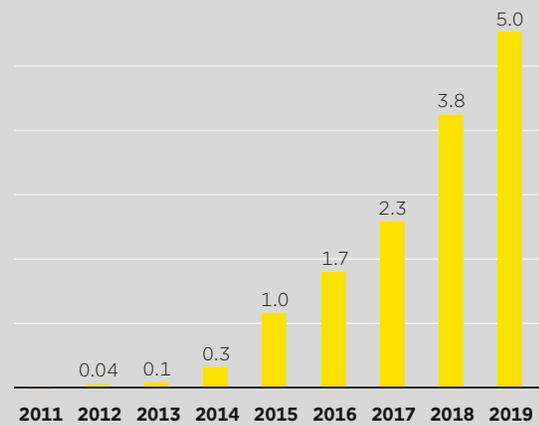
**Historical development of active customers**

Number of brands to which MIPS BPS has been delivered



**Development in total sales of MIPS BPS units**

Total volume sold (millions of units)



*R&D is a cornerstone of our commercial success at MIPS. We have market-leading expertise in development and processes in our product area.*



BPS kits also include information material about the technology and the well-recognized yellow MIPS logo which clearly shows that the helmet is equipped with MIPS BPS.

### Research and development

Research and development at MIPS are based on science and proven experimental methods, with a clear focus on injury criteria, combined with an active strategy for intellectual property rights. R&D at MIPS is divided into four separate categories:

1. **Innovation** – based on science and research with the emphasis on new developments, and concepts for dealing with impact risks, thereby allowing inroads into new categories.
2. **Product development** – with a short-term perspective of about 12 months into the future, with a view to improving existing solutions and previously established concepts.
3. **Development of new models** – founded on the customers' product development where MIPS provides customer support regarding design and technology for new models.
4. **Implementation of MIPS BPS in existing helmet models** – primarily involving assistance to helmet brands with implementation of MIPS BPS in existing helmet models.

### Intellectual property rights

Intellectual property rights play a key role in the MIPS' business and strategy, since they ensure that MIPS can maintain its competitive advantage, protect its technology and R&D investments, and promote credibility in relation to the company's customers. The company's strategy primarily focuses on continually registering new intellectual property

rights and maintaining strong protection of the existing portfolio. Any infringements are addressed based on a formulated IP strategy with the assistance of both internal and external expertise.

### Product offering

The company's product offering consists mainly of three parts:

1. MIPS BPS, which is the physical product that is implemented in the customers' helmets.
2. Development services for implementation of MIPS BPS in new and existing helmet models.
3. Licensing to customers regarding production, marketing and sales of helmets with MIPS BPS.

For each new helmet model that includes MIPS BPS, MIPS generally charges the customer a fixed fee for development and implementation services. As part of this process, MIPS handles production of the tools necessary for commercial production of the specific low friction layer, and then bills a fee for production of these tools. When the helmet is approved for production, MIPS usually invoices the helmet brand a licensing fee for the right to use MIPS' patents, technology and for marketing. The components are usually invoiced directly to the factory from our subsidiary in China.

## MIPS ENTERED INTO A NEW TYPE OF HELMETS

During the year MIPS launched solutions in a completely new area: Safety helmets, mainly intended for the construction industry. Historically, the general consensus was that MIPS' technology was not relevant for this segment as the belief was that the injury criteria were not the same as those that MIPS BPS is intended to address.

### **Traumatic brain injury**

"After a thorough review of the accident statistics at construction work sites, we understood that there is a need to equip helmets in the safety category with MIPS BPS, since we saw that we could make a huge difference in this category. The most common perception is that the primary cause of injury at construction work sites involves being hit in the head by falling objects. However, a look at the statistics shows a completely different picture. We know today that of all head related injuries at construction work sites, 30–50 percent can be categorized as traumatic brain injuries. We can make a difference in this type of injury," says Max Strandwitz, CEO at MIPS.

### **"Type II helmets" provide better protection**

The industrial helmet market is large. Today the company assesses the market at more than 300 million helmets annually. The global helmet market in industrial helmets currently comprises what is called "Type I helmets." These helmets are the simplest form of

industrial helmet and account for about 80 percent of helmets sold annually in this area. The remaining helmets in the industrial helmet market comprises "Type II helmets." These helmets usually offer better protection, but are normally priced higher than the "Type I helmets" currently on the market. MIPS has primarily chosen to focus on "Type II helmets." MIPS holds the opinion that this focus market totals about 60 million helmets annually.

### **Guardio – first with safety helmets**

The first company that launched a safety helmet equipped with MIPS was the Swedish company Guardio. "We're extremely satisfied with the reception our Armet helmet has received since the launch last May. We didn't believe that our helmet would reach such a market position in such a short time," says Nawar Toma, CEO of Guardio. "Our focus area was the construction industry, but now we've delivered helmets equipped with MIPS to other industries and to rescue services. Thanks to our partnership with MIPS we've rapidly reached a strong position on the market in Sweden. MIPS has contacted most of the major construction companies in Sweden and explained the difference that MIPS BPS can make for a construction helmet, to generate demand in the industry. With the preparatory work taken care of, it's much easier for us to sell our helmet."



### **About Guardio**

Guardio offers industryhelmets for the construction, manufacturing and contracting sector. And now the first safety helmet in the world with the patented brain protection system from MIPS has been launched.

## SUSTAINABILITY INITIATIVES AT MIPS

The strategic ambition of MIPS is to increase the safety of everyone who wears a helmet. MIPS BPS is designed to add protection to helmets against rotational motion. Rotational motion is a combination of rotational energy (angular velocity) and rotational forces (from angular acceleration), which both have an effect on the brain and increase the risk of different types of brain injuries. MIPS monitors the development of total sales of MIPS BPS units, i.e. the number of helmets in which MIPS rotation protection has been implemented. In 2019, the volume of MIPS BPS that were sold increased by over 30 percent, to nearly five million units.

In order to achieve the goal of increasing the safety of everyone who wears a helmet, the company aims to be the provider of choice for all relevant helmet brands by offering the best and most cost-effective solution, based on science and research. The company has noticed increased interest from existing and new customers, with ever more manufacturers taking the strategic decision to equip their helmet models with MIPS BPS. Market penetration has increased in all helmet categories, and a helmet with MIPS BPS has also been launched in the safety category, which means that MIPS BPS is now available to even more people who wear helmets in a professional capacity. The inroads thus being made into the safety category are important, for example because thirty to fifty percent of head-related injuries on construction sites consist of trauma-based brain injuries where MIPS BPS could make a difference.

For MIPS, sustainable business is essential for profitable growth over time, which will create value for our consumers, customers, employees, shareholders, society and other stakeholders. The fundamental starting point of MIPS' sustainability strategy is to minimize all negative impact on society, employees

and the environment, but also to leverage the opportunities that a strong sustainability strategy can provide for the company.

Together with suppliers and partners, MIPS works to limit impact on the climate and the environment as much as possible, to apply the same values throughout MIPS' value chain, to embrace social responsibility for all employees and to respect human rights in every regard.

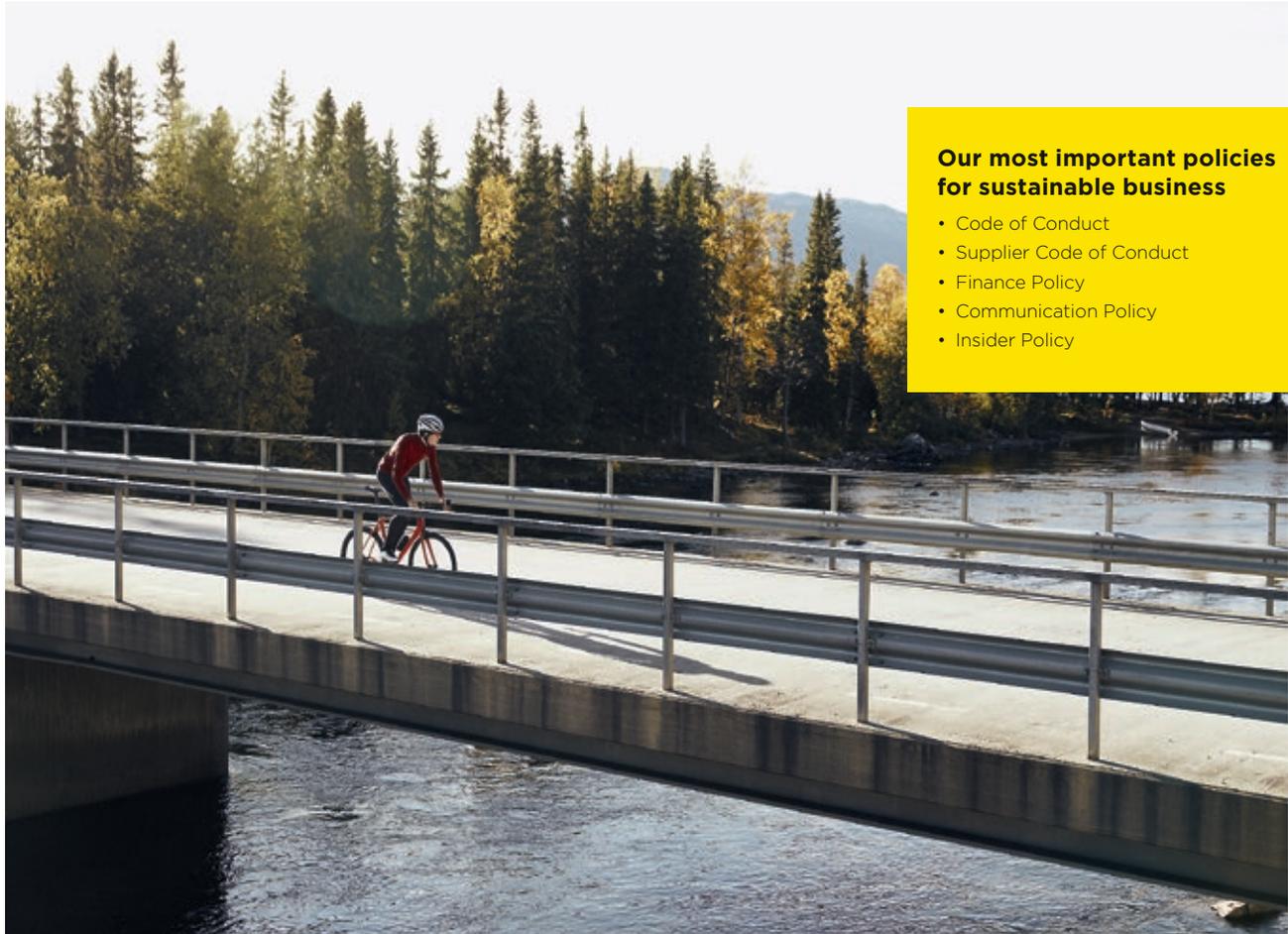
### **Organization and responsibility**

Our goal is to integrate sustainability throughout our operations, in our business management and in our strategic and operational work.

MIPS Board of Directors has overall responsibility for matters related to sustainable business practices. The CEO is responsible for ensuring that the decisions and strategies of the Board of Directors are implemented and that their work is reported to the Board. Executive Management at MIPS supports the CEO and is responsible for ensuring that employees are aware of MIPS values, goals and aims, and that they comply with regulations, laws and guidelines in their daily work. The managers of the company have a special responsibility in their capacity as leaders, but all employees share the responsibility for ensuring that the business is run sustainably. Additional information about the Board's work during the year can be found in the corporate governance report on pages 97-107.

### **Stakeholder dialogues**

We work closely with many of our important stakeholders, including customers, suppliers and research institutes. A continual and open dialogue in various channels provides information about requirements and expectations, what is important, what we can contribute



### Our most important policies for sustainable business

- Code of Conduct
- Supplier Code of Conduct
- Finance Policy
- Communication Policy
- Insider Policy

and what we can improve. Managers and employees pursue ongoing open and informal dialogues. We also conduct annual employee surveys, which for several years has shown a good work environment with a high level of employee satisfaction and participation. These employee surveys also show that the main area for development is the continued focus on personal development for employees.

In recent years we have pursued more structured sustainability initiatives, including stakeholder dialogues and materiality analyses aimed at identifying the priorities of our stakeholders in order to create a basis for decisions on focus areas and goals for our sustainability initiatives. We view this as an ongoing effort and intend to continue our stakeholder dialogues over the next few years to ensure that we have the right focus.

### Laws and regulations

Responsibility and a long-term perspective will characterize our business, in part by keeping our promises throughout each business deal. That is how we build trust with customers, employees, suppliers and important partners. It is therefore important for us to do business correctly, with zero tolerance for corruption and bribery. We also value and promote fair competition and where the power of our offer drives our growth.

Our values, which are reflected in our Code of Conduct and staff manual, are our moral compass that provides clear guidance for our employees in their daily work. The Code of Conduct applies to the entire value chain, including our suppliers, and is based on international conventions such as the UN Global Compact Principles, International



Labour Organization and the OECD guidelines for multinational companies. Our own staff regularly visit suppliers' factories to ensure compliance with our code of conduct.

For us, it is a matter of course to respect the laws and regulations that apply in those countries where we operate, for which reason we engage legal advisors to ensure our understanding of and compliance with local legislation.

We also have reporting procedures regarding suspicions of improprieties that employees should bring to the attention of their immediate supervisor, the CFO or the CEO. No complaints or irregularities were reported in 2019.

#### **Risk analysis and risk management**

Our risk analysis is the basis of the priorities and key areas we focused on in our sustainability program. The risk analysis is updated annually as part of the company's internal

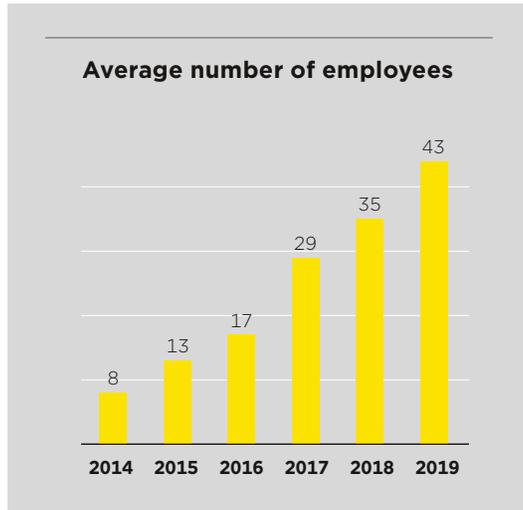
control program and new priorities are set based on potential impact on the business. All functions in the company participate in risk management, with the aim of increasing risk awareness throughout the organization.

The Group's work with sustainability and environmental issues with related risks is managed and prepared by Executive Management and ultimately addressed by the Board of Directors. All risks are ranked based on probability and impact on the business. Read more about risks and risk management in the section on risk on pages 38-43.

#### **Four main areas**

As a result of our risk analysis and our stakeholder dialogues we have chosen to focus our sustainability program on four main areas:

- Products that protect users
- Sustainability in the supplier chain
- Our impact on the environment
- Our employees



### Memberships and collaborations

MIPS is a member of several organizations that primarily work to standardize and certify test standards in the helmet industry. The main reason for membership is to ensure that the right test standards are implemented for certification.

MIPS currently belongs to the following organizations:

- **SIS TK525** – The Swedish Institute for Standardisation – Helmets.
- **CEN TC158** – European Committee for Standardization – Head protection.
- **ASTM International** – Subcommittee F08.53 on Headgear and Helmets.
- **ISO – ISO/TC 83/SC 5/WG 3** – Protective equipment for use in ice hockey.

### Products that protect users

For MIPS, sustainable societal development is extremely important and the company believes that its technologies and products contribute to a more sustainable society since they improve helmet protection for both recreational and professional use. Improved helmet protection leads to increased safety and security, while reducing risk for both short-term and long-term sick leave, as well as permanent injury.

MIPS is a global market leader in helmet-based rotational protection and partners with the majority of the world's leading helmet brands. Our patented solutions are based on more than 20 years of research in collaboration with Royal Institute of Technology and Karolinska Institutet in Stockholm. Traditionally, helmets have only been designed to protect against straight impact, which can lead to skull fractures. Unlike traditional helmets, MIPS low-friction layer mimics the brain's own protection system and is designed to protect the brain from rotational motion. We work with our customers to raise awareness of the benefits of helmets equipped with protection against rotational motion.

We see how an increased awareness of safety as well as of the risks and consequences of brain damage are driving demand for our products and solutions. We are also active in international university and research environments, where we actively work to ensure that

testing of rotational motion is included in tests and certification of helmets. In addition, MIPS is a member of several testing bodies around the world and also pursues an active dialogue with several universities to ensure research-based development of tests and standards.

### Sustainability in the supplier chain

MIPS applies a zero tolerance principle regarding corruption and violation of human rights, which the company tries to monitor and prevent both in its business and among its suppliers. Our code of conduct for suppliers aims to ensure that all companies in the delivery chain assume their environmental responsibility. In addition, they must always respect human rights, labor conditions, and health and safety practices, while conducting business in compliance with applicable laws and rules.

MIPS continually audits its suppliers to ensure compliance with the code of conduct. Controls are carried out by our own staff in China, and if deviations are detected, we develop an action plan together with the supplier. Any deviations that arise are always handled in accordance with applicable legislation. During the year no violations of human rights or incidents of corruption were reported.

In 2019, the majority of MIPS' products were manufactured in China where we work with several independent subcontractors. All of the company's subcontractors in China have signed our code of conduct. MIPS also has

procedures in place to limit the risk of undue influence when choosing suppliers. All new suppliers must be reviewed and approved by the Head of Operations and/or the CEO before any contracts are signed.

### **Our impact on the climate and the environment**

We strive to limit our impact on the climate and the environment, which we continually assess, along with the sustainability of the supply chain and the products and their actual impact on the world. During the coming year we will continue to analyze the environmental impact of our operations with a focus on carbon dioxide emissions. In particular, we will review and ultimately limit the footprint of our manufacturing process and our business-related travel.

The life span of MIPS products should be at least as long or longer than for the helmet in which the product is installed. All of our products are made of plastic that is recyclable and we always try to use materials with as little impact on the climate and the environment as is commercially possible. We also ensure that our products are manufactured as close to the helmet manufacturers' factories as possible (often production is in the same factories) to minimize the number of product transports.

All transportation to end markets is handled by our customers, who are encouraged to choose green options to the extent it is possible. We continually review circumstances with the aim of locating our production as close to the end consumers as possible, but in this regard we are dependent on our customers and their production logistics. However, we believe that future inroads in new categories may mean that our production, at least in part, will be based in both Europe and the US, which would likely reduce the final transport needs of customers, thereby reducing

the impact of the entire production chain on the climate and the environment.

MIPS is a global company and for many of our employees travel is essential to the job. With the aim of limiting travel as much as possible and thereby reducing the negative impact on the climate and the environment that air travel entails, we use video and telephone conferences to the extent that it is possible and appropriate.

### **Our employees**

Part of MIPS' vision is to use technology that reduces the risk of injury to ensure that helmets in all categories protect users significantly better than current test standards promote.

We are pioneers in this important field, which places high demands on attracting and retaining employees with the right skills and passion to always make safer and better products. Even though we are the world leader in what we do, we are modest and curious, with a desire to learn more. We constantly challenge ourselves and encourage our employees to be their best selves every day.

We believe that a strong corporate culture is essential – with a coaching leadership, good cooperation and engaged employees – in order to be the leader in our field and serve as a foundation for our continued growth journey. In recent years we have jointly invested with an external partner in a program to further strengthen our culture.

### **Attract, advance and retain employees**

We value and reward our talented employees. In order to be the leader in our industry, it is crucial that we continue to be an exciting employer who can attract, advance and retain dedicated and talented employees. MIPS works closely with Swedish and foreign





We see how an increased awareness of safety as well as of the risks and consequences of brain damage are driving demand for our products and solutions.



universities, in part to maintain an active dialogue, and in part to ensure that we will have access to the skills we need in the long term. We encourage university students to write their theses at MIPS, which in several cases to date resulted in subsequent employment.

When necessary we also use external expertise to ensure that we have the right skills in certain specialties. All employees have annual performance appraisals with their immediate supervisor, during which individual goals and development plans are formulated and followed up regularly. Several times each year "Lunch and Learn" events are arranged, where we hold internal lectures and/or discuss relevant subjects.

Essentially the same terms of employment apply in Sweden and China, although local labor laws entail certain differences.

### Diversity

For MIPS, diversity has been, and still is, an important aspect of our success. With different skills and experiences we can constantly evolve as a company. We have employees from many different countries, for which reason English is the language spoken in our Group.

The helmet industry has traditionally been male-dominated and we are actively working to reverse that trend, as well as to promote diversity in our business. In 2019 the average number of employees was 43 (35) including 12 (9) women, corresponding with 28 percent (26) of the total number of employees. Executive Management consists of 7 (7) people, including 1 (2) woman, corresponding to 14 percent (29) of the total number of people in management. The Board of Directors consists of 5 (7) people, including 2 (2) women, corresponding to 40 percent (29) of the total number of directors.

### Health and wellbeing

Having employees who enjoy their jobs and feel good is crucial for MIPS' success. Our managers are responsible, through active dialogue, for ensuring the wellbeing of our employees through a good work-life balance. We try to prevent ill health at the earliest stage possible and provide support when needed to promote both the mental and physical wellbeing of our employees. All employees in Sweden are offered a wellness allowance, as well as regular massage services and yoga sessions at work. MIPS has also invested in a gym that is accessible to all employees seven days a week. Our subsidiary in China also has a program for health initiatives.

We have zero tolerance for any form of discrimination at MIPS. Rules, procedures and processes in this regard are described in greater detail in our Code of Conduct and staff manual, to which all employees have access. The company's employees, as well as other stakeholders, are encouraged to report all forms of discrimination to their immediate supervisor, CFO or the CEO. No case of discrimination was reported in 2019.

### Employee survey

Each year employee surveys are conducted in both Sweden and China, where employees evaluate their immediate supervisors, the function in which they work and their own job satisfaction and wellbeing. The results serve as a basis for improvement measures. We conduct a survey at the end of the first six months of the year and a more extensive employee survey at the end of each year.

In 2019 the employee survey showed an index of 80 compared with 81 the previous year. The benchmark for companies participating in the same survey is 71.

## RISKS AND OPPORTUNITIES

MIPS' business is associated with various types of risks. Risk identification and risk assessment are a natural part of operations at MIPS to ensure that we manage and prioritize measures to satisfactorily mitigate or eliminate risks.

In order to minimize the risk of unpredictable events that could have a negative impact on the business, the Group needs good procedures to identify and prevent risks in order to create a sustainable business model. The aim of risk management at MIPS is not necessarily to completely eliminate risks, but to elucidate and prioritize risk management initiatives in order to limit the negative impact of risks. This approach will create sustainable long-term value for the company, both operationally and strategically. All functions in the company participate in risk management, with the aim of increasing risk awareness throughout the organization, for operational decision-makers as well as for Board members.

### Risk management organization

The Board of Directors at MIPS has ultimate responsibility for risk management. The operational management of the company reviews risk management procedures annually, after which the Board of Directors considers proposals for prioritization and management of the main risks.

Executive Management considers risks related to business development and long-term strategic planning, along with the Group's work with sustainability and environmental issues and associated risks, and submits a proposal for prioritization to the Board, which ultimately sets the priorities to be addressed. Executive Management regularly reports to the Board on risk-related issues, such as the Group's financial status and compliance with the Group's finance policy. The Group's central finance department is responsible for

prioritizing and managing financial risks, including exposure to exchange rate fluctuations. The CFO is responsible for and ensures that the Group has the right insurance coverage for risks that can be insured. This procedure is in line with the priorities that Executive Management proposed and the Board approved. The Group's code of conduct and a number of more specific policies serve as the foundation for ongoing operational risk management at all levels of the organization.

### Risk overview

A number of risk areas have been identified through MIPS' risk management procedures and materiality analysis. The tables on pages 40–43 briefly present the most significant risks, as well as their management and measures to limit any impact on the business. A more detailed analysis of the financial risks can be found in Note 19. MIPS has divided the identified risks into customer and market-related risks, legal, business and sustainability-related risks and financial risks.



*Identifying and assessing risks as part of daily operations is important for building a long-term sustainable business model.*



#### **Customer and market-related risks**

The compilation of the customer and market-related risks includes how external risks are handled, both strategically through business and product development, and operationally through daily sales and marketing activities.

#### **Legal risks and product liability-related risks**

Legal risks are primarily related to litigation regarding the company's intellectual property rights, primarily patent infringement, but also other types of legal disputes. Product liability-related risks are mainly attributable to various types of damages related to the company's products. These types of risks are limited as much as possible through insurance coverage.

#### **Business and environment-related risks**

Business-related risks are often based on the company's own activities and thus have

greater impact. Business-related risks are part of daily work and are often managed by the operational units. Business-related risks include risks related to production, insurable risks, and various types of sustainability risks, mainly related to safety and the environment. Business-related and environment-related risks can often be limited through instructions, guidelines and policies.

#### **Financial risks**

MIPS' financial risk management is centralized to the Group's finance department, which conducts operations within established risk mandates and limits. Management is based on guidelines in the Group's policies and regulations within the specific fields. All policies and regulations in this area are updated and adopted annually by the company's Board of Directors. Read more about accounting policies and risk management in Notes 1 and 19.

# RISKS

## CUSTOMER AND MARKET-RELATED RISKS

	Risk	Management
<p><b>Competition from new technology and demand for the company's products</b></p>	 <p>MIPS BPS may encounter strong competition and there is a risk that MIPS will not be able to do so successfully. Competition in the helmet solutions market that addresses rotational motion may increase as a result of growing awareness and increased demand for protective functions in helmets against rotational motions. There is a risk that competitors will become better and/or faster than MIPS at creating and/or integrating new solutions in helmets to protect the brain from rotational motion. If these competitors should be ingredient brands they could potentially access MIPS' customer base. Demand for the company's products may also be impacted by other external factors, such as changed test standards and independent testing that produces less favorable results for the company. The technology regarding and sales of products aimed at limiting the effect of rotational motion is still relatively new and there are few competing products at this time. A reduction in demand for helmets and products for rotational motion or the launch of a competing product that addresses MIPS' customers could have a negative impact on the company.</p>	 <p>A reduction in demand for the company's products would affect the company's profitability, as well as its ability to achieve its long-term goals. MIPS actively works to ensure that the correct test helmet testing standards are introduced and also pursues an active dialogue with universities to ensure that the company remains at the forefront in the dialogue on test standards. The company also invests 5-7 percent of its sales in marketing to ensure that its message is correctly communicated and to equip customers with materials to market their product with MIPS as correctly as possible. MIPS constantly develops its products and its patent strategy to ensure that MIPS' products have a strong position on the market.</p>

### CUSTOMER AND MARKET-RELATED RISKS

	Risk	Management
<p><b>Dependence on a few large customers</b></p>	 <p>The helmet industry currently consists of a small number of players who account for a large part of total sales on the market, which is also reflected in the concentration of MIPS customers, where a few customers account for a large portion of total sales. MIPS delivered products to 103 customers, of whom the five largest accounted for 55 percent of total sales. For more information, see Note 2.</p>	 <p>Loss of one of the major customers would have a major impact on the company's sales and profitability, as well as its ability to reach its long-term goals. MIPS actively works with existing customer relationships, but also to broaden the customer base. As the company expands into other categories and more geographic areas, dependence on individual customers will decline.</p>
<p><b>The company may miss important steps in bio-mechanical developments in helmet safety</b></p>	 <p>Developments in helmet safety and rotational motion change over time and several bodies are working on updating their helmet testing standards to include rotational motion in their helmet certification process. The consequence of a different standard than the one that MIPS represents could have repercussions on MIPS' sales in the categories that the new standard represents.</p>	 <p>Incorrect implementation or implementation of a standard where inclusion of MIPS solutions would not show any improvement could affect demand for the company's products. The company works closely with universities and engages in active dialogue with the major testing bodies around the world to ensure that the dialogue is conducted as accurately as possible.</p>

**BUSINESS AND ENVIRONMENT-RELATED RISKS**

	<b>Risk</b>	<b>Management</b>
<b>Production-related quality problems</b>	 <p>Production and assembly of the company's products largely takes place in China. As the company launches more products and they are implemented in more helmet models, there is an increased risk that production will be carried out with materials of the wrong quality, or with lower production quality. More models and solutions also entails an increase in complexity during installation.</p>	 <p>MIPS actively works with quality assurance procedures and documentation. The company's quality assurance procedures are regularly updated and monitored. Frequent, proactive quality controls are carried out at factories that manufacture or install MIPS products and the outcome is monitored and documented.</p>
<b>Management of business secrets and intellectual property</b>	 <p>Loss, improper handling or dissemination of information related to product development or solutions where the patent application has not yet been filed could have a negative impact on the company's future operations.</p>	 <p>The company actively works to ensure correct handling of confidential information and has a policy of not sharing information before patent applications have been granted. The company also has a confidentiality policy in conjunction with development and customer projects.</p>
<b>The ability of the company to attract and retain the right skills</b>	 <p>MIPS is a company that is dependent on the right skills to be able to continue to grow and to develop new products. MIPS is active in a field in which there is limited knowledge and it is paramount for the company to find the right talent in order to continue to grow in line with the company's strategy.</p>	 <p>As the company grows and with it, the number of employees, dependence on individual employees will decrease. The company also actively works with skills and development plans for current staff to ensure that they can grow together with MIPS. The company also works on documentation and process control for key processes to limit the impact of the loss of employees.</p>

## LEGAL RISKS AND PRODUCT LIABILITY-RELATED RISKS

	Risk	Management
<b>The ability to defend the company's patents</b>	 <p>The company's success is largely dependent on its ability to defend patents, since the company's products are based on its own helmet safety patents. If the company should not have the ability or capacity to defend its patents, it could have a significant impact on the company's operations.</p>	 <p>The company now has in-house intellectual property expertise and also uses several different legal advisers to ensure that the right expertise is always available. The company is also working on a patent strategy to ensure that its products and patents are protected against infringement in all relevant markets.</p>
<b>Product liability and legal risks</b>	<p>Since the company's products are integrated into products sold to consumers, there is a risk of, direct or indirect, damages or lawsuits based on alleged defects or deficiencies in the function of MIPS' technology. There is also a risk that marketing of MIPS technology by local sales personnel fails to comply with the company's directives and agreements, and claims for damages based on incorrect marketing claims could arise.</p>	<p>The company has comprehensive insurance coverage to deal with any financial risks. The company also works closely with legal specialists, especially in the US market, where the risk of legal disputes and claims for damages is considered to be greatest. The company has an extensive training program for customers who sell MIPS technology in how to properly market MIPS technology to minimize the risk of any legal disputes.</p>

## FINANCIAL RISKS

	Risk	Management
<b>Dependent on trends relating to foreign currency</b>	 <p>Currency fluctuations affect MIPS' earnings since sales of the company's products are denominated in foreign currency, primarily USD and CNY (transaction exposure). There is also an impact when translating the Chinese subsidiary's balance sheet and income statement to SEK from the subsidiary's functional currency CNY (translation exposure). In addition to SEK, USD and CNY, MIPS is also exposed to some extent to EUR, GBP and CAD.</p>	 <p>To limit the short-term impact of currency risk, the company aims to hedge 50 percent of forecast sales in USD. The company sells and purchases its components primarily in CNY, which largely limits exposure to CNY. The company's customer contracts in CNY are linked to the USD, which means that exposure to USD remains. Fluctuations in currencies in which the company has sales may have a significant impact. For a more detailed description of the impact from foreign currencies, see Note 19.</p>

## DIRECTORS' REPORT

The Board of Directors and the Chief Executive Officer of MIPS AB, Company reg. no. 556609-0162, hereby issue the annual report for the Group and the parent company for 2019.

### General information

MIPS is the market leader in helmet solutions designed to protect against harmful rotational motion transferred to the brain from angled impacts to the head. The patented MIPS Brain Protection System (BPS) can be integrated in a variety of different types of helmets for both consumers (e.g. bicycle, moto, equestrian as well as skiing and team sports) and professional users (e.g. military, police, search and rescue).

MIPS employs an "ingredient brand" business model, which means that the company sells its products and licenses its technology to other companies that manufacture, market and sell helmets to end-users. As an ingredient brand, MIPS does not sell or market its own helmets and therefore does not sell its products to end consumers. Several world-leading helmet brands have launched helmets with MIPS BPS and market them to end-customers on a global basis.

The company's technology and patents are based on more than 20 years of research and development at the Royal Institute of Technology and the Karolinska Institute in Sweden, as well as on its own research and development. Several scientific articles validating the company's technology have been published and more than 27,000 helmet tests have been carried out. A number of third-party tests have also been conducted that have confirmed the efficacy of MIPS BPS.

### Key events during the fiscal year

On 2 January 2019 MIPS AB (publ) moved up from the Small Cap to the Mid Cap list on Nasdaq Stockholm.

The company continued to expand its operations by increasing penetration of helmet models among existing customers, as well as by adding new customers that have launched helmets with MIPS BPS during the year. During the year MIPS also launched a helmet with MIPS

BPS in the strategically important safety helmet category.

The company completed two acquisitions during the year. Patent rights and related intellectual property rights associated with the Fluid technology were acquired from Oblique Technology L.P. and the University of Ottawa in Canada in May. Patent rights and related intellectual property rights for the GlideWear technology were acquired from Tamarack Habilitation Technologies Inc in June. The acquisition of patent rights expands and broadens MIPS' patent portfolio, while improving opportunities to protect current patent families.

The company continued to develop new solutions during the year that will allow its products to work at different price points. The company also continued to strengthen the organization, primarily in marketing and sales.

### Financial performance: Group operations, earnings and financial position\*

#### Net sales and profit/loss

Net sales for full-year 2019 amounted to SEK 267.9m (192.5), up 39 percent. Adjusted for currency effects, the increase was 29 percent. The increase was primarily due to higher demand from current customers, with growth mainly in the Sport and Moto categories. Gross profit rose 40 percent to SEK 198.4m (142.2). Gross margin increased by 0.2 percentage points to 74.1 percent (73.9). The change in gross margin can mainly be attributed to the change in the sales mix.

Operating profit rose to SEK 108.0m (73.0), corresponding to an operating margin of 40.3 percent (37.9). Items affecting comparability had a negative impact of SEK 2.5m (0.0) on profit during the period. Adjusted operating profit was therefore SEK 110.5m (73.0) and adjusted operating margin 41.2 percent (37.9). The improvement in adjusted operating profit is mainly attributable to higher sales and positive effects of currency fluctuations, offset in part by expenses to strengthen the organization, currency derivatives, and increased marketing initiatives.

\* For definitions and alternative performance measures, see pages 95-96.

Selling expenses totaled SEK 35.1m (26.1), where the increase was largely attributable to increased marketing efforts and strengthening of the organization. Administrative expenses during the period totaled SEK 30.6m (27.6), where the increase was largely the result of strengthening the organization, offset in part by lower legal expenses during the period of SEK 0.3m (4.8). Research and development expenses increased to SEK 15.1m (12.1), which was the result of product development initiatives. Other operating expenses increased to SEK 9.7m (3.4), mainly due to the negative impact of currency derivatives.

Reported tax for the period was SEK -23.5m (-16.4), corresponding with an effective tax rate of 22 percent (23).

### Liquidity and financial position

On 31 December 2019, the Group's total assets amounted to SEK 342.6m (319.4). Current investments of SEK 145.7m (205.7) are invested in their entirety in interest-bearing funds. The equity ratio was 87.0 percent (86.3). Cash and cash equivalents, including current investments, totaled SEK 191.6m (242.5) on 31 December 2019.

During the year the company saw an increase in accounts receivable to SEK 81.8m (54.4), related to the increase in net sales. The carrying amounts of assets and liabilities are considered to correspond to their fair values in all material respects. To reduce the Group's short-term currency exposure, certain currency derivatives have been entered into with a bank. The derivative is measured at fair value and amounted to a financial liability of SEK -1.6m (-3.2) on 31 December 2019. Hedge accounting is applied, according to which the unrealized change in fair value for the derivatives is primarily recognized in Other comprehensive income.

### Cash flow and investments

During the year investments amounted to SEK 48.8 m (6.6), including intangible assets of SEK 47.7m (4.5), mainly attributable to the company's acquisition of patent portfolios and other intellectual property rights associated with the technologies for Fluid and Glide-Wear. Investments in property, plant and equipment totaled SEK 0.9m (2.2).

As of 31 December 2019 the Group had no significant obligations related to investments.

### Shares and share capital

The share capital of MIPS AB amounts to SEK 2,529,987 as of 31 December 2019. The number of shares outstanding amounted to 25,299,870 as of 31 December 2019. All shares are ordinary shares and carry equal voting rights. The shares have a quotient value of SEK 0.10.

### Research and development

Research and development is one of the cornerstones of the company's commercial success. MIPS believes the company has market-leading expertise in development and processes in its technology and product area. The company aims to create an innovative company culture that promotes knowledge growth within the organization to inspire employees to develop new solutions and/or concepts, based on an established and structured development method. Current and planned R&D at the company include innovation projects for products, such as development of better materials and components, as well as for processes, such as current development of more efficient testing and production processes. During the year, the company increased product development initiatives and strengthened the organization. A total of two new product solutions were launched. Research and development expenses in 2019 were SEK 15.1m (12.1). The company did not capitalize development costs in 2019. The company expects to increase its investments in research and development during the coming year.

### Information about risks and uncertainties

As a company, MIPS is exposed to both operational and financial risks.

The main operational risks for the Group and the company are:

- The risk that end-users will prefer to use products without MIPS' rotational protection or products that they consider to be more suitable and that MIPS, as a result, will not be able to implement its strategy of continued expansion and increased volumes, which may adversely affect the company's business, earnings and/or financial position.

- Since the company's products are integrated into products sold to consumers, there is a risk of, direct or indirect, damages or lawsuits based on alleged defects or deficiencies in the function of MIPS' technology. There is also a risk that marketing of MIPS technology by local sales personnel fails to comply with the company's directives and agreements, and claims for damages based on incorrect marketing claims could arise.
- The risk that the measures taken by MIPS to protect the company's intellectual property are inadequate, or that the company's measures to protect business secrets and confidential information are insufficient to prevent others from obtaining such information, which could adversely affect the company's business, earnings and/or financial position.
- The risk of the loss of one or more key customers, or that a key customer significantly reduces business with MIPS, could result in a substantial reduction of the company's sales and earnings, which could adversely affect the company's business, earnings and/or financial position.
- The risk that operations conducted by MIPS and its customers in China could be adversely affected by local conditions such as legal and regulatory changes, compliance with local legal requirements and standards, difficulties in claiming and defending intellectual property rights, know-how and business secrets, shutdowns and strikes, political unrest and economic instability, etc., which could make MIPS' business in China undesirable or impossible to carry out, and/or adversely affect MIPS and the company's brand recognition, which could adversely affect the company's business, earnings and/or financial position.
- The risk that MIPS' solutions could be subject to public criticism, or to tests that apparently void them, or that MIPS' reputation or general corporate profile could be harmed, and that this could cause the company to lose business and growth opportunities, which could adversely affect the company's business, earnings and/or financial position.

**The company's primary financial risks are:**

- The risk that MIPS' counterparties are unable to fulfill their financial obligations to the company, or fulfill them

with significant delay, which would mean that MIPS would not receive payment or that payment would be delayed for products that the company delivered to its customers, which could adversely affect the company's business, earnings and/or financial position.

- The risk that currency fluctuations in the company's reporting currency, which is SEK, and in foreign currencies used in transactions with suppliers and customers outside Sweden (primarily USD), could adversely affect the company's income statement, balance sheet and cash flow, as well as the company's competitiveness or customer demand, which could result in a reduction of MIPS' market share and adversely affect the company's business, earnings and/or financial position.

For information about risks and risk management at MIPS, see pages 38–43. For more information about the company's financial risks, see Note 19.

**Information on non-financial performance indicators**

At year-end, the Group had 50 (36) employees. The average number of employees during the year was 43 (35), of which 28 percent (26) were women. The organization continued to be strengthened primarily in sales and marketing, as well as research and development, to cope with the increase in sales and to develop new products and solutions. The organization also expanded in production monitoring with two people in China.

The company has a code of conduct and actively follows an ethically, socially and environmentally responsible business strategy, working to ensure that its products are innovative while providing a safe and healthy work environment.

The company does not engage in any operations that require a permit or notification under the Swedish Environmental Code.

**The board of directors' proposal for guidelines for remuneration to executive managers**

These guidelines cover the senior executives at MIPS AB ("MIPS" or the "company"), currently including the CEO, Chief Financial Officer, Head of Operations, Chief Science Officer, Chief Marketing Officer, Head of Sales

and Head of Product Development of the company. The guidelines are applicable to remuneration that will be agreed, and amendments to remuneration already agreed, after the adoption of the guidelines by the 2020 Annual General Meeting. These guidelines do not apply to any remuneration resolved or approved by the General Meeting.

**The guidelines' promotion of the company's business strategy, long-term interests and sustainability**

Briefly, the company's business strategy is as follows.

MIPS operates as an ingredient brand with a solution designed to improve helmet safety by reducing rotational motion that can arise in the event of an angled impact to the head. The company's long-term strategy is based on three main helmet categories comprising Sports, Moto and Safety, which together represent a focus market of more than 130 million helmets. As part of the company's business strategy the following long-term (2025) financial targets have been set:

- Net sales > SEK 1 billion
- Operating margin > 40%
- Dividend >50% of annual net earnings

For more information about the company's business strategy, see <https://mipscorp.com/en/about-us/business-model-and-strategy/>.

The company's position as a world-leading actor in its field is largely a result of the innovation, know-how and ability to get things done of a number of individuals affiliated with MIPS. In order to continue to successfully implement the company's business strategy and to safeguard the company's long-term interests, including its sustainability, the company must be able to recruit and retain qualified employees. Consequently, the company must be able to offer competitive remuneration, which these guidelines enable.

The company has established long-term share-based incentive programs that are based on warrants and that expire in the spring of 2020. They were approved by the General Meeting and are therefore not covered by these guidelines. The outcome of the programs has been

linked to the company's share price development since the initial public offering in March 2017. In addition, the programs impose requirements on personal investment and multiyear share retention. For more information about these programs, see <https://mipscorp.com/en/corporate-governance/incentive-program/>.

**Types of remuneration, etc.**

The remuneration should be market-based and may comprise the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the General Meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The fixed salary for senior executives shall be adapted to market conditions and be based on competence, responsibility and performance.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 75 percent of the fixed annual cash salary of the CEO and not more than 50 percent of the fixed annual cash salary for each of the other senior executives.

The variable cash remuneration shall be linked to pre-determined and measurable criteria, which may be financial or non-financial. The criteria may also comprise individually and functionally adapted quantitative or qualitative targets. The criteria must be designed to promote the company's business strategy and long-term interests, including its sustainability, by, for example, being clearly linked to the business strategy or by promoting the senior executive's long-term development. The variable cash remuneration will mainly be dependent on the Group's net sales and operating margin, which is in line with the company's long-term financial goals. In addition, the remainder of the variable remuneration may be paid based on individual and function-specific targets.

The remuneration committee is responsible for the assessment of outcome regarding variable cash remuneration.

neration to the CEO, and the CEO is responsible for the evaluation regarding variable cash remuneration to the other senior executives. With regards to the financial targets, the assessment shall be based on the financial information made public by the company.

The board of directors shall have the possibility, under applicable law or contractual provisions, subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds (claw-back).

For all senior executives, pension benefits, including health insurance (Sw. sjukförsäkring), shall be defined-contribution schemes. Variable cash remuneration shall not qualify for pension benefits. The pension premiums to defined-contribution schemes shall amount to not more than 30 percent of the fixed annual cash salary. Other benefits may include, for example, life insurance, medical insurance (Sw. sjukvårdsförsäkring), and company cars. Such benefits may amount to not more than 10 percent of the fixed annual cash salary.

#### **Termination of employment**

In the event of termination by the company, the period of notice shall be a maximum of twelve months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for two years for the CEO and one year for other senior executives. When termination is made by the senior executive, the notice period may not exceed six months, without any right to severance pay.

Remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for any loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall amount to not more than 60 percent of the fixed cash salary at the time of termination of employment, unless otherwise provided by mandatory collective bargaining agreements, and be paid during the time the non-compete undertaking applies, however not for more than nine months following termination of employment.

#### **Salary and employment conditions for employees**

In the preparation of the board's proposal for these guidelines for remuneration, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to senior executives and remuneration to other employees will be disclosed in the company's remuneration report.

#### **The decision-making process to determine, review and implement the guidelines**

The board has established a remuneration committee. The Committee's tasks include preparing the board's decision to propose guidelines for remuneration to the senior executives. The board shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration to the senior management, the application of the guidelines for remuneration to the senior executives as well as the current remuneration structures and compensation levels in the company. The members of the remuneration committee are independent of the company and the senior management.

The CEO and other members of senior management do not participate in the board's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

#### **Derogation from the guidelines**

The board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the

remuneration committee's tasks include preparing the board's resolutions in remuneration-related matters, which includes any resolutions to derogate from the guidelines.

### Corporate Governance Report

For the Corporate Governance Report, see page 97 and the company's website [www.mipscorp.com](http://www.mipscorp.com).

### Parent company

MIPS AB is the parent company of the Group. The accounts of the parent company are essentially consistent with the accounts of the Group, for which reason the comments for the group largely also apply to the parent company. Net sales for the parent company totaled SEK 203.8m (149.0) for the full year. The result for the period during the same period was SEK 70.5m (52.0). The parent company had cash and cash equivalents, including current investments, totaling SEK 180.6m (240.4) on 31 December 2019.

### Outlook

The company has established itself as a leader in helmet solutions for protection against harmful rotational motion that can be transmitted to the brain from angled impact to the head. Provided that external factors do not significantly change over the next few years, demand for the company's products is expected to be robust.

### Proposed appropriation of profit

Available for disposal at the Annual General Meeting:  
(SEK 000s)

Share premium reserve	204,614
Fair value reserve	-427
Retained earnings	-
Profit for the year	70,483
<b>Total</b>	<b>274,669</b>

The Board of Directors proposes that the available funds of SEK 274,669,000, as of 31 December 2019, be disposed so that SEK 3.00 per share, corresponding to SEK 75,900,000, based on number of shares as of 31 December 2019, will be distributed to shareholders

and the remaining amount of SEK 198,769,000 be carried forward including SEK 199,196,000 to the share premium reserve and SEK -427,000 to the fair value reserve.

Regarding the financial performance and position in general of the Group and the parent company, please refer to the following financial statements with accompanying notes to the accounts.

## CONSOLIDATED INCOME STATEMENT

SEK 000s	Note	2019	2018
Net sales	2	267,873	192,534
Cost of goods sold		-69,427	-50,346
<b>Gross profit</b>		<b>198,445</b>	<b>142,188</b>
Selling expenses		-35,053	-26,099
Administrative expenses		-30,586	-27,595
Research and development expenses		-15,056	-12,145
Other operating income	3	-	15
Other operating expenses	3	-9,737	-3,402
<b>Operating profit/loss</b>	4, 6, 7, 21	<b>108,012</b>	<b>72,962</b>
Financial income		701	287
Financial expenses		-341	-411
<b>Net financial items</b>	8	<b>360</b>	<b>-124</b>
<b>Profit/loss before tax</b>		<b>108,372</b>	<b>72,838</b>
Tax	9	-23,540	-16,440
<b>Profit for the year</b>		<b>84,832</b>	<b>56,398</b>
Earnings per share basic, SEK	10	3.35	2.23
Earnings per share diluted, SEK	10	3.28	2.21

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK 000s	2019	2018
<b>Profit for the year</b>	<b>84,832</b>	<b>56,398</b>
<b>Other comprehensive income</b>		
<b>Items that may subsequently be transferred to profit or loss</b>		
Foreign currency translation	-14	2
Cash flow hedges	1,627	-4,554
Changes in the fair value of cash flow hedges transferred to profit for the year	-747	2,640
Tax on components in other comprehensive income	-188	421
<b>Items that cannot be transferred to profit or loss</b>	-	-
<b>Other comprehensive income for the year</b>	<b>677</b>	<b>-1,491</b>
<b>Comprehensive income for the year</b>	<b>85,510</b>	<b>54,907</b>

## CONSOLIDATED BALANCE SHEET

SEK 000s	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	11	55,900	11,059
Property, plant and equipment	12	3,102	3,728
Right-of-use assets		365	-
Deferred tax assets	9	0	720
Financial assets	13	742	483
<b>Total non-current assets</b>		<b>60,109</b>	<b>15,990</b>
<b>Current assets</b>			
Inventories		1,903	1,845
Accounts receivable	14, 19	81,843	54,411
Prepaid expenses and accrued income	15	6,216	2,790
Other current receivables		952	1,847
Current investments	16, 19	145,745	205,692
Cash and cash equivalents	16, 19	45,819	36,817
<b>Total current assets</b>		<b>282,478</b>	<b>303,403</b>
<b>TOTAL ASSETS</b>	20	<b>342,587</b>	<b>319,393</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	17		
Share capital		2,530	2,530
Other paid in capital		212,252	243,250
Reserves		-445	-1,122
Retained earnings including profit and loss for the period		83,560	30,980
<b>Total equity attributable to Parent Company shareholders</b>		<b>297,897</b>	<b>275,637</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	9	1,526	-
<b>Total non-current liabilities</b>		<b>1,526</b>	<b>-</b>
<b>Current liabilities</b>			
Lease liabilities		168	-
Accounts payable		25,515	20,111
Tax liabilities		1,486	8,216
Other liabilities		5,083	5,799
Accrued expenses and deferred income	18	10,912	9,630
<b>Total current liabilities</b>	20	<b>43,164</b>	<b>43,756</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>342,587</b>	<b>319,393</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2019	Equity attributable to Parent Company shareholders					
	Share capital	Other paid in capital	Reserves		Profit brought forward incl. Net profit/loss	Total equity
Trans-lation reserve			Hedging reserve			
SEK 000s						
<b>Opening equity, 1 January 2019</b>	2,530	243,250	-4	-1,119	30,980	275,637
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	84,832	84,832
Other comprehensive income for the year	-	-	-14	692	-	677
<b>Comprehensive income for the year</b>	-	-	-14	692	84,832	85,510
<b>Transactions with Group shareholders</b>						
Dividends paid	-	-30,998	-	-	-32,252	-63,250
<b>Total transactions with Group shareholders</b>	-	-30,998	-	-	-32,252	-63,250
<b>Closing equity, 31 December 2019</b>	2,530	212,252	-18	-427	83,560	297,897

2018	Equity attributable to Parent Company shareholders					
	Share capital	Other paid in capital	Reserves		Profit brought forward incl. Net profit/loss	Total equity
Trans-lation reserve			Hedging reserve			
SEK 000s						
<b>Opening equity, 1 January 2018</b>	2,530	243,250	-5	374	-25,575	220,574
Amended accounting policy*					156	156
<b>Adjusted equity, 1 January 2018</b>	2,530	243,250	-5	374	-25,419	220,730
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	56,398	56,398
Other comprehensive income for the year	-	-	2	-1,493	-	-1,491
<b>Comprehensive income for the year</b>	-	-	2	-1,493	56,398	54,907
<b>Closing equity, 31 December 2018</b>	2,530	243,250	-3	-1,119	30,980	275,637

\*Amended accounting policy according to IFRS 9 and IFRS 15.

## CONSOLIDATED CASH FLOW STATEMENT

SEK 000s	Note	2019	2018
<b>Operating activities</b>			
Profit/loss before tax		108,372	72,838
Adjustment for non-cash items	24	9,349	3,891
Income taxes paid		-26,600	-
<b>Cash flow from operating activities before changes in working capital</b>		<b>91,122</b>	<b>76,729</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in inventory		-28	-843
Increase (-)/decrease (+) in operating receivables		-31,654	-17,625
Increase (+)/decrease (-) in operating liabilities		3,784	10,821
<b>Cash flow from operating activities</b>		<b>63,224</b>	<b>69,083</b>
<b>Investing activities</b>			
Acquisition of intangible assets		-47,741	-4,507
Acquisition of property, plant and equipment		-910	-2,216
Disposal of property, plant and equipment		2	3
Acquisition of financial fixed assets		-110	-
Sale of financial assets		-	78
<b>Cash flow from investing activities</b>		<b>-48,760</b>	<b>-6,643</b>
<b>Financing activities</b>			
Dividend paid to owners of the parent		-63,250	-
Amortization of lease liabilities		-2,155	-
<b>Cash flow from financing activities</b>		<b>-65,404</b>	<b>-</b>
<b>Cash flow for the year</b>		<b>-50,940</b>	<b>62,440</b>
<b>Cash and cash equivalents at the beginning of the year</b>	16	<b>242,510</b>	<b>179,774</b>
Exchange-rate difference, cash and cash equivalents		-5	296
<b>Cash and cash equivalents at year-end</b>	16	<b>191,564</b>	<b>242,510</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures are in SEK thousand unless stated otherwise.

## NOTE 1 Accounting policies

### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) as endorsed by the EU. In addition, the recommendation RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, has been applied.

The annual report and consolidated financial statements were approved for issuance by the Board of Directors and the Chief Executive Officer on 26 March 2020.

### Valuation methods used in preparing the financial statements

Assets and liabilities are stated on a historical cost basis except for derivatives and current investments, which are stated at their fair value.

### Functional currency and presentation currency

The parent company's functional currency is SEK, which is also the reporting currency of the Group. Accordingly, the financial statements are presented in SEK. All amounts are rounded to the nearest thousand, unless otherwise stated.

### Judgments and estimates in the financial statements

Preparing financial reports according to IFRS requires that management makes judgements and estimates as well as assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual outcomes may differ from these judgements and estimates.

Estimates and assumptions are reviewed periodically. Changes in estimates are recognized in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are further discussed in Note 26.

### Significant accounting policies

Other than the exceptions explained in detail, the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

### Amended accounting policies from 1 January 2019, IFRS 16 Leases

As of 2019, IFRS 16 Leases replaces existing IFRS related to the recognition of lease agreements, such as IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. The Group applies IFRS 16 beginning on 1 January 2019.

IFRS 16 primarily impacts lessees and the core impact is that all leases that were previously recognized as operating leases will be recognized in a manner similar to recognition of finance leases previously. It means that assets and liabilities need to be recognized even for leases that were previously classified as operating leases, with associated recognition of costs for depreciation and interest, in contrast with previously, when there was no recognition of a leased asset and its related liability, and when the lease payments were recognized as an expense on a straight-line basis over the term of the lease.

The company has only been affected as an operating lessee in connection with the introduction of IFRS 16 and is not in any way a lessor. There were no financial leases previously, so there are no effects on such leases. The Group has chosen the simplified transition method to determine the opening balance on the value of the assets through the alternative to put the asset's value equal to the debt, adjusted for accrued amounts that existed just prior to the transition date to IFRS 16. The comparative year has not been restated in accordance with IFRS 16.

The following simplification rules have been used during the transition:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Right-of-use assets and liabilities have not been recognized for leases with a remaining term of 12 months or less after the date of initial recognition (short-term lease).
- Excluded initial direct costs for measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

At the beginning of 2019 the lease liability was SEK 9.7 million, while the right-of-use asset was measured at SEK 9.9 million. The difference between the lease liability and the right-of-use asset comprised prepayments existing immediately prior to the transition date. The effect of the transition on equity was therefore zero. At the transition, lease payments were discounted with a weighted average incremental loan rate of 7 percent. Operating lease commitments as at 31 December 2018 totaled SEK 3 million and consisted largely of rent for office premises. The opening balance of the lease liability was higher than the operating lease commitment because at the transition date, hindsight was

used to determine use of an extension option relating to offices in Täby.

IFRS 16 also affects the statement of cash flows, regarding lease payments which are divided into amortization and interest in IFRS 16. Amortization is recognized in financing activities, which are negatively impacted compared with accounting according to previous principles. At the same time, operating activities increase by the corresponding amount.

See the tables below for the effect of IFRS 16 had on the 2019 financial statements.

<b>Consolidated income statement</b>			
<b>SEK 000s</b>	<b>Jan-Dec 2019</b>	<b>Adjustments transition to IFRS 16</b>	<b>Jan-Dec 2019 excluding adjustments</b>
Net sales	267,873		267,873
Cost of goods sold	-69,427	35*	-69,462
Administrative expenses	-30,586	265**	-30,851
Financial income and expenses	360	-298	658
Tax	-23,540	0	-23,540
<b>Profit/loss for the period</b>	<b>84,832</b>	<b>1</b>	<b>84,831</b>

<b>Consolidated balance sheet</b>			
<b>SEK 000s</b>	<b>31 Dec 2019</b>	<b>Adjustments transition to IFRS 16</b>	<b>Dec 31, 2019 excluding adjustments</b>
Right-of-use assets	365	365	-
Prepaid expenses and accrued income	7,168	-196	7,364
<b>TOTAL ASSETS</b>	<b>342,587</b>	<b>169</b>	<b>342,418</b>
Profit/loss for the period	84,832	1	84,831
Lease liability short-term	168	168	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>342,587</b>	<b>169</b>	<b>342,418</b>

<b>Consolidated cash flow statement</b>			
<b>SEK 000s</b>	<b>Jan-Dec 2019</b>	<b>Adjustments transition to IFRS 16</b>	<b>Jan-Dec 2019 excluding adjustments</b>
Cash flow from operating activities	63,224	2,155	60,793
Cash flow from investing activities	-48,760	-	-48,760
Cash flow from financing activities	-65,404	-2,155	-62,973
<b>Cash flow for the period</b>	<b>-50,940</b>	<b>-</b>	<b>-50,940</b>

\* The amount consists of rent less depreciation of right-of-use asset for premises in China.

\*\* The amount consists of rent less depreciation of right-of-use asset for premises in Sweden.

Other published standards from 2019 have not affected the Group's accounts for 2019.

#### **Policies applied from 1 January 2019, IFRS 16 Leases**

When a contract is entered into, the Group assesses whether the agreement is, or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group reports a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, including initial amount of the liability adjusted for any lease payments at or before the commencement date plus any direct costs. The right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the

asset and the lease term, which normally for the Group is the end of the lease term. In those rare cases when the cost of the right-to-use asset reflects that the Group will exercise an option to purchase the underlying asset, the asset is depreciated until the end of the right-to-use period.

The lease liability, which is divided into a non-current and current component, is initially measured at the present value of the remaining lease payments over the lease term. The lease term is the non-cancellable period with the option for extensions in the contract if it is deemed reasonably certain at the commencement date that these will be exercised.

Since the implicit interest rate in the lease is not normally determinable for the Group's rental agreement, lease payments are discounted with the Group's incremental borrowing rate, which, in addition to the Group's credit risk, reflects the respective lease term, currency and quality of the underlying asset as intended collateral.

The lease liability includes the present value of the following costs during the estimated term of the lease:

- fixed payments, including in-substance fixed payments,
- variable lease payments that are based on an index or an interest rate, initially measured using an index or the interest rate that applied on the commencement date,
- amounts expected to be payable under residual value guarantees,
- the exercise price of a purchase option that the Group is reasonably certain to exercise, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The value of the debt is increased by the interest cost for each period and reduced by the lease payments. Interest expense is calculated as the value of the debt times the discount rate.

The lease liability for the Group's premises with rent that is indexed is calculated on the rent that applies at the end of each reporting period. At this time, the liability is adjusted with the corresponding adjustment of the recognized value of the right-of-use asset. Correspondingly, the value of the debt and the asset is adjusted in connection with reassessment of the lease term. This is done in conjunction with the expiry of the notice period within the previously assessed lease term for leases for premises, or when significant events occur, or circumstances significantly change in a way that is within the Group's control and affects the current assessment of the lease term.

The Group presents right-of-use assets and lease liabilities as separate line items in the statement of financial position. No right-of-use asset or lease liability is recognized for leases that have a term of 12 months or less or with an underlying asset of low value, less than SEK 50,000. Lease payments for

these leases are recognized on a straight-line basis over the term of the lease.

### **Policies applied through 31 December 2018**

#### **Operating leases**

Expenses attributable to operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Benefits received when a lease is signed are recognized in profit or loss as a decrease in lease payments on a straight-line basis over the term of the lease. Variable payments are expensed in the periods during which they arise.

#### **Financial leases**

Minimum lease charges are divided between interest expenses and repayment of the outstanding debt. Interest expenses are distributed over the term of the lease so that each reporting period is charged with an amount corresponding to a fixed interest rate for the debt recognized in the particular period. Variable payments are expensed in the periods during which they arise.

#### **Accounting policies of the Parent Company regarding leases**

The parent company does not apply IFRS 16 in accordance with the exception contained in RFR 2. As a lessee, lease payments are recognized as a cost on a straight-line basis over the lease period, and thus rights of use and lease liabilities are not recognized in the balance sheet.

#### **Classification, etc.**

Non-current assets primarily comprise amounts that are expected to be recovered or settled more than 12 months from the reporting date while current assets primarily comprise amounts that are expected to be recovered or settled within 12 months of the reporting date. Non-current liabilities consist primarily of amounts that the company, as of the reporting period, has an unconditional right to choose to pay more than 12 months after the reporting period. If the Group does not have such a right at the end of the reporting period – or if the liability is held for trading or the liability is expected to be settled within the normal operating cycle – the liability is reported as a current liability.

#### **Operating segment reporting**

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated and assess its performance, and for which discrete financial information is available.

MIPS develops and sells the MIPS BPS comprising a low friction layer with different components that are specially designed for each unique helmet model that the company's customers decide to manufacture using a MIPS solution. The helmets are used by consumers, mainly for use in Bike and Snow. Products were launched in the professional sector, such

as military, firefighters, police, etc., but no major sales have been started in this field. The helmet kit is sold to customers across the world and these customers largely comprise major global helmet manufacturers. The Group's operations are integrated and comprise one operating segment. This is also the basis of the Group's management structure and the internal reporting that is controlled by the Group's CEO, who has been identified as the chief operating decision maker.

The Group has determined that there is only one operating segment, based on the following assumptions:

- The chief executive decision-maker makes decisions based on the financial results for the Group as a whole.
- The current operations solely comprise sales of the component kit included in consumer products and more detailed specification of the operations would not increase transparency or improve governance.

#### **Consolidation policies and business combinations**

Subsidiaries are companies that over which MIPS AB has a controlling influence. A controlling influence exists when MIPS has power over the investee, is exposed to or has rights to variable returns from its involvement and has the ability to use its power over the investee to affect the amount of the investor's returns. Shares that potentially carry voting rights and any de facto control are taken into account in assessing the existence of a controlling influence.

Subsidiaries are consolidated in accordance with the purchase method. This method entails that the acquisition of a subsidiary is considered to be a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value of the acquired identifiable assets and assumed liabilities, as well as any non-controlling interests, on the acquisition date. Transaction costs that arise, except for transaction costs attributable to the issue of equity instruments or debt instruments, are recognized directly in profit or loss.

For business combinations in which the consideration transferred, any non-controlling interests and the fair value of previously held equity interests (for step acquisitions) exceed the fair value of separately recognized acquired assets and assumed liabilities, the difference is recognized as goodwill. When the difference is negative, known as a bargain acquisition, this is recognized directly in profit or loss.

Consideration transferred in conjunction with the acquisition does not include payments pertaining to settlement of previous business relationships. This type of settlement is usually recognized in profit or loss.

Contingent consideration is measured at fair value on the acquisition date. If the contingent consideration is classified as an equity instrument, no revaluation or settlement is made in equity. Other contingent consideration is remeasured at each reporting date and the change recognized in profit or loss.

#### **Transactions eliminated on consolidation**

Intra-Group receivables and liabilities, income and expenses, and unrealized gains or losses arising from intra-Group transactions between Group companies are eliminated in their entirety when the consolidated financial statements are prepared.

Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that no impairment requirement exists.

#### **Foreign subsidiaries' financial statements**

Assets and liabilities in foreign operations are translated from the functional currency of the foreign operation using the exchange rate prevailing on the balance-sheet date. Revenues and expenses of foreign operations are translated to SEK at average rates that approximate the foreign exchange rates prevailing at each of the transaction dates. Translation differences arising from the translation of foreign operations are recognized in other comprehensive income and are accumulated in a separate component of equity, a translation reserve.

#### **Revenue**

Revenue is recognized when the customer has control over the goods or services. For implementation services, the customer gains control already in connection with the execution of the service. Revenues from such agreements are recognized as the services are provided over time since the customer receives and consumes the services that the Group provides.

Revenue is not recognized if it is probable that the economic benefits will not flow to the Group. If there is significant uncertainty concerning payment, associated costs or risk of returns and if the seller retains a commitment in the ongoing management usually associated with the ownership, no revenue is recognized. Revenue is recognized at the fair value of the consideration received, or the consideration which is expected to be received, less discounts. The Group's revenues primarily consist of sales related to components implemented in helmets including a license fee (component kit) and, to a smaller part, sales of services in connection with the production of the components (implementation), see Note 2.

#### **Operating expenses**

Operating expenses are recognized in their respective functions as below.

#### **Cost of goods sold**

Cost of goods sold corresponds to direct and indirect costs related to sold units, and the directly attributable costs for production of the input product, including goods for resale, consumables and subcontracted work. Cost of goods sold also includes costs related to personnel and contracted consultants, premises and depreciation of non-current assets in the production process.

**Selling expenses**

Selling expenses comprise expenses incurred in sales and marketing activities including customer-specific product development. Selling expenses also include costs for employees and contracted consultants who work with sales and marketing, depreciation and amortization, travel, and marketing and PR related activities.

**Administrative expenses**

Administrative expenses comprise expenses that are not directly assignable to sales, production or sourcing. These costs include the CEO, finance function, IT, premises, legal affairs, and depreciations of assets that are not attributable to sales, production or sourcing.

**Research and development expenses**

Research and development expenses include costs for research and development of products that are not capitalizable. Costs mainly relate to personnel, but also depreciation of test equipment, consultants and consumables.

**Financial income and expenses**

Financial income comprises interest income and gains on current investments.

Financial expenses comprise interest expense on interest-bearing liabilities and impairment on current investments. Borrowing costs are recognized in profit or loss by applying the effective interest method.

Exchange gains and losses are recognized net.

The effective interest rate is the rate that discounts estimated future payments and receipts throughout the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation includes transaction costs as part of the effective interest rate.

**Taxes**

Income tax comprises current tax and deferred tax. Income tax is recognized in profit or loss, except when the underlying transaction is recognized in other comprehensive income or in equity in which case the associated tax effect is recognized directly in other comprehensive income or equity.

Current tax is tax that will be paid or received for the current year, applying the tax rates enacted or substantially enacted on the balance sheet date. Current tax also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated using the balance sheet method, based on temporary differences between recognized and tax-based values of assets and liabilities. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and tax rules enacted or decided in practice on the balance-sheet date.

Deferred tax assets related to deductible temporary differences and tax loss carryforwards are only recognized to the extent it is likely they will be able to be utilized. The value of deferred tax assets is reduced when it is no longer probable that they can be utilized.

**Earnings per share**

Calculation of earnings per share is based on consolidated profit for the year attributable to parent company shareholders and on the weighted average number of shares outstanding during the year. In calculating diluted earnings per share, diluted earnings and the average number of shares are adjusted to take into account the effects of potentially dilutive ordinary shares, which during the reported periods derive from options issued to employees. Dilution from these options is based on a calculation of the number of shares that hypothetically could have been purchased during the period at the exercise price and value of the remaining services in accordance with IFRS 2 *Share-based Payment*. The shares that could not have been purchased lead to dilution. Consideration is also given to the number of options that could have been vested as per the end of the period if the vesting conditions at the end of the vesting period had been met to the same extent as at the end of the period in question. In addition, options are only deemed to be dilutive during periods when they lead to lower profit or greater loss per share. In other words, they are not included in periods in which negative earnings are generated.

**Financial instruments**

Financial instruments recognized in the statement of financial position primarily include, on the assets side, accounts receivable, other receivables (derivatives), current investments and cash and cash equivalents, and, on the liabilities side, accounts payable, interest-bearing liabilities and accrued expenses.

**Recognition and derecognition from the statement of financial position**

A financial asset or financial liability is recognized in the statement of financial position when the company becomes party to this in accordance with the instrument's contractual conditions. A receivable is recognized when the company has performed and there is a contractual obligation for the other contracting party to pay, even if an invoice has not yet been issued. Accounts receivable are recognized in the statement of financial position when an invoice has been sent. A liability is recognized when the counterparty has performed and a contractual obligation for the company to pay exists, even if an invoice has not yet been received. Accounts payable are recognized when an invoice has been received.

A financial asset is derecognized from the statement of financial position when the rights in the contract are realized, expire or the company loses control of them. A financial liability is derecognized from the statement of financial position when the obligation in the contract is met or extinguished in another manner.

A financial asset and a financial liability are offset and recognized at a net amount in the statement of financial position only when a legal right exists to offset the amounts and the intention is present to settle the item in a net amount or simultaneously realize the asset and settle the liability.

Acquisitions and divestments of financial assets are recognized on the date of transaction. The date of transaction is the date on which the company undertakes to acquire or divest the asset.

Upon initial recognition a financial asset or financial liability is measured at fair value. In the case of financial instruments not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue are included. Customer receivables without a significant financing component are measured at the transaction price.

#### Classification and subsequent measurement – financial assets

Upon initial recognition a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income – debt instrument investment; at fair value through other comprehensive income – equity investment; or at fair value through profit or loss

Debt instruments are measured at amortized cost if they are classified according to the business model to receive interest and capital as expected, rather than realization through a sale, and if cash flows are only payments of interest and capital. This is the case for the Groups receivables, other assets (including long-term deposits) and cash and cash equivalents. None of the Group's financial assets are classified in either of the two categories for fair value through other comprehensive income.

All financial assets held for trading or not classified as measured at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss, which includes holdings of debt instruments measured at fair value. The Group's current investments of surplus liquidity in fixed income funds. To the extent that hedge accounting is not used for derivative holdings, they should be measured at fair value through profit and loss. However, the Group's derivatives holdings are recognized within the framework for hedge accounting, see the policies below.

Financial assets measured at fair value through profit or loss: Subsequent measurement of these assets is done at fair value. Net gains and losses, including all interest and dividend income, is recognized in profit or loss (net financial items). However, see Note 19 for derivatives identified as hedge instruments.

Financial liabilities measured at amortized cost: Subsequent measurement of these assets is done at amortized cost using the effective interest method. The amortized cost is reduced by impairment for expected credit losses. Interest income, foreign exchange gains and losses and impairment are recog-

nized in profit or loss. Gains and losses that arise from derecognition are recognized in profit or loss.

Cash and cash equivalents comprise cash funds and immediately available balances at banks and equivalent institutions, as well as current liquid investments with a maturity of less than three months from the acquisition date and that are exposed to only a minor risk of value fluctuations.

#### Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets that are not derivatives, that have fixed or fixable payments and that are not traded on any active market. These assets are measured at amortized cost. Amortized cost is determined based on the effective interest rate calculated on the acquisition date. Accounts receivable are recognized at the amounts expected to be received, that is, after deductions for doubtful receivables.

#### Financial assets measured at fair value through profit or loss

This category consists of other financial assets that the company initially chose to place in this category. Financial instruments are measured on a current basis at fair value, with changes in value recognized in profit or loss. The financial instruments in this category comprise current investments in shares in fixed income funds that are measured based on fair value in accordance with the Group's financial policy (to avoid negative interest rates on bank accounts).

#### Financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are measured at amortized cost.

#### Derivatives and hedge accounting

Derivatives are initially recognized at fair value, meaning that transaction costs are charged to profit or loss for the period. After initial recognition, derivatives are measured at fair value and changes in value are recognized as described below. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge instrument, and if so, the nature of the item hedged. Changes in fair value for derivatives that do not fulfill the criteria for hedge accounting are recognized as operating or financial items, based on the purpose of the use of the derivative. Cash flow hedges: Changes in the fair value of the hedging instrument related to the effective portion of the hedge are recognized in other comprehensive income and accumulated in equity. Gains or losses relating to the ineffective part of the hedge are recognized immediately in profit or loss. The amount recognized in equity through other comprehensive income is reversed to profit or loss in the same period in which the hedged item affects profit or loss. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amount previously recognized in other comprehensive income and accumulated in equity is transferred from equity and included in the initial measurement of the cost of the non-financial asset or liabil-

ity. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. The Group uses foreign currency forwards to hedge part of the future cash flows from forecasted transactions in foreign currencies.

#### Transactions denominated in foreign currencies

Transactions in foreign currency are translated to the functional currency at the exchange rate on the transaction date. Functional currency is the currency of the primary economic environment in which the entity operates. Monetary assets and liabilities in foreign currency are translated into the functional currency using the exchange rate prevailing on the balance sheet date. Exchange-rate differences arising on translation are recognized in profit or loss.

Exchange-rate fluctuations regarding operating receivables and liabilities are recognized in operating profit, while exchange rate fluctuations regarding financial assets and liabilities are recognized in net financial items.

#### Intangible assets

Expenditure for research aimed at obtaining new scientific or technological know-how is recognized as a cost when it arises.

Expenditure for development, for which research results or other expertise is applied to achieve new or improved products or processes, is recognized as an asset in the statement of financial position if the product is technically and commercially usable and the company has sufficient resources to complete development and thereafter use or sell the intangible asset. The carrying amount includes all directly attributable expenditure, such as registration of legal rights and amortization of patents and licenses. Other expenditure for development is recognized as an expense when it arises. Expenditure for development is recognized in the statement of financial position at cost, less accumulated amortization and any impairment.

Accrued expenses for internally generated goodwill and internally generated brands are recognized in profit or loss when the cost arises.

Amortization is recognized on a straight-line basis in profit or loss over the estimated useful life of the intangible asset, unless the useful life is indefinite. Useful lives are reviewed at least once a year. Intangible assets that are not yet ready for use are tested for impairment annually and also as soon as there is an indication that the asset in question has declined in value. Intangible assets with determinable useful lives are amortized as from the date the asset is available for use. The estimated useful lives are as follows:

- Patents and brand protection 10–20 years

#### Property, plant and equipment

Property, plant, and equipment are recognized in the Group at cost less accumulated depreciation and any impairment

losses. Cost includes the purchase price as well as expenses directly attributable to put the asset in place and in condition to be utilized in accordance with the purpose of the acquisition. Borrowing costs that are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to complete for their intended use or sale are included in the cost. Accounting policies relating to impairment are explained below.

Assets are depreciated on a straight-line basis over the estimated useful life of the asset. Leased assets are also depreciated over their estimated useful lives or, if this is shorter, over the agreed lease term. The Group applies component depreciation, whereby the estimate useful lives of the components form the basis of depreciation.

Estimated useful lives:

- Computers and software 3 years
- Plant and machinery 5 years
- Equipment, tools, fixtures and fittings 5 years

#### Impairment of property, plant and equipment and intangible assets

The Group's recognized assets are assessed on every balance sheet date to determine whether any impairment is required.

If there is an indication of impairment, the recoverable amount of the asset is calculated (see below). The recoverable amount of intangible assets that are not yet finished for use are also calculated annually. If it is not possible to determine essentially independent cash flows for an individual asset and its fair value less selling expenses cannot be used, for impairment testing the assets are to be grouped at the lowest level at which it is possible to identify essentially independent cash flows – this is referred to as a cash-generating unit.

Impairment is recognized when the carrying amount of an asset or cash-generating unit (group of units) exceeds the recoverable amount. Impairment is recognized as an expense in profit or loss.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In the calculation of the value in use, the future cash flows are discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset.

Impairment on assets included in the scope of IAS 36 are reversed if there is an indication that the impairment requirement no longer exists and a change has been made to the assumption that formed the basis of the calculation of the recoverable amount. A reversal is only performed to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognized, less any depreciation/amortization if applicable, if no impairment had been carried out.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is calculated by applying the “first-in, first-out” (FIFO) method and includes expenditures arising during the acquisition of the inventory assets and transportation thereof to their current location and state.

**Employee remuneration****Current remuneration**

Current remuneration of employees is calculated without discount and recognized as an expense when the related services are received.

A provision is recognized for the anticipated cost of bonus payments and when the Group has a valid legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

An outstanding warrant program that will be regulated by shares was issued to individuals in senior management and other key individuals for consideration amounting to the fair value of the warrants. Because program participants paid fair value, no benefit was incurred and no cost is reported for the warrant program. Remuneration received has been recognized directly in equity.

**Defined-contribution pension plans**

Pension plans in which the company’s commitments are limited to the contributions that the company has undertaken to pay are classified as defined-contribution pension plans. In such cases, the amount of the employee’s pension depends on the contributions that the company pays to the plan or to an insurance company and the return generated by the contribution. Consequently, it is the employee who bears the actuarial risk (that remuneration can be lower than expected) and the investment risk (that the invested assets will be insufficient for the expected remuneration). The company’s obligations regarding contributions to defined-contribution plans are recognized as an expense in profit or loss at the rate at which they are earned by employees performing services for the company during a period.

**Defined-benefit pension plans**

Defined-benefit plans are post-employment remuneration plans other than defined-contribution plans. The Group has no defined-benefit plans.

**Remuneration for termination of employment**

A cost for remuneration in connection with termination of employment of personnel is recognized at the earliest point in time at which the company can no longer withdraw the offer to the employees or when the company recognizes expenses for restructuring. Remuneration expected to be paid after 12 months is recognized at its present value. Remuneration not expected to be fully paid within 12 months is recognized in accordance with long-term remuneration.

**Provisions**

A provision differs from other liabilities since there is uncertainty regarding the date of payment and the amount for settling the provision. A provision is recognized in the statement of financial position when there is an existing legal or informal obligation as a result of an event that has occurred and it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are established at the amount corresponding to the best estimate of the amount required to settle the existing obligation on the balance sheet date. Where the effect of when a payment is made is significant, provisions are calculated by discounting the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks related to the liability.

**Contingent liabilities**

Disclosures regarding contingent liabilities are recognized when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or more uncertain future events outside the Group’s control or when there is a commitment that is not recognized as a liability or provision because it is not probable that an outflow of resources will be required or cannot be reliably calculated.

**NOTE 2 Distribution of revenue**

The company's revenue primarily comprises sales of kit components for helmet manufacturers. Implementation is attributable to the development of customized MIPS BPS solutions for a specific customer and model.

Revenue by nature	2019	2018
Sales of goods (component kits)	257,291	184,417
Sales of services (implementation)	10,582	8,117
<b>Total</b>	<b>267,873</b>	<b>192,534</b>

Sales of goods correspond to revenue reported at time of delivery, sales of services correspond to revenue reported over time.

The company's revenue is concentrated to customers in North America and Europe. The substantial increase in sales in North America is due to the large number of helmet manufacturers in this geographic region. Specification by region is based on customers' domicile and not distribution.

Revenue by region	2019	2018
North America	185,131	149,625
Europe	58,108	27,707
Sweden	11,734	7,379
Asia and Australia	12,900	7,822
<b>Total</b>	<b>267,873</b>	<b>192,534</b>

Revenue by customer in the table below is based on customers and sales over 10 percent of the company's net sales for each year. The largest customer accounted for 21 percent (28) of sales in 2019. The five largest customers in 2019 accounted for 55 percent (62) of net sales.

Revenue by customer	2019	2018
Customer 1	57,142	53,023
Customer 2	35,395	17,140
Customer 3	27,071	23,864
Other customers	148,265	98,507
<b>Total</b>	<b>267,873</b>	<b>192,534</b>

**Contract balances**

Revenue recognized during the period ending 31 December 2019 from performance obligations that were satisfied (or partially satisfied) in prior periods amounts to TSEK 880 (1,269). The revenue is expected to fall due within 90 days. There are no contract liabilities.

**NOTE 3 Other operating income and other operating expenses**

Other operating income	2019	2018
Other remuneration	0	15
<b>Total</b>	<b>0</b>	<b>15</b>

Other operating expenses	2019	2018
Loss on disposal of non-current assets	-	-1
Exchange rate loss on operations	-9,737	-3,401
<b>Total</b>	<b>-9,737</b>	<b>-3,402</b>

**NOTE 4 Employees, personnel expenses and remuneration of senior executives**

Costs for employee remuneration	2019	2018
Salaries and remuneration	29,889	23,345
- of which the parent company	27,284	21,526
Pension costs, defined-contribution plans	3,927	3,134
- of which the parent company	3,927	3,134
Social security contributions	8,688	7,067
- of which the parent company	8,278	6,447
<b>Total</b>	<b>42,503</b>	<b>33,546</b>
<b>- of which the parent company</b>	<b>39,489</b>	<b>31,107</b>

Average number of employees	2019	men, %	2018	men, %
<b>Parent company</b>				
Sweden	31	72	26	75
<b>Total parent company</b>	<b>31</b>	<b>72</b>	<b>26</b>	<b>75</b>
<b>Subsidiaries</b>				
Sweden	-	-	-	-
China	11	74	9	71
<b>Total subsidiaries</b>	<b>11</b>	<b>74</b>	<b>9</b>	<b>71</b>
<b>Group, total</b>	<b>43</b>	<b>72</b>	<b>35</b>	<b>74</b>

Gender distribution in executive management (% men)	31 Dec 2019	31 Dec 2018
Board of Directors	67	80
Other senior executives	83	69

Salaries and other remuneration distributed among senior executives and other employees	2019		2018	
	Salaries and remuneration	Social security contributions	Salaries and remuneration	Social security contributions
Senior executives	9,942	3,615	9,905	5,275
- of which variable remuneration	1,293	406	1,306	410
- of which pension costs	-	2,025	-	2,163
Other employees	19,947	9,000	13,440	4,926
- of which variable remuneration	469	147	993	291
- of which pension costs	-	1,902	-	971
<b>Total</b>	<b>29,889</b>	<b>12,615</b>	<b>23,345</b>	<b>10,201</b>

**Benefits to senior executives****Principles for remuneration**

Board fees are resolved by the Annual General Meeting. The Chairman is tasked by the Board to reach an agreement with the Chief Executive Officer on salary and other benefits. Remuneration to senior executives who report directly to the CEO is decided by the CEO after salary consultation with the remuneration committee and the Chairman of the Board. The main principle is to offer senior executives market-based remuneration and employment agreement. Actual remuneration levels are based on such factors as skills, experience and performance. Remuneration of senior executives comprises basic salary, variable salary, pension benefits in the form of payment of defined-contribution pension premiums, other benefits and a long-term incentive program in the form of a share option program.

**Remuneration and benefits**

For the parent company, Board fees totaled the amounts presented in the table on the following page. Costs were distributed over the mandate period. In addition to this remuneration and these benefits, consultancy fees for services rendered were paid to a Board member who is now retired. No other remuneration, apart from out-of-pocket expenses, was paid to the Board. Apart from the exceptions stated above, these amounts relate to the fee decided by the AGM excluding social security contributions.

Remuneration to CEO Max Strandwitz is shown in the table. Variable remuneration is linked to performance during the year and may not exceed 75 percent of base salary. Variable salary for 2019 was primarily based on the Group's sales and operating profit, cost targets and individual targets. The CEO has six months of mutual notice of termination as well as six months of severance pay in the event of termination by the employer.

Other senior executives (Executive Management) are remunerated in accordance with the table. Variable salary for other senior executives was primarily based on the Group's sales and operating profit, cost targets and individual targets. Variable salary is awarded on an individual basis and for 2019 could not exceed 50 percent of base salary. The period of notice for other senior executives varies, but may not exceed six months. Senior executives are not entitled to severance pay. At the end of the fiscal year Executive Management had 7 members (7). Senior executives at year-end comprised the CEO, Chief Financial Officer, Head of Product Development, Head of Sales, Head of Operations, Chief Science Officer and Chief Marketing Officer.

The company's outstanding pension obligations to the Board of Directors and CEO total 0 (0).

**Share-based remuneration**

For information regarding share-based remuneration, see Note 5.

Salaries and other remuneration of the Board and senior executives 2019	Basic salary Board fee	Variable remuneration	Share-based remuneration	Pension costs	Other*** remuneration	2019 Total
Magnus Welander (Chairman)	360	-	-	-	-	360
Pär Arvidsson	282	-	-	-	-	282
Jonas Rahmn	205	-	-	-	-	205
Jenny Rosberg	230	-	-	-	-	230
Pernilla Wiberg	192	-	-	-	-	192
Departing Board members (2)	370	-	-	-	447	817
<b>Total, Board</b>	<b>1,638</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>447</b>	<b>2,085</b>
Max Strandwitz (CEO)*	2,479	871	-	636	-	3,986
Johan Thiel (former CEO)**	1,903	-	-	412	-	2,314
Group management (6 individuals)	4,267	422	-	977	-	5,666
<b>Total senior executives</b>	<b>8,649</b>	<b>1,293</b>	<b>-</b>	<b>2,025</b>	<b>-</b>	<b>11,967</b>
<b>Total</b>	<b>10,288</b>	<b>1,293</b>	<b>-</b>	<b>2,025</b>	<b>447</b>	<b>14,052</b>

\* Took over as CEO in May 2019.

\*\* Stepped down as CEO in May 2019.

\*\*\* Other remuneration refers to consulting assignments with the company, see Note 23.

Salaries and other remuneration of the Board and senior executives 2018	Basic salary Board fee	Variable remuneration	Share-based remuneration	Pension costs	Other*** remuneration	2018 Total
Bengt Baron (Chairman)	373	-	-	-	-	373
Pär Arvidsson	227	-	-	-	-	227
Jonas Rahmn	178	-	-	-	-	178
Jenny Rosberg**	130	-	-	-	-	130
Greg Shapleigh**/**	117	-	-	-	1,009	1,125
Magnus Welander	197	-	-	-	-	197
Pernilla Wiberg	167	-	-	-	-	167
Departing Board members (2)*	73	-	-	-	-	73
<b>Total, Board</b>	<b>1,462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,009</b>	<b>2,470</b>
Johan Thiel (vd)	2,042	519	-	476	-	3,037
Group management (6 individuals)	6,557	787	-	1,687	288	9,319
<b>Total senior executives</b>	<b>8,599</b>	<b>1,306</b>	<b>-</b>	<b>2,163</b>	<b>288</b>	<b>12,356</b>
<b>Total</b>	<b>10,061</b>	<b>1,306</b>	<b>-</b>	<b>2,163</b>	<b>1,297</b>	<b>14,826</b>

\* Declined reelection at the 2018 AGM.

\*\* Elected at the 2018 AGM.

\*\*\* Other remuneration refers to consulting assignments with the company, see Note 23.

**NOTE 5 Share-based remuneration**

The Extraordinary General Meeting held on February 1, 2017, resolved to issue a maximum of 1,250,000 warrants as part of two incentive programs, one of which is directed to Executive Management and certain key personnel and the other to Board members who are independent of the major shareholders of the company. The warrants will result in a dilutive effect of maximum 5 percent. 875,000 warrants in total have been issued and MIPS has received payments totaling SEK 3.9m from the issuance of the warrants. The warrant price was determined by an independent third-party valuation. The exercise price is SEK 59.80 per share; the dividend-adjusted exercise price is SEK 58.97 per share. The number

of shares each warrant entitles to will be equally recalculated. Each warrant entitles the right to acquire one share before recalculation for paid dividend and the right to acquire 1.01 share after recalculation. The warrants can be exercised for subscription of new shares during the time period March 1–May 31, 2020. Upon termination of employment (other than retirement), the company has the option to buy back the warrants at market price.

The cost of share-based remuneration for the year amounted to SEK 0.0m (0.0).

Warrants 2019	Outstanding warrants at the start of the year	Issued warrants during the year	Forfeited warrants during the year	Matured warrants during the year	Number of outstanding warrants at year-end
<b>Board of Directors (TO Series 2)</b>					
Magnus Welander (Chairman)	50,000	-	-	-	50,000
Pär Arvidsson	50,000	-	-	-	50,000
Jonas Rahmn	50,000	-	-	-	50,000
Pernilla Wiberg	50,000	-	-	-	50,000
Bengt Baron (former chairman)	100,000	-	-	-	100,000
<b>Total</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300,000</b>
<b>CEO, senior executives and other employees (TO series 1)</b>					
Max Strandwitz (CEO)	150,000	-	-	-	150,000
Johan Thiel (former CEO)	200,000	-	-	-	200,000
Other senior executives and key personnel (seven individuals)	225,000	-	-	-	225,000
<b>Total</b>	<b>575,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>575,000</b>
<b>Total</b>	<b>875,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>875,000</b>

	Outstanding warrants at the start of the year	Issued warrants during the year	Forfeited warrants during the year	Matured warrants during the year	Number of outstanding warrants at year-end
<b>Warrants 2018</b>					
<b>Board of Directors (TO Series 2)</b>					
Bengt Baron (Chairman)	100,000	-	-	-	100,000
Pär Arvidsson	50,000	-	-	-	50,000
Jonas Rahmn	50,000	-	-	-	50,000
Magnus Welander	50,000	-	-	-	50,000
Pernilla Wiberg	50,000	-	-	-	50,000
<b>Total</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300,000</b>
<b>CEO, senior executives and other employees (TO series 1)</b>					
Johan Thiel (vd)	200,000	-	-	-	200,000
Other senior executives and key personnel (seven individuals)	375,000	-	-	-	375,000
<b>Total</b>	<b>575,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>575,000</b>
<b>Total</b>	<b>875,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>875,000</b>
<b>Market value per Series</b>					
Warrants series 1					4.45
Warrants series 2					4.45
<b>Conditions of valuation</b>					
Exercise price (130 % of IPO price, adjusted for dividend)					58.97
Volatility, %					27
Risk-free interest, %					-0.30
Maturity, years					3

**NOTE 6 Fees and remuneration of auditors**

	2019	2018
<b>KPMG AB</b>		
Audit assignment	588	450
Tax consultancy services	-	28
Other assignments	-	23
<b>Other auditors</b>		
Tax consultancy services	15	-
Audit assignment	115	24
<b>Total</b>	<b>717</b>	<b>525</b>

**NOTE 7 Operating expenses by type of cost**

	2019	2018
Goods for resale and consumables	59,405	45,343
Personnel costs	45,795	35,692
Other external costs	38,023	28,754
Legal advice costs	311	4,758
Depreciation/amortization and impairment	6,589	1,637
Other operating expenses	9,738	3,402
<b>Total</b>	<b>159,861</b>	<b>119,587</b>

For more information regarding other operating expenses see Note 3.

**NOTE 8 Net financial items**

	2019	2018
<b>Financial income</b>		
Interest income		
- bank balances	14	-
Change in fair value of financial investments	458	-
Other financial income	64	68
Exchange gains, cash and cash equivalents	165	219
<b>Total</b>	<b>701</b>	<b>287</b>
<b>Financial expenses</b>		
Interest expenses		
- lease liabilities	-298	-
- financial liabilities measured at amortized cost	-14	-7
Change in fair value of financial investments	-	-404
Other financial expenses	-26	-
Exchange loss, cash and cash equivalents	-3	-
<b>Total</b>	<b>-341</b>	<b>-411</b>

**NOTE 9 Taxes**

	2019		2018	
<b>Current tax</b>				
Tax expenses for the period		-21,482		-8,124
<b>Deferred tax</b>				
Deferred tax in capitalized loss carryforwards		-		-9,098
Deferred tax pertaining to temporary differences		-2,057		782
<b>Total</b>		<b>-23,540</b>		<b>-16,440</b>
	%	2019	%	2018
<b>Reconciliation of effective tax</b>				
Profit/loss before tax		108,371		72,838
Tax in accordance with applicable tax rate for parent company	21.4	-23,191	22.0	-16,024
Non-deductible expenses		-135		-87
Effect of unrecognized temporary differences		197		-
Standard income, shares in investment funds		-176		-143
Impact of changed tax rate		80		-23
Impact of other tax rates on foreign subsidiaries		-313		-163
<b>Total</b>	<b>21.7</b>	<b>-23,540</b>	<b>22.6</b>	<b>-16,440</b>

When preparing the financial statements, an assessment is made of deferred tax assets/liabilities attributable to temporary differences and loss carryforwards. Deferred tax assets are recognized if the tax assets are expected to be utilized through the settlement of future taxable profits. As of 31 December 2019 the Group had no unused tax loss carryforwards.

<b>Deferred tax assets and liabilities</b>				<b>Deferred tax assets and liabilities</b>			
<b>31 Dec 2019</b>	<b>Deferred tax assets</b>	<b>Deferred tax liability</b>	<b>Net</b>	<b>31 Dec 2018</b>	<b>Deferred tax assets</b>	<b>Deferred tax liability</b>	<b>Net</b>
Intangible assets	-	-2,071	-2,071	Intangible assets	-	-3	-3
Property, plant and equipment	-	-46	-46	Property, plant and equipment	-	-86	-86
Right-of-use assets	-	-78	-78	Accounts receivable	126	-	126
Accounts receivable	71	-	71	Other liabilities (Derivatives)	683	-	683
Lease liabilities	78	-	78	<b>Total deferred tax assets/liabilities</b>	<b>809</b>	<b>-89</b>	<b>720</b>
Other liabilities (Derivatives)	335	-	335	Offsetting	-89	89	-
Other	185	-	185	<b>Total deferred tax assets/liabilities, net</b>	<b>720</b>	<b>-</b>	<b>720</b>
<b>Total deferred tax assets/liabilities</b>	<b>669</b>	<b>-2,195</b>	<b>-1,526</b>				
Offsetting	-669	669	-				
<b>Total deferred tax assets/liabilities, net</b>	<b>-</b>	<b>-1,526</b>	<b>-1,526</b>				

<b>Change in deferred tax in temporary differences and loss carryforwards</b>	<b>31 Dec 2018</b>	<b>Recognized through profit or loss</b>	<b>Recognized in other comprehensive income</b>	<b>Recognized in equity*</b>	<b>31 Dec 2019</b>
Intangible assets	-3	-2,068	-	-	-2,071
Property, plant and equipment	-87	41	-	-	-46
Right-of-use assets	-	431	-	-509	-78
Accounts receivable	126	-55	-	-	71
Lease liabilities	-	-431	-	509	78
Other liabilities (Derivatives)	683	-160	-188	-	335
Other	-	185	-	-	185
<b>Total</b>	<b>720</b>	<b>-2,057</b>	<b>-188</b>	<b>-</b>	<b>-1,526</b>

\*Amount in the column recognized in equity relates to amended accounting policy IFRS 16, see Note 1

<b>Change in deferred tax in temporary differences and loss carryforwards</b>	<b>31 Dec 2017</b>	<b>Recognized through profit or loss</b>	<b>Recognized in other comprehensive income</b>	<b>Recognized in equity*</b>	<b>31 Dec 2018</b>
Intangible assets	-138	135	-	-	-3
Property, plant and equipment	-1	-85	-	-	-86
Accounts receivable	-	121	-	5	126
Prepaid costs	-	49	-	-49	-
Other receivables (Derivatives)	-300	300	-	-	-
Other liabilities (Derivatives)	-	262	421	-	683
Loss carryforwards	9,098	-9,098	-	-	-
<b>Total</b>	<b>8,659</b>	<b>-8,317</b>	<b>421</b>	<b>-44</b>	<b>720</b>

\*Amount in the column recognized in equity relates to amended accounting policies IFRS 9 and IFRS 15.

**NOTE 10 Earnings per share**

SEK	2019	2018
Earnings per share basic	3.35	2.23
Earnings per share diluted	3.28	2.21
	<b>2019</b>	<b>2018</b>
Net profit for the year attributable to Parent Company shareholders	84,832	56,398
Average number of shares outstanding, basic	25,299,870	25,299,870
Impact of share option program	537,534	245,065
<b>Average number of shares – after dilution</b>	<b>25,837,404</b>	<b>25,544,935</b>

When calculating diluted earnings per share, the weighted average number of shares outstanding is adjusted for the dilutive effect of the potential ordinary shares outstanding.

**Instruments with dilutive effect**

The company has two outstanding warrant programs; for more information see Note 5.

- Program 1, aimed at senior executives and certain key personnel, comprises 875,000 warrants, of which 575,000 have been allocated to date
- Program 2, aimed at Board members, comprises 375,000 warrants, of which 300,000 have been allocated to date

All warrants in the two programs carry the right to one ordinary share and have an exercise price of SEK 58.97. Maximum dilution on full exercise of the programs is 5 percent.

The average share price of the company's ordinary shares during the year exceeded the exercise price of the warrants expiring March 1 to May 31, 2020. Consequently, a dilutive effect has been taken into account when calculating the number of average outstanding shares as stated above.

**NOTE 11 Intangible assets**

	31 Dec 2019	31 Dec 2018
<b>Accumulated cost</b>		
Opening balance, 1 Jan	12,071	7,564
Acquisitions	47,740	4,507
<b>At year-end, 31 Dec</b>	<b>59,812</b>	<b>12,071</b>
<b>Accumulated depreciation</b>		
Opening balance, 1 Jan	-1,012	-528
Amortization	-2,899	-484
<b>At year-end, 31 Dec</b>	<b>3,911</b>	<b>-1,012</b>
<b>Total</b>	<b>55,900</b>	<b>11,059</b>

The intangible assets are mainly attributable to the company's acquisition of patent portfolios and other intellectual property associated with the technologies for Fluid and GlideWear. Remaining economic lives as of 31 December 2019 amount to 1–14 years. Impairment testing is performed annually for all cash-generating units. A cash-generating unit consists of an operating segment. Since the Group is considered as a unit, impairment testing is performed only at Group level. In the future MIPS may pay an additional purchase price of up to USD 2 million based on future net revenues, until May 21, 2025, for the acquired intellectual property rights linked to Fluid technology. Since the acquired technology will be marketed and sold as a complement to the existing MIPS technology, the Group deems that the contractual conditions for payment of the additional purchase consideration will not be met. Consequently, the potential additional purchase consideration has been measured at SEK 0.

	2019	2018
Cost of goods sold	-2,638	-248
Selling expenses	-261	-236
<b>Total</b>	<b>-2,899</b>	<b>-484</b>

**NOTE 12 Property, plant and equipment**

	31 Dec 2019	31 Dec 2018
<b>Accumulated cost</b>		
Opening balance, 1 Jan	6,731	4,518
Acquisitions	966	2,221
Divestments and disposals	-2	-8
<b>At year-end, 31 Dec</b>	<b>7,696</b>	<b>6,731</b>
<b>Accumulated depreciation</b>		
Opening balance, 1 Jan	-3,003	-1,854
Amortization	-1,599	-1,153
Divestments and disposals	8	4
<b>At year-end, 31 Dec</b>	<b>-4,594</b>	<b>-3,003</b>
<b>Total</b>	<b>3,102</b>	<b>3,728</b>

Property, plant and equipment mainly comprise office equipment, computer equipment and equipment for testing helmets. Essentially all non-current assets in the Group are in Sweden.

	31 Dec 2019	31 Dec 2018
Of which assets under financial leases	-	-
	<b>2019</b>	<b>2018</b>
<b>Depreciation, by function</b>		
Cost of goods sold	-43	-37
Selling expenses	-338	-307
Administrative expenses	-237	-533
R&D expenses	-981	-276
<b>Total</b>	<b>-1,599</b>	<b>-1,153</b>

**NOTE 13 Financial assets**

	31 Dec 2019	31 Dec 2018
<b>Accumulated cost</b>		
Opening balance, 1 Jan	483	561
Acquisitions	259	-
Divestments	-	-78
Exchange rate differences for the year	-	-
<b>At year-end, 31 Dec</b>	<b>742</b>	<b>483</b>

Mainly relates to deposits from lease contracts.

**NOTE 14 Accounts receivable**

	31 Dec 2019	31 Dec 2018
Invoiced receivables	83,974	55,150
Currency adjustments	-1,801	-150
Reserve expected credit losses	-331	-588
<b>Total</b>	<b>81,843</b>	<b>54,411</b>
<b>Invoiced receivables due as follows:</b>		
Not yet due	41,151	31,015
Overdue by 1-30 days	25,164	10,653
Overdue by 31-60 days	9,897	6,506
Overdue by 61-90 days	3,506	4,259
Overdue by 91- days	4,257	2,717
<b>Total</b>	<b>83,974</b>	<b>55,150</b>
<b>Change in reserve for expected credit losses</b>		
Opening balance, 1 Jan	-588	-261
During the year		
- repaid	257	-
- provisions established	-	-328
<b>At year-end, 31 Dec</b>	<b>-331</b>	<b>-588</b>

See Note 19 for a description of the company's credit risks.

**NOTE 15** Prepaid expenses  
and accrued income

	31 Dec 2019	31 Dec 2018
Prepaid rental costs	949	521
Prepaid trade fair costs	99	113
Prepaid insurance	400	56
Accrued revenue	190	846
Prepaid pension premiums	-	267
Prepaid system costs	547	514
Other	4,031	474
<b>Total</b>	<b>6,216</b>	<b>2,790</b>

**NOTE 16** Cash and cash equivalents  
and current investments

	31 Dec 2019	31 Dec 2018
Cash and bank balances	45,819	36,817
<b>Total according to statement of financial position</b>	<b>45,819</b>	<b>36,817</b>
Current investments equivalent to cash and cash equivalents	145,745	205,692
<b>Total according to statement cash flows</b>	<b>191,564</b>	<b>242,510</b>

Cash and bank balances refer to balances of bank accounts in SEK, USD, CNY and EUR. Current investments relate to surplus liquidity invested in units of fixed income funds at highly reputable credit institutions. The company also has the option of utilizing a temporary credit facility of SEK 5m, which can be provided on short notice.

**NOTE 17** Equity

	Ordinary shares	Total no. Of shares
Opening balance, 1 Jan 2019	25,299,870	25,299,870
<b>At year-end, 31 Dec 2019</b>	<b>25,299,870</b>	<b>25,299,870</b>
	Ordinary shares	Total no. Of shares
Opening balance, 1 Jan 2018	25,299,870	25,299,870
<b>At year-end, 31 Dec 2018</b>	<b>25,299,870</b>	<b>25,299,870</b>

**Share capital**

As of 31 December 2019, the total number of shares was then 25,299,870 (25,299,870) and share capital was SEK 2,529,987 (2,529,987). All shares are ordinary shares and carry equal voting rights. The shares have a quotient value of SEK 0.10. According to the Articles of Association, share capital shall amount to not less than SEK 2,000,000 and not more than SEK 8,000,000.

**Equity instruments with dilutive effect**

The company has issued warrants, which may increase the number of shares. For more information, see Note 5 Share-based remuneration and Note 10 Earnings per share.

**Other paid in capital**

Refers to equity paid by owners and includes the premium paid in conjunction with issuances

**Reserves****Translation reserve**

The translation reserve includes exchange rate differences that arise when consolidating the financial statements when foreign subsidiaries report in currencies other than SEK. The parent company and the Group present their financial reports in Swedish kronor (SEK).

**Hedging reserve**

The hedging reserve includes the effective portion of the accumulated net change in fair value for a cash flow hedging instrument attributable to hedge transactions that have not yet occurred.

**Retained earnings including profit for the year**

Retained earnings including profit for the year include earnings in the parent company and its subsidiaries.

**NOTE 18** Accrued expenses and deferred income

	31 Dec 2019	31 Dec 2018
Vacation pay liability	1,451	1,197
Accrued salaries and remuneration	2,910	2,824
Accrued social security contributions	1,333	1,263
Estimated payroll tax on pensions	1,713	1,346
Prepaid Implementation	629	650
Other accrued expenses	2,875	2,350
<b>Total</b>	<b>10,912</b>	<b>9,630</b>

**NOTE 19** Financial risks and risk management

Through its operations, the Group is exposed to various types of financial risks: credit risk, liquidity risk and currency risk. Since the Group has no non-current loans or other financial derivatives, the Group's risk activities are directed to the risks arising in the business operations.

The Group's financial transactions and risks are managed centrally by the CFO and CEO and the primary target is to achieve effective liquidity management and ensure that all payment obligations are made in the correct time. The Group's principles for fundamental financial risk management are regulated in the Group's Finance Policy adopted by the Board.

**Credit risk**

Credit risk is the risk that the Group's counterparty in a financial instrument is unable to fulfill its obligations and this causes a financial loss for the Group. The company's standard term of payment is 30–60 days. The age analysis below shows invoices that have fallen due for payment. The provision for bad debt losses shows the provision for doubtful receivables for each year. Past bad debt losses have not totaled significant amounts. The company has a number of global helmet manufacturers as its customers and their solvency is deemed to be high. The remaining customer base is divided among a large number of customers, which is why the solvency of an individual company has no significant detrimental impact on the company. The company continuously analyses accounts receivable and takes measures to limit the credit risk. The company can terminate further deliveries in the event of non-payment. All customer agreements are approved and signed by either the CEO or the CFO.

	31 Dec 2019	31 Dec 2018
Invoiced receivables	83,974	55,150
Currency adjustments	-1,801	-150
Reserve expected credit losses	-331	-588
<b>Total</b>	<b>81,843</b>	<b>54,411</b>
<b>Invoiced receivables due as follows:</b>		
Not yet due	41,151	31,015
Overdue by 1–30 days	25,164	10,653
Overdue by 31–60 days	9,897	6,506
Overdue by 61–90 days	3,506	4,259
Overdue by 91– days	4,257	2,717
<b>Total</b>	<b>83,974</b>	<b>55,150</b>
<b>Change in reserve for expected credit losses</b>		
Opening balance, 1 Jan	-588	-261
During the year		
- repaid	257	-
- provisions established	-	-328
<b>At year-end, 31 Dec</b>	<b>-331</b>	<b>-588</b>

The reserve for expected credit losses is mainly attributable to receivables that are more than 90 days past due.

**Liquidity risk and interest-rate risk**

Liquidity risk is the risk that the company will encounter difficulties in fulfilling its obligations. To minimize liquidity risk, the liquidity situation is continuously analyzed and forecasted to ensure that the company has sufficient cash and cash equivalents to cover operational requirements. Liquidity risk is deemed to be limited since the company does not have any loans and has a positive cash flow from operations. The Group's financial liabilities essentially mature within 3 months or a maximum of one year. The company has bank accounts only with highly reputable credit institutions.

The Group's interest-rate risk stems from the company's cash and cash equivalents. The company's financial policy stipulates that investments in assets with a negative interest rate may only be made in order to match incoming and outgoing payments. The company's surplus liquidity is invested in current investments in units of fixed income funds at highly reputable credit institutions in order to avoid negative interest rates. The company's current investments can be sold within two days.

**Currency risk**

Currency risk refers to the risk that an exchange-rate fluctuation adversely impacts the consolidated income statement, balance sheet or cash flow. The Group's reporting currency is SEK. The main exposure derives from the Group's sales in USD and purchases of goods in USD. This risk is known as transaction exposure.

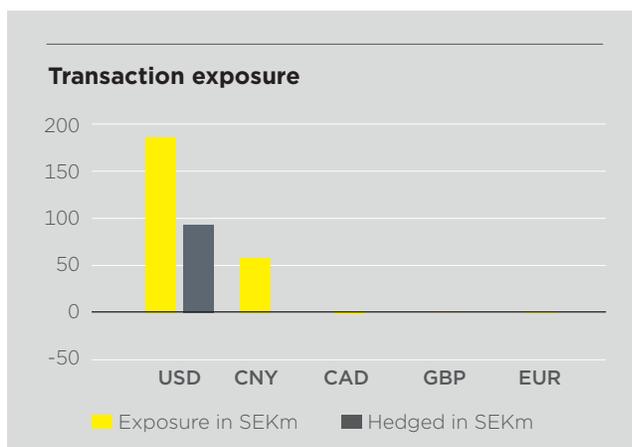
Transaction exposure, currency (%)	2019		2018	
	Revenue	Operating expenses	Revenue	Operating expenses
USD	76	11	77	16
CNY	24	37	23	32
SEK	0	48	0	48
EUR	-	2	-	-
CAD	-	1	-	1
GBP	-	1	-	1
Other	-	-	-	-
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

As seen in the table above, the company's main transaction exposure is to USD. A 10 percent change in the USD against the SEK would impact the 2019 operating profit by approximately SEK 19 million (13). Other currencies would have a limited impact on 2019 operating profit in the event of a 10 percent change.

Translation exposure primarily arises as a result of accounts receivable and accounts payable in currencies other than SEK. Translation exposure is essentially the same as the specification in the table above. In 2017, the company established a subsidiary in China and translation exposure occurs also on consolidation. In 2019 the impact has been limited. The company does not have external borrowings and is financed only by equity in SEK. The company's cash and cash equivalents are primarily in SEK but according to the company's Finance Policy, cash and cash equivalents may be in foreign currencies in order to match inward and outward payments.

According to the Financial Policy, the company intends to hedge 50 percent of forecasted sales in USD for rolling twelve-month periods. This is done with currency futures.

The table below shows the breakdown of MIPS AB's net inflows in various currencies and the proportion hedged in 2019. The company currently only hedges in USD. As of 31



December 2019 the nominal amounts hedged totaled USD 10 million (11), corresponding to SEK 119 million (13).

MIPS BPS components are sold from the Chinese subsidiary, with the consequence that some of the Group's income and expenses are paid in CNY. To counteract exposure to CNY in the invoicing, a currency adjustment clause against USD has been introduced in sales agreements. This means that the company's exposure to USD/SEK exchange rate to a large extent remains

## NOTE 20 Fair value measurement of financial assets and liabilities and category groupings

### Capital management

The company aims to maintain an effective capital structure by taking into account operational and financial risk, thus ensuring the long-term development of the company, as well as satisfactory returns for shareholders. Capital is defined as total equity, which largely relates to the company's external financing. No plans are in place to raise loans in the immediate future. In addition to the level of future profits, the amount of equity is affected by the extent of decisions made to pay dividends. The aspiration is to distribute approximately 50 percent of the company's annual net profit over time.

### Fair value of financial instruments

The carrying amount of assets and liabilities in the statement of financial position may differ from their fair value due to such reasons as changes in market interest rates. However, MIPS does not have any deposits or loans other than its bank balances. The table below presents the Group's financial instruments and the company believes that the carrying amount is an approximation of the fair value, given, for example, the limited maturities of the items.

In order to reduce the Group's short-term currency exposure and in line with the Group's Financial Policy, certain derivatives contracts with banks have been entered into covering forecasted sales in USD. Derivatives are valued at fair value on the balance sheet. Hedge accounting is applied. The Group currently only has derivative instruments classified under level two in the valuation hierarchy:

- **Level 1:** Listed unadjusted prices on official marketplaces for identical assets or liabilities
- **Level 2:** Other observable data for assets or liabilities not included in Level 1 either directly, as price quotes, or indirectly: derived from price quotes.
- **Level 3:** Data for the asset or liability in question, which is not based on observable market data: unobservable input data.

In addition to the instruments listed above, there are current investments classified under level one in the valuation hierarchy.

<b>31 Dec 2019</b>	<b>Note</b>	<b>Financial assets measured at fair value through profit or loss</b>	<b>Hedging instrument</b>	<b>Financial assets measured at amortized cost</b>	<b>Financial liabilities measured at fair value through profit loss</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Carrying amount</b>	<b>Fair value</b>
Financial assets (Deposits)	13	-	-	742	-	-	742	742
Accounts receivable	14	-	-	81,843	-	-	81,843	81,843
Other current receivables		-	-	272	-	-	272	272
Current investments	16	145,745	-	-	-	-	145,745	145,745
Cash and cash equivalents	16	-	-	45,819	-	-	45,819	45,819
Accounts payable		-	-	-	-	-25,515	-25,515	-25,515
Other liabilities (Derivatives)		-	-1,565	-	-	-	-1,565	-1,565
Accrued expenses	18	-	-	-	-	-7,237	-7,237	-7,237
<b>Total financial assets and liabilities by category</b>		<b>145,745</b>	<b>-1,565</b>	<b>128,676</b>	<b>-</b>	<b>-32,752</b>	<b>-240,104</b>	<b>-240,104</b>

<b>31 Dec 2018</b>	<b>Note</b>	<b>Financial assets measured at fair value through profit or loss</b>	<b>Hedging instrument</b>	<b>Financial assets measured at amortized cost</b>	<b>Financial liabilities measured at fair value through profit loss</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Carrying amount</b>	<b>Fair value</b>
Financial assets (Deposits)	13	-	-	483	-	-	483	483
Accounts receivable	14	-	-	54,411	-	-	54,411	54,411
Other current receivables		-	-	224	-	-	224	224
Current investments	16	205,692	-	-	-	-	205,692	205,692
Cash and cash equivalents	16	-	-	36,817	-	-	36,817	36,817
Accounts payable		-	-	-	-	-20,111	-20,111	-20,111
Other liabilities (Derivatives)		-	-3,192	-	-	-	-3,192	-3,192
Accrued expenses	18	-	-	-	-	6,371	6,371	6,371
<b>Total financial assets and liabilities by category</b>		<b>205,692</b>	<b>-3,192</b>	<b>91,934</b>	<b>-</b>	<b>-26,482</b>	<b>267,953</b>	<b>267,953</b>

**NOTE 21 Leases**

The Group applies IFRS 16 Leases commencing on 1 January 2019. Consequently, the Group changed its accounting policies for leases as described below. The Group has chosen to apply the modified retroactive approach at transition, which means that the figures for the comparative year have not been recalculated in accordance with IFRS 16.

Amounts recognized in profit or loss	2019
Leases of low-value assets	116
Depreciation of right-of-use assets	2,014
Interest expense, lease liability	298
Variable lease payments not included in measurement of lease liability	160
	2019
Additions to the rights-of-use assets in 2019	-
Total cash outflow for leases	2,431

The recognized right-of-use assets from 1 January 2019 were attributable in their entirety to rented premises in Sweden and China. A large portion of the value of the right-of-use asset and lease liability reflected the assessment at the time of transition that the lease was reasonably certain to be extended. Consequently the lease term initially included an extension period in both leases. At the half year, MIPS entered into new lease agreements both in Sweden and China to access larger and more efficient office premises. In connection with the signing of the new leases, it was decided not to exercise the existing options to extend the previous leases, resulting in remeasurement of the right-to-use and the lease liability. As of 31 December 2019 the right-of-use assets for these leases amounted to SEK 0.4 million. Since access to the new premises was given in January 2020, the right-of-use assets for properties will instead be SEK 15.8 million and the lease liability will be SEK 15.5 million; the difference represents prepayments existing immediately before the commencement date of the new leases.

Maturity analysis lease liabilities	2019
1 year	168
2-3 years	-
4-5 years	-
	2018
Future minimum lease charges	
Within 1 year	2,166
Between 1 and 5 years	929
More than 5 years	-
<b>Total</b>	<b>3,095</b>
Lease costs for 2018 pertaining to operational lease payments totaled:	2,162

**NOTE 22 Investment commitments**

The company has no significant investment commitments as of 31 December 2019 or 2018. Regarding assumptions pertaining to acquired intangible assets, see Note 11.

**NOTE 23 Related parties**

MIPS' former Board member Greg Shapleigh chose to resign from the Board in August. A consulting fee for business development amounting to SEK 0.5 million (1.1) was paid during the year. No other material related party transactions were carried out during the period.

**NOTE 24 Specification of statement of cash flows**

Adjustment for non-cash items	2019	2018
Depreciation/amortization of non-current assets	6,589	1,638
Unrealized exchange-rate differences	1,477	-388
Change in value of financial instruments	-747	2,640
Other items not affecting liquidity	2,030	1
<b>Total</b>	<b>9,349</b>	<b>3,891</b>
	2019	2018
Interest income and expense		
Interest income received	14	2
Interest expense	-14	-7

**NOTE 25 Pledged assets and contingent liabilities**

	31 Dec 2019	31 Dec 2018
Pledged assets	None	None
Contingent liabilities	None	None

In 2019 no patent disputes were initiated or resolved. The previous year, three patent disputes were resolved.

On April 23, 2018, it was announced that MIPS received a positive outcome in a European patent case, in which MIPS previously filed a claim against Bauer Hockey Corp with the European Patent Office. European Patent No. 2 550 886.

On 8 May 2018, MIPS received a judgment in Canada concerning a patent dispute with Bauer regarding MIPS patented helmet technology. The Federal Court of Canada delivered a judgment confirming the validity of MIPS' patent rights. Following the recent judgment of the Federal Court of Canada, MIPS AB has entered into an agreement with Bauer. Pursuant to the agreement, the parties have resolved all outstanding matters related to the judgment, the proceeding has now concluded and no party shall take any further legal action in the case. The agreement is the final step for MIPS to bring its dealings with Bauer to an end in relation to this patent dispute.

On 19 April 2018, POC and MIPS agreed to a conciliation agreement regarding the company's patent dispute. The conciliation does not entail any obligation for either of the Parties to compensate the other Party's litigation-related expenses.

The cost of the patent dispute during the year totaled SEK 0.3 million (4.8).

**NOTE 26 Significant estimates and judgments**

Estimates and judgments that affect the parent company's and the Group's reporting have been made on the basis of what is known when the financial statements were issued. The estimates and judgments may, at a later date, be changed because of, for example, changes in factors in the business environment. The judgments that are most critical to MIPS are reported below. An Audit Committee was established in 2016 from within the Board's ranks to discuss matters relating to the Group's significant accounting policies and estimates, and the application of these policies and estimates.

**Impairment testing of intangible assets**

The Group's intangible assets are related to patents and brand protection. Several assumptions and estimates are made concerning future conditions, which are taken into account when calculating the carrying amount and whether impairment testing is required.

**Claims for damages and patent infringement**

MIPS operates in an industry that, particularly in the North American market, involves lawsuits in the event of accidents and similar incidents. Instances of patent infringement also occur. Accordingly, there is a need to monitor market developments related to this, and it is difficult to estimate the effects of such developments. MIPS engages experts in the field as required and has close contact with its customers and suppliers at an early stage in order to identify potential disputes and take appropriate action. The company has and regularly reviews its product liability insurance.

**NOTE 27** Events after balance-sheet date

The rapid spread of covid-19 globally in recent weeks has created major uncertainties in the world. A large part of the world's helmets are manufactured by suppliers in China. We initially saw that factories were closed for a somewhat longer period than planned for the Chinese New Year, but that in February and March opened up for more extensive production again. Our wholly-owned Chinese subsidiary, our suppliers as well as the vast majority of our customers' helmet factories are located in the Guangdong area of Southeast China, 1,000 km from the virus's original epicenter in Wuhan. It is very difficult to assess future effects on demand for helmets and delivery capacity as a result of the spread of covid-19, but we are following developments and the recommendations carefully and are taking the necessary precautions.

**NOTE 28** Information about the parent company

MIPS AB is a public limited liability company registered in Sweden (Corp. Reg. No. 556609-0162), with its registered office in Stockholm, Sweden. The address of the head office is Kemistvägen 1B, 183 79 Täby.

## PARENT COMPANY INCOME STATEMENT

SEK 000s	Note*	2019	2018
Net sales	A2	203,776	148,976
Cost of goods sold		-16,399	-14,630
<b>Gross profit</b>		<b>187,377</b>	<b>134,345</b>
Selling expenses		-33,619	-24,883
Administrative expenses		-30,851	-27,595
Research and development expenses		-14,142	-10,974
Other operating income	A3	-	15
Other operating expenses	A3	-9,737	-3,379
<b>Operating profit/loss</b>	A4, A18, 4, 5, 6	<b>99,027</b>	<b>67,530</b>
Financial income		735	282
Financial expenses		-91	-411
<b>Net financial items</b>		<b>99,671</b>	<b>67,401</b>
Appropriations		-9,851	-398
<b>Appropriations</b>	A5	<b>-9,851</b>	<b>-398</b>
<b>Profit/loss before tax</b>		<b>89,820</b>	<b>67,003</b>
Tax	A6	-19,337	-14,993
<b>Profit for the year</b>		<b>70,483</b>	<b>52,010</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK 000s	2019	2018
<b>Profit for the year</b>	<b>70,483</b>	<b>52,010</b>
<b>Other comprehensive income</b>		
<b>Items that may subsequently be transferred to profit or loss</b>		
Cash flow hedges	1,627	-4,554
Changes in the fair value of cash flow hedges transferred to profit for the year	-747	2,640
Tax on components in other comprehensive income	-188	421
<b>Items that cannot be transferred to profit or loss</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the year</b>	<b>692</b>	<b>-1,493</b>
<b>Comprehensive income for the year</b>	<b>71,175</b>	<b>50,518</b>

\*Since the amounts for the Group and parent company are often the same, in some cases reference is made to the consolidated financial statements (Notes 1-28) and, in some cases, to the parent company's financial statements (Notes A1-A26).

## PARENT COMPANY BALANCE SHEET

SEK 000s	Note*	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	A7	55,900	11,059
Property, plant and equipment	A8	3,033	3,619
Participation in Group companies	A9	585	585
Deferred tax assets	A6	591	809
Long term receivables	A10	483	483
<b>Total non-current assets</b>		<b>60,592</b>	<b>16,555</b>
<b>Current assets</b>			
Inventories		495	568
Accounts receivable	A11	60,479	36,755
Receivables from Group companies	A12	746	376
Tax asset		2,087	-
Prepaid expenses and accrued income	A13	6,075	2,772
Other current receivables		893	1,847
Current investments	A14	145,745	205,692
Cash & cash equivalents	A14	34,813	34,699
<b>Total current assets</b>		<b>251,333</b>	<b>282,710</b>
<b>TOTAL ASSETS</b>	A17	<b>311,925</b>	<b>299,265</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		2,530	2,530
Statutory reserve		1,689	1,689
<b>Non restricted equity</b>			
Share premium reserve		204,614	235,612
Fair value reserve		-427	-1,119
Retained earnings		-	-19,758
Profit for the year		70,483	52,010
<b>Total equity</b>	A15	<b>278,888</b>	<b>270,963</b>
Untaxed reserves		10,250	398
<b>Untaxed reserves</b>	A5	<b>10,250</b>	<b>398</b>
<b>Current liabilities</b>			
Accounts payable		9,111	7,771
Liabilities to Group companies	A12	431	64
Tax liabilities		-	6,764
Other current liabilities		4,222	4,450
Accrued expenses and deferred income	A16	9,023	8,853
<b>Total current liabilities</b>	A17	<b>22,787</b>	<b>27,903</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>311,925</b>	<b>299,265</b>

\* Since the amounts for the Group and parent company are often the same, in some cases reference is made to the consolidated financial statements (Notes 1–28) and, in some cases, to the parent company's financial statements (Notes A1–A26).

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

2019 SEK 000s	Restricted equity		Non restricted equity				Total
	Share capital	Statutory reserve	Share premium reserve	Fair value fund		Profit for the year	
				Hedging reserve	Earnings brought forward		
<b>Opening equity, 1 January 2019</b>	2,530	1,689	235,612	-1,119	-19,758	52,010	270,963
Transfer of preceding year's profit/loss	-	-	-	-	52,010	-52,010	-
Profit for the year	-	-	-	-	-	70,483	70,483
Other comprehensive income for the year	-	-	-	692	-	-	692
<b>Comprehensive income for the year</b>	-	-	-	692	-	70,483	71,175
<b>Transactions with shareholders</b>							
Dividends paid	-	-	-30,998	-	-32,252	-	-63,250
<b>Total transactions with shareholders</b>	-	-	-30,998	-	-32,252	-	-63,250
<b>Closing equity, 31 December 2019</b>	2,530	1,689	204,614	-427	-	70,483	278,888

2018 SEK 000s	Restricted equity		Non restricted equity				Total
	Share capital	Statutory reserve	Share premium reserve	Fair value fund		Profit for the year	
				Hedging reserve	Earnings brought forward		
<b>Opening equity, 1 January 2018</b>	2,530	1,689	235,612	373	-35,423	15,509	220,289
Amended accounting policy*					156		156
<b>Adjusted equity, 1 January 2018</b>	2,530	1,689	235,612	373	-35,267	15,509	220,446
Transfer of preceding year's profit/loss	-	-	-	-	15,509	-15,509	-
Profit for the year	-	-	-	-	-	52,010	52,010
Other comprehensive income for the year	-	-	-	-1,493	-	-	-1,493
<b>Comprehensive income for the year</b>	-	-	-	-1,493	-	52,010	50,518
<b>Transactions with shareholders</b>							
New share issue	-	-	-	-	-	-	-
Paid out transaction expenses	-	-	-	-	-	-	-
Tax on transaction cost	-	-	-	-	-	-	-
Premium on issue of stock options	-	-	-	-	-	-	-
<b>Total transactions with shareholders</b>	-	-	-	-	-	-	-
<b>Closing equity, 31 December 2018</b>	2,530	1,689	235,612	-1,119	-19,758	52,010	270,963

\* Amended accounting policy according to IFRS 9 and IFRS 15.

## PARENT COMPANY CASH FLOW STATEMENT

SEK 000s	Note	2019	2018
<b>Operating activities</b>			
Net financial items		99,671	67,401
Adjustment for non-cash items	A21	5,359	3,848
Income taxes paid		-24,525	-
<b>Cash flow from operating activities before changes in working capital</b>		<b>80,505</b>	<b>71,250</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in inventory		72	187
Increase (-)/decrease (+) in operating receivables		-28,160	-2,283
Increase (+)/decrease (-) in operating liabilities		-436	-1,405
<b>Cash flow from operating activities</b>		<b>51,981</b>	<b>67,748</b>
<b>Investing activities</b>			
Acquisition of intangible assets		-47,740	-4,507
Acquisition of property, plant and equipment		-963	-2,189
Disposal of property, plant and equipment		2	3
Acquisition of financial fixed assets		-	-
Sale of financial assets		-	78
<b>Cash flow from investing activities</b>		<b>-48,702</b>	<b>-6,616</b>
<b>Financing activities</b>			
Dividend paid to owners of the parent		-63,250	-
<b>Cash flow from financing activities</b>		<b>-63,250</b>	<b>-</b>
<b>Cash flow for the year</b>		<b>-59,970</b>	<b>61,133</b>
<b>Cash and cash equivalents at the beginning of the year</b>	A14	<b>240,392</b>	<b>178,977</b>
Exchange-rate difference, cash and cash equivalents		136	282
<b>Cash and cash equivalents at year-end</b>	A14	<b>180,557</b>	<b>240,392</b>

# NOTES TO THE FINANCIAL STATEMENTS – PARENT COMPANY

All figures are in SEK thousand unless stated otherwise.

## NOTE A1 Accounting policies

The parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's RFR 2 Accounting for Legal Entities. Statements published by the Swedish Financial Reporting Board applicable for listed companies are also observed. RFR 2 recommends that the parent company in its annual accounts for legal entities must apply all EU approved IFRS regulations and statements to the greatest extent possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and with regard to the link between accounts and taxation. The recommendation states which exceptions from and additions to IFRS should be made.

Notes from the parent company's income statement and balance sheets refer in some cases to the Group's notes and, in other cases, to the parent company's notes.

### Differences between Group and parent company accounting policies

The differences in accounting policies for the Group and parent company are shown below. The accounting policies of the parent company described below have been applied consistently in all periods presented in the parent company's financial statements.

### Amended accounting policies

Unless otherwise stated below, the parent company's accounting policies in 2019 changed in accordance with the amendments described above for the Group.

### Classification and presentation

The income statement and balance sheet of the parent company are prepared in accordance with the Annual Accounts Act's scheme, while the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement are based on IAS 1, *Presentation of Financial Statement* and IAS 7, *Statement of Cash Flows*. The differences between the Group's statements that arise in the parent company's income statement and balance sheet primarily consist of the statement of equity.

### Subsidiaries

Shares in subsidiaries are recognized in the parent company according to the cost model. This means that transaction costs are included in the carrying amount of holdings in subsidiaries. In the consolidated accounts, transaction costs related to subsidiaries are recognized directly in profit or loss when they arise.

### Leased assets

The parent company does not apply IFRS 16 in accordance with the exception contained in RFR 2. As a lessee, lease pay-

ments are recognized as a cost on a straight-line basis over the lease period, and thus rights of use and lease liabilities are not recognized in the balance sheet.

## NOTE A2 Distribution of revenue

Revenue by nature	2019	2018
Sales of goods (component kits)	193,194	140,859
Sales of services (implementation)	10,582	8,117
<b>Total</b>	<b>203,776</b>	<b>148,976</b>

## NOTE A3 Other operating income and other operating expenses

Other operating income	2019	2018
Other remuneration	-	15
<b>Total</b>	<b>-</b>	<b>15</b>

Other operating expenses	2019	2018
Loss on disposal of non-current assets	-	-1
Exchange rate loss on operations	-9,737	-3,378
<b>Total</b>	<b>-9,737</b>	<b>-3,379</b>

## NOTE A4 Operating expenses by type of cost

	2019	2018
Goods for resale and consumables	11,947	11,598
Personnel costs	42,880	33,320
Other external costs	35,419	26,806
Legal advice costs	311	4,758
Depreciation/amortization and impairment	4,455	1,601
Other operating expenses	9,737	3,379
<b>Total</b>	<b>104,748</b>	<b>81,461</b>

## NOTE A5 Appropriations

	2019	2018
Additional depreciation	-9,851	-398
<b>Total</b>	<b>-9,851</b>	<b>-398</b>

**NOTE A6 Taxes**

When preparing the financial statements, an assessment is made of deferred tax assets/liabilities attributable to temporary differences and loss carryforwards. Deferred tax assets are recognized to the extent that the tax assets are expected to be utilized through the settlement of future taxable profits.

	2019	2018
<b>Current tax</b>		
Tax expenses for the period		-6,764
<b>Deferred tax</b>		
Deferred tax in capitalized loss carryforwards	-	-9,098
Deferred tax pertaining to temporary differences	-30	870
<b>Total</b>		

	%	2019	%	2018
<b>Reconciliation of effective tax</b>				
Profit/loss before tax		89,820		67,003
Tax in accordance with applicable tax rate for parent company	21.4	-19,221	22.0	-14,741
Non-deductible expenses		-135		-87
Effect of unrecognized temporary differences		197		-
Standard income, shares in investment funds		-176		-143
Impact of changed tax rate		-		-23
<b>Total</b>	<b>21.5</b>	<b>-19,337</b>	<b>22.4</b>	<b>-14,993</b>

Deferred tax assets/liabilities	Deferred tax assets	Deferred tax liability	Net
<b>31 Dec 2019</b>			
Accounts receivable	71	-	71
Other liabilities (Derivatives)	335	-	335
Other	185	-	185
<b>Total deferred tax assets/liabilities</b>	<b>591</b>	<b>-</b>	<b>591</b>
Offsetting	-	-	-
<b>Total deferred tax assets/liabilities, net</b>	<b>591</b>	<b>-</b>	<b>591</b>

Deferred tax assets/liabilities	Deferred tax assets	Deferred tax liability	Net
<b>31 Dec 2018</b>			
Accounts receivable	126	-	126
Other liabilities (Derivatives)	683	-	683
<b>Total deferred tax assets/liabilities</b>	<b>809</b>	<b>-</b>	<b>809</b>
Offsetting	-	-	-
<b>Total deferred tax assets/liabilities, net</b>	<b>809</b>	<b>-</b>	<b>809</b>

	31 Dec 2018	Recognized through profit or loss	Recognized in other comprehensive income	Recognized in equity	31 Dec 2019
Accounts receivable	126	-55	-	-	71
Other liabilities (Derivatives)	683	-160	-188	-	335
Other	-	185	-	-	185
<b>Total</b>	<b>809</b>	<b>-30</b>	<b>-188</b>	<b>-</b>	<b>591</b>

	31 Dec 2017	Recognized through profit or loss	Recognized in other comprehensive income	Recognized in equity*	31 Dec 2018
Intangible assets	-138	138	-	-	-
Accounts receivable	-	121	-	5	126
Prepaid costs	-	49	-	-49	-
Other receivables (Derivatives)	-300	300	-	-	-
Other liabilities (Derivatives)	-	262	421	-	683
Loss carryforwards	9,098	-9,098	-	-	-
<b>Total</b>	<b>8,660</b>	<b>-8,228</b>	<b>421</b>	<b>-44</b>	<b>809</b>

\* Amount in the column recognized in equity relates to amended accounting policies IFRS 9 and IFRS 15.

**NOTE A7 Intangible assets**

	31 Dec 2019	31 Dec 2018
<b>Accumulated cost</b>		
Opening balance, 1 Jan	12,071	7,564
Acquisitions	47,740	4,507
<b>At year-end, 31 Dec</b>	<b>59,812</b>	<b>12,071</b>
<b>Accumulated depreciation</b>		
Opening balance, 1 Jan	-1,012	-528
Amortization	-2,899	-484
<b>At year-end, 31 Dec</b>	<b>3,911</b>	<b>-1,012</b>
<b>Total</b>	<b>55,900</b>	<b>11,059</b>

Intangible assets primarily pertain to expenses for patents and brand protection, which are acquired externally. Remaining economic lives as of 31 December 2019 amount to 1-14 years.

	2019	2018
<b>Depreciation, by function</b>		
Cost of goods sold	-2,638	-248
Selling expenses	-261	-236
<b>Total</b>	<b>-2,899</b>	<b>-484</b>

Refer to Note 11 in the consolidated financial statements.

**NOTE A8 Property, plant and equipment**

	31 Dec 2019	31 Dec 2018
<b>Accumulated cost</b>		
Opening balance, 1 Jan	6,575	4,394
Acquisitions	963	2,189
Divestments and disposals	-2	-8
<b>At year-end, 31 Dec</b>	<b>7,537</b>	<b>6,575</b>
<b>Accumulated depreciation</b>		
Opening balance, 1 Jan	-2,956	-1,844
Amortization	-1,556	-1,116
Divestments and disposals	8	4
<b>At year-end, 31 Dec</b>	<b>-4,504</b>	<b>-2,956</b>
<b>Total</b>	<b>3,033</b>	<b>3,619</b>

Property, plant and equipment mainly comprise office equipment, computer equipment and equipment for testing helmets.

	2019	2018
<b>Depreciation, by function</b>		
Selling expenses	-338	-307
Administrative expenses	-237	-533
R&D expenses	-981	-276
<b>Total</b>	<b>-1,556</b>	<b>-1,116</b>

**NOTE A9 Participation in Group companies**

	31 Dec 2019	31 Dec 2018
<b>Accumulated cost</b>		
Opening balance, 1 Jan	585	585
Acquisitions	-	-
<b>At year-end, 31 Dec</b>	<b>585</b>	<b>585</b>
<b>Total</b>	<b>585</b>	<b>585</b>

Subsidiaries	Corporate identity number	Registered office	No. of shares	Holding %	31 Dec 2019 Carrying amount
M-PS Helmet AB	556763-8449	Stockholm, SE	1,000	100	100
MIPS AB (Dongguan) Trading Co., Ltd	91441900MA4W2Y7T9L	Dongguan, CN	1	100	485
<b>Total</b>					<b>585</b>

Subsidiaries	Corporate identity number	Registered office	No. of shares	Holding %	31 Dec 2018 Carrying amount
M-PS Helmet AB	556763-8449	Stockholm, SE	1,000	100	100
MIPS AB (Dongguan) Trading Co., Ltd	91441900MA4W2Y7T9L	Dongguan, CN	1	100	485
<b>Total</b>					<b>585</b>

M-PS Helmet AB did not conduct any business in 2019 and 2018.

**NOTE A10 Other financial assets**

	31 Dec 2019	31 Dec 2018
<b>Accumulated cost</b>		
Opening balance, 1 Jan	483	561
Acquisitions	-	-
Divestments	-	-78
Exchange rate differences for the year	-	-
<b>At year-end, 31 Dec</b>	<b>483</b>	<b>483</b>

Mainly relates to deposits from lease contracts.

**NOTE A11 Accounts receivable**

	31 Dec 2019	31 Dec 2018
Invoiced receivables	62,611	37,494
Currency adjustments	-1,801	-150
Reserve for expected credit losses	-331	-588
<b>Total</b>	<b>60,479</b>	<b>36,755</b>
<b>Invoiced receivables due as follows:</b>		
Not yet due	30,053	22,731
Overdue by 1-30 days	18,958	7,078
Overdue by 31- 60 days	7,490	3,558
Overdue by 61- 90 days	3,281	1,958
Overdue by 91- days	2,828	2,169
<b>Total</b>	<b>62,611</b>	<b>37,494</b>
<b>Change in reserve for expected credit losses</b>		
Opening balance, 1 Jan	-588	-261
During the year		
- repaid	257	-
- provisions established	-	-328
<b>At year-end, 31 Dec</b>	<b>-331</b>	<b>-588</b>

**NOTE A12 Group transactions**

	31 Dec 2019	31 Dec 2018
<b>Receivables and liabilities to subsidiaries</b>		
Receivables	746	376
Liabilities	-431	-64
<b>Net</b>	<b>315</b>	<b>312</b>
<b>Revenues and costs from subsidiaries</b>		
Revenue	-	-
Costs	-444	-444
<b>Net</b>	<b>-444</b>	<b>-444</b>

**NOTE A13 Prepaid expenses and accrued income**

	31 Dec 2019	31 Dec 2018
Prepaid rental costs	1,145	521
Prepaid trade fair costs	99	113
Prepaid insurance	400	38
Accrued revenue	190	846
Prepaid pension premiums	-	267
Prepaid system costs	547	514
Other	3,694	474
<b>Total</b>	<b>6,075</b>	<b>2,772</b>

**NOTE A14 Cash and cash equivalents**

	31 Dec 2019	31 Dec 2018
Cash and bank balances	34,813	34,699
<b>Total according to statement of financial position</b>	<b>34,813</b>	<b>34,699</b>
Current investments equivalent to Cash and cash equivalents	145,745	205,692
<b>Total according to statement of cash flows</b>	<b>180,557</b>	<b>240,392</b>

Cash and bank balances refer to balances of bank accounts in SEK, USD and EUR. Current investments relate to the company's surplus liquidity that is invested in fixed income funds at highly reputable credit institutions in order to avoid negative interest rates. The company's current investments can be sold within two days.

**NOTE A15 Equity****Restricted reserves**

Restricted reserves may not be reduced through profit distribution.

**Statutory reserve**

The purpose of the statutory reserve has been to tie up part of the net profits that is not needed to cover an accumulated deficit. Amounts that were included in the share premium reserve before 1 January 2006 have been transferred to and are included in the statutory reserve.

**Non restricted equity**

The following funds together with the annual profit/loss constitute unrestricted equity, that is to say the amount that is available for dividends to shareholders.

**Share premium reserve**

When shares are issued at a premium, i.e. when the price of the shares is more than the quotient value, a sum corresponding to the amount above the quotient value is transferred to the share premium reserve. Amounts transferred to the share premium reserve commencing on 1 January 2006 are included in unrestricted equity.

**Fair value reserve**

The company uses the Annual Accounts Act rules for measurement of financial instruments at fair value according to chapter 4 section 14, paragraphs a-e. A change in value is recognized in the fair value reserve when it relates to a hedging instrument and the hedge accounting policies allow part or all of the change in value to be recognized in equity.

**Retained earnings**

Retained earnings comprise profit brought forward from the preceding year less any dividend paid during the year.

At the disposal of the Annual General Meeting (TSEK):

Share premium reserve	204,614
Fair value reserve	-427
Retained earnings	-
Profit for the year	70,483
<b>Total</b>	<b>274,669</b>

The Board of Directors proposes that the available funds of TSEK 274,669 be disposed so that SEK 3.00 per share, corresponding to TSEK 75,900, based on number of shares as of 31 December 2019, will be distributed to shareholders and the remaining amount of TSEK 198,769 be carried forward including TSEK 199,196 to the share premium reserve and TSEK -427 to the fair value reserve.

For information about the number of shares, see Note 17 to the consolidated financial statements.

**NOTE A16 Accrued expenses and deferred income**

	31 Dec 2019	31 Dec 2018
Vacation pay liability	1,451	1,197
Accrued salaries and remuneration	2,688	2,824
Accrued social security contributions	1,283	1,263
Estimated payroll tax on pensions	1,713	1,346
Prepaid Implementation	629	650
Other accrued expenses	1,259	1,573
<b>Total</b>	<b>9,023</b>	<b>8,853</b>

**NOTE A17** Financial instruments

31 Dec 2019	Note	Financial assets measured at fair value through profit or loss	Hedging instrument	Financial assets measured at amortized cost	Financial liabilities measured at fair value through profit loss	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Other financial assets (Depositions)	A10	-	-	483	-	-	483	483
Accounts receivable	A11	-	-	60,479	-	-	60,479	60,479
Receivables from Group companies	A12	-	-	746	-	-	746	746
Other current receivables		-	-	272	-	-	272	272
Current investments	A14	145,745	-	-	-	-	145,745	145,745
Cash and cash equivalents	A14	-	-	34,813	-	-	34,813	34,813
Accounts payable		-	-	-	-	-9,111	-9,111	-9,111
Other liabilities (Derivatives)		-	-1,565	-	-	-	-1,565	-1,565
Liabilities to Group companies	A12	-	-	-	-	-431	-431	-431
Accrued expenses	A16	-	-	-	-	-5,398	-5,398	-5,398
<b>Total financial assets and liabilities by category</b>		<b>145,745</b>	<b>-1,565</b>	<b>96,793</b>	<b>-</b>	<b>-14,941</b>	<b>226,031</b>	<b>226,031</b>

31 Dec 2018	Note	Financial assets measured at fair value through profit or loss	Hedging instrument	Financial assets measured at amortized cost	Financial liabilities measured at fair value through profit loss	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Other financial assets (Depositions)	A10	-	-	483	-	-	483	483
Accounts receivable	A11	-	-	36,755	-	-	36,755	36,755
Receivables from Group companies	A12	-	-	376	-	-	376	376
Other current receivables		-	-	224	-	-	224	224
Current investments	A14	205,692	-	-	-	-	205,692	205,692
Cash and cash equivalents	A14	-	-	34,699	-	-	34,699	34,699
Accounts payable		-	-	-	-	-7,771	-7,771	-7,771
Other liabilities (Derivatives)		-	-3,192	-	-	-	-3,192	-3,192
Liabilities to Group companies	A12	-	-	-	-	-64	-64	-64
Accrued expenses	A16	-	-	-	-	-5,594	-5,594	-5,594
<b>Total financial assets and liabilities by category</b>		<b>205,692</b>	<b>-3,192</b>	<b>72,537</b>	<b>-</b>	<b>-13,429</b>	<b>261 608</b>	<b>261 608</b>

**NOTE A18 Operating leases**

The parent company does not apply IFRS 16 in accordance with the exception contained in RFR 2. As a lessee, lease payments for are recognized on a straight-line basis over the term of the lease.

Lease costs mainly comprise rent for office premises. In January 2020 the company moved to new, more efficient premises. In conjunction with this move, future lease payments will increase. The contract extends until December 2024 and the total future minimum lease payments will therefore increase to SEK 14.7 million.

Future minimum lease charges	2019	2018
Within 1 year	409	1,828
Between 1-5 years	48	135
More than 5 years	-	-
<b>Total</b>	<b>457</b>	<b>1,963</b>
Lease costs for the year pertaining to operational leasing fee totaled:	1,972	1,835

**NOTE A19 Investment commitments**

The company has no significant investment commitments as of 31 December 2019 or 2018.

Refer to Note 11 in the consolidated financial statements.

**NOTE A20 Related parties**

Refer to Note 23 in the consolidated financial statements.

**NOTE A21 Specification of statement of cash flows**

	2019	2018
Amortization of non-current assets	4,455	1,601
Unrealized exchange-rate differences	1,652	-393
Change in value of financial instruments	-747	2,640
Other items not affecting liquidity	0	1
<b>Total</b>	<b>5,359</b>	<b>3,848</b>
<b>Interest income and expense</b>	<b>2019</b>	<b>2018</b>
Interest expense	-14	-7

**NOTE A22 Pledged assets and contingent liabilities**

	31 Dec 2019	31 Dec 2018
Pledged assets	None	None
Contingent liabilities	None	None

**NOTE A23 Related party transactions**

Market-based terms and pricing apply for all transactions. Transactions involving goods and services occur between companies in the Group. All intra-Group transactions are eliminated. Regarding the parent company's dealings with subsidiaries, see note A12.

**NOTE A24 Significant estimates and judgments**

Refer to Note 26 in the consolidated financial statements

**NOTE A25 Events after balance-sheet date**

Refer to Note 27 in the consolidated financial statements.

**NOTE A26 Information about the parent company**

MIPS AB is a public limited liability company registered in Sweden (Corp. Reg. No. 556609-0162), with its registered office in Stockholm, Sweden. The address of the head office is Kemistvägen 1B, 183 79 Täby.

## BOARD OF DIRECTORS ASSURANCE

The Board of Directors and the Chief Executive Officer hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden, and that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in the regulation (EU) no. 1606/2002 of the European Parliament and Council dated July 19, 2002, pertaining to the application of international financial report-

ing standards. The Annual Report and the consolidated financial statements give a fair view of the parent company's and the Group's financial position and results. The administration report pertaining to the parent company and the Group gives a fair overview of the development of the parent company's and the Group's operations, financial position and results, and describes the significant risks and uncertainties facing the parent company and the companies included in the Group.

Stockholm on 26 March 2020

Magnus Welander  
CHAIR OF THE BOARD

Pär Arvidsson

Jonas Rahmn

Jenny Rosberg

Pernilla Wiberg

Max Strandwitz  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Our Auditor's Report was submitted on 27 March 2020

KPMG AB

Tomas Gerhardsson  
AUTHORIZED PUBLIC ACCOUNTANT

# AUDITOR'S REPORT

To the general meeting of the shareholders of MIPS AB, corp. id 556609-0162

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of MIPS AB for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 44-90 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and

belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

We have determined that there are no particularly significant areas for the audit that we need to communicate in the audit report.

### Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts, which is found on pages 1-43, 95-96 and 109-110. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair pre-

sentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

#### **Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, 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 opinions. 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 the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group'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 annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. 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 a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

#### **Report on other legal and regulatory requirements**

##### **Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of MIPS AB for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

#### **Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### **Responsibilities of the Board of Directors and the Chief Executive Officer**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### **Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable

degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional

judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

KPMG AB, P.O Box 382, SE 101 27, Stockholm, was appointed auditor of MIPS AB by the general meeting of shareholders on 11 May 2016. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2014.

Stockholm on 27 March 2020

KPMG AB

Tomas Gerhardsson

AUTHORIZED PUBLIC ACCOUNTANT

## FINANCIAL AND ALTERNATIVE PERFORMANCE MEASURES BY YEAR

All amounts are in SEKm unless stated otherwise.

The Group	2019	2018	2017	2016
<b>NET SALES AND PROFIT/LOSS</b>				
Net sales	267.9	192.5	125.6	86.6
Net sales growth, %	39	53	45	75
Gross profit	198.4	142.2	93.3	61.7
Gross margin, %	74.1	73.9	74.3	71.3
Operating profit/loss	108.0	73.0	20.8	18.4
Operating margin, %	40.3	37.9	16.6	21.2
Adjusted operating profit (Adjusted EBIT)	110.5	73.0	27.8	24.2
Adjusted operating margin (Adjusted EBIT), %	41.2	37.9	22.1	28.0
Profit for the year	84.8	56.4	15.8	14.3
Depreciation/amortization	6.6	1.6	1.1	0.8
<b>GROUP STATEMENT OF CASH FLOWS</b>				
Cash flow from operating activities	63.2	69.1	11.1	16.0
Cash flow from investing activities	-48.8	-6.6	-4.6	-3.8
Cash flow from financing activities	-65.4	-	145.1	0.2
<b>FINANCIAL STANDINGS</b>				
Total assets	342.6	319.4	242.2	75.4
Equity	297.9	275.6	220.6	57.3
Equity ratio,%	87	86	91	76
<b>KEY FIGURES PER SHARE</b>				
Earnings per share basic, SEK	3.35	2.23	0.64	0.67
Earnings per share diluted, SEK	3.28	2.21	0.64	0.65
Average number of shares for the period - basic	25,229,870	25,229,870	24,520,884	21,478,586
Average number of shares for the period - diluted	25 837 404	25,544,935	24,559,246	22,013,833
<b>EMPLOYEES</b>				
Average number of employees	43	35	29	17

## ALTERNATIVE PERFORMANCE MEASURES

Non-IFRS performance measures	Definition	Reason for use of measure
<b>Gross profit</b>	Net sales less cost of goods sold.	Gross profit is the profit measure used by Executive Management to monitor the profitability directly related to net sales.
<b>Gross margin (%)</b>	Gross profit as a percentage of net sales during the period.	The measure is a material complement to the gross profit, which only states the change in absolute figures, and provides an understanding of value creation over time.
<b>Operating profit (EBIT)</b>	Profit before financial items and taxes.	The measure is used to measure the profit generated by the operating activities.
<b>Operating margin (EBIT margin) (%)</b>	Operating profit as a percentage of net sales during the period.	The measure is used to assess profitability generated by the operating activities and provides an understanding of value creation over time.
<b>Adjusted operating profit (Adjusted EBIT)</b>	Operating profit excluding items affecting comparability.	Adjusted operating profit is a measure used by MIPS to maintain comparability between periods and to be able to report a result for operating activities.
<b>Adjusted operating margin (%)</b>	Adjusted operating profit as a percentage of net sales during the period.	See explanation under the description for "Adjusted operating profit."
<b>Equity ratio (%)</b>	Equity in relation to total assets.	The measure states the proportion of total assets composed by equity and contributes to a greater understanding of the company's capital structure.
<b>Cash flow from operating activities</b>	Cash flow from the primary income-generating operating activities.	The cash-flow measure is used by Executive Management to monitor the cash flow generated by the operating activities.
<b>Last 12 months rolling comparison (LTM)</b>	Indicates net sales and adjusted operating profit as a 12-month period from the most recent quarter.	The key performance measure provides Executive Management with an indication of performance over time without having to wait to compare with the next calendar year to do so.
<b>Average number of employees</b>	The average number of employees converted to full-time positions.	Converting the number of employees to full-time positions makes the measure comparable over periods and in the event of differences in working hours.

MIPS uses certain performance measures that are not defined in the IFRS rules for financial reporting which MIPS applies. The alternative performance measures presented are a complement to the IFRS-defined measures and are used by MIPS' management to monitor and guide operations. Accordingly, these

alternative performance measures, as they are defined, are not fully comparable with other companies' performance measures with the same name. For more information regarding purpose of each alternative performance measurement and financial derivation, please visit [www.mipscorp.com/investors/](http://www.mipscorp.com/investors/)

# CORPORATE GOVERNANCE REPORT

**MIPS AB (publ) is a Swedish public limited liability company. The company's shares have been listed on Nasdaq Stockholm since 2017. MIPS complies with Nasdaq Stockholm's Rule Book for Issuers and other applicable regulations, including the Swedish Corporate Governance Code (the "Code"), which is based on the "comply or explain" principle. No deviation from the code occurred in 2019. This corporate governance report describes corporate governance, management and administration at MIPS, as well as its internal control and risk management in connection with financial reporting.**

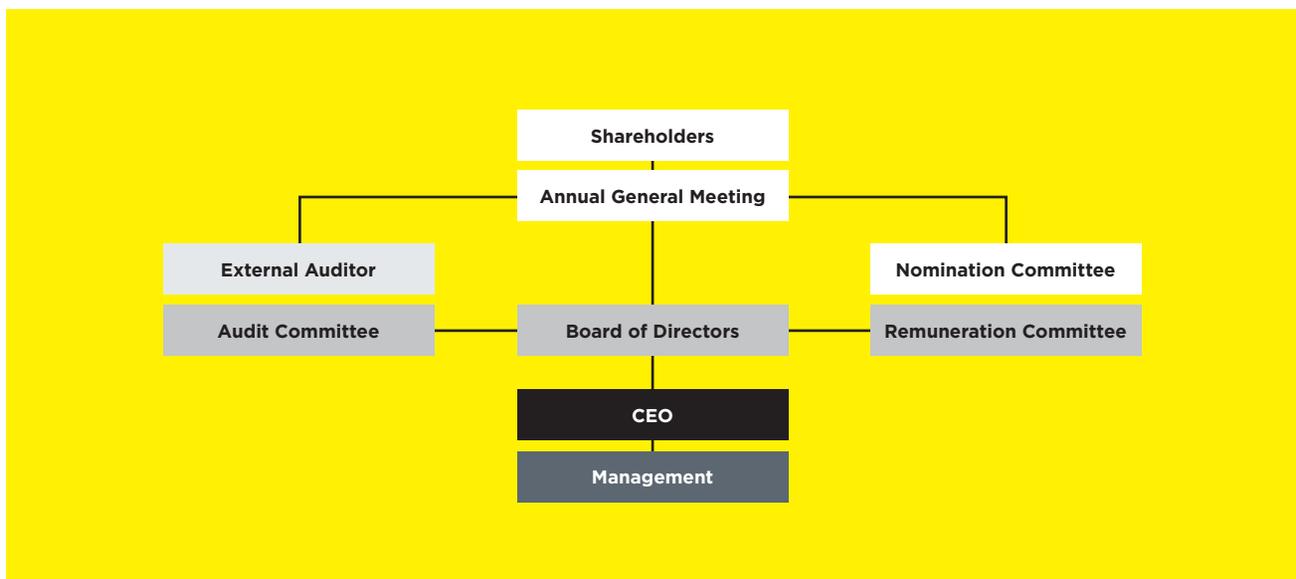
## Shareholders

MIPS' shares have been traded on Nasdaq Stockholm since 2017. At the end of 2019, share capital was SEK 2,529,987 divided among 25,299,870 shares, each with a quotient value of SEK 0.10. All shares are of the same kind and all shares in the company carry equal rights in all regards. On 31 December 2019 MIPS had about 7,700 shareholders. Of the total number of shares, approximately 52 percent were held by foreign shareholders. The Third Swedish National Pension Fund (Tredje AP fonden) is the single largest owner, with a

holding of approximately 7.3 percent of share capital and votes as of 31 December 2019. Swedbank Robur Fonder is the second largest shareholder with a holding of 7.1 percent of capital and Capital Group is the third largest with a holding of 5.5 percent of capital as of the same date. Additional information about the share and shareholders can be found on page 109, as well as on the company's website, [www.mipscorp.com](http://www.mipscorp.com).

## Annual General Meeting

According to the Swedish Companies Act (2005:551), the general meeting of shareholders is the highest decision-making body and the forum in which shareholders can exercise their voting rights. The Swedish Companies Act and the Articles of Association stipulate how notice of the Annual General Meeting and Extraordinary General Meeting shall be announced, as well as who has the right to participate and vote at the Meeting. There are no restrictions on how many votes each shareholder may cast at the Meeting, nor do the Articles of Association contain any provisions on how to amend the Articles of Association. All shares carry the right to one vote. Shareholders cannot vote or otherwise participate in the Meeting remotely.



The general meeting has not provided any authorization to the Board of Directors at this time to resolve that the company should issue new shares or acquire treasury shares.

### 2020 Annual General Meeting

MIPS' 2020 Annual General Meeting will be held on Thursday 7 May 2020 at 3:00 p.m. at Grev Turegatan 30, Stockholm. For more information, visit [www.mipscorp.com](http://www.mipscorp.com).

### Nomination Committee

The Nomination Committee shall consist of four members who, in addition to the Chairman of the Board, shall consist of representatives of the three largest shareholders in terms of votes, or the largest shareholders who are otherwise known, after 31 August, who would like to appoint a member. The Nomination Committee shall appoint one of its members to serve as chairperson of the Nomination Committee.

According to the instructions, the duties of the Nomination Committee include submitting proposals to the Annual General Meeting on:

- Chairman of the AGM;
- Number of members elected by the AGM;
- Candidates for the Board of Directors;
- Chair of the Board;
- Fees for the Board, including the Chair, and for Board members' work on Board committees;
- Election of external auditors;
- Fee to external auditors; and
- Proposals for any updates to instructions for appointment of the Nomination Committee and its work.

The announcement of the composition of the Nomination Committee for the 2020 Annual General Meeting was published on 4 September 2019. The members of the Nomination Committee and respective nominating shareholders for the 2020 AGM are:

Committee member	Nominating shareholders
Peter Lundkvist (Chair)	Third National Swedish Pension Fund
Jan Dworsky	Swedbank Robur Fonder
Henrik Söderberg	C WorldWide Asset Management
Magnus Welander*	

\*Chairman of the Board of MIPS AB

The Nomination Committee has held three meetings prior to the date on which this Annual Report was presented. As noted above, one of the chief duties of the Nomination Committee is to make recommendations regarding the size and composition of the Board. Normally, the starting point for such recommendations is a survey conducted each year (see below) by the Chair of the Board to assess the Board's work, composition, qualifications, experience and efficiency, the results of which are shared and discussed with the Nomination Committee. Based on survey results and subsequent discussions and interviews, the Nomination Committee determines whether the existing Board should be strengthened with additional expertise or if there are any other reasons to make changes to the composition of the Board. In making such determinations and (if applicable) evaluating potential new candidates for the Board, the Nomination Committee takes into consideration the goal to achieve a more even gender balance in the Board.

The Nomination Committee applies rule 4.1 of the Code as its diversity policy in its work. The aim is for the composition of the Board to be appropriate, multifaceted and contribute to diversity in terms of gender, age and nationality, as well as experience, professional background and market categories. The Nomination Committee also takes into consideration the need to ensure that the independence requirements of the Swedish Code are met. The Nomination Committee believes that the composition of the Board is appropriate in terms of multidimensional diversity. In addition, the composition of expertise and experience is well in line with MIPS' priorities. Women account for 40 per cent of Board members elected by the AGM.

For the 2020 AGM, the Nomination Committee announced its proposals in the notice of the AGM, which will be published around 30 March 2020. The Nomination Committee will then present its work and proposals at the AGM.

### Auditors

The 2016 Annual General Meeting elected KPMG AB as auditors of the company from the 2016 AGM until the end of the 2020 AGM. Tomas Gerhardsson was appointed auditor in charge.

**Composition of the Board of Directors**

	Elected year	Total fee SEK	Independent of the company and its management	Independent in relation to major shareholders	Board meetings	Audit Committee	Remuneration Committee
<b>Chairman</b>							
Magnus Welander	2016	360	Yes	Yes	11/11		2/2
<b>Board members</b>							
Pär Arvidsson	2016	282	Yes	Yes	11/11	5/5	
Jonas Rahmn	2012	205	Yes	Yes	11/11		1/2
Pernilla Wiberg	2016	192	Yes	Yes	10/11		
Jenny Rosberg	2018	230	Yes	Yes	11/11	3/5	1/2
Bengt Baron*	2011	195	Yes	Yes	4/11	2/5	
Greg Shapleigh**	2018	622	No	Yes	6/11		

\* Declined reelection at the 2019 AGM

\*\* Resigned as Board member in August 2019. Also engaged as a consultant by the company, see note 23

In accordance with a resolution adopted at the AGM, the auditor's fee until the 2020 AGM shall be paid on the basis of approved invoices. The auditor's independence is ensured by legislation and professional ethics and the audit firm's internal guidelines, as well as by adhering to the Audit Committee's guidelines governing the type of assignments that the audit firm may conduct in addition to the audit. KPMG AB has not provided any advice other than the audit assignment for the company. For more information, see Note 6.

**Board of Directors**

According to the Articles of Association, the Board of Directors is to comprise a minimum of three and a maximum of eight directors who are elected by the general meeting for the period until the end of the next AGM. The Articles of Association do not contain any restrictions on the eligibility of Board members.

The 2019 AGM reelected, at the proposal of the Nomination Committee, Pär Arvidsson, Jonas Rahmn, Magnus Welander, Pernilla Wiberg, Jenny Rosberg and Greg Shapleigh. The AGM elected Magnus Welander to serve as chairman. The Board currently consists of five mem-

bers since Greg Shapleigh chose to resign from the Board in August 2019 because he decided to accept a key position within the bike industry.

The Board is regulated by the Swedish Companies Act, the company's Articles of Association and the Code. In addition, the Board of Directors' work is regulated by rules of procedure established annually by the Board. The rules of procedure govern such matters as the allocation of work and responsibilities between the members of the Board, the Chairman and the Chief Executive Officer, and contain procedures regarding financial reporting and other instructions for the CEO. The Board of Directors also establishes instructions for the Board's committees. The work of the Board of Directors follows a yearly plan which, in addition to adoption of interim reports and annual accounts, also includes adoption of the strategy and business plan, budget and proposals for resolution at the Annual General Meeting (such as appropriation of profit). Following the Annual General Meeting each year, Board policy documents and guidelines are adopted. The Board of Directors also monitors financial developments, ensuring the quality of financial reporting and the internal control and evaluates

the operations based on the established objectives and guidelines adopted by the Board of Directors. Moreover, at least once a year the Board of Directors evaluates the performance of the company's CEO. The Board of Directors also decides on major investments and changes in the Group's organization and operations.

The Chairman of the Board is to monitor the company's performance, in close collaboration with the CEO, and convene Board meetings. The Chairman of the Board is also responsible for ensuring that the directors annually evaluate their work and that they continuously receive the information necessary to perform their work effectively.

Important issues specifically addressed by MIPS' Board of Directors in 2019 included the acquisition of the GlideWear and Fluid technologies with associated intellectual property, the organizational structure of the company including succession plans and strengthening of certain parts of the organization (such as sales and marketing) and the overall long-term strategy and financial performance at MIPS. In addition, during the year the Board actively worked on important issues such as compliance with laws and regulations, accountability and the market's confidence in MIPS.

#### **Evaluation of the Board of Directors**

The Board follows an established procedure to annually evaluate the results of the work of the Board and committees, how effective its methods are and how they can be improved. The Chairman of the Board has been responsible for distributing and following up a written questionnaire to include the opinions of all directors and to receive suggestions for improvement. The survey results were compiled, presented and discussed in the Board. The results of the evaluation are presented to the Nomination Committee by the Chairman of the Board along with a written report.

#### **Remuneration to Board members**

Fees to Board members, including remuneration for committee work, are determined by the shareholders at the general meeting. The AGM held on 9 May 2019, resolved that a fee of SEK 400,000 shall be paid to the Chairman of the Board and SEK 200,000 to each of

the other directors. For work in the Audit Committee, the Chairman is paid SEK 100,000 and the other members receive SEK 50,000. For work in the Remuneration Committee, the Chairman is paid SEK 35,000 and the other members receive SEK 20,000.

#### **Board meetings**

During the year, the Board held eleven meetings, four of which were by telephone, one per capsulam and six physical meetings. All physical meetings took place in Stockholm.

The CEO, CFO and Chief Legal Counsel participate at MIPS Board meetings. The Chief Legal Counsel acts as the secretary of the Board and records the minutes at Board meetings. Other members of Executive Management may also be asked to attend to report on important issues.

When relevant and at least quarterly, Group Management presents forecasts and key performance indicators, providing the Board with an overview of the financial development and expectations of the company. The company's budget is reviewed and approved once a year. The Board also reviews and monitors any disputes the company may have. The company's external auditors meet with the Board at least once a year, without participation of the members of Group Management.

#### **Independence of the Board of Directors**

In accordance with the Code, a majority of Board members elected by the AGM shall be independent in relation to the company and its management and major shareholders. All Board members have been judged to be independent both in relation to the company and its management, as well as in relation to major shareholders. This assessment is presented in more detail on page 99.

#### **Board Committees**

The Board has two committees: the Audit Committee and the Remuneration Committee. These committees are preparatory bodies for the Board and do not limit the Board's responsibility for the management of the company and for the decisions that are made. Minutes are recorded at the committee meetings. In addition,

regular reports are made to the Board regarding what has been discussed at committee meetings either in writing or orally. The work of the respective committees is carried out pursuant to written instructions from the committees which comprise part of the rules of procedure from the Board.

### **Audit Committee**

MIPS has an Audit Committee consisting of two members, Pär Arvidsson (chairman) and Jenny Rosberg. Jenny Rosberg replaced Bengt Baron as committee member after the 2019 AGM. The committee's duties include monitoring the company's financial reporting and the efficiency of the company's internal control and risk management activities. The Audit Committee's work focuses on the quality and accuracy of the Group's financial accounting and the accompanying reporting. Furthermore, the Audit Committee evaluates the auditors' work, qualifications and independence and monitors in particular whether the auditor provides the company with services other than audit services. The Audit Committee monitors the development of accounting policies and requirements, discusses other significant issues connected with the Company's financial accounting and reports its observations to the Board.

The Audit Committee held five meetings in 2019. The minutes that are recorded at Audit Committee meetings are presented to the Board of Directors at the next Board meeting. The Audit Committee meets all requirements for auditing and accounting expertise as stipulated in the Swedish Companies Act.

### **Remuneration committee**

The Remuneration Committee at MIPS has two members: Magnus Welander (Chairman) and Jonas Rahmn. Jonas Rahmn replaced Jenny Rosberg as committee member after the 2019 AGM. The duties of the Remuneration Committee include preparing matters regarding remuneration and other terms of employment for the CEO and other senior executives. This work also includes preparing the Board's proposals on guidelines for remuneration to Executive Management, including the relationship between fixed and any variable remuneration, as well as the connection between perfor-

mance and remuneration, the principal terms of any bonus and incentive programs and the principal terms of non-monetary benefits, pensions, termination and severance pay. However, share-based incentive programs for Group Management are adopted by the general meeting. The Remuneration Committee's duties also include monitoring and evaluating the outcomes of variable remuneration programs, and MIPS' compliance with the guidelines for remuneration to Executive Management adopted by the general meeting.

The Remuneration Committee held three meetings in 2019. The minutes that are recorded at Remuneration Committee meetings are presented to the Board of Directors at the next Board meeting.

### **CEO and Group Management**

The CEO is appointed by the Board of Directors and is responsible for the daily management of the company and the Group's activities in accordance with the Board instructions and regulations. The distribution of responsibilities between the CEO and the Board of Directors is defined in the Board's rules of procedure and the instructions for the CEO, adopted by the Board of Directors. The CEO serves as the head of the senior executives and makes decisions in consultation with other members of the Executive Management team. The CEO is also responsible for preparation of reports and compiling information for Board meetings, as well as for presenting relevant material at Board meetings.

A description of the guidelines for remuneration to Executive Management, share-based incentive programs and terms of employment for the CEO and senior executives can be found in Notes 4 and 5, as well as on the company's website.

### **Internal control and risk management**

The Board of Directors' responsibility for internal control is governed in part by the Swedish Companies Act, the Swedish Annual Accounts Act (1995:1554), and the Code. The duties of the Board of Directors include ensuring that the company has formalized procedures to ensure compliance with the principles for financial reporting and internal control, and that the company's financial reporting is prepared in compliance with law,

applicable accounting standards and other requirements for listed companies, including that there is an effective follow-up and control system for the company's operations. The Board shall also ensure that internal control is evaluated.

MIPS' CEO is responsible for ensuring that the company's internal control is implemented and conducted as necessary to manage significant risks in the day-to-day activities of the company. The company's CEO has overall responsibility for maintaining sound internal control over the financial reporting environment.

To develop a structured approach to working with internal control, MIPS applies the COSO framework (published by the Committee of Sponsoring Organizations of the Treadway Commission). MIPS' process for internal control has been designed to ensure appropriate risk management, including reliable and accurate financial reporting in accordance with IFRS, and other applicable laws and regulations.

### **Control Environment**

The control environment is the foundation for all other components of the internal control, and includes factors such as organizational culture, integrity, ethical values, expertise, management philosophy, organizational structure, responsibilities and authorities, as well as policies and procedures.

The Board of Directors has adopted a number of governing documents and instructions to communicate a clearly defined internal control environment, also aimed at defining roles and allocation of responsibilities between the CEO and the Board of Directors. These governing documents include the Board Of Directors' rules of procedure, instructions for the CEO, instructions for financial reporting, authorization framework and instructions for the Board committees. The control environment within MIPS thus comprises both individual responsibilities and governing documents, with consideration taken to applicable laws and regulations.

### **Risk assessment**

A risk assessment includes the identification and assessment of risks that may impede or prevent the company

from achieving its objectives. MIPS has an annual risk process in place where risks are identified from a Group perspective to give an overall view of the most significant risks to which MIPS is exposed. Each identified key risk is assigned to a member of the senior executives and documented with a action plan to address and mitigate the risk to the greatest extent possible. The senior executives should as a rule review and update the risk matrix at least quarterly.

In addition, the Audit Committee shall annually discuss, together with Executive Management and the external auditors, any significant financial risk exposures and measures taken, or intended to be taken, by Group Management to mitigate, limit or control the exposures. The risk assessment, including documentation, should be presented to the Board of Directors annually, usually in conjunction with the proposed budget presentation at the end of the year.

### **Control activities**

The design of control activities is of particular importance in the company's work to manage risks and safeguard the internal control. In order to prevent, detect and correct errors and deviations, control activities are established in relation to control targets, which help to ensure that necessary actions are taken to address risks that could prevent the company from achieving its objectives. Such control activities include MIPS' governance structure with a number of forums and activities that continually monitor the operations, such as the Board of Directors' review and reconciliation of decisions taken. Well-defined business processes, segregation of duties and appropriate delegation of authority are also activities that support good corporate governance and internal control within the company. MIPS' internal control program focuses on four key processes:

- Order to Cash
- Procure to Pay
- Record to Report
- Salary Process

These four processes are analyzed in detail, and the steps of the processes are defined, in internal documents to ensure that there is a sufficient division of

responsibility and that the right control mechanisms are in place. The strength and efficiency of these control mechanisms shall also be evaluated annually to ensure compliance with the established processes and that the safety measures continue to be relevant. All evaluation results are saved and documented. If any of the processes change during the year, a review of the process must be carried out quickly to ensure that all relevant risks are addressed.

#### **Information and communication**

MIPS' internal communication channels and the limited size of the company enable written information relating to the financial reporting and internal control to be quickly and easily communicated to the company's employees. In addition to written information, news, risk management and control results are communicated and discussed at regular physical meetings. All relevant internal policies and instructions are available to all concerned employees on the company's intranet. In addition, there are both formal and informal information channels for the management and the Board for essential information from employees. For external communication, guidelines have been compiled in an information policy, which ensures that the company lives up to high standards for correct information to the market and other groups such as shareholders, Board members, employees and customers, in compliance with the applicable regulations.

#### **Monitoring**

The internal control system is regularly monitored and any deficiencies are reported to MIPS' senior management and, if necessary, also to the Board. In addition, the internal control system is evaluated annually. The MIPS CFO is responsible for ensuring that appropriate monitoring processes are in place, including a special process for monitoring and assessing reported deficiencies. The results of the annual evaluation shall be reported to the Audit Committee for review, after which a summary including any identified suggestions for improvements shall be presented to the Board of Directors. The Board of Directors continually assesses the information and reports provided by Executive Management, and ensures that identified risks are adequately handled.

#### **Internal audit**

Under Section 7.3 of the Code, the Board shall evaluate the need for a special audit function (internal audit) during the year to ensure that the company complies with established principles, standards and other applicable laws relating to financial reporting. Given the company's organizational structure, existing procedures and internal control initiatives, the Board has assessed that there is no need to introduce an internal audit function.

The matter of an internal audit function will be reassessed in 2020.

## BOARD OF DIRECTORS

*All directors are independent in relation to the company and its management, and independent in relation to the company's major shareholders.*



**MAGNUS WELANDER**

Chairman of the Board since 2019. Chairman of the Remuneration Committee. Born 1966. MSc in Civil Engineering, Institute of Technology at Linköping University.

**Current assignments:**  
CEO of Thule Group.

**Selected past assignments:**  
CEO of Envirotainer, various management positions at Tetra Pak in Italy and Australia. Director of MIPS AB.

**Holdings including any related parties:**  
Warrants 50,000 relate to holdings 31 December 2019.



**PÄR ARVIDSSON**

Director since 2016. Chairman of the Audit Committee. Born 1960. MA from University of California, Berkeley. MBA, Harvard Business School.

**Current assignments:**  
Chairman of the Board and CEO of Wcities International, Inc. MD of Snowshoe Capital LLC. Director of Perfect Search Corporation.

**Selected past assignments:**  
Partner Strategic Decisions Group, consultant at McKinsey & Co. Founder and Managing Partner Gamechange Ventures.

**Holdings including any related parties:**  
149,000 shares through company Warrants 50,000 relate to holdings 31 December 2019.



**JONAS RAHMN**

Director since 2012. Member of the Remuneration Committee. Born 1967. MSc in Civil Engineering, Chalmers University of Technology.

**Current assignments:**  
CEO and owner Rafn Advice AB. Director at Apica AB and Norröna Sport AS.

**Selected past assignments:**  
Partner KTH Chalmers Capital, consultant Accenture.

**Holdings including any related parties:**  
Warrants 50,000 relate to holdings 31 December 2019.




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**JENNY ROSBERG**

Director since 2018.  
 Member of the Audit Committee.  
 Born 1966. MBA from Stockholm  
 School of Economics.

**Current assignments:**

CEO of ROPA Management AB.  
 Director of Länsförsäkringar  
 Stockholm; member of the audit  
 committee and director of AB  
 Persson Invest.

**Selected past assignments:**

Director of NetEnt AB (publ),  
 Nordax Group AB (publ) and  
 Nordax Bank AB (publ), director  
 of Eastnine AB (publ), director of  
 Nasdaq Stockholm AB, Nasdaq  
 Helsinki Oy and Nasdaq Copen-  
 hagen A/S. Senior Vice President  
 at Nasdaq OMX Group Inc. and  
 Vice President at Nasdaq Nordic.

**Holdings including  
 any related parties:**

1,600 shares through  
 company; relate to holdings  
 31 December 2019.




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**PERNILLA WIBERG**

Director since 2016.  
 Born 1970. Social science  
 secondary education (three years).  
 Studies in economics, Dalarna  
 University in Borlänge.

**Current assignments:**

Owner of Pernilla Wiberg Sport  
 Promotion. Minority ownership in  
 Hotell Idre Sweden. Director at  
 World Olympians Association  
 (WOA). Chairman of a working  
 group of the International Ski  
 Federation.

**Selected past assignments:**

Winner of two Olympic gold  
 medals, four world championship  
 gold medals and 24 world cup  
 competitions in alpine skiing.

**Holdings including  
 any related parties:**

Warrants 50 000 relate to holdings  
 31 December 2019.

## MANAGEMENT



**MAX STRANDWITZ**

Born 1975 and Chief Executive Officer since 2019.

**Education and professional experience:**  
MSc in business, University of Borås. Previously CFO at MIPS AB, CFO Operations at Cloetta AB and Finance Director at Unilever Supply Chain Company and Unilever Nordic.

**Current assignments:**  
None

**Selected past assignments:**  
None

**Holdings including any related parties:**  
70,000 shares  
150,000 warrants relate to holdings 31 December 2019.



**PETER HALLDIN**

Born 1968 and Chief Science Officer since 2008.

**Education and professional experience:**  
PhD, Royal Institute of Technology, Stockholm, and co-founder of MIPS.

**Current assignments:**  
Part time post-doc at the Royal Institute of Technology, Stockholm.

**Selected past assignments:**  
Director at MIPS AB

**Holdings including any related parties:**  
343,665 shares relate to holdings 31 December 2019.



**SHUYI ISAKSSON**

Born 1978 and Head of Operations since 2016.

**Education and professional experience:**  
BA English Education, Guangzhou College of Education, Kina. Entrepreneurship and business development, Stockholm International School of Trading. Previously Account Manager at OSM Group AB.

**Current assignments:**  
Director at MI Engineering AB.

**Selected past assignments:**  
None

**Holdings including any related parties:**  
16,505 shares  
50,000 warrants relate to holdings 31 December 2019.



**FREDRIK KJELLBERG**

Born 1976 and Chief Marketing Officer since 2019.

**Education and professional experience:**  
BA in marketing, Stockholm University. Previously Global Marketing Director Atomic Austria GmbH, Global Marketing Manager Haglöfs Scandinavia AB and Digital Manager Peak Performance Production AB.

**Current assignments:**  
None

**Selected past assignments:**  
None

**Holdings including any related parties:**  
950 shares relate to holdings 31 December 2019.




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**MARCUS SEYFFARTH**

Född 1973 and Head of Product Development since 2019.

**Education and professional experience:**  
MSc Datalogy and mathematics, Stockholm University/Royal Institute of Technology, Stockholm. Previously Product Manager at MIPS AB.

**Current assignments:**  
None

**Selected past assignments:**  
Founder and CEO of EttSexEtt Skateboards HB.

**Holdings including any related parties:**  
23,300 shares relate to holdings 31 December 2019.




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**MATS JUHL**

Born 1973 and Chief Financial Officer since 2019.

**Education and professional experience:**  
MSc in business, Lund University, International business and administration, University of Westminster, and International Finance, Kristianstad University/Lund University. Previously CFO and partner at Tengbomgruppen AB, CFO at Sweden Arena Management AB (Friends Arena) and Finance Director Ticketmaster AB.

**Current assignments:**  
CEO and director at Juhl Management AB.

**Selected past assignments:**  
None

**Holdings including any related parties:**  
898 shares relate to holdings 31 December 2019.




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**JOHAN SAUER**

Born 1978 and Head of Sales since 2018.

**Education and professional experience:**  
MSc, Stockholm School of Economics, MS Accounting and Managerial Finance. University of New Mexico, Anderson School of Management. Previously Executive Vice President at RECCO AB.

**Current assignments:**  
Owner of and Director at Fall Line AB.

**Selected past assignments:**  
Senior Associate, Arkwright AB.

**Holdings including any related parties:**  
None

## AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

### Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2019 on pages 97–107 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with

International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

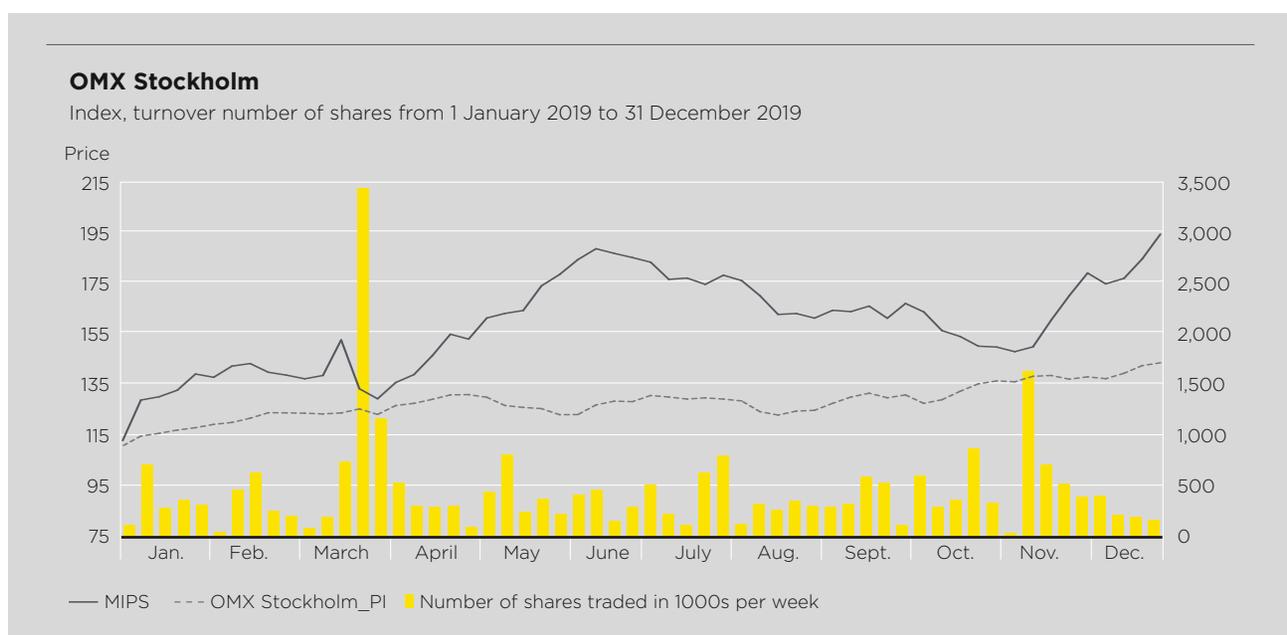
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm on 27 March 2020

KPMG AB

Tomas Gerhardsson  
AUTHORIZED PUBLIC ACCOUNTANT

## SHARE INFORMATION



In 2019 the MIPS share was listed on Nasdaq Stockholm, Mid Cap. On 31 December 2019 MIPS had 7,681 shareholders.

Foreign owners accounted for about 52 percent of the votes and capital. The ten largest shareholders accounted for 35.2 percent of the votes and the capital. The highest price paid in 2019 was SEK 199.8 and the lowest price paid was SEK 105.0.

The share capital of MIPS was SEK 2,529,987 on 31 December 2019, as of the same date the number of shares amounted to 25,299,870 ordinary shares. According to the company's Articles of Association, the share capital shall amount to not less than SEK 2,000,000 and not more than SEK 8,000,000, divided among no less than 20,000,000 and not more than 80,000,000 shares. MIPS' Articles of Association contain a central securities depository clause and the company's shares are registered with Euroclear Sweden AB, which means that Euroclear Sweden AB administers the company's share

register and registers the shares for individuals. All shares carry equal rights to the company's profits and shares of surpluses in the event of liquidation.

10 largest owners	Share of capital and votes, %
Third National Swedish Pension Fund	7.3
Swedbank Robur Fonder	7.1
Capital Group	5.5
C Worldwide Asset Management AB	4.4
Eleva Capital LLP	2.5
AMF Försäkring & Fonder	2.4
Artisan Partners	1.6
Kuwait Investment Authority	1.5
Janus Henderson Investors	1.5
Berenberg Funds	1.4
<b>Total 10 largest shareholders</b>	<b>35.2</b>
Other	64.8

## INFORMATION TO SHAREHOLDERS

### Annual General Meeting

The 2020 Annual General Meeting of MIPS AB will be held at 3 p.m. on Thursday, 7 May 2020 at Grev Turegatan 30, Stockholm.

### Right to attend

Shareholders who wish to attend the general meeting must:

- Be recorded in the share register kept by Euroclear Sweden AB (the Swedish Central Securities Depository) on Thursday 30 April 2020.
- Notify the company of their intention to attend the AGM by Monday 4 May 2020. Shareholders who have trustee-registered their shares must temporarily reregister the shares in their own name to be entitled to participate in the Meeting. Such registration must be completed by Thursday, 30 April 2020. Accordingly, shareholders must inform the trustee of this request in ample time prior to this date.

### Notice of attendance

Notice to attend the meeting shall be made either in writing to MIPS AB, c/o Euroclear AB, Box 191, SE-10123, Stockholm, Sweden or, by phone +46(0)8-4029058 or on the company's website, [www.mipscorp.com](http://www.mipscorp.com). The notice of attendance shall state the name, personal or corporate identity number, shareholding, telephone number and name of advisor, if any. Shareholders represented by proxy should submit a power of attorney to the company prior to the AGM. A proxy form is available at the company and on the company's website. Representatives of a legal entity shall present a copy of the certificate of registration or similar document of authorization.

### Financial calendar

29 April 2020: *Interim report January–March 2020*

7 May 2020: *2020 Annual General Meeting*

23 July 2020: *Interim report January–June 2020*

11 November 2020: *Interim report  
January–September 2020*

February 2021: *Year-end report 2020*





**MIPS AB**  
KEMISTVÄGEN 1B, S-183 79 TÄBY, SWEDEN  
[MIPSPROTECTION.COM](http://MIPSPROTECTION.COM)