



Mips

ANNUAL REPORT
2020

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With its groundbreaking and patented safety system, Mips is the world leader in helmet safety. Emerging from science and research originated 20 years ago, and after selling more than 20 million units, the mission is stronger than ever – to lead the world toward safer helmets.

2020 in brief

Mips sells its patented safety systems through an ingredient brand model to world-leading brands and up until 2020, Mips sold more than 20 million Mips solutions in the bike, snow, equestrian, motorcycle, climbing and safety helmet types.



SEK 365m

Net sales — An increase of 36%

SEK 168m

Adjusted operating profit — An increase of 53%

46.2 percent

Adjusted operating margin — An increase from 41.2%

Mips is a 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.

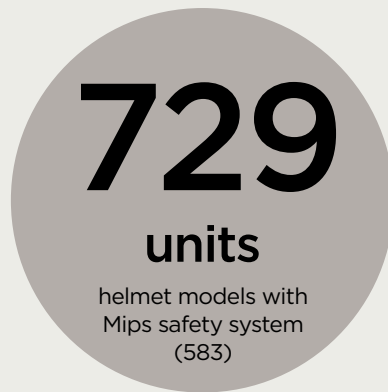
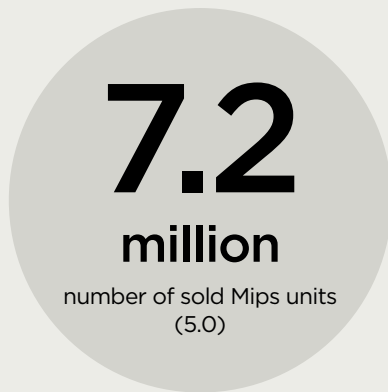
Rotational motion is a combination of rotational energy and rotational forces. This rotational motion causes the tissue in the brain to move and/or to stretch, which increases the risk of brain injury in the event of impact.

The principal component in the Mips safety system is the Mips low friction layer, which mimics the brain's own protective system and allows relative movement between the head and the helmet.

TEAM MIPS

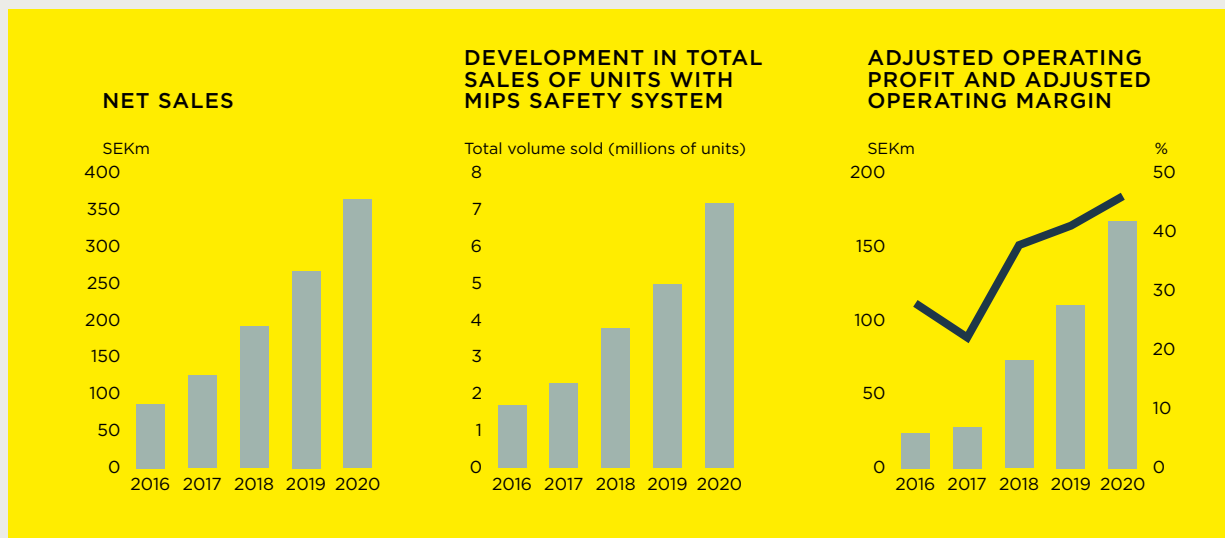
During the year we created Team Mips, worldleading athletes who share Mips' conviction regarding the importance of safer helmets. At the end of September, the Mips team introduced its first ambassador, Henrik Harlaut, a legend in the world of skiing, and in December, mountain biking superstar Brandon Semenuk. Both Henrik and Brandon are passionate about safety. In March 2021, Kate Courtney was added to the team.





Mips safety system is designed to function on impact from any angle – hence the name Mips, which is an acronym for “Multidirectional Impact Protection System.”

Mips safety system can be implemented in both new and existing helmet models. Several of Mips customers are leading players in the helmet industry who integrate Mips safety system in their helmets. For brands in the helmet industry 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 safety system, as well as the Mips brand, to end-users.





We leave a successful but highly unusual year behind us

2020 goes down in history as a year when we, despite an extremely challenging environment, managed to advance our positions in a very good manner.

2020 is a year that will go down in history as an extremely different, and in many ways challenging, year. I believe it has left its mark on all of us. For us it will go down in history as a year consisting of two chapters. The first chapter was largely about uncertainty. The majority of our markets were essentially

closed during the second quarter and most of our customers' staff were furloughed or, in the worst of cases, had lost their jobs – a situation that most would view as a signal for Mips to pull the parking brake. But we chose not to see it that way. The big question that we asked ourselves was whether

”Even though it has been a challenging environment we have implemented Mips-solutions in more helmets than ever”

something had happened that caused the long-term demand for our products to change. We did not feel that was the case. Another question was how strong our endurance was, and how long we could manage without any revenue. The answer to that question was that we could manage for a very long time. Probably longer than most companies. As a growth company, we must always look far ahead, or we will be unable to maneuver past obstacles on the road. We therefore did not stop any activities, and instead found opportunities to invest even more behind our strategic initiatives. We continued to strengthen our organization. We also completed many customer projects, sometimes without a representative of our customer on site since that representative had been laid off. This approach proved to be highly advantageous, because when the second chapter of the year began and the negative trend reversed, we had already left the starting gate. This helped us to deliver 108% organic growth in Q3 and 77% in Q4. The EBIT-margin continued to improve during the year and we managed to deliver an EBIT-margin of 46% for the year 2020. This achievement once again confirms the success of our scalable business model.

I am pleased with how quickly we were able to respond to the increased demand in the second half and that we managed to deliver all of the orders we received during the year. Even though it has been a challenging environment, we implemented Mips-solutions in more helmets than ever before. We have continued to invest in research and development and in 2020 we launched several new products that were extremely well received by our customers.

Initiatives to increase awareness of helmet safety and Mips solutions

One of our most important strategic initiatives is to increase awareness of helmet safety, Mips and our products worldwide. Already in 2019, we had begun to revise our brand platform, to ensure that we can communicate as effectively as possible when we now begin to use our activities within marketing. We launched several new initiatives during the year, including our Team Mips, where the first two athletes just about hold legend status within their respective sports. First out was Henrik Harlaut, the most decorated skier in the history of X-games and Brandon Semenuk, considered by many to be the leading mountain biker in the world. Both engage in extreme sports, but are still extremely concerned about personal safety. They always prepare painstakingly and are meticulous with their protective gear. I am proud of how they talk about Mips and how they put safety first, as well as how they tell their fans that safety is cool. Since Team Mips is one of our major initiatives, we will continue to launch more athletes in 2021.

The corona pandemic has restricted in-person meetings and we have had to adjust and increase our digital presence in many ways. For example, we have successfully held virtual tours for journalists in our office and our test laboratory, which have resulted in considerable media space for Mips in leading industry magazines. The adjustment has worked well and we have greatly increased our interaction with media, despite the strict restrictions.



Mips solutions are now available in 729 helmet models at 121 customers

We delivered solutions to a total of 7.2 million helmets during the year. Our largest customers, the global helmet manufacturers, continued to expand their inclusion of Mips in their respective range of products, which has generated good growth. We continued to grow in all geographic markets in which we have a presence and at the end of 2020 Mips solutions were implemented in 729 helmet models, compared with 583 helmet models the previous year. The number of customers has increased and at the end of the year we had 121 customers, an increase of 18 over the course of the year.

Our employees have assumed great responsibility during the year

Most companies were forced to change how they work in 2020. Remote work became the “new normal.” Many Mips projects require on-site development and testing, which has posed challenges and, along with logistics bottlenecks, could have

meant a slowdown in pace. That has not been the case for Mips. Everyone has taken great responsibility to overcome the challenges associated with the pandemic.

Major steps toward becoming a more sustainable company

Although Mips is not formally required to prepare a sustainability report, we consider it to be extremely important. Taking responsibility and showing the kind of citizen we want to be are incredibly important for us. During the year, we have pursued many different activities to accelerate our sustainability efforts and I am pleased with the progress we have made.

Sports helmet category – good demand for bike helmets during the year

The Sports helmet category is our largest and most important category. We saw strong growth in this category during the year, even though our markets were closed for several months. During the year, inventory levels of our bike helmet brands and their

"We continue to see good demand for our products and I look forward to the journey towards achieving our long-term goals"

customers in particular have been low and obtaining bicycle-related products has been a challenge. At the end of 2020 inventory levels remained low and most factories continued to manufacture bike helmets in early 2021 in order to restore levels in the industry. The helmet factories usually switch to producing snow helmets in Q1 and Q2. Although demand in cycling was exceptional in 2020, the general perception is that demand for cycling products will remain strong in 2021.

In snow, we saw weaker demand during the year. The reason is not a decline in the underlying interest in winter sports, but rather that winter tourism has been limited by restrictions in the wake of the coronavirus pandemic. It is impossible to predict what the future will look like, but we have chosen to take a cautious approach to developments in snow helmets. It is encouraging that, despite weak sales, we continue to advance our positions and gain market share through a higher share of Mips solutions in our existing customers' product ranges.

Moto helmet category - more brands and tougher standard

Moto, our second largest category, became our fastest growing category in 2020. We have previously stated that we want to accelerate our sales in Moto and in 2020 we began to see signs of this. The contributing factors are many. Most importantly, we see that we are starting to collaborate with more brands that focus not only on Motocross, but also on road motorcycles. A new test standard, ECE 22.06, was also implemented in Europe during the year. It is the first international standard that includes testing of rotational forces, which are precisely what the Mips solutions are designed to address. As a result, the focus on safety in the motorcycle industry has become much stronger.

Safety helmet category - increased interest in Mips within the construction industry

Although we are still in an early phase in the Safety category, we see strong interest in safety helmets and an increased understanding of the impact of Mips solutions on various injury criteria. Our initial marketing efforts have mainly concentrated on the Nordic market, but in the second half of 2020 we expanded to include the international market, with a focus primarily on the UK, Germany and the US. The work has paid off and at the end of January 2021, we announced a collaboration with a leading helmet manufacturer in the UK. Centurion is the first customer to use our newly developed solution for construction helmets with harness suspension, another technology that we have developed and launched in 2020.

Looking forward to our journey toward our long-term goals

2020 has been a challenging year in many ways. I am proud of how our organization has handled the extensive fluctuations and at the same time launched new solutions for future growth. Despite changing conditions, everyone at Mips has assumed considerable responsibility, and helped to advance our positions in a very satisfactory way. We have continued to invest in our strategic initiatives during the year at an unchanged pace. With continued good demand for our products, I look forward to the journey toward achieving our long-term goals.

Stockholm, March 2021

Max Strandwitz
PRESIDENT AND CEO



Market overview

Increased awareness of Mips products and global trends support increasing demand for safer helmets. Mips' focus market totals about 130 million helmets annually.



Increased demand and global trends

A number of strong 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 against this, but only to protect against skull fractures caused by straight impact, including awareness among consumers of the advantages of Mips technology.
- Regulatory requirements – In the summer of 2020, the Fédération Internationale de Motocyclisme (FIM), which certifies motorcycle helmets for Grand Prix motorcycle racing, was the first regulatory body to require tests for oblique impacts (rotational motion) to be included in their test protocol. An active debate is underway about the importance of including rotational motion as a test protocol element when testing other helmets as well, but this is not yet a requirement.
- Validating third-party tests – Several third-party tests have been published that validate the functionality and benefit of implementing the Mips safety system in a helmet.



Increased urbanization, a growing middle class, health awareness and increased corporate responsibility are trends that lead to an increase in the demand for safe helmets.

- 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 the Mips safety system 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 foremost from the development within bike during the last years 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.





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



Helmet market

The global helmet market encompasses a large number of applications 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 the Mips safety system.

Mips' three categories

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

1. Sports helmets
 2. Moto helmets
 3. Safety helmets
1. 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.
 2. The market for the Moto category, like the market for Sports helmets, is estimated at 50 million helmets annually. Mips has chosen to divide the Moto category into two subcategories:
 - I) road motorcycle helmets
 - II) moto helmets. Some of the helmets in this category are also used in other areas of use such as snowmobiling, car driving and other activities involving travel at high speeds.
 3. The largest category of those referred to above 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), which include helmets for police, the military and rescue services.

Mips safety systems fits in almost all helmets

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 the Mips safety system is implemented.
2. There is a price floor for helmets in which the Mips safety system is offered, which is currently USD 30.

Historically, Mips' safety system is mainly implemented in helmets with 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.

Competitors

Mips is currently the market-leading player 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 players will increase.

Among those competitors who currently market a solution that is alleged to protect against rotational motion, there is a distinction between those players 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 players who have a few customers as a base. Several helmet brands in the market have developed their own technology, but in such cases the technology is limited to a single brand, thus, competition from these players is limited. In addition, Mips has a broad patent portfolio that to a certain extent limits the opportunity for other players to launch new competing technologies.

Helmet categories

Mips addresses three Helmet categories: Sports, Moto and Safety helmets.

SPORTS HELMETS

Historically, Mips safety system is mainly implemented in helmets with higher price points, but today the company offers products that can be implemented in helmets with 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 over time. Below is a summary of the main subcategories of the Sports Helmets category.

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 the Mips safety system 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, 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 mostly 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

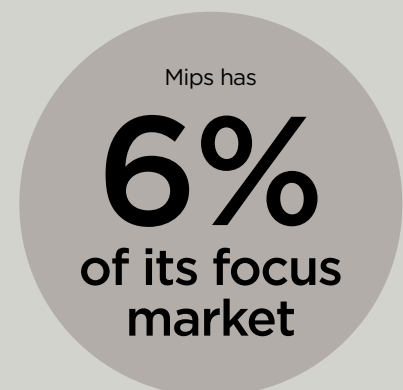
The Team sports helmet subcategory is relatively large and is divided into a number of different team sports. The major team sports in which helmets are used are primarily American football, ice hockey and lacrosse. Awareness of Mips' technology in team sports is relatively low. Mips has delivered team sports solutions since 2019.

Other

The category "Other" includes helmets for activities such as climbing and white water rafting. Awareness of Mips' technology in this subcategory is low. Mips has delivered solutions for helmets in this subcategory since 2018.

OVERVIEW OF HELMET MODELS

	Million units	Mips total market	Mips focus market	Number of helmet models with Mips	Active helmet brands with Mips
SPORTS	Bike	> 35	> 20	444	72
	Snow	> 6	> 5	193	29
	Equestrian	> 2	> 2	25	10
	Team sports	> 2	> 2	3	2
	Other	> 4	> 2	4	2
	Total	~ 50	~ 30	669	115
MOTORCYCLE	Road bike	> 47	> 28	10	6
	Motocross	> 3	> 2	48	20
	Total	50	30	58	26
SAFETY	Industrial use	> 300	> 60	1	1
	LEAF	> 10	> 3	1	1
	Total	310	70	2	2
	Total	> 410	> 130	729	143



MOTO HELMETS

The motorcycle 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 motorcycle helmets, motocross helmets, including snowmobiling 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 motorcycle 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), which include helmets for police, the military and rescue services.

Safety helmets for industrial use

The market for the subcategory industrial helmets is large and estimated at more than 300 million helmets sold 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 USD 10-15. The other type of helmet in the industrial 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". Mips has delivered solutions for helmets in this subcategory since 2019.

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 units to LEAF helmets. The main subcategories within the helmet market for LEAF are briefly described below.

Helmets for military use

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.

Helmets for the police

The market for police helmets comprises helmets for riot police and helmets for ballistic protection. The latter consist of 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.

Helmets for rescue services

The market for helmets for the rescue services encompasses fire-fighters' 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.





Business model, strategy and targets

Mips' strategic ambition is to increase the safety of everyone who wears a helmet.



Business model

How Mips creates value

Unique market position

Ingredient brand

10

Leading technologies

40

Patent families

High level of trust in our brand and the company

Our ingredient brand model provides us with scalability and value.

- 121 brands gives a coordinated marketing force
- Scalable technologies facilitates an efficient value chain
- Broad patent portfolio protects our research and development

This provides strong financial leverage that enables an EBIT margin of over 40%.

A low working capital requirement enables a dividend level in excess of 50%.



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 many of the major helmet manufacturers around the world in the Sports 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 at the consumer level.

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

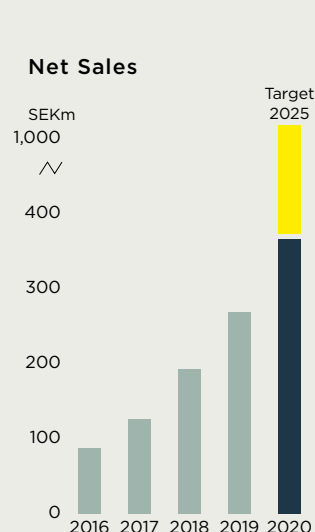
Mips enjoys close working relationships with customers with a goal to ensure a uniform and controlled message to end-users and media. Mips provides the necessary expertise, resources and marketing material to the customers' sales staff and distributors – through participation in sales and distribution 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.

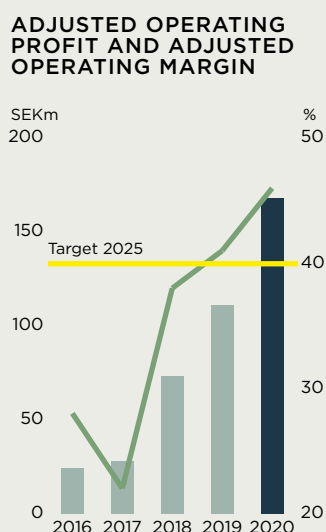


Financial targets

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



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

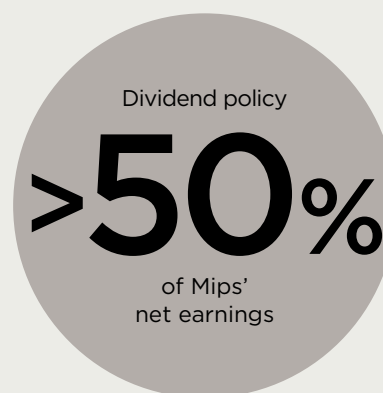


Profitability:
The target is to achieve an operating margin of more than 40 percent.

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.

For **2020** the Board of Directors proposes a dividend of SEK 3.50 (3.00) per share, which corresponds with 71 percent of Mips' net earnings for 2020.



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



SPORTS

- Bike
- Snow
- Equestrian
- Team sports
- Other

Mips estimates that the market for sports helmets today is about 50 million helmets annually. Historically, Mips safety system is mainly implemented in helmets with higher price points, but today the company offers products that can be implemented in helmets with price points as low as USD 30.



MOTORCYCLE

- Road motorcycles
- Motocross
- Other

The motorcycle 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 motorcycle helmets, motocross helmets and helmets for the moped and scooter market. Mips sees an addressable market of about 30 million helmets annually in these subcategories.

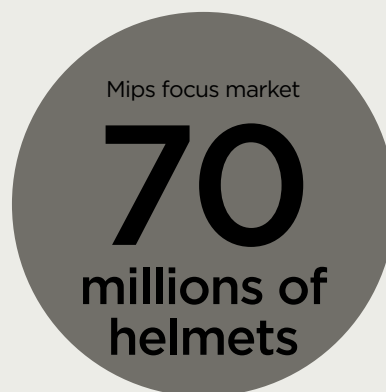
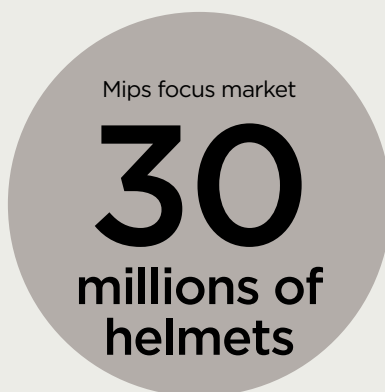
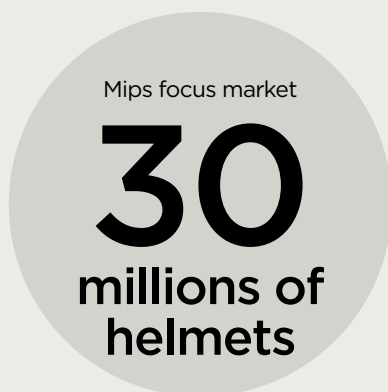


SAFETY

- Industrial helmets
- 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, military and rescue services.

The addressable market for Safety helmets is estimated at about 70 million helmets annually.





Strategy for growth

Strategic ambition:

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

To achieve this objective, Mips 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 company to continue to lead 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 nine 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 40 patent families and a total of 200 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. Mips has 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 demanded for all types of helmets. Achieving this vision requires increased awareness and understanding of Mips technology. In addition, consumers should 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.

1. PR - where the focus is on educating journalists about Mips' technology so they can explain the functionality to their readers in a correct way.
2. Creation of Team Mips, a team of athletes who share the company's belief of the importance of helmet safety, in order to strengthen awareness of Mips as a brand among consumers.
3. Promotional activities to increase awareness of Mips and thereby often sales. This can be anything from store materials to digital online marketing.





Operations



Operations 2020

The past year in review

Net sales for 2020 amounted to SEK 365m (268), up 36 percent. Adjusted for currency effects, the increase was 43 percent. The increase was primarily due to higher demand from current customers, with growth mainly in the Sports and Moto categories. Operating profit rose to SEK 167m (108), corresponding to an operating margin of 45.8 percent (40.3). Items affecting comparability had a negative impact of SEK 1m (2) on profit for the year. Adjusted operating profit was therefore SEK 168m (110) and adjusted operating margin 46.2 percent (41.2).

A total of 7.2 million Mips safety systems were sold in 2020 and Mips secured its position as the leader in helmet-based brain protection solutions. The Sports category accounts for the largest portion of the company's revenue, but the Moto helmet category also grew.

Customers and helmet brands

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

1. Helmets in the Sports 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 motorcycles and motorcross, and
3. Helmets in the Safety category which is divided into safety helmets for industrial use and helmets in LEAF (police, military and rescue services).

In 2020 Mips delivered Mips safety system solutions to 121 (103) helmet brands. The five largest customers accounted for about 52 percent (55) of sales. The company delivered the Mips safety system for a total of 729 different types of helmets.

Sales process

Mips sales process can be divided into sales to existing customers and recruitment of new customers. Mips has a standardized process for developing Mips' safety system in helmet models. The majority of the work is carried out at Mips' test center in Sweden. Mips' test center is vital 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 are employees of Mips' subsidiary in China.

Supply chain

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

Production of the components for the Mips safety system 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 installations. This facilitates the logistics chain, with all work to integrate the Mips safety system in the helmets being handled by the helmet brands' manufacturers. Mips' low friction layers are produced after a purchase order is received, thus the company has a limited inventory consisting of only other safety system components.

Marketing

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' safety system are clearly highlighted in accordance with Mips' guidelines for communication and marketing.

KEY FIGURES

	2020	2019	Δ
Net sales, SEKm	365	268	+36.2%
Operating profit, SEKm	167	108	+54.6%
Operating margin	45.8	40.3	+5.5 pp
Adjusted operating profit*, SEKm	168	111	+51.4%
Adjusted operating margin*, (%)	46.2	41.2	+5.0 pp

* Operating profit for 2020 was adjusted by SEK 1m (2) for acquisition-related costs.




A SELECTION OF ACTIVE HELMET BRANDS, 2020

Abus	Ked
Alpina	Lazer
Bell	Mammut
Bern	Nutcase
Black Diamond	Oakley
BMG	Pret
Bollé	Poc
Bontrager	Scott
Champion	Smith
Charles Owen	Specialized
Cube	Sweet Protection
Fox	Thor
Giant	Troy Lee
Giro	True
Guardio	Uvex
Head	

Our product range


In January 2021, Mips launched its new classification of Mips' various systems, which will make it easier for consumers to choose the right system for their needs.

To make it easier for consumers to choose different helmets and their Mips-solutions, Mips has created product families that describe the safety features of the different products and classifies each one based on its intended use. Helmets brought to market in the future and equipped with Mips will be able to use this new classification with a new label, designed to inform and educate consumers about Mips – all with the aim of guiding brands and consumers to buy the helmet that best suits their needs without compromising on safety. Thus, Mips is taking yet another step toward a more consumer-oriented brand identity.


ESSENTIAL

MIPS® ESSENTIAL - THE FIRST RULE OF HELMET SAFETY

Mips Essential is a no fuss - robust system, and a perfect first introduction to Mips safety systems for helmets, which intends to reduce rotational force to your head on certain angled impacts.




LOW FRICTION LAYER

MIPS® ESSENTIAL


THE FIRST RULE OF HELMET SAFETY


Mips Essential is just what it sounds like - a no-fuss robust system, quite simply a perfect first introduction to Mips' safety system for helmets, which is intended to reduce the rotational force to the head on impact from certain angles.



EVOLVE


MIPS® EVOLVE - A WORLD LEADING HELMET SAFETY SYSTEM

With a refined fit, improved ventilation and a lighter construction, Mips Evolve is likely the world's most used helmet safety system which intends to reduce rotational force to the head on certain angled impacts.


IMPROVED COMFORT


IMPROVED INTEGRATION



IMPROVED VENTILATION


IMPROVED FIT

MIPS® EVOLVE


A WORLD LEADING HELMET SAFETY SYSTEM

With a refined fit, improved ventilation and a lighter construction, Mips Evolve is probably the world's most used helmet safety system for reducing the rotational force to the head on impact from certain angles.




MIPS® INTEGRA - INVISIBLE HELMET SAFETY

Being one of our lightest and slimmest systems, it's also the most integrated. Mips Integra intends to reduce rotational force to the head on certain angled impacts, and it's the premium result of a co-lab between Mips and your favorite brand.



SUPERIOR VENTILATION




SUPERIOR INTEGRATION

MIPS® INTEGRA


INVISIBLE HELMET SAFETY

Since it is one of our lightest and thinnest systems, it is also the most integrated. Mips Integra reduces the rotational force to the head and is a premium product designed in collaboration with one of the helmet brands.




MIPS® AIR - OUR LIGHTEST AVAILABLE HELMET SAFETY SYSTEM

This is a system lighter than anything we have made before. With air flowing through your helmet it feels like wearing nothing, except added safety. Mips Air intends to reduce rotational force to the head on certain angled impacts.



MAXIMUM VENTILATION



MINIMUM WEIGHT

MIPS® AIR

OUR LIGHTEST AVAILABLE HELMET SAFETY SYSTEM

This is one of our lightest systems. Since the air flows through the helmet, it is hardly noticeable, except as an extra safety feature. Mips Air reduces the rotational force to the head on impact from certain angles.



MIPS® ELEVATE - THE HARD HAT REVOLUTION

Mips Elevate brings the state of the art Mips helmets safety system to the classic hard hat and other harness based helmets for the first time ever. Intended to reduce rotational force to the head on certain angled impacts - safety just got elevated.



HARD HAT CUSTOMIZED



NEW INNOVATION

EMIPS® ELEVATE

THE HARD HAT REVOLUTION

In Mips Elevate we included the Mips safety system in a classic hard-hat safety helmet and other harness-based helmets for the first time ever. It is intended to reduce the rotational force to the head on impact from certain angles – in other words, for elevated safety.

Strengths and competitive advantages

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

- A validated **technology based on research** 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 40 different patent families, with over 200 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 40,000 internal tests to date.
- A large number of globally **leading helmet brands are already Mips customers**, especially within the Sports helmet category. The position of the company is further strengthened by its established platform, which facilitates the goal of implementing Mips' safety system 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 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.



Mips' product offering to the helmet brands

Mips provides helmet brands with an opportunity to differentiate their brand and to offer a better product

Product offering

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

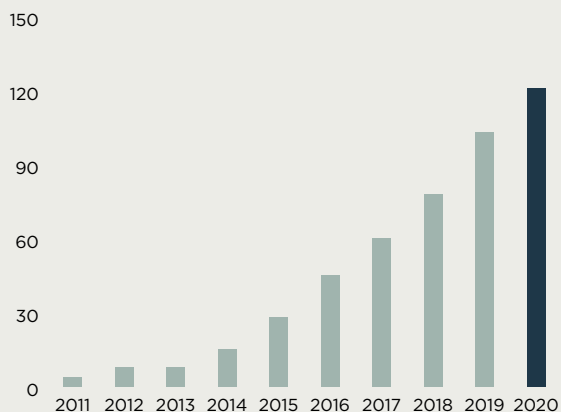
1. Mips' safety system, which is the physical product that is implemented in the customers' helmets.
2. Development services for implementation of the Mips safety system in new and existing helmet models.
3. Licensing to customers regarding the right to produce, market and sell helmets with Mips safety system.

For each new helmet model that includes Mips' safety system, Mips 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 bills the helmet brand a licensing fee for the right to use Mips' patents, technology and marketing material.

The components are usually invoiced directly to the factory from our subsidiary in China.

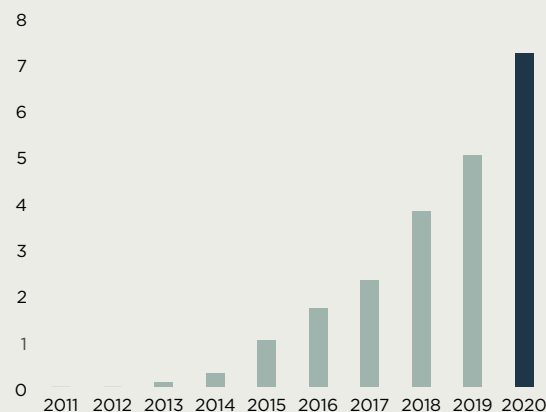
HISTORICAL DEVELOPMENT OF ACTIVE CUSTOMERS

Number of brands to which MIPS BPS has been delivered



DEVELOPMENT IN TOTAL SALES OF UNITS WITH MIPS SAFETY SYSTEM

Total volume sold (millions of units)



The technology behind Mips and continued research & development

Mips safety system

Mips' safety system 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.

In connection with certain types of impact, Mips' safety system 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' safety system allows the head to continue in the direction it was following 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' safety system spreading the load to a larger area of the helmet liner. Mips' safety system is designed to function regardless of the direction of impact.

The development of Mips' safety system is founded on many years spent studying the bio-mechanical 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 to rotational motion that arises as a result of an angled impact. The function of Mips' safety system mimics the function of the cerebrospinal fluid through the implemented low friction layer, which allows a relative movement (10–15 mm) between the head and the helmet.

A Mips' safety system 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, snaps and possibly a slide device. Mips' safety system kits also include information material about the technology and the well-recognized yellow Mips logo which shows that the helmet is equipped with Mips' safety system.

Research and development

Research and development at Mips are founded on science and proven experimental methods. There is a clear focus on protecting users, along with a strategy for protecting the company's intellectual property rights. R&D at Mips is divided into four separate categories:

1. Innovation – founded 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 the Mips safety system in existing helmet models – primarily involving assistance to helmet brands with implementation of the Mips safety system in existing helmet models.

Intellectual property rights

Intellectual property rights play a key role in 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. Mips' 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.

Team Mips – World-leading athletes who put safety first



HENRIK HARLAUT

A legend in the world of skiing, and the skier who has won the most X Games medals, taking the sport to a new level. With a strong focus on safety, which is why Henrik is a natural Mips ambassador who has highlighted the importance of safety in professional skiing for a category of skiers that previously did not wear helmets.



KATE COURTNEY/ TEAM SCOTT-SRAM

Mountain bike cross-country World Champion and the overall World Cup winner 2019. Courtney is among the most outspoken athletes when it comes to brain injury awareness. Her decision to join Team Mips reflects her passion to educate people about the dangers of brain injuries.

Ambassadors for Mips



BRANDON SEMENUK

Mountain biking superstar, most ever RedBull Rampage wins. Three-time FMB World Tour gold medalist. Brandon has always been an advocate of helmets and has chosen Mips from the early beginnings because rotational impacts are very common in mountain biking.

During the year, Mips formulated a strategic initiative to strengthen Mips' brand to symbolize safety and become an obvious consumer choice when purchasing a helmet. Mips has worked with the brand platform during the year with the aim of clarifying and streamlining external communication. One step in this effort has involved strengthening consumer awareness of Mips' brand. The company has therefore introduced several different initiatives, one of which was to create Team Mips, a team of athletes who share the company's conviction regarding the importance of safer helmets.

At the end of September, Mips introduced the first team member: Henrik Harlaut, a legend in the world of skiing, and the skier who has won the most X Games medals, taking the sport to a new level.

In December Mips presented the second member of the team: with a strong safety mindset, mountain biking superstar Brandon Semenuk is now also an ambassador for Mips' brand.

Our third member is the SCOTT-SRAM MTB racing team including the athlete Kate Courtney, World Champion and the overall World Cup winner in Mountain bike cross-country MTB XC.

Since Team Mips is one of the company's major initiatives, Mips will continue to add athletes in 2021.

Team Mips' members are world-leading advocates of helmet safety and will include athletes from all over the world, from a variety of backgrounds and professional sports including biking, skiing, motorcycles and motocross. The core mission for Team Mips is to raise awareness about head protection and lead the world toward using safer helmets. Team Mips' members will mainly draw from their own experiences to encourage everyone, regardless of age, skill level, or sport, to make the right decision when buying a helmet. Many of the athletes have either suffered from a head injury themselves, or have seen it happen to others.



Risk and risk management



Risks

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. 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 57–59 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.

The global spread of Covid-19 has created great uncertainty around the world. It is very difficult to assess the future effects of Covid-19. However, the company believes that long-term demand for Mips products is robust and the risks presented on the next few pages are the most important.

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 the degree of own impact greater. 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.





CUSTOMER AND MARKET-RELATED RISKS

	RISK	MANAGEMENT
Competition from new technology and demand for the company's products	 <p>Mips' safety system may encounter strong competition and there is a risk that Mips will not be able to meet it 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 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>
Dependence on a few large customers	 <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. In 2020 Mips delivered products to 121 customers where of the five largest accounted for 52 percent (55) 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>
The company may miss important steps in biomechanical developments in helmet safety	 <p>Developments in helmet safety and rotational motion change over time and several testing 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 supports 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 extremely closely with universities and engages in active dialogue with the largest testing bodies around the world to ensure that the dialogue is conducted as accurately as possible.</p>



BUSINESS AND ENVIRONMENT-RELATED RISKS

	RISK	MANAGEMENT
Production-related quality problems	 <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.</p> <p>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>
Management of business secrets and intellectual property	 <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.</p> <p>The company also has a confidentiality policy in conjunction with development and customer projects.</p>
The ability of the company to attract and retain the right skills	 <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
The ability to defend the company's patents	 <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>
Product liability and legal risks	 <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
Dependent on trends relating to foreign currency	 <p>Currency fluctuations affect Mips' earnings since sales of the company's products are denominated in foreign currencies, 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>



Sustainability Report



A small company can make a difference

We are a small company in the helmet industry with a product that is a small part of a helmet. But we are the world leader in our field, and just as our product can make a crucial difference in a helmet, our company can make a crucial difference in the world.

We are leaders and want to take responsibility

We want the entire helmet industry to be more sustainable. Both the entire industry and we as an ingredient company have a long way to go. But we are the leaders in our little aspect, so let us lead the way toward something better.

We do so by working together and building on our strengths:

We care

We are here to make the world a safer place, it is part of our DNA. Let us direct some of that care toward sustainability, the environment and society. Let us do it carefully and patiently, as we do with everything else.

We are proactive

Every day we strive to minimize the negative impact, wherever we are. We are experts at minimizing the weight, bulges and resources that are needed when working with helmet features. Let us see how we can use this skill and resourcefulness throughout our business.

We are ambitious

As helmet safety leaders, we possess both influence and audacity. Let us use these qualities to set sufficiently high standards to make a difference, for ourselves and for others.

We choose to present this sustainability report, although there is no statutory requirement for us to prepare on, we do so because we believe it is important. Later in this report, we also present a GRI index.

In the next few sections, we will explain more about how Mips works with sustainability issues.

Max Strandwitz,
PRESIDENT AND CEO

Sustainability at Mips

Mips is operating 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.

Increase safety from each helmet

The strategic ambition of Mips is to increase the safety of everyone who wears a helmet. The Mips safety system 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 2020, the volume of Mips BPS that were sold increased by over 40 percent, to over seven million units.

Increased trust from our customers

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 the Mips safety system. Market penetration has increased in all helmet categories, including in the most recent category, Safety, which means that the Mips safety system will be available to even

more people who wear helmets in a professional capacity. The inroads into the safety category are important, in part because thirty to fifty percent of head-related injuries on construction sites consist of trauma-based brain injuries where the Mips safety system could make a difference.

We will minimize the negative impact in our value chain

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.

The 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 110-121.

OUR MOST IMPORTANT POLICIES FOR SUSTAINABLE BUSINESS

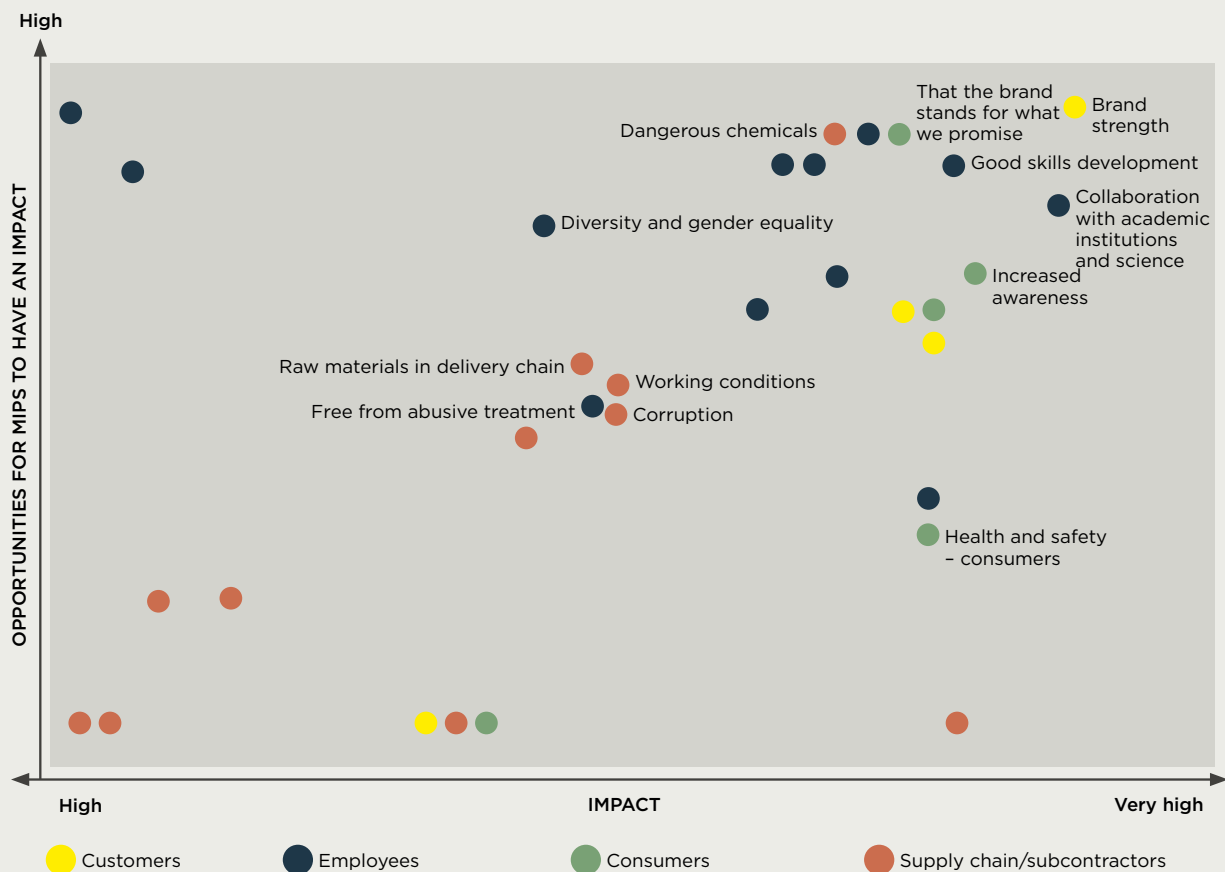
- Code of Conduct
- Supplier Code of Conduct
- Anti-Corruption Policy
- Finance Policy
- Communication Policy
- Insider Policy
- Staff manual
- Environmental Instruction

Stakeholder dialogues

We work closely with many of our 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 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.

During the year, we expanded and organized our sustainability initiatives and adopted performance indicators to follow up on an ongoing basis. We conducted stakeholder dialogues during the year and updated the materiality analysis with the aim of ensuring that we are moving our sustainability initiatives in the right direction and focusing on the sustainability areas where Mips has an impact. Mips primary stakeholders who have contributed to the stakeholder dialogues are the employees, members of the board, investors, customers, suppliers, and external business and human rights expert. 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.

MATERIALITY ANALYSIS



Responsibility and a long-term perspective

Our business will be characterized by responsibility and a long-term perspective, 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.

Organisation and culture

Our values, which are reflected in our Code of Conduct, our supplier Code of Conduct, our Anti-Corruption Policy and the staff manual, are our moral compass, providing clear guidance for our employees in their daily work. In addition, there are several additional policies such as the Finance Policy, Communication Policy and Insider Policy. The Code of Conduct, which applies to the entire value chain, including our suppliers for whom we have a dedicated Code of Conduct for suppliers, 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.

Laws and regulations

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.

Whistleblower service

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. In 2021, Mips launched a whistleblower service through which all employees, suppliers and other external stakeholders can anonymously report irregularities that are in conflict with the Group's codes of conduct.

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 56-59.

Specific risks associated with our focus areas are presented below under each area.

FOUR FOCUS AREAS

As a result of our dialogue with our stakeholders and the materiality analysis we conducted to identify our resourcefulness and degree of impact, we have chosen to focus our sustainability program on four focus areas:

Our employees

Products that protect users

Our impact on the environment

Sustainability in the supply chain

FOCUS AREA

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 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.



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.

Diversity, gender equality

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. Mips' Code of Conduct adopts the principle that all people are of equal value and that Mips must provide fair conditions for individuals and groups.

Risks

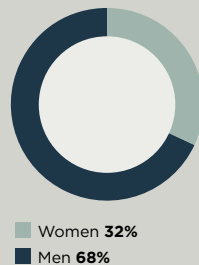
Our workplace benefits from being a workplace that is inclusive and where differences are welcomed, respected, valued and embraced. This approach contributes to satisfied and productive employees. An overly homogeneous workforce is at risk of overlooking the potential and the advantages associated with diversity and can lead to a one-sided view of risks and opportunities.

INDICATORS FOR DIVERSITY, GENDER EQUALITY

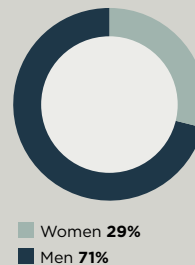
In 2020 the average number of employees was 55 (43) including 17 (12) women, corresponding with 32 percent (28) of the total number of employees. Executive Management consists of 7 (7) people, including 2 (2) women, corresponding to 29 percent (29) of the total number of people in management.

The Board of Directors consists of 5 (5) people, including 2 (2) women, corresponding to 40 percent (40) of the total number of directors.

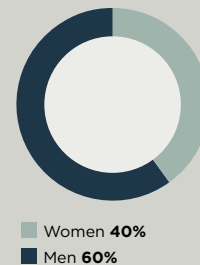
GENDER DISTRIBUTION, ALL EMPLOYEES



GENDER DISTRIBUTION, GROUP MANAGEMENT



GENDER DISTRIBUTION, BOARD OF DIRECTORS



Health, well-being, non-discrimination

Mips views its employees as the single most important factor for success and recognizes that they create the company's long-term competitiveness. The overarching goal is for everyone in the Group to feel that they work in a good safe and secure environment. 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 illness at the earliest stage possible and provide support when needed to promote both the mental and physical wellbeing of our employees.

Mips is convinced that having healthy employees not only reduces the risk of sickness absence and the risk of stress and burnout, but also contributes to a positive mood and better performance. 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.

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.

Risks

Consideration of the health and safety of our employees is paramount for Mips and we therefore proactively work to prevent accidents and to ensure a good balance between work and personal life in order to avoid the risk of ill health and sick leave.

INDICATORS FOR HEALTH, SAFETY AND NON-DISCRIMINATION

Employee survey

In 2020 the employee survey showed a strong improvement, with an index of 80 compared with 79 the previous year.

The benchmark for companies participating in the same survey is 71.

Skills development

The goal is that 3% of the salary cost should be allocated to skills development for the employees.

Occupational injuries

Zero vision – No occupational injuries leading to sick-leave were reported in 2020.

Sickness absence – target under 3%

2019: 0.74% 2020: 0.83%

Non-discrimination

No case of discrimination was reported in 2020.

FOCUS AREA

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 many of the world's leading helmet brands. Our patented solutions are based on more than 20 years of research in collaboration with KTH 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.

Risks

Even if Mips views itself to be the market leader with a patented technology that contributes to a sustainable society, it is important for this to continue. Competition from new technology and risks of patent infringement or lawsuits are ever-present. Mips has comprehensive insurance coverage. The company also has its own legal staff, including IP legal expertise, and engages external experts. Mips has an extensive training program for customers who sell Mips technology in how to correctly market the technology in order to minimize the risk of any legal disputes, as well as the risk of damage to the brand.

INDICATORS FOR PRODUCTS THAT PROTECT USERS

Number of patents

The number of patent families increased by 4 from 36 in 2019 to 40 in 2020.

Technologies

An additional technology launched during 2020 and there are now 10 different.

Complaints

Maximum 5 complaints per 1,000,000 sold units. For 2020 there was 5 complaints per 1,000,000 sold units.

FOCUS AREA

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 year we continued 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 technically and 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. The packaging used for Mips components is always made of recyclable material.

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.

Risks

Mips does not have any activities of its own that are subject to the reporting requirement, Mips products must always be manufactured in accordance with applicable laws and regulations and with the least possible impact on the environment. We must always evaluate environmental aspects of new products and minimize negative environmental impact throughout the product cycle.

INDICATORS FOR OUR IMPACT ON THE CLIMATE AND THE ENVIRONMENT

Material

Our ambition is for our packaging material to be from 100% recyclable material.

CO₂-emissions

We will reduce our CO₂ emissions from travel by 50% based on 2019 emissions per employee.

Our facilities (Sweden, China) must have green energy.

Hazardous chemicals

We will gradually reduce hazardous chemicals in our products – today they make up less than 3 ppm (parts per million).

FOCUS AREA

Sustainability in the supply chain

Mips has operations in Sweden and China and are aware that there is always a risk that corruption may occur. We therefore work proactively by reviewing our factories which operate within the supplier level.

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 supply 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.

In 2020, 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.

Risks

Mips is active in geographic areas that are associated with exposure to and an increased risk of bribes and corruption. For example, bribes may be offered to overlook errors and improprieties. Mips applies a zero tolerance policy regarding bribery and corruption.

With production based with our suppliers who are mainly in China, there is a risk of human rights violations in the supply chain. Mips works systematically to counteract this by pursuing dialogue, setting requirements and reviewing suppliers.

INDICATORS FOR ANTI-CORRUPTION, HUMAN RIGHTS

Number of supplier audits carried out

All suppliers bi-yearly

Total number of known cases/reports of incidents of corruption and violations of human rights

During the year no violations of human rights or incidents of corruption were reported.

No irregularities or irregularities in the Code of Conduct have been reported in 2020.

Auditor's Limited Assurance Report on MIPS AB's Sustainability Report

To MIPS AB

Introduction

We have been engaged by The Board of Directors and the Chief Executive Officer of MIPS AB to undertake a limited assurance engagement of MIPS AB's Sustainability Report for the year 2020. MIPS AB has defined the scope of the Sustainability Report to pages 46–58 and 123–124 in this document.

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 Sustainability Report in accordance with the applicable criteria. The criteria are defined on page 48 in the Annual Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the

Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Consequently, the procedures performed do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by The Board of Directors and the Chief Executive Officer as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

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

Conclusions

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by The Board of Directors and the Chief Executive Officer.

Stockholm, March 26, 2021

KPMG AB

Tomas Gerhardsson
AUTHORIZED PUBLIC ACCOUNTANT

Torbjörn Westman
EXPERT MEMBER OF FAR

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 2020.

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. MIPS' patented safety system can be integrated in a variety of different types of helmets for both consumers (e.g. bicycle, skiing, motorcycle, as well as equestrian and team sports) and professional users (e.g. industry, 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' safety system 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 MIPS' own research and development. Several scientific articles validating the company's technology have been published and about 40,000 helmet tests have been carried out. A number of third-party tests have also been conducted that have confirmed the efficacy of the MIPS safety system.

Key events during the fiscal year

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' safety system during the year.

The company continued to develop new solutions during the year with the aim of offering its products 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 the full year 2020 amounted to SEK 365m (268), up 36 percent. Adjusted for currency effects, the increase was 43 percent. The increase was primarily due to higher demand from current customers, with growth mainly in the Sports and Moto categories. Gross profit rose 34 percent to SEK 265m (198). Gross margin declined by 1.3 percentage points to 72.8 percent (74.1). The change in gross margin can mainly be attributed to the change in the sales mix.

Operating profit rose to SEK 167m (108), corresponding to an operating margin of 45.8 percent (40.3). Items affecting comparability had a negative impact of SEK 1m (2) on profit for the year. Adjusted operating profit was therefore SEK 168m (110) and adjusted operating margin 46.2 percent (41.2). Operating profit was positively impacted by higher sales, but negatively impacted by currency fluctuations and higher expenses related to strengthening the organization and marketing initiatives.

Selling expenses amounted to SEK 42m (35), where the increase was largely attributable to increased marketing efforts and strengthening of the organization.

Administrative expenses during the period amounted to SEK 35m (31), where the increase was largely the result of strengthening the organization. Research and development expenses increased to SEK 18m (15), which was the result of product development initiatives. Other operating expenses decreased to SEK 4m (10), mainly due to lower exchange rate losses. Reported tax for the period amounted to SEK -36m (-24), corresponding with an effective tax rate of 22 percent (22).

LIQUIDITY AND FINANCIAL POSITION

On 31 December 2020, the Group's total assets amounted to SEK 517m (343). Current investments of SEK 181m (146) are invested in their entirety in interest-bearing funds. The equity ratio was 82 percent (87). Cash and cash equivalents, including current investments, totaled SEK 272m (192) on 31 December 2020.

*For definitions and alternative performance measures, see pages 108-109.

During the year the company saw an increase in accounts receivable to SEK 138m (82), 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 asset of SEK 18m (-2) on 31 December 2020. 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 16m (49), including intangible assets of SEK 5m (48), where the previous year's numbers was 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 11m (1), mainly attributable to investments in new office premises.

As of 31 December 2020 the Group had no significant obligations related to investments.

Shares and share capital

The share capital of MIPS AB was SEK 2,618,362 on 31 December 2020. The number of shares registered amounted to 26,183,620 as of 31 December 2020. In 2020 MIPS purchased 5,749 of its own shares at an average price of SEK 449.6. On 31 December 2020 the company's holdings totaled 5,749 shares, corresponding to 0.0 percent of the total number of registered shares. The number of shares on 31 December 2020, was 26,183,620, including 5,749 in treasury.

All shares are ordinary shares and carry equal voting rights. The shares have a quotient value of SEK 0.10.

Share-based incentive program

Previously outstanding warrant-based incentive programs were exercised during March/April 2020 and no outstanding warrants under these program remain.

The Group has a new outstanding warrant plan for senior executives and key personnel. The plan includes 550,000 issued and paid warrants, as well as an additional 25,000 warrants that have not been allocated. The warrants will result in a dilutive effect of maximum 2.2 percent. The exercise price is SEK 339.30 per share. Each warrant entitles the holder to acquire one share.

The company has no costs for the warrant plan other than administrative costs regarding advisors etc. in connection with the preparation of the documentation and the resolution to issue the warrants, etc.

The Group also has an outstanding long-term performance share plan for employees who are not participating in the warrant plan. The performance share plan covers a total of 38 people in Sweden and China. For employees in MIPS' subsidiary in China, certain special conditions apply, under which they will receive synthetic shares, free of charge, instead of performance awards, and no personal investment is required in order for these employees to participate. The performance share plan includes a total of 4,585 shares and 1,164 synthetic shares.

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 research and development 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 during the year. Research and development expenses in 2020 were SEK 18m (15). The company did not capitalize development costs in 2020. 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, as well as external factors over which the company has no control.

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.
- The global spread of Covid-19 has created great uncertainty around the world. It is very difficult to assess the future effects of Covid-19. However, the company still believes that long-term demand for MIPS products will be robust.

For information about risks and risk management at MIPS, see pages 40–45. For more information about the company's financial risks, see note 19.

Information on non-financial performance indicators

At year-end, the Group had 61 (50) employees. The average number of employees during the year was 55 (43), of which 32 percent (28) 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 five 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.

Board of Directors' proposal for resolution regarding guidelines for remuneration to the senior executives

The Board proposes the following guidelines for remuneration to the senior executives.

These guidelines cover the senior executives at MIPS, 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 2021 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/>.

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 performance share rights. 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, be competitive 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 predetermined 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. Furthermore, the variable cash remuneration shall also be related to a sustainability goal set by the company. 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 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 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 for decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to CEO 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 110 and the company's website 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 276m (204) for the full year. The result during the same period was SEK 115m (70). The parent company had cash and cash equivalents, including current investments, totaling SEK 250m (181) on 31 December 2020.

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:

SEKt

Share premium reserve	245,935
Fair value reserve	10,660
Retained earnings	17,873
Profit for the year	114,775
Total	389,243

The Board of Directors proposes that the available funds of SEKt 389,243 be disposed so that SEK 3.50 per share, corresponding to SEKt 91,623 based on the number of shares on 31 December 2020, will be distributed to shareholders and the remaining amount of SEKt 297,620 be carried forward, including SEKt 263,808 to the share premium reserve, SEKt 41,025 to profit brought forward and SEKt 10,660 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

SEKm	Note	2020	2019
Net sales	2	365	268
Cost of goods sold		-99	-69
Gross profit		265	198
Selling expenses		-42	-35
Administrative expenses		-35	-31
Research and development expenses		-18	-15
Other operating income	3	0	-
Other operating expenses	3	-4	-10
Operating profit/loss	4, 6, 7, 21	167	108
Financial income		1	1
Financial expenses		-3	0
Net financial items	8	-2	0
Profit/loss before tax		165	108
Tax	9	-36	-24
Profit for the year		129	85
Earnings per share basic, SEK	10	4.96	3.35
Earnings per share diluted, SEK	10	4.93	3.28

Consolidated statement of comprehensive income

SEKm	2020	2019
Profit for the year	129	85
Other comprehensive income		
Items that may subsequently be transferred to profit or loss		
Foreign currency translation	0	0
Changes in fair value for the year, cash flow hedges	19	2
Change in the fair value of cash flow hedges transferred to profit or loss for the year	-5	-1
Tax attributable to items that have been or may subsequently be transferred to profit or loss	-3	0
Items that cannot be transferred to profit or loss for the period	-	-
Other comprehensive income for the year	11	1
Comprehensive income for the year	140	86

Consolidated balance sheet

SEKm

	Note	31 Dec. 2020	31 Dec. 2019
ASSETS			
Non-current assets			
Intangible assets	11	55	56
Property, plant and equipment	12	11	3
Right-of-use assets	21	11	0
Deferred tax assets	9	0	0
Financial assets	13	0	1
Total non-current assets		77	60
Current assets			
Inventories		3	2
Accounts receivable	14, 19	138	82
Prepaid expenses and accrued income	15	7	6
Other current receivables		20	1
Current investments	16, 19	181	146
Cash and cash equivalents	16, 19	91	46
Total current assets		440	282
TOTAL ASSETS	20	517	343
EQUITY AND LIABILITIES			
Equity			
Share capital	17	3	3
Other paid in capital		274	212
Reserves		10	0
Retained earnings including profit for the year		139	84
Total equity attributable to Parent Company shareholders		426	298
Non-current liabilities			
Lease liabilities	21	8	-
Deferred tax liabilities	9	6	2
Other liabilities		0	-
Total non-current liabilities		14	2
Current liabilities			
Lease liabilities	21	3	0
Accounts payable		33	26
Tax liabilities		18	1
Other liabilities		5	5
Accrued expenses and deferred income	18	18	11
Total current liabilities	20	77	43
TOTAL EQUITY AND LIABILITIES		517	343

Consolidated statement of changes in equity

Equity attributable to Parent Company shareholders

2020	Reserves					Profit brought forward incl. Net profit/loss	Total equity
	Share capital	Other paid in capital	Translation reserve	Hedging reserve			
SEKm							
Opening equity, 1 January 2020	3	212	0	0	84		298
Profit for the year	-	-	-	-	129		129
Other comprehensive income for the year	-	-	0	11	-		11
Comprehensive income for the year	-	-	0	11	129		140
New share issue	0	52	-	-	-		52
Dividend paid	-	-8	-	-	-70		-79
Premium on issue of warrants	-	18	-	-	-		18
Repurchase own shares	-	-	-	-	-3		-3
Share-based remuneration (LTIP)	-	0	-	-	-		0
Total transactions with Group shareholders	0	62	-	-	-73		-11
Closing equity, 31 December 2020	3	274	0	11	139		426

Equity attributable to Parent Company shareholders

2019	Reserves					Profit brought forward incl. Net profit/loss	Total equity
	Share capital	Other paid in capital	Translation reserve	Hedging reserve			
SEKm							
Opening equity, 1 January 2019	3	243	0	-1	31		276
Comprehensive income for the year							
Profit for the year	-	-	-	-	85		85
Other comprehensive income for the year	-	-	0	1	-		1
Comprehensive income for the year	-	-	0	1	85		86
Transactions with Group shareholders							
Dividends paid	-	-31	-	-	-32		-63
Total transactions with Group shareholders	-	-31	-	-	-32		-63
Closing equity, 31 December 2019	3	212	0	0	84		298

Consolidated cash flow statement

SEKm	Note	2020	2019
Operating activities			
Profit/loss before tax		165	108
Adjustment for non-cash items	24	13	9
Income taxes paid		-19	-27
Cash flow from operating activities before changes in working capital		160	91
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventory		-1	0
Increase (-)/decrease (+) in operating receivables		-63	-32
Increase (+)/decrease (-) in operating liabilities		20	4
Cash flow from operating activities		116	63
Investing activities			
Acquisition of intangible assets		-5	-48
Acquisition of property, plant and equipment		-10	-1
Disposal of property, plant and equipment		-	0
Acquisition of financial fixed assets		-	0
Sale of financial assets		-	-
Cash flow from investing activities		-15	-49
Financing activities			
New share issue		52	-
Repurchase own shares		-3	-
Premium received from issue of warrants		18	-
Dividend paid		-79	-63
Amortization of lease liabilities		-4	-2
Cash flow from financing activities		-15	-65
Cash flow for the year		85	-51
Cash and cash equivalents at the beginning of the year	16	192	243
Exchange-rate difference, cash and cash equivalents		-4	0
Cash and cash equivalents at the end of the year	16	272	192

Notes to the consolidated financial statements

All figures are in SEK millions 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 25 March 2021.

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 judgments 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 judgments 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.

New and amended accounting policies from 1 January 2020

New and amended IFRS standards that are effective from 1 January 2020 have not had any material effect on MIPS.

New IFRS that has not yet begun to be applied

New and amended IFRS with application in the future periods are not considered to have any significant effects on MIPS.

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 safety system 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 the MIPS safety system. 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. The Group is the principal for sales when the Group controls the goods or the services before they are transferred to the customer. 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.

GOODS

The performance obligation is satisfied when the goods are delivered to the customer and the revenue is recognized at this delivery. Payment usually occurs 30–60 days after delivery. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Some agreements give customers the right to returns and volume discounts, which gives rise to variable compensation.

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. Potential ordinary shares during reported periods consist of warrants purchased by employees and performance awards, respectively. 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. The shares that could not have been purchased lead to dilution. Treatment is similar for performance awards, but with the value of the remaining services in accordance with IFRS 2 Share-based Payment as the “exercise price” in the calculation. For performance awards, consideration is also given to the number of awards that could have been vested as per the end of the period if the vesting condition (a “total shareholder return” condition) at the end of the vesting period had been met to the same extent as at the end of the period in question. Dilution is calculated for the part of the year in which dilutive instruments were outstanding after issue and until use, respectively.

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.

The company's standard term of payment for accounts receivables is 30–60 days. Past bad debt losses have not totaled significant amounts. For more information see Note 19.

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 depositions) 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 assets 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 recognized 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.

FINANCIAL LIABILITIES

Accounts payable and accrued expenses are included in this category for measurement at amortized cost. Since the maturity of these items is short, the amounts are not discounted. Other liabilities (derivatives with negative value) are measured at fair value within the framework of hedge accounting. See below.

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 liability. 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
- Leasehold improvement 5 years

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 Group's balance sheet. 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.

Impairment of property, plant and equipment, intangible assets and right-of-use 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.

SHARE-BASED REMUNERATION

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.

A performance share plan has been issued for the rest of the employees. The plan is primarily settled with shares (equity-settled). For employees in China, the plan is settled with cash (cash-settled). The program is conditional on continued employment, a vesting condition related to the return on the company's share and for the equity-settled portion, participants must purchase and retain shares in the company (see Note 5). For the equity-settled part, the personnel expense is recognized over the vesting period at the fair value of the awards as of the start of the plan, where consideration is given to the effect on value of the total shareholder return condition. During the vesting period and at its conclusion, consideration is given to the number of participants who fulfilled the condition of remaining in employment, but fulfillment of the shareholder return-related condition is not taken into account. The cash-settled portion of the plan is recognized in a similar manner, with the difference that fair value is determined as of each reporting date. The equity-settled portion is recognized as a personnel expense directly in equity, while the cash-settled portion is recognized as a liability instead of 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. The Group only have defined-contribution plans.

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 safety system for a specific customer and model.

Revenue by nature SEKm	2020	2019
Sales of goods	344	257
Sales of services	21	11
Total	365	268

Sales of goods correspond to revenue reported at time of delivery, sales of services correspond to revenue reported over time and is attributable to the development of MIPS' technology for a specific customer and helmet model.

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 helmet category SEKm	2020	2019
Sports	341	251
Moto	24	17
Safety	0	0
Total	365	268

Revenue by region SEKm	2020	2019
North America	261	185
Europe	73	58
Sweden	13	12
Asia and Australia	18	13
Total	365	268

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 17 percent (21) of sales in 2020. The five largest customers in 2020 accounted for 52 percent (55) of net sales.

Revenue by customer SEKm	2020	2019
Customer 1	63	57
Customer 2	42	27
Customer 3	36	35
Other customers	223	148
Total	365	268

Contract balances

Revenue recognized during the period ending 31 December 2020 from performance obligations that were satisfied (or partially satisfied) in prior periods amounts to SEK 4m (1). 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 SEKm	2020	2019
Other remuneration	0	-
Total	0	-

Other operating expenses SEKm	2020	2019
Loss on disposal of non-current assets	0	-
Exchange rate loss on operations	-4	-10
Total	-4	-10

NOTE 4 EMPLOYEES, PERSONNEL EXPENSES AND REMUNERATION OF SENIOR EXECUTIVES

Costs for employee remuneration

SEKm	2020	2019
Salaries and remuneration	37	30
– of which the parent company	34	27
Pension costs, defined-contribution plans	5	4
– of which the parent company	5	4
Social security contributions	10	9
– of which the parent company	10	8
Total	52	43
– of which the parent company	49	39

Average number of employees

	2020	men, %	2019	men, %
Parent company				
Sweden	40	67	31	72
Total parent company	40	67	31	72
Subsidiaries				
Sweden	–	–	–	–
China	15	70	11	74
Total subsidiaries	15	70	11	74
Group, total	55	68	43	72

Gender distribution in executive management

(% men)	2020	2019
Board of Directors	60	67
Other senior executives	79	83

Salaries and other remuneration distributed among senior executives and other employees

	2020		2019	
SEKm	Salaries and remuneration	Social security contributions	Salaries and remuneration	Social security contributions
Senior executives	13	7	10	4
– of which variable remuneration	1	0	1	0
– of which pension costs	–	2	–	2
Other employees	24	8	20	9
– of which variable remuneration	0	0	0	0
– of which pension costs	–	3	–	2
Total	37	15	30	13

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, in 2019 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 2020 was primarily based on the Group's sales and operating profit, cost targets and individual targets. The CEO has 6 months of mutual notice of termination as well as 6 months of severance pay in the event of termination by the employer.

Remuneration to other senior executives (Executive Management) is shown in 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 2020 could not exceed 50 percent of base salary. The period of notice for other senior executives varies, but may not exceed 6 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.

NOTE 4 EMPLOYEES, PERSONNEL EXPENSES AND REMUNERATION OF SENIOR EXECUTIVES, CONTINUED

Salaries and other remuneration of the Board and senior executives

2020 SEK	Basic salary Board fee	Variable remuneration	Share-based remuneration	Pension costs	Other remuneration	Total
Magnus Welander (Chairman)	435	-	-	-	-	435
Pär Arvidsson	300	-	-	-	-	300
Jonas Rahmn	220	-	-	-	-	220
Jenny Rosberg	250	-	-	-	-	250
Pernilla Wiberg	200	-	-	-	-	200
Total, Board	1 405	-	-	-	-	1,405
Max Strandwitz (CEO)	2,876	832	-	737	-	4,445
Group management (6 individuals)	6,964	319	-	1,645	-	8,928
Total senior executives	9,841	1,150	-	2,383	-	13,374
Total	11,246	1,150	-	2,383	-	14,779

2019 SEK	Basic salary Board fee	Variable remuneration	Share-based remuneration	Pension costs	Other remuneration	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
Total, Board	1,638	-	-	-	447	2,085
Max Strandwitz (CEO)	2,479	871	-	636	-	3,986
Johan Thiel (CEO)	1,903	-	-	412	-	2,314
Group management (6 individuals)	4,267	422	-	977	-	5,666
Total senior executives	8,649	1,293	-	2,025	447	11,967
Total	10,288	1,293	-	2,025	447	14,052

NOTE 5 SHARE-BASED REMUNERATION

Warrants TO serie 3

The Annual General Meeting held on 7 May 2020 resolved to adopt a long term incentive plan ("Warrant Plan 2020/2023") for senior executives and certain key persons in MIPS (in total 12 persons) by an issue of warrants with a subsequent transfer to the participants at a price corresponding to market terms.

Each warrant entitles to subscription of one new share in the company at a subscription price corresponding to 130 percent of the average volume-weighted price paid for the MIPS share on Nasdaq Stockholm during the period from and including 8 May 2020 up to and including 14 May 2020. A total of 550,000 warrants were issued and transferred to the participants, of which the CEO acquired 216,494 warrants in Warrant Plan 2020/2023. The exercise price (subscription price) was set, in accordance with the above, at SEK 339.3 per share. As of 30 December 2020, the last trading day of the year, the closing price for the MIPS share on Nasdaq Stockholm was SEK 515.

LTIP 2020

The Annual General Meeting held on 7 May 2020 also resolved to adopt a long-term performance share plan for employees in MIPS ("LTIP 2020"), which comprises all employees within the MIPS group except for the employees who are offered to participate in the Warrant plan 2020/2023 (in total 42 persons). Participation in the plan requires a personal investment and the participants may as a maximum invest in a number of shares in LTIP 2020 with a value corresponding to the participant's monthly

salary in April 2020 before taxes, assuming a share price of SEK 211.43. Each invested share entitles the holder to one performance award and each performance award entitles the holder to receive one share in MIPS, subject to fulfillment of the following conditions: that the participant remains employed within the MIPS Group until, and including, the day on which MIPS' interim report for the first quarter of 2023 is announced, that the participant has kept all investment shares, and that the performance target is achieved. The performance target is achieved if the annual average total shareholder return (TSR) on MIPS' share amounts to 10 percent or more during the measurement period (March 2020 – March 2023). The total number of participants in the plan was 38 as of 31 December 2020. Employees invested in a total of 5,749 shares in the plan, which means that the maximum outcome of the plan will be 5,749 shares in MIPS, which is also outstanding as of 31 December 2020. For the persons who are employed by MIPS' subsidiary in China, certain other conditions apply entailing that these employees have received synthetic shares, free of charge, instead of share rights and that no personal investment is required. The share performance program comprises a total of 4,585 shares and 1,164 synthetic shares.

Warrants TO serie 1 and 2

The warrant plans adopted by the Extraordinary General Meeting on 1 February 2017 lapsed in the spring of 2020.

The cost of share-based remuneration for the year amounted to SEK 0.2m (0.0).

Warrants

2020 Number	Outstanding warrants at the start of the year	Issued warrants during the year	Forfeited war- rants during the year	Used warrants during the year	Number of out- standing warrants at year-end
Board of Directors (TO Series 2)					
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	-
Total, Board	300,000	-	-	-300,000	-
CEO, senior executives and other em- ployees (TO Series 1, TO Series 3)					
Max Strandwitz (CEO)	150,000	216,494	-	-150,000	216,494
Johan Thiel (former CEO)	200,000	-	-	-200,000	-
Other senior executives and key personnel	225,000	333,506	-	-225,000	333,506
Total senior executives	575,000	550,000	-	-575,000	550,000

NOTE 5 SHARE-BASED REMUNERATION, CONTINUED

Warrants

2019 Number	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 out- standing warrants at year-end
Board of Directors (TO Series 2)					
Magnus Welanders (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
Total, Board	300,000	-	-	-	300,000
CEO, senior executives and other employees (TO Series 1)					
Max Strandwitz (CEO)	150,000	-	-	-	150,000
Johan Thiel (former CEO)	200,000	-	-	-	200,000
Other senior executives and key personnel	225,000	-	-	-	225,000
Total senior executives	575,000	-	-	-	575,000
Market value per Series					
Warrants series 1 issued 2017					4.45
Warrants series 2 issued 2017					4.45
Warrants series 3 issued 2020					32.10
Conditions of valuation, Series 3					
Exercise price, SEK					339.3
Volatility, %					30
Risk-free interest, %					-0.24
Dividend					0
Share price issue date, SEK					261
Maturity, years 3					3

Share-based incentive program 2020

Fair value per share right at the start of the program amounted to SEK 237.30 per piece. The valuation was based on a share price of SEK 302 which was adjusted for the present value of expected dividends during the vesting period and for the probability that the equity return condition is not met. During the year, 5,749 performance share rights were issued which is also the outstanding number as of 31 December 2020.

NOTE 6 FEES AND REMUNERATION OF AUDITORS

Fees and remuneration of auditors

SEKm	2020	2019
KPMG AB		
Audit assignment	1	1
Other auditors		
Tax consultancy services	0	0
Audit assignment	-	0
Total	1	1

NOTE 7 OPERATING EXPENSES BY TYPE OF COST

Operating expenses by type of cost

SEKm	2020	2019
Goods for resale and consumables	91	59
Personnel expenses	54	46
Other external costs	41	38
Legal advice costs	1	0
Depreciation/amortization and impairment	9	7
Other operating expenses	4	10
Total	199	160

For more information regarding other operating expenses see Note 3.

NOTE 8 NET FINANCIAL ITEMS

Net financial items

SEKm	2020	2019
Financial income		
Interest income		
- bank balances	-	0
Change in fair value of financial investments	1	0
Other financial income	0	0
Exchange gains, cash and cash equivalents	-	0
Total	1	1
Financial expenses		
Interest expenses		
- lease liabilities	-1	0
- financial liabilities measured at amortized cost	-	0
Other financial expenses	0	0
Exchange loss, cash and cash equivalents	-3	0
Total	-3	0

NOTE 9 TAXES

Taxes

SEKt	2020	2019
Current tax		
Tax expenses for the period	-34,370	-21,482
Deferred tax		
Deferred tax pertaining to temporary differences	-1,957	-2,057
Total	-36,327	-23,540

Reconciliation of effective tax

SEKt	2020	2019
Profit/loss before tax	165,296	108,371
Tax in accordance with applicable tax rate for parent company	21.4% -35,373	21.4% -23,191
Non-deductible expenses	-189	-135
Effect of unrecognized temporary differences	-173	197
Standard income, shares in investment funds	-125	-176
Impact of changed tax rate	53	80
Impact of other tax rates on foreign subsidiaries	-519	-313
Total	-36,327	-23,540

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 2020 the Group had no unused tax loss carryforwards.

Deferred tax assets and liabilities

31 Dec. 2020 SEKt	Deferred tax assets	Deferred tax liability	Net	31 Dec. 2019 SEKt	Deferred tax assets	Deferred tax liability	Net
Intangible assets	-	-2,996	-2,996	Intangible assets	-	-2,071	-2,071
Property, plant and equipment	140	-51	89	Property, plant and equipment	-	-46	-46
Right-of-use assets	-	-2,217	-2,217	Right-of-use assets	-	-78	-78
Accounts receivable	48	-	48	Accounts receivable	71	-	71
Lease liabilities	2,217	-	2,217	Lease liabilities	78	-	78
Other receivables (Derivatives)	-	-3,620	-3,620	Other liabilities (Derivatives)	335	-	335
Other	105	-	105	Other	185	-	185
Total deferred tax assets/ liabilities	2,510	-8,884	-6,374	Total deferred tax assets/ liabilities	669	-2,195	-1,526
Offsetting	-2,510	2,510	-	Offsetting	-669	669	-
Total deferred tax assets/ liabilities, net	-	-6,374	-6,374	Total deferred tax assets/ liabilities, net	-	-1,526	-1,526

Change in deferred tax in temporary differences

SEKt	31 Dec. 2019	Recognized in equity Income statement	Recognized in equity other compre- hensive income	Recognized in equity 31 Dec 2017	31 Dec. 2020
Intangible assets	-2,071	-925	-	-	-2,996
Property, plant and equipment	-46	135	-	-	89
Right-of-use assets	-78	907	-	-3,046	-2,217
Accounts receivable	71	-23	-	-	48
Lease liabilities	78	-907	-	3,046	2,217
Other liabilities (Derivatives)	335	-216	-119	-	-
Other receivables (Derivatives)	-	-857	-2,763	-	-3,620
Other	185	-71	-	-9	105
Total	-1,526	-1,957	-2,882	-9	-6,374

SEKt	31 Dec. 2018	Recognized in equity Income statement	Recognized in equity other compre- hensive income	Recognized in equity 31 Dec 2017	31 Dec. 2019
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
Total	720	-2,057	-188	-	-1,526

NOTE 10 EARNINGS PER SHARE

Earnings per share

SEK	2020	2019
Earnings per share basic	4.96	3.35
Earnings per share diluted	4.93	3.28
	2020	2019
Profit for the year attributable to parent company shareholders	128,968,442	84,832,218
Average number of shares outstanding, basic	25,996,417	25,299,870
Impact of share option program	169,687	537,534
Effect of long-term share-based incentive program	1,682	-
Average number of shares – after dilution	26,167,786	25,837,404

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

Dilution has been calculated for warrants used during the year up to the time of use and for warrants issued during the year from the time of publication. For number of options and redemption prices see note 5, Share-based payments. The share rights in the performance share program are seen as dilution due to the program conditions relating to the return on shares had been fulfilled as of the end of the reporting period if the reporting period output had constituted the vesting period final. For a description of how the dilutions are calculated, see note 1 Accounting principles.

The company has no costs for the warrant plan other than administrative costs regarding advisors etc. in connection with the preparation of the documentation and the resolution to issue the warrants, etc.

NOTE 11 INTANGIBLE ASSETS

Intangible assets

SEKm	31 Dec. 2020	31 Dec. 2019
Accumulated cost		
Opening balance, 1 Jan.	60	12
Acquisitions	5	48
At year-end, 31 Dec.	65	60
Accumulated depreciation		
Opening balance, 1 Jan.	-4	-1
Amortization	-6	-3
At year-end, 31 Dec.	-10	-4
Total	55	56

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 2020 amount to 1-18 years. Reported value regarding the technologies Fluid and GlideWear amount to SEK 35 million and the remaining useful life for these amounts to just over 8 years. The carrying amount of patents amounts to SEK 19 million. A useful life is calculated for these patents between 3-18 years, where there are patents with one remaining period of 18 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 consideration of a maximum of USD 2 million based on future net income, up until 21 May 2025, from the acquired intellectual property rights associated with the 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.

Breakdown of amortization

SEKm	2020	2019
Depreciation, by function		
Cost of goods sold	-6	-3
Selling expenses	0	0
Total	-6	-3

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

SEKm	31 Dec. 2020	31 Dec. 2019
Accumulated cost		
Opening balance, 1 Jan.	8	7
Acquisitions	11	1
Divestments and disposals	-2	0
At year-end, 31 Dec.	16	8
Accumulated depreciation		
Opening balance, 1 Jan.	-5	-3
Amortization	-3	-2
Divestments and disposals	2	0
At year-end, 31 Dec.	-6	-5
Total	11	3

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

SEKm	2020	2019
Depreciation, by function		
Cost of goods sold	0	0
Selling expenses	0	0
Administrative expenses	-1	0
R&D expenses	-1	-1
Total	-3	-2

NOTE 13 FINANCIAL ASSETS

Financial assets

SEKm	31 Dec. 2020	31 Dec. 2019
Accumulated cost		
Opening balance, 1 Jan.	1	0
Acquisitions	-	0
Divestments	-1	-
At year-end, 31 Dec.	0	1

Relates to deposits from lease contracts.

NOTE 14 ACCOUNTS RECEIVABLE

Accounts receivable

SEKm	31 Dec. 2020	31 Dec. 2019
Invoiced receivables	144	84
Currency adjustments	-5	-2
Reserve expected credit losses	0	0
Total	138	82
Invoiced receivables are due as follows:		
Not yet due	68	41
Overdue by 1-30 days	34	25
Overdue by 31-60 days	16	10
Overdue by 61-90 days	13	4
Overdue by 91- days	12	4
Total	144	84
Change in reserve for expected credit losses		
Opening balance, 1 Jan.	0	-1
During the year		
- repaid	-	0
- provisions established	0	-
At year-end, 31 Dec.	0	0

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

NOTE 15 PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses and accrued income

SEKm	31 Dec. 2020	31 Dec. 2019
Accrued revenue	4	0
Prepaid system costs	1	1
Other	2	5
Total	7	6

NOTE 16 CASH AND CASH EQUIVALENTS AND CURRENT INVESTMENTS

Cash and cash equivalents and current investments

SEKm	31 Dec. 2020	31 Dec. 2019
Cash and bank balances	91	46
Total according to statement of financial position	91	46
Current investments equivalent to cash and cash equivalents	181	146
Total according to statement of cash flows	272	192

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; these investments can be sold within 2 days. MIPS believes that the company in a short time can convert the investments to a known amount cash with insignificant risk of value fluctuations. 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

Equity

	Total no. of shares
Opening balance, 1 Jan. 2020	25,299,870
New share issue	883,750
Registered number of shares, 31 Dec 2020	26,183,620
Own shares held	-5,749
Outstanding shares at year-end, 31 Dec. 2020	26,177,871
	Total no. of shares
Opening balance, 1 Jan. 2019	25,299,870
At year-end, 31 Dec. 2019	25,299,870

Share capital

As of 31 December 2020, the total number of shares was then 26,183,620 (25,299,870) and share capital was SEK 2,618,362 (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. MIPS has during 2020 acquired 5,749 own shares at an average price of 449.60 SEK. As of December 31st the company's holding amounted to 5,749 shares, which corresponds to 0.0 percent of the total number of registered shares.

Equity instruments with dilutive effect

The company has issued warrants and a long-term share performance program, 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

Accrued expenses and deferred income

SEKm	31 Dec. 2020	31 Dec. 2019
Accrued pay liability	2	1
Accrued salaries and remuneration	4	3
Accrued social security contributions	2	1
Estimated payroll tax on pensions	-	2
Prepaid Implementation	1	1
Other accrued expenses	9	3
Total	18	11

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.

Accounts receivable

SEKm	31 Dec. 2020	31 Dec. 2019
Invoiced receivables	144	84
Currency adjustments	-5	-2
Reserve expected credit losses	0	0
Total	138	82
Invoiced receivables are due as follows:		
Not yet due	68	41
Overdue by 1–30 days	34	25
Overdue by 31–60 days	16	10
Overdue by 61–90 days	13	4
Overdue by 91+ days	12	4
Total	144	84
Change in reserve for expected credit losses		
Opening balance, 1 Jan.	0	-1
During the year		
– repaid	-	0
– provisions established	0	-
At year-end, 31 Dec.	0	0

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

Liquidity 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 fore-casted 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.

Interest rate risk

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. MIPS believes that the company in a short time can convert the investments to a known amount cash with insignificant risk of value fluctuations. 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 (%)

	2020		2019	
	Revenue	Operating expenses	Revenue	Operating expenses
USD	76	9	76	11
CNY	24	37	24	37
SEK	0	48	0	48
EUR	-	2	-	2
CAD	-	0	-	1
GBP	-	4	-	1
Other	-	0	-	-
Total	100	100	100	100

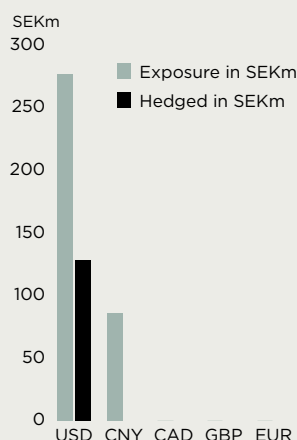
As seen in the table above, the company's main transaction exposure is in USD. A 10 percent change in the USD against the SEK would impact the 2020 operating profit by approximately SEK 26m (19). Other currencies would have a limited impact on 2020 operating profit in the event of a 10 percent change.

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. The company has had a subsidiary in China since 2017 and translation exposure occurs also on consolidation. In 2020 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 fore-casted 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 2020. The company currently only hedges in USD. As of 31 Dec. 2020 the nominal amounts hedged totaled USD 16m (10), corresponding to SEK 148m (119). The average price for outstanding futures were SEK 9.25 (9.12) and all contracts expire within 12 months.

TRANSACTION EXPOSURE



MIPS safety system 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 fore-casted sales in USD. Derivatives are valued at fair value on the bal-

ance 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.

NOTE 20 FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AND CATEGORY GROUPINGS, CONTINUED

Fair value measurement of financial assets and liabilities and category groupings

31 Dec. 2020		Financial assets measured at fair value through profit or loss	Hedging instruments	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
SEKm	Note							
Financial assets (Depositions)	13	-	-	0	-	-	0	0
Accounts receivable	14	-	-	138	-	-	138	138
Other current receivables		-	-	-	-	-	-	-
Current investments	16	181	-	-	-	-	181	181
Cash and cash equivalents	16	-	-	91	-	-	91	91
Accounts payable		-	-	-	-	-33	-33	-33
Other receivables (Derivatives)		-	18	-	-	-	18	18
Accrued expenses	18	-	-	-	-	-18	-18	-18
Total financial assets and liabilities by category		181	18	230	0	-51	378	378

31 Dec. 2019		Financial assets measured at fair value through profit or loss	Hedging instruments	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
SEKm	Note							
Financial assets (Depositions)	13	-	-	1	-	-	1	1
Accounts receivable	14	-	-	82	-	-	82	82
Other current receivables		-	-	0	-	-	0	0
Current investments	16	146	-	-	-	-	146	146
Cash and cash equivalents	16	-	-	46	-	-	46	46
Accounts payable		-	-	-	-	-26	-26	-26
Other liabilities (Derivatives)		-	-2	-	-	-	-2	-2
Accrued expenses	18	-	-	-	-	-7	-7	-7
Total financial assets and liabilities by category		146	-2	129	-	-33	240	240

NOTE 21 LEASES

The Group is a lessee of office space in Sweden and China. These premises were occupied in January 2020 and account for the total value of the Group's right-of-use assets. The lease as occupied refers to the non-cancellable period according to agreement. With respect to new leases with terms of several years, no assessment has yet been made regarding extension periods. With the exception of minimum leases and low-value leases, leases are recognized in the balance sheet as a right-of-use asset and a lease liability. As of 31 December 2020 there were no new leases that were signed but had not yet begun.

Amounts recognized in profit or loss

SEKm	2020	2019
Leases of low-value assets	0	0
Depreciation of right-of-use assets relating in their entirety to leases for office space	3	2
Interest expense, lease liability	1	0
Variable lease payments not included in measurement of lease liability	0	0

Future variable leasing fees that are not included in the valuation of the lease liability are essentially expected to be at the same level.

Closing balance as of December 31 regarding rented office properties

SEKm	2020	2019
Right-of-use asset	11	0
Non-current lease liability	3	0
Current lease liability	8	-

In 2020, right-of-use asset of SEK 14m were added.

Cash Flow 2020 from lease agreements

SEKm	2020	2019
Total cash outflow for leases	4	2

The maturity structure for the Group's future leasing costs included in the leasing liabilities with a remaining term of one year or more, is distributed as follows;

	2020	2019
1 year	3	0
2-3 years	5	-
4-5 years	2	-

NOTE 22 INVESTMENT COMMITMENTS

The company has no significant investment commitments as of 31 December 2020 or 2019. Regarding assumptions pertaining to acquired intangible assets, see Note 11.

NOTE 23 RELATED PARTIES

No material related party transactions were carried out during 2020.

NOTE 24 SPECIFICATION OF STATEMENT OF CASH FLOWS

Specification of statement of cash flows

SEKm	2020	2019
Depreciation/amortization of non-current assets	12	7
Unrealized exchange-rate differences	6	1
Change in value of financial instruments	-5	-1
Other items not affecting liquidity	1	2
Total	13	9

Interest income and expense

SEKm	2020	2019
Interest income received	0	0
Interest expense	0	0

NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets and contingent liabilities

	2020	2019
Pledged assets	None	None
Contingent liabilities	None	None

No patent disputes were initiated or resolved in 2019 or 2020.

There are no cost for patent dispute during the year, for 2019 they amounted to SEK 0.3m.

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 presented 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

No significant events occurred after the balance sheet date.

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, SE-183 79 Täby, Sweden.

Parent company income statement

SEKm	Note	2020	2019
Net sales	P2	276	204
Cost of goods sold		-30	-16
Gross profit		246	187
Selling expenses		-39	-34
Administrative expenses		-35	-31
Research and development expenses		-16	-14
Other operating income	P3	0	-
Other operating expenses	P3	-4	-10
Operating profit/loss	P4, P18, 4, 5, 6	153	99
Financial income		1	1
Financial expenses		-2	0
Net financial items		151	100
Appropriations		-5	-10
Appropriations	P5	-5	-10
Profit/loss before tax		147	90
Tax	P6	-32	-19
Profit for the year		115	70

Parent company statement of comprehensive income

SEKm	2020	2019
Profit for the year	115	70
Other comprehensive income		
Items that may subsequently be transferred to profit or loss		
Changes in fair value for the year, cash flow hedges	19	2
Change in the fair value of cash flow hedges transferred to profit or loss for the year	-5	-1
Tax attributable to Items that have been or may subsequently be transferred to profit or loss	-3	0
Items that cannot be transferred to profit or loss for the period	-	-
Other comprehensive income for the year	11	1
Comprehensive income for the year	126	71

Parent company balance sheet

SEKm

	Note	31 Dec. 2020	31 Dec. 2019
ASSETS			
Non-current assets			
Intangible assets	P7	55	56
Property, plant and equipment	P8	10	3
Participation in Group companies	P9	1	1
Financial assets	P10	-	1
Total non-current assets		66	61
Current assets			
Inventories		0	0
Accounts receivable	P11	103	60
Receivables from Group companies	P12	0	1
Tax asset		0	2
Prepaid expenses and accrued income	P13	7	6
Other current receivables		19	1
Current investments	P14	181	146
Cash and cash equivalents	P14	69	35
Total current assets		379	251
TOTAL ASSETS	P17	446	312
EQUITY AND LIABILITIES			
Equity	P15		
Restricted equity			
Share capital		3	3
Statutory reserve		2	2
Non restricted equity			
Share premium reserve		246	205
Fair value reserve		11	0
Retained earnings		18	-
Profit for the year		115	70
Total equity		394	279
Untaxed reserves		15	10
Untaxed reserves	P5	15	10
Current liabilities			
Lease liabilities		6	9
Accounts payable	P12	1	0
Tax liabilities		15	-
Other liabilities		4	4
Accrued expenses and deferred income	P16	13	9
Total current liabilities	P17	38	23
TOTAL EQUITY AND LIABILITIES		446	312

Parent company statement of changes in equity

2020	Restricted equity		Non restricted equity				Total
	Share capital	Statutory reserve	Share premium reserve	Fair value fund	Earnings brought forward	Profit for the year	
				Hedging reserve			
SEKm							
Opening equity, 1 January, 2020	3	2	205	0	-	70	279
Transfer of preceding year's profit/loss	-	-	-	-	70	-70	0
Profit for the year	-	-	-	-	-	115	115
Other comprehensive income for the year	-	-	-	11	-	-	11
Comprehensive income for the year	-	-	-	11	-	115	126
New share issue	0	-	52	-	-	-	52
Dividend paid	-	-	-8	-	-70	-	-79
Premium on issue of warrants	-	-	-	-	18	-	18
Repurchase own shares	-	-	-3	-	-	-	-3
Share-based remuneration (LTIP)	-	-	-	-	0	-	0
Total transactions with shareholders	0	0	41	0	-53	0	-11
Closing equity, 31 December 2020	3	2	246	11	18	115	394

2019	Restricted equity		Non restricted equity				Total
	Share capital	Statutory reserve	Share premium reserve	Fair value fund	Earnings brought forward	Profit for the year	
				Hedging reserve			
SEKm							
Opening equity, 1 January 2019	3	2	236	-1	-20	52	271
Transfer of preceding year's profit/loss	-	-	-	-	52	-52	0
Profit for the year	-	-	-	-	-	70	70
Other comprehensive income for the year	-	-	-	1	-	-	1
Comprehensive income for the year	-	-	-	1	-	70	71
Transactions with shareholder							
Dividend paid	-	-	-31	-	-32	-	-63
Total transactions with shareholders	-	-	-31	-	-32	-	-63
Closing equity, 31 December 2019	3	2	205	0	-	70	279

Parent company cash flow statement

SEKm	Note	2020	2019
Operating activities			
Net financial items		151	100
Adjustment for non-cash items	P21	10	5
Income taxes paid		-20	-25
Cash flow from operating activities before changes in working capital		141	81
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventory		0	0
Increase (-)/decrease (+) in operating receivables		-46	-28
Increase (+)/decrease (-) in operating liabilities		4	0
Cash flow from operating activities		99	52
Investing activities			
Acquisition of intangible assets		-5	-48
Acquisition of property, plant and equipment		-10	-1
Disposal of property, plant and equipment		-	0
Acquisition of financial fixed assets		0	-
Sale of financial assets		-	-
Cash flow from investing activities		-15	-49
Financing activities			
New share issue		52	-
Repurchase own shares		-3	-
Premium received from issue of warrants		18	-
Dividend paid		-79	-63
Cash flow from financing activities		-11	-63
Cash flow for the year		72	-60
Cash and cash equivalents at the beginning of the year	P14	181	240
Exchange-rate difference, cash and cash equivalents		-2	0
Cash and cash equivalents at the end of the year	P14	250	181

Notes to the financial statements – Parent company

All figures are in SEK million unless stated otherwise.

NOTE P1 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 2020 changed in accordance with the amendments described above for the Group.

Classification and presentation

The income statement and balance sheet for the parent company are prepared in accordance with the Annual Accounts Act, while the statement of income and other comprehensive income, the statement of changes in equity and the cash flow statement are based on IAS 1 Presentation of Financial Statements 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 RFR2. 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.

NOTE P2 DISTRIBUTION OF REVENUE

Revenue by nature SEKmn	2020	2019
Sales of goods	255	193
Sales of services	21	11
Total	276	204

NOTE P3 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Other operating income SEKmn	2020	2019
Other remuneration	-	-
Total	-	-
Other operating expenses SEKmn	2020	2019
Loss on disposal of non-current assets	0	-
Exchange rate loss on operations	-4	-10
Total	-4	-10

NOTE P4 OPERATING EXPENSES BY TYPE OF COST

Operating expenses by type of cost

SEKm	2020	2019
Goods for resale and consumables	22	12
Personnel expenses	51	43
Other external costs	38	35
Legal advice costs	1	0
Depreciation/amortization and impairment	9	4
Other operating expenses	4	10
Total	123	105

NOTE P5 APPROPRIATIONS

Appropriations

SEKm	2020	2019
Appropriations	-5	-10
Total	-5	-10

NOTE P6 TAXES

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

Taxes

SEKt	2020	2019
Current tax		
Tax expenses for the period	-30,725	-19,307
Deferred tax		
Deferred tax pertaining to temporary differences	-1,132	-30
Total	-31,857	-19,337

Reconciliation of effective tax

SEKt	2020	2019
Profit/loss before tax	-146,634	89,820
Tax in accordance with applicable tax rate for parent company	-31,380	-19,221
<i>Corresponds to in %</i>	21.4	21.4
Non-deductible expenses	-189	-135
Effect of unrecognized temporary differences	-173	197
Standard income, shares in investment funds	-125	-176
Impact of changed tax rate	9	-
Total	-31,858	-19,337

Deferred tax assets and liabilities

31 Dec. 2020 SEkt	Deferred tax assets	Deferred tax liability	Net	31 Dec. 2019 SEkt	Deferred tax assets	Deferred tax liability	Net
Property, plant and equipment	140	-	140	Accounts receivable	71	-	71
Accounts receivable	48	-	48	Other liabilities (Derivatives)	335	-	335
Other liabilities (Derivatives)	-	-	-	Other receivables (Derivatives)	-	-	-
Other receivables (Derivatives)	-	-3,620	-3,620	Other	185	-	185
Total deferred tax assets/liabilities	188	-3,620	-3,432	Total deferred tax assets/liabilities	591	-	591
Offsetting	-188	188	-	Offsetting	-	-	-
Total deferred tax assets/liabilities, net	-	-3,432	-3,432	Total deferred tax assets/liabilities, net	591	-	591

Change in deferred tax in temporary differences

SEkt	31 Dec. 2019	Recognized in equity Income statement	Recognized in equity other comprehensive income	Recognized in equity	31 Dec. 2020
Property, plant and equipment	-	140	-	-	140
Accounts receivable	71	-23	-	-	48
Other liabilities (Derivatives)	335	-216	-119	-	0
Other receivables (Derivatives)	-	-857	-2,763	-	-3,620
Other	185	-176	-	-9	-
Total	591	-1,132	-2,882	-9	-3,432

SEkt	31 Dec. 2018	Recognized in equity Income statement	Recognized in equity other comprehensive income	Recognized in equity	31 Dec. 2019
Accounts receivable	126	-55	-	-	71
Other liabilities (Derivatives)	683	-160	-188	-	335
Other	-	185	-	-	185
Total	809	-30	-188	-	591

NOTE P7 INTANGIBLE ASSETS

Intangible assets

SEKm	31 Dec. 2020	31 Dec. 2019
Accumulated cost		
Opening balance, 1 Jan.	60	12
Acquisitions	5	48
At year-end, 31 Dec.	65	60
Accumulated depreciation		
Opening balance, 1 Jan.	-4	-1
Amortization	-6	-3
At year-end, 31 Dec.	-10	-4
Total	55	56

Intangible assets primarily pertain to expenses for patents and brand protection, which are acquired externally. Remaining economic lives as of 31 December 2020 amount to 1-18 years.

Breakdown of amortization

SEKm	2020	2019
Depreciation, by function		
Cost of goods sold	-6	-3
Selling expenses	0	0
Total	-6	-3

Refer to Note 11 in the consolidated financial statements.

NOTE P8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

SEKm	31 Dec. 2020	31 Dec. 2019
Accumulated cost		
Opening balance, 1 Jan.	8	7
Acquisitions	10	1
Divestments and disposals	-2	0
At year-end, 31 Dec.	16	8
Accumulated depreciation		
Opening balance, 1 Jan.	-5	-3
Amortization	-3	-2
Divestments and disposals	2	0
At year-end, 31 Dec.	-5	-5
Total	10	3

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

Breakdown of amortization

SEKm	2020	2019
Depreciation, by function		
Selling expenses	0	0
Administrative expenses	-1	0
R&D expenses	-1	-1
Total	-3	-2

NOTE P9 PARTICIPATION IN GROUP COMPANIES

Participation in Group companies

SEKm	31 Dec. 2020	31 Dec. 2019
Accumulated cost		
Opening balance, 1 Jan.	1	1
Acquisitions	0	-
At year-end, 31 Dec.	1	1
Total	1	1

Subsidiaries

SEKm	Corporate identity number	Registered office	No. of shares	Holding %	31 Dec. 2020 Carrying amount
M-PS Helmet AB	556763-8449	Stockholm, SE	1,000	100	0
MIPS AB (Dongguan) Trading Co., Ltd	91441900MA4W2Y7T9L	Dongguan, CN	1	100	0
Total					1

SEKm	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	0
MIPS AB (Dongguan) Trading Co., Ltd	91441900MA4W2Y7T9L	Dongguan, CN	1	100	0
Total					1

NOTE P10 OTHER FINANCIAL ASSETS

Long term receivables

SEKm	31 Dec. 2020	31 Dec. 2019
Accumulated cost		
Opening balance, 1 Jan.	0	0
Acquisitions	-	-
Divestments	0	-
Exchange rate differences for the year	-	-
At year-end, 31 Dec.	-	0

Relates to deposits from lease contracts.

NOTE P11 ACCOUNTS RECEIVABLE

Accounts receivable

SEKm	31 Dec. 2020	31 Dec. 2019
Invoiced receivables	109	63
Currency adjustments	-5	-2
Reserve expected credit losses	0	0
Total	103	60
Invoiced receivables are due as follows:		
Not yet due	51	30
Overdue by 1-30 days	25	19
Overdue by 31-60 days	10	7
Overdue by 61-90 days	11	3
Overdue by 91- days	12	3
Total	109	63
Change in reserve for expected credit losses		
Opening balance, 1 Jan.	0	-1
During the year		
- repaid	-	0
- provisions established	0	-
At year-end, 31 Dec.	0	0

NOTE P12 GROUP TRANSACTIONS

Group transactions

SEKm	31 Dec. 2020	31 Dec. 2019
Receivables and liabilities to subsidiaries		
Receivables	-	1
Liabilities	1	0
Net	1	0
Revenues and costs from subsidiaries		
Revenue	-	-
Costs	-1	0
Net	-1	0

NOTE P13 PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses and accrued income

SEKm	31 Dec. 2020	31 Dec. 2019
Accrued revenue	4	0
Prepaid rental costs	1	1
Prepaid system costs	1	1
Other	2	4
Total	7	6

NOTE P14 CASH AND CASH EQUIVALENTS

Cash & cash equivalents

SEKm	31 Dec. 2020	31 Dec. 2019
Cash and bank balances	69	35
Total according to statement of financial position	69	35
Current investments equivalent to cash and cash equivalents	181	146
Total according to statement of cash flows	250	181

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. MIPS believes that the company in a short time can convert the investments to a known amount cash with insignificant risk of value fluctuations.

NOTE P15 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 (SEKt):

Share premium reserve	245,935
Fair value reserve	10,660
Retained earnings	17,873
Profit for the year	114,775
Total	389,243

The Board of Directors proposes that the available funds of SEKt 389,243 be disposed so that SEK 3.50 per share, corresponding to SEKt 91,623 based on the number of shares on 31 December 2020, will be distributed to shareholders and the remaining amount of SEKt 297,620 be carried forward, including SEKt 245,934 to the share premium reserve, SEKt 41,025 to profit brought forward and SEKt 10,660 to the fair value reserve.

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

OWN SHARES HELD

MIPS has during 2020 acquired 5,749 own shares at an average price of SEK 449.60. As of 31 December 2020 the company's holding amounted to 5,749 shares, which corresponds to 0.0 percent of the total number of registered shares.

NOTE P16 ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income

SEKmn	31 Dec. 2020	31 Dec. 2019
Accrued leave liability	2	1
Accrued salaries and remuneration	4	3
Accrued social security contributions	2	1
Estimated payroll tax on pensions*	-	2
Prepaid Implementation	1	1
Other accrued expenses	4	1
Total	13	9

NOTE P17 FINANCIAL INSTRUMENTS

Financial instruments

31 Dec. 2020 SEKm	Note	Financial assets measured at fair value through profit or loss	Hedging instruments	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
Financial assets (Depositions)	10	-	-	-	-	-	-	-
Accounts receivable	11	-	-	103	-	-	103	103
Receivables from Group companies	12	-	-	1	-	-	1	1
Other current receivables		-	-	-	-	-	-	-
Current investments	14	181	-	-	-	-	181	181
Cash and cash equivalents	14	-	-	69	-	-	69	69
Accounts payable		-	-	-	-	-6	-6	-6
Other receivables (Derivatives)		-	18	-	-	-	18	18
Accrued expenses	16	-	-	-	-	-10	-10	-10
Total financial assets and liabilities by category		181	18	173	-	-16	356	356

31 Dec. 2019 SEKm	Note	Financial assets measured at fair value through profit or loss	Hedging instruments	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
Financial assets (Depositions)	10	-	-	0	-	-	0	0
Accounts receivable	11	-	-	60	-	-	60	60
Receivables from Group companies	12	-	-	1	-	-	1	1
Other current receivables		-	-	0	-	-	0	0
Current investments	14	146	-	-	-	-	146	146
Cash and cash equivalents	14	-	-	35	-	-	35	35
Accounts payable		-	-	-	-	-9	-9	-9
Other liabilities (Derivatives)		-	-2	-	-	-	-2	-2
Liabilities to Group companies	12	-	-	-	-	0	0	0
Accrued expenses	16	-	-	-	-	-5	-5	-5
Total financial assets and liabilities by category		146	-2	97	-	-15	226	226

NOTE P18 LEASES

The parent company does not apply IFRS 16 in accordance with the exception contained in RFR2. As a lessee, lease payments 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, lease payments increased. The contract extends until December 2024 and the total future minimum lease payments relate to SEK 11m for office premises.

Future minimum lease payments

SEKm	31 Dec. 2020	31 Dec. 2019
Within 1 year	3	0
Between 1-5 years	8	0
More than 5 years	-	-
Total	11	0
Lease costs for the year pertaining to operational leasing fee totaled:	3	2

NOTE P19 INVESTMENT COMMITMENTS

The company has no significant investment commitments as of 31 December 2020 or 2019.

Refer to Note 11 in the consolidated financial statements.

NOTE P20 RELATED PARTIES

Refer to Note 23 in the consolidated financial statements.

NOTE P21 SPECIFICATION OF STATEMENT OF CASH FLOWS

Specification of statement of cash flows

SEKm	2020	2019
Depreciation/amortization of non-current assets	9	4
Unrealized exchange-rate differences	6	2
Change in value of financial instruments	-5	-1
Other items not affecting liquidity	0	0
Total	10	5

Interest income and expense

SEKm	2020	2019
Interest income received	0	-
Interest expense	0	0

NOTE P22 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets and contingent liabilities

	2020	2019
Pledged assets	None	None
Contingent liabilities	None	None

NOTE P23 RELATED PARTY TRANSACTIONS

Transactions involving goods and services occur between companies in the Group. Market-based terms and pricing apply for all transactions. All intra-Group transactions are eliminated. Regarding the parent company's dealings with subsidiaries, see note P12.

NOTE P24 SIGNIFICANT ESTIMATES AND JUDGMENTS

Refer to Note 26 in the consolidated financial statements.

NOTE P25 EVENTS AFTER BALANCE-SHEET DATE

Refer to Note 27 in the consolidated financial statements.

NOTE P26 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, Sweden

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 reporting 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 25 March 2021

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 26 March 2021

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 2020. The annual accounts and consolidated accounts of the company are included on pages 60–104 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 December 31, 2020 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 December 31, 2020 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 our 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, for the audit, key audit matters to communicate in the auditor's report.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2–59, 108–109 and 123–126. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. 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 presentation 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 Director's 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, measures that have been taken to eliminate the threats or 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 2020 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 the shareholders on May 7, 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2014.

Stockholm, March 26, 2021

KPMG AB

Tomas Gerhardsson
AUTHORIZED PUBLIC ACCOUNTANT

Financial and alternative performance measures by year

All amounts are in SEKm unless stated otherwise.

Group	2020	2019	2018	2017	2016
NET SALES AND PROFIT/LOSS					
Net sales	365	268	193	126	87
Net sales growth, %	36	39	53	45	75
Gross profit	265	198	142	93	62
Gross margin, %	72.8	74.1	73.9	74.3	71.3
Operating profit/loss	167	108	73	21	18
Operating margin, %	45.8	40.3	37.9	16.6	21.2
Adjusted operating profit (Adjusted EBIT)	168	111	73	28	24
Adjusted operating margin (Adjusted EBIT), %	46.2	41.2	37.9	22.1	28
Amortization	9	7	2	1	1
EBITDA	176	115	75	22	19
EBIT margin, %	48.2	42.8	38.8	17.4	22.2
Profit for the year	129	85	56	16	14
GROUP STATEMENT OF CASH FLOWS					
Cash flow from operating activities	116	63	69	11	16
Cash flow from investing activities	-15	-49	-7	-5	-4
Cash flow from financing activities	-15	-65	-	145	0
FINANCIAL STANDINGS					
Total assets	517	343	319	242	75
Equity	426	298	276	221	57
Equity ratio, %	82	87	86	91	76
KEY FIGURES PER SHARE					
Earnings per share basic, SEK	4.96	3.35	2.23	0.64	0.67
Earnings per share diluted, SEK	4.93	3.28	2.21	0.64	0.65
Average number of shares outstanding – before dilution	25,996,417	25,229,870	25,229,870	24,520,884	21,478,586
Average number of shares – after dilution	26,167,786	25,837,404	25,544,935	24,559,246	22,013,833
EMPLOYEES					
Average number of employees	55	43	35	29	17

Alternative performance measures

Non-IFRS performance measures	Definition	Reason for use of measure
Gross profit	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.
Gross margin (%)	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.
Operating profit (EBIT)	Profit before financial items and taxes.	The measure is used to measure the profit generated by the operating activities.
Operating margin (EBIT margin) (%)	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.
Adjusted operating profit (Adjusted EBIT)	Operating profit excluding items affecting comparability such as acquisition income and expenses, as well as listing costs.	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.
Adjusted operating margin (%)	Adjusted operating profit as a percentage of net sales during the period.	See explanation under the description for "Adjusted operating profit."
Equity ratio (%)	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.
Cash flow from operating activities	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.
Last 12 months rolling comparison (LTM)	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.
Average number of employees	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 measure-ment and financial derivation, please visit www.mipscorp.com/investors/



Corporate Governance



Corporate Governance Report

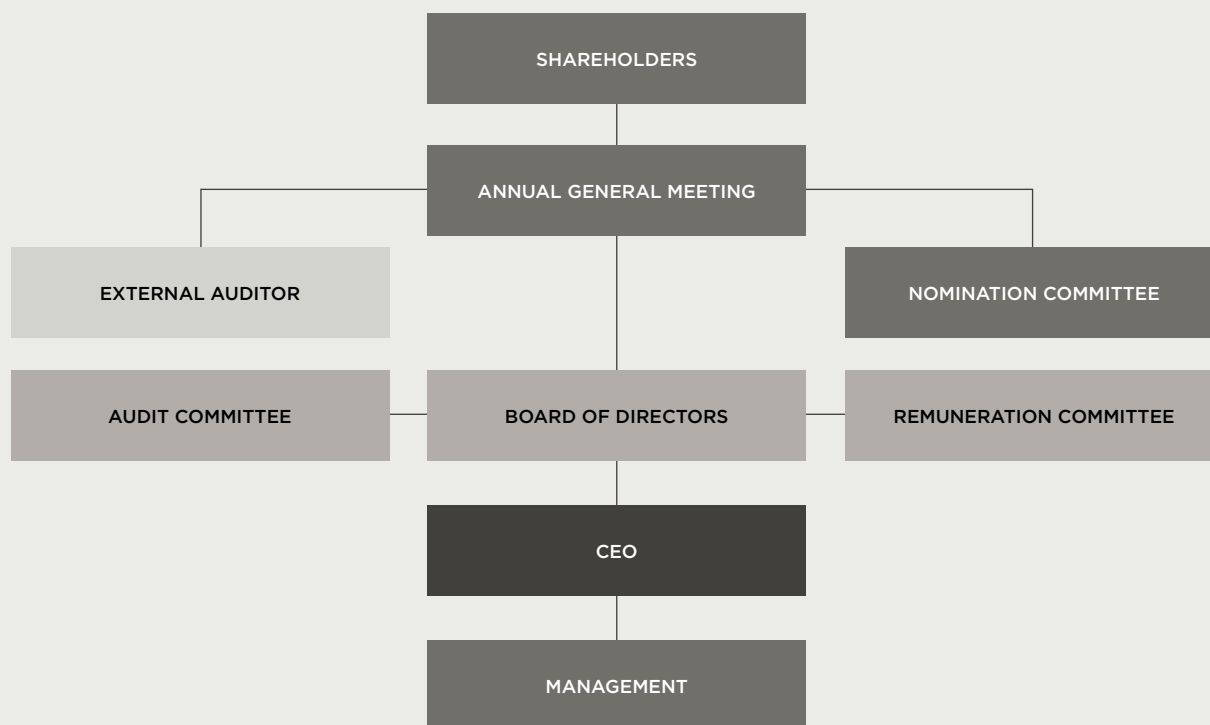
MIPS AB (publ) is a Swedish public limited liability company. The company's shares have been listed on Nasdaq Stockholm since 2017. MIPS complies with Nasdaq Stockholm's Rule Book for Issuers and other applicable regulations, including the Swedish Corporate Governance Code (the "Code"), which is based on the "comply or explain" principle. No deviation from the Code occurred in 2020. 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 2020, share capital was SEK 2,618,362 divided among 26,183,620 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 2020 MIPS had about 13,300 shareholders. Of the total number of shares, approximately 62 percent were held by foreign shareholders. Swedbank Robur Funds is the single largest owner, with a holding of approximately 9.5 percent of share capital and votes as of 31 December 2020. Capital Group is the second largest shareholder with a holding of 4.6 percent of capital and C WorldWide Asset Management is the third largest with a holding of 2.7 percent of capital as of the same date. Additional information about the share and shareholders can be found on page 125, as well as on the company's website, www.mipscorp.com.

OVERVIEW OF GOVERNANCE



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 can according to the Articles of Association applicable for the company during 2020 not vote or otherwise participate in the Meeting remotely.

The general meeting on 7 May 2020 authorized the Board to resolve on the repurchase of its own shares. The purpose of the repurchase authorization was to facilitate the delivery of shares associated with MIPS' long-term performance share plan, LTIP 2020.

2021 Annual General Meeting

MIPS' 2021 Annual General Meeting will be held on Thursday May 6, 2021 in Stockholm. For more information, visit 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 2021 Annual General Meeting was published on 15 October 2020.

The members of the Nomination Committee and respective nominating shareholders for the 2021 AGM are:

Committee member	Nominating shareholders
Jan Dworsky, (Chairman)	Swedbank Robur Fonder
Henrik Söderberg	C WorldWide Asset Management
Tomas Risbecker	AMF Försäkring & Fonder
Magnus Welander*	

*Chairman of the Board of MIPS AB.

The Nomination Committee has held six 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 percent of Board members elected by the AGM.

For the 2021 AGM, the Nomination Committee will announce its proposals in the notice of the AGM, which will be published around 30 March 2021.

Auditors

The 2020 Annual General Meeting elected KPMG AB as auditors of the company until the end of the 2021 AGM. Tomas Gerhardsson was appointed auditor in charge.

In accordance with a resolution adopted at the AGM, the auditor's fee until the 2021 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 2020 AGM reelected, at the proposal of the Nomination Committee, Pär Arvidsson, Jonas Rahmn, Magnus Welander, Pernilla Wiberg and Jenny Rosberg. The AGM elected Magnus Welander to serve as chairman.

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, sustainability 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 2020 include an incentive program for Executive Management and a few key personnel, a performance share plan for MIPS employees and a review of the company's new brand platform with associated communication. The Board also participated in the updating of the company's sustainability plan. The overarching long-term strategy and financial development within MIPS was also discussed during the year. 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.

Composition of the Board of Directors

	Elected year	Total fee, SEK thousand	Independent of the company and its management	Independent in relation to major shareholders	Board meetings	Audit Committee	Remuneration committee
Chairman							
Magnus Welander	2016	435	Yes	Yes	12/12		3/3
Board members							
Pär Arvidsson	2016	300	Yes	Yes	12/12	6/6	
Jonas Rahmn	2012	220	Yes	Yes	12/12		3/3
Pernilla Wiberg	2016	200	Yes	Yes	12/12		
Jenny Rosberg	2018	250	Yes	Yes	12/12	6/6	

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 7 May 2020 resolved that a fee (unchanged) 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 12 meetings, including six by video conference, three by conference call, two per capsulam and one physical meeting. The physical meeting 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 114.

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. 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 six meetings in 2020. 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. 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 performance 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 2020. 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 an 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 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 2021.

Board of Directors

The MIPS Board of Directors consists of five directors elected by the general meeting.

All directors are independent in relation to the company and its management, as well as 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, Industrial Economics, Institute of Technology at Linköping University.

Current assignments:
CEO of Thule Group.

Selected past assignments:

CEO of Envirotainer, various management positions within Tetra Pak in Italy and Australia. Director of MIPS AB.

Holdings including any related parties:

50,500 shares relate to holdings 31 December 2020.



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:

99,500 shares, individually and through company; relate to holdings 31 December 2020.



JONAS RAHMN

Director since 2012.
Member of the Remuneration Committee.

Born 1967. MSc in Civil Engineering, Technical Physics, Chalmers University of Technology.

Current assignments:

Director of Apica AB. Director of Norröna Sport AS. Director of Knoxville AB, Director of ExOpen Systems Aktiebolag, Director of Ekoligens AB.

Selected past assignments:

Partner KTH Chalmers Capital.

Holdings including any related parties:

33,500 shares relate to holdings 31 December 2020.



JENNY ROSBERG

Director since 2018.
Member of the Audit Committee

Born 1966. MBA from Stockholm School of Economics.

Current assignments:

CEO and director of ROPA Management AB. Director of AB Persson Invest, C.A.G and Länsförsäkringar Stockholm.

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 Copenhagen 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 2020.



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. Vice President 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:

30,500 shares relate to holdings 31 December 2020.

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:

121,500 shares
216,494 warrants
relate to holdings 31 December 2020.



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:

238,665 shares
25,000 warrants
relate to holdings 31 December 2020.



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: None

Selected past assignments:

MI Engineering AB.

Holdings including any related parties:

25,000 shares
72,164 warrants
relate to holdings 31 December 2020.



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

50,788 warrants relate to holdings 31 December 2020.



KARIN ROSENTHAL

Born 1978 and Chief Financial Officer since 2020.

Education and professional experience:

BA in economics, Stockholm University. Previously Chief Financial Officer Volati AB, Manager global accounting services Klarna, Head of Group Accounting, Fabega AB.

Selected past assignments: None

Holdings including any related parties:

6,000 warrants relate to holdings 31 December 2020.



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:

53,000 warrants relate to holdings 31 December 2020.



MARCUS SEYFFARTH

Born 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:

14,000 shares
72,164 warrants
relate to holdings 31 December 2020.

Auditor's report on the corporate governance statement

To the general meeting of the shareholders in MIPS AB, corporate identity number 556609-0162

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2020 on pages 110-121 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 26 March 2021

KPMG AB

Tomas Gerhardsson
AUTHORIZED PUBLIC ACCOUNTANT

GRI Index

MIPS prepares a sustainability report that is GRI referenced.

The areas that MIPS reports on are described below.

Disclosure	Description	Comment	Page or URL
Organizational profile			
102-1	Name of the organization	MIPS AB	60
102-2	Activities, brands, products and services	The company shall, directly or indirectly, further develop, customize, license, manufacture or outsource manufacturing of, and market, solutions to prevent rotational motion and other types of forces that occur in connection with different types of external impacts, as well as engage in other activities compatible therewith	60
102-3	Location of headquarters	Kemistvägen 1B, 183 79 Täby	
102-4	Location of operations	Sweden, China	
102-5	Ownership and legal form	Limited company	
102-6	Markets served	Customers in Europe, North America, Asia, Oceania. Users worldwide.	10-19
102-7	Scale of the organization	About 40 employees in Sweden and about 15 in China	64, 66, 77-78
102-8	Information on employees and other workers		54, 77-78, 108
102-9	Supply chain		30
102-10	Significant changes to the organization and its supply chain		6-9, 30
102-11	Precautionary Principle or approach		57
102-12	External initiatives		51, 53
102-13	Membership of associations		53
Strategy			
102-14	Statement from senior decision-maker		6-9
Ethics and och integrity			
102-16	Values, principles, standards, and norms of behavior		47-51
Governance			
102-18	Governance structure		112-116
Stakeholder dialogue			
102-40	List of stakeholder groups		50
102-41	Collective bargaining agreements	None	
102-42	Identifying and selecting stakeholders		50
102-43	Approach to stakeholder engagement	Interviews with selected stakeholders	50
102-44	Key topics and concerns raised		50-51
Reporting practice			
102-45	Entities included in the consolidated financial statements		99
102-46	Defining report content and topic boundaries		48-51
102-47	List of material topics		50-51
102-48	Restatements of information		49-58
102-49	Changes in reporting	This is the first sustainability report	
102-50	Reporting period	1 January - 31 December 2020	
102-51	Date of most recent report	26 March 20219, Annual report for 2019	

Disclosure	Description	Comment	Page or URL
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	info@mipsprotection.com	
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option	
102-55	GRI Content Index	See this index.	122-123
102-56	External assurance	See Assurance Report	59
Financial impact			
205-1	Operations assessed for risks related to corruption		58
205-2	Communication and training about anti-corruption policies and procedures		51, 58
205-3	Confirmed incidents of corruption and actions taken		49, 58
Environmental impact			
301-1	Materials used by weight or volume		57
305-3	Other indirect (Scope 3) GHG emissions		46-58
Social impact			
401-1	New employee hires and employee turnover		54, 77
403-1	Occupational health and safety management system		46-58
403-2	Hazard identification, risk assessment, and incident investigation		46-58
403-5	Worker training on occupational health and safety		46-58
403-9	No work-related hazards have been reported		55
404-3	Percentage of employees receiving regular performance and career development reviews		52
405-1	Diversity of governance bodies and employees		54, 77
406-1	Incidents of discrimination and corrective actions taken		55

Share information

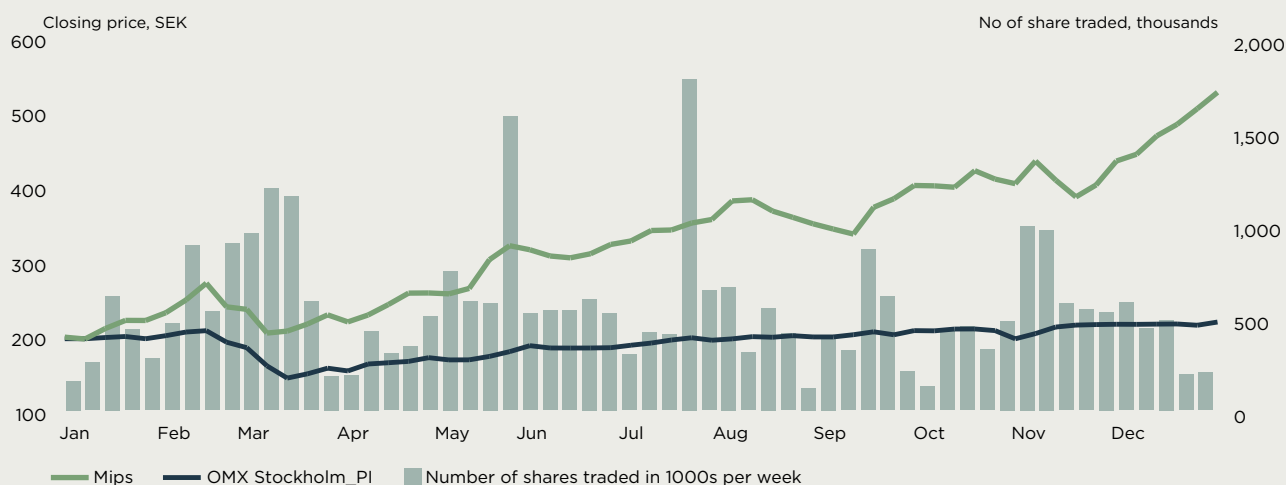
In 2020 the Mips share was listed on Nasdaq Stockholm, Mid Cap. On 31 December 2020 Mips had 13,312 shareholders.

Foreign owners accounted for about 62 percent of the votes and capital. The ten largest shareholders accounted for 32 percent of the votes and the capital. The highest price paid in 2020 was SEK 536.0 and the lowest price paid was SEK 164.4.

The share capital of Mips was SEK 2,618,362 on 31 December 2020; on the same date, the total number of shares was 26,183,620 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.

SHARE PERFORMANCE 2020



The ten largest shareholders as of 31 December 2020

Shareholder	Num. of shares	Capital	Votes
Swedbank Robur Fonder	2,475,027	9.45%	9.45%
Capital Group	1,195,000	4.56%	4.56%
C WorldWide Asset Management	710,433	2.71%	2.71%
Invesco	706,499	2.70%	2.70%
AMF Pension & Fonder	658,149	2.51%	2.51%
Candriam	641,427	2.45%	2.45%
Spiltan Fonder	570,271	2.18%	2.18%
T. Rowe Price	496,502	1.90%	1.90%
Handelsbanken Fonder	476,271	1.82%	1.82%
Montanaro	450,000	1.72%	1.72%
Total 10 largest shareholders	8,379,579	32.00%	32.00%

Information to shareholders

Annual General Meeting

The 2021 Annual General Meeting of MIPS AB (publ) will be held on Thursday, 6 May 2021 in Stockholm. Due to the Covid-19 pandemic, the meeting will be carried out only through postal voting pursuant to temporary legislation. It will not be possible to attend the meeting in person or by proxy.

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 Wednesday 28 April 2021.
- Notify the company of their intention to attend the AGM by Wednesday 5 May 2021 (weekday immediately before the Annual General Meeting) by casting their postal vote in accordance with the instructions under the heading Postal voting below, so that the postal voting form is received by Euroclear Sweden AB no later than on Wednesday 5 May 2021. Shareholders whose shares are registered in the name of a nominee must have

such shares temporarily registered in their own names in the shareholders' register maintained by Euroclear Sweden AB (so-called voting registration) to be able to attend the Annual General Meeting. The shareholders' register as of the record date on Wednesday 28 April 2021 will include voting registrations made no later than Friday 30 April 2021. Therefore, shareholders should inform their nominees well in advance before this date.

Postal voting

The shareholders may exercise their voting rights at the meeting only by voting in advance, through so called postal voting in accordance with section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations.

A special form shall be used for postal voting. The form together with further instructions are available on Mips' website, www.mipscorp.com. The postal voting form is considered as the notification of participation at the meeting.

FINANCIAL CALENDAR	2021
29 April 2021:	Interim report January–March 2021
6 May 2021:	2021 Annual General Meeting
22 July 2021:	Interim report January–June 2021
28 October 2021:	Interim report January–September 2021
February 2022:	Year-end report 2021

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