



## Year-end report 2020

### October - December

- Net sales increased by 60% to SEK 140m (87).  
Organic growth amounted to 77% during the quarter
- Operating profit amounted to SEK 76m (39).  
Adjusted operating profit\* amounted to SEK 76m (40)
- Operating margin was 54.4% (44.6).  
Adjusted operating margin\* was 54.4% (45.4)
- Cash flow from operating activities amounted to SEK 49m (20)
- Earnings per share, diluted, amounted to SEK 2.23 (1.16)

### January - December

- Net sales increased by 36% to SEK 365m (268).  
Organic growth amounted to 43% during the year
- Operating profit amounted to SEK 167m (108).  
Adjusted operating profit\* amounted to SEK 168m (110)
- Operating margin was 45.8% (40.3).  
Adjusted operating margin\* was 46.2% (41.2)
- Cash flow from operating activities amounted to SEK 116m (63)
- Earnings per share, diluted, amounted to SEK 4.93 (3.28)
- The Board of Directors proposes a dividend of SEK 3.50 (3.00) per share, corresponding to 71% of the net earnings during the year

## The MIPS Group in brief

	2020	2019	Δ%	2020	2019	Δ%
	Oct-Dec	Oct-Dec		Jan-Dec	Jan-Dec	
<b>SEKm</b>						
Net sales	140	87	60	365	268	36
Gross profit	103	66	57	265	198	34
<i>Gross margin, %</i>	73.3	74.9	-	72.8	74.1	-
Operating profit (EBIT)	76	39	96	167	108	55
<i>Operating margin (EBIT-margin), %</i>	54.4	44.6	-	45.8	40.3	-
Adjusted operating profit*	76	40	92	168	110	53
<i>Adjusted operating margin, %*</i>	54.4	45.4	-	46.2	41.2	-
Profit for the period	59	30	96	129	85	52
Earnings per share basic, SEK	2.24	1.19	88	4.96	3.35	48
Earnings per share diluted, SEK	2.23	1.16	93	4.93	3.28	50
Cash flow from operating activities	49	20	146	116	63	83
Dividend per share, SEK	-	-	-	3.50	3.00	17

For definitions and description of performance measures and alternative performance measures, please visit [www.mipscorp.com](http://www.mipscorp.com)

\* For information and derivation of adjusted items, please see pages 15-16



## CEO's comments

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### **Organic growth of 77% in the fourth quarter, concludes a strong but strange year**

Good growth in the fourth quarter, which historically has been our strongest quarter sales wise, resulted in a strong end to 2020. The growth was primarily driven by the Sport helmet category, with continued good demand for our MIPS solutions, particularly in bicycle helmets. We experienced positive trends for motorcycle helmets. Our expansion continues to be driven by implementation of MIPS solutions with our existing customers, but also from high consumer demand for both bicycle and motorcycle helmets with MIPS solutions. After a challenging spring with large shut down of retail outlets during the first six months of the year, we managed to reverse the trend and deliver 73% growth during the last six months of the year. As a result, we achieved 36% growth for the full year and, adjusting for currency effects, our organic growth was 43%.

I am pleased with how quickly we have been able to respond to the increased demand during the last six months and that we managed to deliver all orders we received during the year. Although it has been a challenging year in many ways, we have continued to implement MIPS systems in more helmets than ever before. We have continued to invest in research and development and in 2020 we launched several new products that have been well received by our customers.

Operating profit increased by 96% during the quarter and amounted to SEK 76m (39). The operating margin increased to 54.4% (44.6). We achieved strong growth in operating cash flow, which amounted to SEK 49m (20). For the full year, adjusted operating profit increased by 53% to SEK 167m (108). The adjusted operating margin was 46.2% (41.2%). Operating cash flow increased during the year by SEK 53m to 116m (63).

### **Efforts to increase the awareness of helmet safety and MIPS solutions**

Raising awareness of helmet safety, MIPS and our products around the world is one of our most important initiatives which continued to be our priority during the quarter. We announced another member in our Team MIPS, Brandon Semenuk. Brandon is one of the leading athletes in mountain biking and with his dedication to safety awareness, we have another ambassador for the MIPS brand. As Team MIPS is one of our major initiatives, we will continue to add athletes in 2021.

The corona pandemic has limited physical meetings and forced us to increase our digital presence in many ways. We have had virtual tours with journalists in our office and in our test laboratory, which have been successful, and given MIPS large visibility in leading industry magazines. Our adaption has worked well and I

am pleased with how we have increased our interaction with media despite the restrictions.

### **MIPS systems are now available in 729 helmet models offered by 121 customers**

We delivered solutions to 7.2 million helmets during the year and we continue to see great interest from, and good growth with, our largest customers. We continued to grow in all geographic markets in which we are present and at the end of 2020, MIPS solutions were implemented in 729 helmet models, compared to 583 helmet models the year before. Further, we continued to increase the number of customers, at the end of the year we had 121 customers, an increase of 18 customers during the year.

### **Effects from COVID-19**

It is difficult to grasp all the effects of the corona pandemic, especially in terms of future effects on our business. Our current view of the situation can be summarized as follows.

### **Helmet category Sport – continued high demand in bicycle helmets**

Normally our sales in the fourth quarter are mainly solutions for bicycle helmets. This was even more apparent this year, as the strong development in the Sport category was driven by high demand for bicycle helmets. As mentioned earlier, the inventory levels in retail are low. This means that the current production is aimed at restoring stock levels and building up the stock for the coming season. As demand has exceeded our customers' manufacturing capacity for helmets, we expect to see continued high manufacturing volume coming quarters. Despite a challenging environment, we have continued to broaden our customer base with 11% during the year and have now 107 customers in the Sport category in total.

We have previously communicated that we see a weak season ahead of us in sales of snow helmets. The reason is not that the underlying demand for winter sports has decreased, but that winter tourism has been limited by restrictions in the wake of the corona pandemic. It is impossible to predict what the future holds, but we have chosen to look with some caution at the future development in snow helmets. On a positive note, despite weak sales, we continue to advance our positions and gain market share through higher share of MIPS solutions in our existing customers' range of products compared to previous years.

### **Helmet category Motorcycle – continued high demand**

In the category Motorcycle, we have continued to see a favorable development. The volume in the quarter grew by 79% and even though it is still from relatively small numbers, it is inspiring to see

that the customers who have launched MIPS solutions in their helmets continue to show encouraging trends. We have been helped by the introduction of the new helmet standard ECE 22.06, but we also see great interest from our existing customers who are increasing the proportion of MIPS solutions in their range of products offered. At the end of 2020, there were MIPS solutions in 26 helmet brands, which is an increase of 37% compared with the previous year.

#### **Helmet category Safety – positive interest for MIPS in the construction industry**

Although we are still at an early stage in the Safety category, we see great interest in safety helmets and an increased understanding of the impact of MIPS systems on various injury criteria. Our initial marketing and sales activities have mainly been concentrated on the Nordic market, but during the second half of 2020 we expanded our activities to the broader international market with a focus primarily on the UK, Germany and the US. The work has paid off and at the end of January, 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.

#### **Strong end to a strange year. Our financial goals remain unchanged**

2020 has been a challenging year in many ways. I am proud of how our organization has handled the major fluctuations and at the same time launched new solutions for future growth. Everyone at MIPS has, despite changing conditions, taken on a lot of 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 towards achieving our long-term goals.

**Max Strandwitz**  
*President and CEO*



# Financial performance

## October - December

### Net sales

Net sales for the fourth quarter amounted to SEK 140m (87), an increase by 60%. Adjusted for exchange rate effects, the organic growth was 77%. The increase in net sales is mainly explained by an increased demand from existing customers.

Change in net sales, %	Oct-Dec	Jan-Dec
Organic growth	77	43
Change in exchange rates	-17	-7
Structural changes	-	0
<b>Total</b>	<b>60</b>	<b>36</b>

### Gross profit

Gross profit increased by 57% to SEK 103m (66). The gross margin decreased by 1.6 percentage points to 73.3% (74.9). The decrease in the gross margin is mainly due to changes in the sales mix.

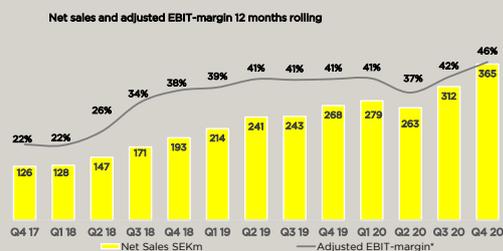
### Operating profit (EBIT)

Operating profit increased to SEK 76m (39), corresponding to an operating margin of 54.4% (44.6). The adjusted operating profit amounted to SEK 76m (40) corresponding to an adjusted operating margin of 54.4% (45.4). The increase in operating profit is mainly explained by increased sales partly mitigated by forex, higher costs related to strengthening of the organization and initiatives within marketing.

Selling expenses were unchanged at SEK 11m (11). During the quarter, administrative expenses amounted to SEK 9m (8). The increase in administrative expenses is mainly explained by costs related to strengthening of the organization. Research and development costs amounted to SEK 5m (4).

### Profit for the period and earnings per share

Profit before tax amounted to SEK 74m (38). Tax expenses for the quarter amounted to SEK -16m (-8), corresponding to an effective tax rate of 21.0% (21.0). Profit for the period was SEK 59m (30). Diluted earnings per share amounted to SEK 2.23 (1.16).



\* For information and derivation of adjusted items, please see pages 15-16

### Cash flow

Cash flow from operating activities increased and amounted to SEK 49m (20). The increase is mainly explained by operating profit partly mitigated by increased accounts receivables driven by higher sales.

Cash flow from investing activities was SEK -2m (-3). Cash flow from financing activities was SEK -4m (-1) where SEK -3m (0) relates to repurchase of own shares. Cash flow for the period was SEK 44m (16).

## January - December

### Net sales

Net sales for the year amounted to SEK 365m (268), an increase by 36%. Adjusted for exchange rate effects and acquisitions, the organic growth was 43%. The increase in net sales is mainly explained by an increased demand from existing customers.

### Gross profit

Gross profit amounted to SEK 265m (198). Gross margin decreased by 1.3 percentage points to 72.8% (74.1). The decrease in the gross margin is mainly due to changes in the sales mix and impact from acquisitions of patents.

### Operating profit (EBIT)

Operating profit amounted to SEK 167m (108), corresponding to an operating margin of 45.8% (40.3). The adjusted operating profit amounted to SEK 168m (110) corresponding to an adjusted operating margin of 46.2% (41.2). The increase in adjusted operating profit is mainly explained by higher sales during the year partly mitigated by impact from forex and higher costs related to strengthening of the organization and increased initiatives within marketing.

Selling expenses amounted to SEK 42m (35) mainly due to increased initiatives within marketing and strengthening of the organization. Administrative expenses increased during the period to SEK 35m (31). The increase in administrative expenses is mainly explained by costs related to strengthening of the organization. Research and development costs increased to SEK 18m (15).

### Profit for the period and earnings per share

Profit before tax amounted to SEK 165m (108). Tax expenses for the year amounted to SEK -36m (-24), corresponding to an effective tax rate of 22.0% (22.2). Profit for the period was SEK 129m (85). Diluted earnings per share amounted to SEK 4.93 (3.28).

### Cash flow

Cash flow from operating activities increased to SEK 116m (63). The increase is mainly explained by operating profit partly mitigated by increased accounts receivables driven by higher sales.

Cash flow from investing activities was SEK -15m (-49). The change is mainly related to acquisitions of patent portfolios during prior year. Cash flow from financing activities was SEK -15m (-65) attributable to dividend payment of SEK -79m (-63), exercising of warrants under the warrant-based incentive programs of SEK 52m (0), received premium payments for issued warrants of SEK 18m (0) and SEK -3m (0) relates

to repurchase of own shares. Cash flow for the period was SEK 85m (-51).

### Financial position

The group's total assets as of 31 December 2020 amounted to SEK 517m (343). Short-term investments of SEK 181m (146) are in their entirety invested in interest-bearing funds. The equity/assets ratio was 82% (87). Cash and cash equivalents, including short-term investments, as of 31 December 2020 amounted to SEK 272m (192).

Reported values for assets and liabilities are in all material aspects consistent with fair market value. In order to reduce the group's short-term currency exposure, certain currency derivatives have been entered into with a bank. The derivatives are valued at fair market value and are treated as a financial asset, amounting to SEK 18m (-2) as of 31 December 2020. Hedge accounting is applied, whereby the unrealized change in the fair value of the derivatives is primarily reported in *Other comprehensive income*.

### Investments

During the fourth quarter, investments amounted to SEK 2m (3). Investments in intangible fixed assets amounted to SEK 1m (3). Investments in tangible fixed assets were SEK 1m (0). Investments during the year amounted to SEK 15m (49). Investments in intangible fixed assets amounted to SEK 5m (48) and in tangible fixed assets SEK 10m (1), mainly related to investments associated with our relocation to new office facilities during the first quarter of the year. As of 31 December 2020, the Group had no significant commitments related to investments.

### Parent company

Net sales for the parent company during the year amounted to SEK 276m (204). Profit for the same period was SEK 115m (70).

### Employees

The average number of employees during the fourth quarter was 59 (47), of whom 16 (12) were employed in the Chinese subsidiary. The number of employees at the end of the period was 61 (50), of whom 17 (12) were employed in the Chinese subsidiary.



## Condensed consolidated income statement

SEKm	2020	2019	2020	2019
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	140	87	365	268
Cost of goods sold	-37	-22	-99	-69
<b>Gross profit</b>	<b>103</b>	<b>66</b>	<b>265</b>	<b>198</b>
Selling expenses	-11	-11	-42	-35
Administrative expenses	-9	-8	-35	-31
Research and development expenses	-5	-4	-18	-15
Other operating income and expenses	-1	-4	-4	-10
<b>Operating profit/loss</b>	<b>76</b>	<b>39</b>	<b>167</b>	<b>108</b>
Financial income and expenses	-2	-1	-2	0
<b>Net financial items</b>	<b>-2</b>	<b>-1</b>	<b>-2</b>	<b>0</b>
<b>Profit/loss before tax</b>	<b>74</b>	<b>38</b>	<b>165</b>	<b>108</b>
Income taxes	-16	-8	-36	-24
<b>Profit/loss for the period</b>	<b>59</b>	<b>30</b>	<b>129</b>	<b>85</b>
Earnings per share basic, SEK	2.24	1.19	4.96	3.35
Earnings per share diluted, SEK	2.23	1.16	4.93	3.28
Average number of shares for the period, basic (thousand)	26,184	25,300	25,996	25,300
Average number of shares for the period, diluted (thousand)	26,299	25,850	26,168	25,837

## Condensed consolidated statement of comprehensive income

SEKm	2020	2019	2020	2019
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
<b>Profit/loss for the period</b>	<b>59</b>	<b>30</b>	<b>129</b>	<b>85</b>
<b>Other comprehensive income</b>				
<b>Items that may subsequently be transferred to profit or loss</b>				
Foreign currency translation	-1	0	0	0
Changes in the fair value of cash flow hedges	9	7	14	1
Tax on components in other comprehensive income	-2	-2	-3	0
<b>Items that cannot be transferred to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the period</b>	<b>6</b>	<b>6</b>	<b>11</b>	<b>1</b>
<b>Comprehensive income for the period</b>	<b>65</b>	<b>36</b>	<b>140</b>	<b>86</b>

## Condensed consolidated balance sheet

SEKm	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>		
<i>Non-current assets</i>		
Intangible assets	55	56
Property, plant and equipment	11	3
Right-of-use assets	11	0
Long term receivables	0	1
<b>Total non-current assets</b>	<b>77</b>	<b>60</b>
<i>Current assets</i>		
Inventories	3	2
Accounts receivable	138	82
Other current receivables	27	7
Current investments	181	146
Cash and cash equivalents	91	46
<b>Total current assets</b>	<b>440</b>	<b>282</b>
<b>TOTAL ASSETS</b>	<b>517</b>	<b>343</b>
<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
Share capital	3	3
Other paid in capital	274	212
Reserves	10	0
Retained earnings incl profit/loss for the period	139	84
<b>Total equity</b>	<b>426</b>	<b>298</b>
<i>Non-current liabilities</i>		
Lease liability	8	-
Deferred tax liability	6	2
<b>Total non-current liabilities</b>	<b>14</b>	<b>2</b>
<i>Current liabilities</i>		
Lease liability	3	0
Accounts payable	33	26
Other current liabilities	42	17
<b>Total current liabilities</b>	<b>77</b>	<b>43</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>517</b>	<b>343</b>

## Condensed consolidated statement of changes in equity

SEKm	2020 Jan-Dec	2019 Jan-Dec
<b>Opening equity for the period</b>	<b>298</b>	<b>276</b>
<b>Adjusted opening equity for the period</b>	<b>298</b>	<b>276</b>
<i>Comprehensive income for the period</i>		
Profit/loss for the period	129	85
Other comprehensive income for the period	11	1
<b>Comprehensive income for the period</b>	<b>140</b>	<b>86</b>
<i>Transactions with owners</i>		
Premium received from issue of stock options	18	-
Equity settled share based payments	0	-
New share issues	52	-
Dividend	-79	-63
Repurchase own shares	-3	-
<b>Total transactions with the owners</b>	<b>-11</b>	<b>-63</b>
<b>Closing equity for the period</b>	<b>426</b>	<b>298</b>

## Consolidated statement of cash flows

SEKm	2020	2019	2020	2019
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
<i>Operating activities</i>				
Profit before tax	74	38	165	108
Adjustment for non-cash items	9	5	13	9
Income taxes paid	-4	-8	-19	-27
<b>Cash flow from operating activities before change in working capital</b>	<b>79</b>	<b>35</b>	<b>160</b>	<b>91</b>
<i>Cash flow from changes in working capital</i>				
Increase (-)/decrease (+) of inventories	0	1	-1	0
Increase (-)/decrease (+) of current receivables	-44	-25	-63	-32
Increase (+)/decrease (-) of current liabilities	14	9	20	4
<b>Cash flow from operating activities</b>	<b>49</b>	<b>20</b>	<b>116</b>	<b>63</b>
<i>Investing activities</i>				
Acquisition of intangible assets	-1	-3	-5	-48
Acquisition of property, plant and equipment	-1	0	-10	-1
Disposal of property, plant and equipment	-	-	-	0
Acquisition of financial assets	-	-	-	0
Disposal of financial asset	-	-	-	-
<b>Cash flow from investing activities</b>	<b>-2</b>	<b>-3</b>	<b>-15</b>	<b>-49</b>
<i>Financing activities</i>				
Premium received from issue of warrants	-	-	18	-
Premium received from exercising of warrants	-	-	52	-
Paid dividend	-	-	-79	-63
Repurchase own shares	-3	-	-3	-
Amortization of lease debt	-1	-1	-4	-2
<b>Cash flow from financing activities</b>	<b>-4</b>	<b>-1</b>	<b>-15</b>	<b>-65</b>
<b>Net change in cash &amp; cash equivalents</b>	<b>44</b>	<b>16</b>	<b>85</b>	<b>-51</b>
<b>Cash &amp; cash equivalents at beginning of period</b>	<b>233</b>	<b>176</b>	<b>192</b>	<b>243</b>
Exchange rate difference on bank holdings	-4	-1	-4	0
<b>Cash &amp; cash equivalents at end of period</b>	<b>272</b>	<b>192</b>	<b>272</b>	<b>192</b>

## Condensed parent company income statement

SEKm	2020	2019	2020	2019
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	105	66	276	204
Cost of goods sold	-9	-5	-30	-16
<b>Gross profit</b>	<b>96</b>	<b>62</b>	<b>246</b>	<b>187</b>
Selling expenses	-10	-10	-39	-34
Administrative expenses	-9	-8	-35	-31
Research and development expenses	-5	-3	-16	-14
Other operating income and expenses	-1	-4	-4	-10
<b>Operating profit/loss</b>	<b>71</b>	<b>36</b>	<b>153</b>	<b>99</b>
Financial income and expenses	-2	-1	-1	1
<b>Profit after financial items</b>	<b>69</b>	<b>35</b>	<b>151</b>	<b>100</b>
Appropriations	-5	-10	-5	-10
<b>Appropriations</b>	<b>-5</b>	<b>-10</b>	<b>-5</b>	<b>-10</b>
<b>Profit/loss before tax</b>	<b>64</b>	<b>25</b>	<b>147</b>	<b>90</b>
Income taxes	-13	-5	-32	-19
<b>Profit/loss for the period</b>	<b>51</b>	<b>20</b>	<b>115</b>	<b>70</b>

## Condensed parent company statement of comprehensive income

SEKm	2020	2019	2020	2019
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
<b>Profit/loss for the period</b>	<b>51</b>	<b>20</b>	<b>115</b>	<b>70</b>
<b>Other comprehensive income</b>				
<b>Items that may subsequently be transferred to profit or loss</b>				
Changes in the fair value of cash flow hedges	9	7	14	1
Tax on components in other comprehensive income	-2	-2	-3	0
<b>Items that cannot be transferred to profit or loss</b>	-	-	-	-
Other comprehensive income for the period	7	6	11	1
<b>Comprehensive income for the period</b>	<b>58</b>	<b>26</b>	<b>126</b>	<b>71</b>

## Condensed parent company balance sheet

SEKm	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>		
<i>Non-current assets</i>		
Intangible assets	55	56
Property, plant and equipment	10	3
Other financial assets	1	2
<b>Total non-current assets</b>	<b>66</b>	<b>61</b>
<i>Current assets</i>		
Inventories	0	0
Accounts receivable	103	62
Other current receivables	26	7
Current investments	181	146
Cash & cash equivalents	69	35
<b>Total current assets</b>	<b>379</b>	<b>249</b>
<b>TOTAL ASSETS</b>	<b>446</b>	<b>310</b>
<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
Restricted equity	4	4
Non restricted equity	389	275
<b>Total equity</b>	<b>394</b>	<b>279</b>
Untaxed reserves	15	10
<b>Total untaxed reserves</b>	<b>15</b>	<b>10</b>
<i>Non-current liabilities</i>		
Other non-current liabilities	3	-
<b>Total non-current liabilities</b>	<b>3</b>	<b>-</b>
<i>Current liabilities</i>		
Accounts payable	6	9
Other current liabilities	28	12
<b>Total current liabilities</b>	<b>34</b>	<b>21</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>446</b>	<b>310</b>

## Other information

### Information about the parent company

MIPS AB (publ), corp. reg. no. 556609-0162, is a Swedish public company with its registered office in Stockholm, Sweden. The company's shares are listed on Nasdaq Stockholm Mid Cap under the ticker MIPS.

### Accounting policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretative statements by the IFRS Interpretations Committee (IFRIC) as adopted by the European Commission for use in the EU that were presented in the group's 2019 Annual Report. The standards and interpretative statements applied were in effect as of 1 January 2020 and had been adopted by the EU. Changed accounting policies as of 1 January 2020 is described below. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied. This interim report for the Group was prepared in accordance with IAS 34 Interim Financial Reporting and the applicable provisions of the Annual Accounts Act and the Securities Market Act. The interim report for the parent company has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. Disclosures in accordance with IAS 34.16A are incorporated in the financial statements and their accompanying notes as well as in other parts of this interim report.

### New accounting standards from 1 January 2020

The new or amended IFRS effective as of 2020 have not had any significant impact on the group's financial statements.

### Valuation basis applied when preparing the financial statements

Assets and liabilities are recognized at historical cost, except for currency derivatives and short-term investments which are based on fair value.

### Functional currency and presentation currency

The parent company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the group. This means that the financial statements are presented in SEK. All amounts are, unless otherwise stated, rounded to the nearest SEKm.

### Judgments and estimates in the financial statements

The preparation of the financial statements in accordance with IFRS requires that company management makes judgments and estimates as well as assumptions that affect the application of accounting policies and amounts of assets, liabilities, income and expenses recognized. The actual outcome may deviate from these judgments and estimates. Estimates and assumptions are reviewed regularly. Changes in

estimates are recognized in the period in which the change is made or in the period in which the change is made and future periods if the change affects the period in question and future periods.

### Adjustments

Certain financial information presented in this report have been rounded and thus the tables do not necessarily tally.

### Alternative performance measures

The company is following the European Securities and Markets Authority's (ESMA) guidelines on alternative performance measures. Alternative performance measures are financial measures that cannot be directly read in or derived from the financial statements. These financial measures are intended to help company management and investors analyze the Group's performance. Investors should not consider these alternative performance measures to be a substitute for the financial statements prepared in accordance with IFRS, but rather a supplement to them. Explanation of alternative performance measures see page 15-16. Definitions of alternative performance measures are presented in the annual report and on [www.mipscorp.com](http://www.mipscorp.com).

### Segment

MIPS' operations are managed as one segment since this reflects the Group's operations, financial monitoring and management structure.

### Seasonal variations

MIPS' sales are partly subject to seasonal variations. The company's net sales and EBIT have historically been weakest during the first quarter and strongest during the fourth quarter.

### Risks and uncertainties

MIPS is an international company and, as such, its operations can be affected by a number of risk factors in the form of both operating and financial risks. Risks related to the industry and the company include, but are not limited to, market acceptance and knowledge of both the harmful effects of rotational motion to the brain and increased competition. As an ingredient brand, MIPS is also dependent upon its customers' ability to reach end-users and on end-user demand. An economic downturn or change in end-user's preferences could have a negative impact on the Group's net sales and profitability. The company is dependent on its intellectual property rights and in certain cases the protection may be inadequate, or MIPS may incur significant costs to protect its intellectual property rights which could have an adverse impact on the company's operations, earnings and/or financial position. Furthermore, the company is exposed to risks related to legal processes regarding product liability issues and other types of legal issues. Even though these risks are mitigated by insurance coverage, to the extent possible, they could result in significant costs for the company.

MIPS is further exposed to external factors which the company cannot control. The spread of COVID-19 globally has created major uncertainties around the world. It is difficult to assess future impacts of the spread of COVID-19. However, the company continues to believe that the long-term demand for MIPS' products is good. As the global trade has been affected by shutdowns and quarantines during the year, the risk of insolvency has increased in the markets where the company's products are sold. If MIPS' customers become insolvent, this could have a negative impact on the group. MIPS has continuously an active dialogue with its customers to be able to identify and react on any eventual insolvency situations at an early stage. We have not noticed any issues with payments during the year at any of our customers. The company is following the development and relevant authorities' recommendations closely and are taking the measures deemed necessary to minimize the short-term and long-term impacts of COVID-19 on MIPS.

The company's executive management actively manages both operating and financial risks. The above statement applies for both the parent company and the group.

### Distribution of revenue

The company's revenue primarily comprises sales of component kits (license and components) to helmet manufacturers. Sales of services is attributable to the development of MIPS' technology for a specific customer and helmet model.

SEKm	2020	2019	2020	2019
Income by nature	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
<i>Revenue recognized at the time of delivery</i>				
Sales of goods	133	83	351	257
<i>Revenues reported over time</i>				
Sales of services	7	4	14	11
<b>Total</b>	<b>140</b>	<b>87</b>	<b>365</b>	<b>268</b>

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

SEKm	2020	2019	2020	2019
Income by region	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
North America	104	59	261	185
Europe	27	23	73	58
Sweden	5	4	13	12
Asia and Australia	4	2	18	13
<b>Total</b>	<b>140</b>	<b>87</b>	<b>365</b>	<b>268</b>

In connection with the launch of MIPS' 2025 long-term plan, the company decided to split its operation into three key helmet categories. Consequently, the company's revenue is divided according to these helmet categories. As of 31 December 2020, the company had a total of 121 purchasing brands (customers). Even though certain brands are represented in more than one category they are only accounted for as one brand in the total number of brands. Within the Sports category (including the sub-categories bike, snow, equestrian, team sports and other) there are 107 brands, within the Moto category

(including the sub-categories road bike and motocross) there are 26 brands and within the Safety category (including the sub-categories industrial use and LEAF) there are two brands that have launched helmets equipped with MIPS BPS.

SEKm	2020	2019	2020	2019
Income per helmet category	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Sport	130	82	341	251
Moto	10	5	24	17
Safety	0	0	0	0
<b>Total</b>	<b>140</b>	<b>87</b>	<b>365</b>	<b>268</b>

### Currency exposure

MIPS invoices its customers in two foreign currencies, USD and CNY.

The company's license fee, which represents the majority of the company's revenues, is invoiced in USD and fluctuations in the exchange rate have a significant impact on MIPS' net sales and profitability. A 10 percent change in the USD exchange rate would impact EBIT with approximately +/- SEK 19m on the full-year figures for 2019. In accordance with the company's financial policy, MIPS aims to hedge 50% of the forecasted USD exposure on a forward 12 month rolling basis. Most of the company's sales of components are in China and are invoiced in CNY. However, since the company has both revenues and costs related to components in CNY, the exposure to the CNY exchange rate is relatively limited. For further information, see the company's annual report for 2019.

### Derivatives

The fair market value of the derivatives as of 31 December 2020 amounted to SEK 18m (-2) recorded as a financial asset. Hedge accounting has been applied whereby the unrealized change in the fair value of the outstanding derivatives is primarily reported in *Other comprehensive income*. The fair value of short-term investments as of December 31 2020, amounts to SEK 181m (146).

### Share capital

As of 31 December 2020, the total number of shares amounted to 26,183,620 (25,299,870) and the share capital amounted to SEK 2,618,362 (2,529,987). All shares are ordinary shares and carry equal voting rights. The shares have a nominal value of SEK 0.10.

### Dividend

Prior to the Annual General Meeting in May, the Board of Directors will propose a dividend of SEK 3.50 per share (3.00) for 2020, which corresponds to SEK 92m. The proposed dividend corresponds to 71% of earnings per share during the year.

### Repurchase of own shares

MIPS has during the fourth quarter acquired 5 749 own shares to an average price of SEK 449.6. As of 31 December 2020, the company's holdings amounted to 5 749 shares, which corresponds to less than 0.1 percent of the total number of registered shares. The number of net outstanding shares as of 31 December 2020

amounted to 26,183,620 of which 5 749 held by the company.

#### Share-based incentive programs

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

The Group has launched a new warrant-based incentive program for senior executives and certain key employees. The program comprises 550,000 issued and paid warrants and an additional 25,000 issued but not yet allocated warrants. The warrants can lead to a dilution of the share capital and votes in the company of a maximum of 2.2 percent. The exercise price is SEK 339.30 per share. Each warrant entitles to subscription of one new share.

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

The Group has also launched a long-term share performance program for all employees who are not participating in the warrant-based incentive program. The share performance program includes in total 38 participants in Sweden and China. 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.

#### Disputes

The company is not part of any significant legal dispute.

#### Related-party transactions

No material related-party transactions have been conducted during 2020 other than exercising of warrants for shares according to the terms of the previously outstanding warrant-based incentive programs and dividend.

#### Annual General Meeting

The 2021 Annual General Meeting will be held in Stockholm 6 May 2021.

#### Events after the end of the reporting period

No significant events have occurred after the end of the reporting period.

#### Auditors report

This report has not been subject for a review engagement by the company's auditors.



## Quarterly consolidated performance measures

SEKm	Q4 20	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	LTM 19/20
Net sales	140.2	102.4	66.0	56.2	87.5	52.9	82.6	44.9	62.2	51.2	55.6	23.6	40.6	364.7
Net sales growth, %	60	94	-20	25	41	3	49	91	53	88	52	12	29	36
Gross profit	102.7	74.0	49.0	39.8	65.5	38.6	61.6	32.7	46.6	37.4	40.9	17.3	30.6	265.4
Gross margin, %	73.3	72.2	74.2	70.8	74.9	73.0	74.6	72.8	74.9	73.1	73.6	73.3	75.2	72.8
Operating profit	76.3	54.9	19.6	16.3	39.0	20.5	36.8	11.8	28.7	20.8	21.7	1.8	14.6	167.2
Operating margin, %	54.4	53.6	29.7	29.1	44.6	38.6	44.5	26.3	46.1	40.7	39.0	7.6	36.0	45.8
Adjusted operating profit	76.3	54.9	20.3	16.9	39.7	20.9	38.0	11.8	28.7	20.8	21.7	1.8	14.6	168.4
Adjusted operating margin, %	54.4	53.6	30.8	30.1	45.4	39.5	46.0	26.3	46.1	40.7	39.0	7.6	36.0	46.2
EBITDA	79.7	58.8	22.1	18.7	40.8	24.3	38.2	12.9	29.2	21.2	22.0	2.2	15.0	179.3
EBITDA-margin	56.8	57.4	33.5	33.3	46.6	45.8	46.3	28.6	46.9	41.5	39.7	9.2	36.9	49.2
Depreciation	3.4	3.9	2.5	2.4	1.8	3.8	1.5	1.0	0.5	0.4	0.4	0.4	0.3	12.1
Earnings per share basic, SEK	2.24	1.61	0.61	0.48	1.19	0.63	1.15	0.38	0.87	0.62	0.68	0.07	0.45	4.94
Earnings per share diluted, SEK	2.23	1.61	0.61	0.47	1.16	0.62	1.12	0.38	0.85	0.61	0.67	0.07	0.45	4.92
Equity ratio, %	82.3	84.1	84.9	84.6	87.0	85.6	79.0	85.1	86.3	87.6	86.9	92.2	91.0	84.0
Cash flow from operating activities	49.2	28.6	22.7	14.9	19.7	11.6	24.2	7.7	23.8	31.0	5.9	8.4	0.9	115.4
Average number of employees	59	55	53	52	47	45	41	39	36	36	35	33	32	55

In accordance with *IFRS 16 Leases* prior comparators for 2017 and 2018 have not been recalculated.

## Definitions and descriptions of performance measures and alternative performance measures

For definitions and description of performance measure and alternative performance measures, please visit [www.mipscorp.com](http://www.mipscorp.com).

# Explanation of alternative performance measures

## Organic growth

Since MIPS invoices its goods and services in USD and CNY at the same time as the accounting currency is SEK, it is essential to create an understanding of how the company performs excluding currency exchange effects when recalculating sales. This key figure is expressed in percentage points of the previous year's net sales a high growth rate consequently leads to a greater currency impact. For net sales growth, impact of foreign currencies and acquisition related effects on net sales, see below.

	2020 Oct-Dec	2020 Jan-Dec
<b>Organic growth</b>		
<b>Net sales growth</b>	<b>60%</b>	<b>36%</b>
Net Sales in USDm	12	30
Net Sales in SEKm at 2020 average USD exchange rate	105	272
Net Sales in SEKm at 2019 average USD exchange rate	118	288
Impact currency in absolute	-13	-16
Net Sales 2019 SEKm	88	268
<b>USD impact on growth</b>	<b>-15%</b>	<b>-6%</b>
Net Sales in CNYm	27	68
Net Sales in SEKm at 2020 average CNY exchange rate	35	90
Net Sales in SEKm at 2019 average CNY exchange rate	37	93
Impact currency in absolute	-2	-3
Net Sales 2019 SEKm	88	268
<b>CNY impact on growth</b>	<b>-2%</b>	<b>-1%</b>
Impact relating to acquisitions in absolute	-	0
<b>Impact relating to acquisitions</b>	<b>-</b>	<b>0%</b>
<b>Organic growth</b>	<b>77%</b>	<b>43%</b>

## Net sales, last 12 months rolling

Given the company's historical growth momentum, it is important to continuously follow the business performance from a long-term perspective and not focus solely on specific quarterly results.

SEKm	Q4 20	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Total LTM
Net Sales	140	102	66	56	87	53	83	45	62	51	56	24	41	
Rolling 12 month Q4 17'													41	126
Rolling 12 month Q1 18'												24	41	128
Rolling 12 month Q2 18'											56	24	41	147
Rolling 12 month Q3 18'										51	56	24	41	171
Rolling 12 month Q4 18'									62	51	56	24		193
Rolling 12 month Q1 19'								45	62	51	56			214
Rolling 12 month Q2 19'							83	45	62	51				241
Rolling 12 month Q3 19'						53	83	45	62					243
Rolling 12 month Q4 19'					87	53	83	45						268
Rolling 12 month Q1 20'				56	87	53	83							279
Rolling 12 month Q2 20'			66	56	87	53								263
Rolling 12 month Q3 20'		102	66	56	87									312
Rolling 12 month Q4 20'	140	102	66	56										365



### Adjusted operating profit (Adjusted EBIT)

The company has not had any adjustments during the third and fourth quarter 2020. During the first and second quarter of 2020 and third and fourth quarter of 2019, adjustments have been made with respect to effects (revenue and costs) related to acquisitions, which have been deemed to affect comparability. There were no items affecting comparability during 2018. In 2017, MIPS had costs for preparations for the listing on Nasdaq Stockholm, deemed to affect comparability.

To create a good understanding of MIPS' ongoing operations and how the operating profit had been without these items, the company has chosen to show an adjusted operating profit which excludes the items affecting comparability.

### Adjusted Operating profit (Adjusted EBIT)

SEKm	2020	2019	2020	2019
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	140	87	365	268
Operating profit	76	39	167	108
Operating margin	54.4%	44.6%	45.8%	40.3%
Items affecting comparability	-	1	1	2
<b>Adjusted operating profit</b>	<b>76</b>	<b>40</b>	<b>168</b>	<b>110</b>
<b>Adjusted operating margin</b>	<b>54.4%</b>	<b>45.4%</b>	<b>46.2%</b>	<b>41.2%</b>



## Other

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MIPS will present the interim report at an audiocast via teleconference on 11 February 2021 at 10.00 a.m. CET. To participate, please register at <https://financialhearings.com/event/13064>

**Financial calendar**

Annual report 2020	Week 12 2021
Interim report January-March 2021	29 April 2021
Annual General Meeting	6 May 2021
Interim report January-June 2021	22 July 2021
Interim report January-September 2021	28 October 2021

**Financial targets**

MIPS' long-term financial targets should not be viewed as a forecast but rather as an objective which the Board of Directors and senior executives believe is a reasonable long-term objective for the company.

**Growth:** The goal is to grow organically to achieve net sales in excess of SEK 1 billion by 2025.

**Profitability:** The goal is to maintain an EBIT margin of more than 40 percent.

**About MIPS**

MIPS specializes in helmet-based safety and protection of the brain and is the world-leader in this area. Based on an ingredient brand business model, MIPS Brain Protection System is sold to the global helmet industry. The solution is based on over 20 years of research and development together with the Royal Institute of Technology and the Karolinska Institute, both located in Stockholm, Sweden.

MIPS' headquarter with 44 employees engaged in research and development, sales and administration is in Stockholm, where its product and technology test facility is also located. Production and manufacturing operations take place at sub-contractor facilities. MIPS' net sales during 2020 amounted to SEK 365m and the operating margin was 45.8%. The MIPS share is traded on the Nasdaq Stockholm stock exchange. For more information, visit [www.mipscorp.com](http://www.mipscorp.com).

*This information is of such nature that MIPS AB (publ) is obliged to disclose it in accordance with the EU's Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 11 February 2021 at 7.30 a.m. CET.*

*This interim report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish interim report and the English translation, the former shall take precedence.*