



# Mips

ANNUAL REPORT  
2021

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Mips gives you the confidence to follow your passion. Whether you train to stay healthy, bike to work, hike in the mountains or wear a helmet for your job, we focus on your helmet safety.

# What is Mips?

Mips is a global leader in helmet safety. Mips' patented safety system is born from science and based on more than 25 years of research.

Rotational motion is a combination of rotational energy and rotational forces. This motion leads to shearing and/or stretching of the brain tissues and increases the risk of brain injuries from oblique impact to the head. The main component in Mips' safety system is the Mips low-friction layer, which is designed to mimic the brain's own protection system and allows a small movement between the head and the helmet.

The Mips safety system can be fitted in both new and existing helmet models. Many of Mips' customers are leading helmet suppliers who incorporate the Mips safety system into their helmets. For helmet-industry brands, this means they can sell a helmet that has been designed to add protection against rotational motion, thereby differentiating their brand and creating added value, Mips' customers proactively market the benefits of the Mips safety system and Mips' brand to the end user.

## What we do

We are global leaders in helmet solutions that are designed to add protection against harmful rotational motion through our patented safety system for helmets. We are an ingredient brand, which means that we sell our products and license the associated technology to other helmet companies who manufacture, market, and sell helmets to the end users.

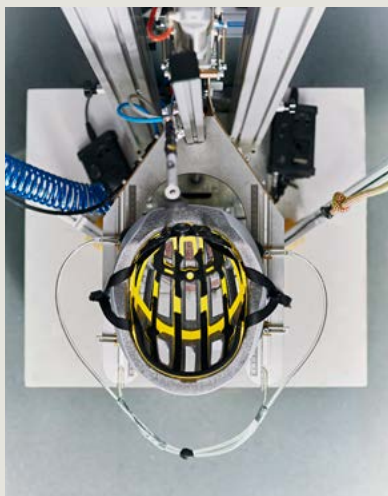
## Why

Mips was born from science and research, and our mission is to lead the world towards safer helmets.

## For whom

Mips works with many of the leading helmet manufacturers in the Sports category, and also sells solutions to brands in the Motorcycle and Safety categories. As of the end of 2021, Mips has sold more than 30 million solutions.

# 2021 in brief



## SEK 608m

Net sales — an increase of 67%

## SEK 326m

Operating profit — an increase of 95%

## 54 percent

Operating margin — an increase from 46%

### Strong organic growth

In 2021 we reported an impressive 72 percent in organic growth, primarily driven by the Sport helmet category and a high demand for bike helmets. Growth was also strong in the Motorcycle helmet category.

### International launch in the Safety helmet category

Our first international launch in the Safety category took place this year. In Autumn, at the world's largest trade fair for personal protective equipment in Düsseldorf, several new safety helmets fitted with Mips solutions were launched. That now means that Mips has a presence in the safety category on several major European markets.

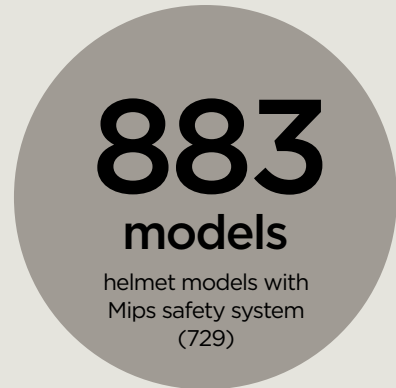
### Team Mips continues to expand

We signed up more athletes to Team Mips. At the start of the year, we welcomed Kate Courtney along with Team Scott SRAM, to which the former Olympic gold medalist Nino Schurter belongs. Apart from being one of the best mountain bikers, Kate is a fantastic ambassador when it comes to raising awareness about brain injuries and the importance of having a good helmet.

In April we announced that Team Mips would be expanding with even more ambassadors, this time in motorsports, through the Honda RC team who are world leaders in motocross. The team includes several of the world's best motocross racers, the most successful being Tim Gajser. He is a four-time world champion in motocross. The Honda team is an important element for being able to establish ourselves within motorsports.

We ended the year expanding Team Mips with another international star, Marion Haerty. Marion is one of the best snowboarders in the world and a four-time freeride champion. Her addition to Team Mips gives us yet another strong advocate for better helmet safety.





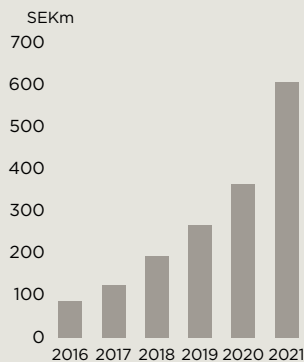
#### Launch of Mips Virtual Test Lab

In November 2021 Mips launched the Virtual Test Lab (VTL). Mips VTL is a unique digital testing lab that simulates the testing of helmets without the use of any physical testing devices or physical helmets. Mips VTL allows helmet designers to digitally stage how a helmet model would be affected upon impact. This in turn gives the helmet manufacturers the chance to refine the geometry and properties of the helmets during the product development phase, saving them both time and cost. As a result, they get an indication of what future test results will show, which can lead to safer helmets. Furthermore, the Mips VTL will reduce our and our customers' climate impact over time as it will mean fewer physical prototypes and testing devices will need to be used.

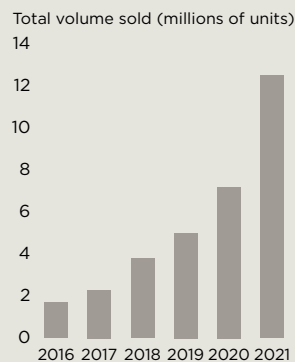
#### Review of Mips' total climate impact

During 2021 we have performed a thorough review of our total climate impact. This provides an important foundation for our further sustainability work and our ambition to support the Paris Agreement of 1.5°C for global warming.

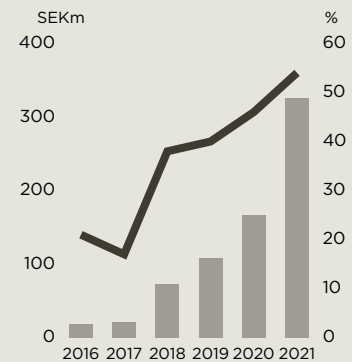
#### NET SALES



#### TOTAL NO. OF MIPS' SAFETY SYSTEM UNITS SOLD



#### OPERATING PROFIT AND OPERATING MARGIN





# A year to be proud of

2021 was the second year of the pandemic. That's a sentence I never thought I would need to say, let alone write. But there are so many things from the last two years that I never thought I would experience. The world has been completely and utterly unpredictable.

It is in this unpredictable world that we have really shown our strength, shown that we can readjust, and responded to the challenges we have faced. Our strong market position and our healthy financial position have given us the confidence to continue to invest in research, product development and in raising the awareness of Mips around the world. We've done this despite the often uncertain circumstances in the world. We have never doubted that demand for our products will continue to be robust once we come out of the pandemic. It is therefore important that we have not hesitated, and instead continued to invest at the same pace. We see with sadness how Russia's invasion into Ukraine has affected the geopolitical situation around the world, and has heightened uncertainty about future market developments. Mips has no activities in either Russia or Ukraine. We do not yet see a negative impact on consumer demand, but we are following developments closely.

## **Increased number of partners in the manufacturing chain**

Throughout the pandemic we have constantly worked with our supply chain which has enabled us to keep growing at the rate we have, in spite of the challenges of the pandemic. During the last two years we have gone from working with 40 different partners in our manufacturing chain to more than 80 at year-end. This has meant that we have always been able to meet the demand we have seen and so far, we have never missed an order throughout this entire period.

## **Strong organic growth**

We have delivered organic growth of 72% this year, with an increase in volume of 75% while at the same time strengthening our profitability and almost doubling our operating cash flow. This is proof that our scalable business model is still intact, even though the world around us has been constantly changing.

## **Progress in our sustainability work**

We are pleased with the progress made in our sustainability work this year. We have succeeded in achieving the goals and ambitions we had set. A major part of our work this year involved mapping out Mips' total climate impact, which is essential for improving our understanding of our real environmental impact, and critical to being able to realize our ambition to deliver on the ambitions of the Paris Agreement of 1.5°C for global warming.

## **Continued expansion of our customer base**

Our largest customers have continued to expand their helmet product ranges with Mips solutions, which has generated very good growth. We continued to grow in all the geographic markets and all the helmet types we operate in, and by the end of 2021 Mips solutions had been implemented in 883 helmet models, compared to 729 helmet models the year before. The number of customers has also increased and at the end of the year we had 143 customers in total, an increase of 22 customers compared to the prior year.

# Fantastic efforts from all Mips employees

## Expansion of our customer offering

Mips has used data simulations in the development of our new concepts and products ever since 2002. A couple of years ago we started to understand that we had an incredible lead over everybody else in our industry in this area, and we realized that this was also something that our customers would value as support in their product development processes. To be able to be an integral part of their process, we need to limit the time it takes to run simulations.

## The launch of our Virtual Test Lab

During the year we have managed to streamline our process so that we can now perform a full simulation within ten days, instead of the 50 days it previously took. This kick-started the launch of our new Virtual Test Lab (VTL) this year. VTL is the name of the concept we use to perform data simulations of the properties of a helmet and it allows virtual testing of the helmet before it goes into production. VTL is a tool that provides our customers with support for their product development, as well as an opportunity to optimize their material usage, thus allowing them to work more sustainably, efficiently, and cost-effectively.

Usage of the VTL in partnership with our customers will increase going forward, and is further evidence of the value of being able to give our customers unique possibilities in their collaboration with Mips.

## Raising awareness of Mips all over the world

Raising the awareness of Mips is one of our most important tasks. Our market research has shown that if consumers know about us and understand what we do, they are prepared to pay for having Mips technology fitted in their helmets.

Our marketing this year has also very much involved expressing ourselves in a more consumer-centric manner. We started the year by launching our product families. This enables us to talk more clearly about the benefits of our different solutions. In March we launched our new website, which was very well received and was nominated for the Swedish Design Award in the best website category. We also finalized our in-store concept this year aimed at marketing and increasing sales in stores. But perhaps the most important activity was the launch of our new training program which follows a seven-step approach that clearly explains how to describe and sell Mips.



During the last two years we have focused on creating a toolkit to push our marketing forward. Through all the activities we have now completed, we have developed the materials we need to raise the awareness of Mips around the world, both in stores and online.

In 2020 we launched Team Mips with our two first members and in 2021 we expanded the team by adding three more members and two teams. We believe that having our own Team Mips is a very important part of our awareness raising activities.

#### **Updated strategy and new financial targets**

The combination of our great progress within our established categories Sports and Motorbikes, and a new customer base within the Safety category, along with the fact that the global market for Sports helmets has grown during the pandemic, has boosted our outlook for Mips' growth opportunities. We therefore intend to present our strategy and the updated financial targets during a Capital Markets Day on 9 June 2022.

#### **Fantastic efforts from all Mips employees**

I will end as I began. 2021 is a year to be proud of. I am very pleased with the excellent way we have managed the challenges we have faced in a constantly changing world. We have continued to strengthen our position in all our three categories, we have carried out more customer projects than in any other year, we have made good progress in our sustainability work, and we have accelerated our marketing investments to ensure that we continue to raise the awareness of Mips around the world. These are all actions that can be difficult to implement even under normal circumstances – doing them during an ongoing pandemic and also delivering organic growth of 72% during the year is testimony to the responsibility and engagement shown by every Mips employee during the year.

Stockholm, March 2022

**Max Strandwitz**

PRESIDENT AND CEO



# Business model, strategy, and targets



# Business model

## - how we create value

Mips sells its products to helmet manufacturers who implement Mips technology in helmets that are then sold to the end users. Every year 5-7 percent of Mips' annual budget is invested in research and development to ensure that the company is always at the forefront of helmet safety. An equal portion of the budget is invested in marketing activities aimed at strengthening the brand and raising the end users' awareness of Mips.

### RESOURCES

#### Operations

- Headquarters in Stockholm
- Office and warehouse in China

#### Employees

- 80 employees with different specialist skills

#### Capital

- Equity of SEK 577m

#### Technology

- The company's technology is founded on 25+ years of research
- A high-tech test lab in Sweden and the Mips' Virtual Test Lab
- 10 unique technologies in the portfolio

#### IP portfolio

- Broad portfolio of patents including >40 patent families and almost 300 granted patents

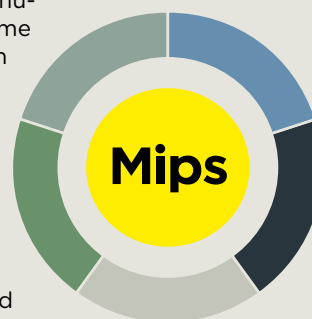
#### Strong brand

- Good relationships with customers in different segments of the helmet market
- High consumer awareness

### OUR INGREDIENT BRAND MODEL ENABLES SCALABILITY

- Communication & sales to users**  
Mainly via helmet manufacturers, but also some direct communication

- Sales to helmet brands in several categories**  
Mips has a broad customer base (over 140 customers) and long customer relationships



- Manufacturing & quality control**  
More than 80 selected third-party producers manufacture Mips' products mainly in Asia. Office in China to ensure high quality and proximity

- Research & development**  
Own research and collaboration with universities and research institutes

- Implementation**  
Testing and implementation of new helmet models >50,000 tests so far

## VALUE CREATION

### Helmet users

- Safety systems for helmets designed to add protection against injuries caused by rotation motion

### Customers

- A product that enables helmet brands to get a premium price for the end product
- Long-term collaboration
- Differentiation

### Society

- Helmets designed to add protection against injuries caused by rotation motion

### Shareholders

- An EBIT margin in excess of 40%  
– Actual EBIT 2021 was 54%
- Low working capital requirement enables a dividend level of >50%

### Sub-contractors

- Long-term collaboration
- Responsible business methods

### Employees

- A more long-term employer
- Professional development
- A good work environment

## Vision

Reduce head injuries  
Save more lives

## Ambition

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

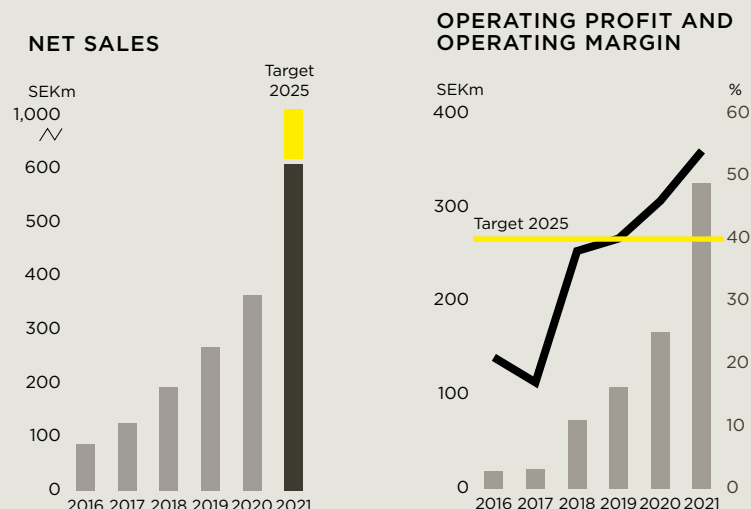
## Ingredient brand

The ingredient brand model enables Mips to reach a large number of customers, and gain good exposure to end users through the helmet brands' broad and global marketing resources.

Read more about how our ingredient brand business model works on page 30, and about our research and development on page 34.

# Financial targets

The company's long-term financial targets reflect the ambitions that the Board of Directors and senior management believe to be reasonable expectations of Mips.



## Growth

Grow net sales organically to more than SEK 1,000m by 2025.

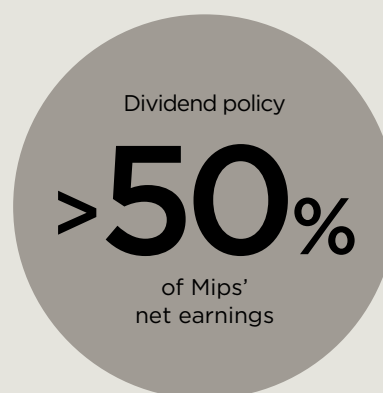
## Profitability

Maintain an operating margin of more than 40 percent.

## Dividend policy

Distribute more than 50 percent of Mips' 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 **2021** the Board of Directors proposes a dividend of SEK 5.0 (3.50) per share, which corresponds to 51 percent of Mips' net earnings for 2021.





# Strategy for growth

- 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.

## 1

### RAISE THE AWARENESS OF MIPS

#### What

Strengthen the company's brand to ensure that end users understand the added value of Mips' technology and always look for the yellow Mips logo when buying a helmet.

#### Why

Mips conducts business according to an ingredient brand model. The company's vision is for its technology to be the safety solution of choice for all types of helmets. Achieving this vision requires increased awareness and understanding of Mips' technology. It also requires end users to recognize the added value of buying a helmet equipped 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.

Historically, marketing and communications activities have primarily targeted helmet manufacturers and the media. To raise the awareness of the Mips brand further, some of the communication is targeted directly to end users, and in 2021 Mips launched five product groups to make it easier for end users to understand the benefits of Mips' technology and the differences between Mips' products.

Three focus areas for raising brand awareness include:

1. PR – with the focus being on educating journalists about Mips' technology so they can explain the functionality to their readers correctly.
2. Team Mips, a team of athletes who share the company's beliefs on the importance of helmet safety and help to raise consumer awareness of Mips as a brand.
3. Promotional activities to increase awareness of Mips and thereby sales. This can include anything from store materials to online marketing.

## 2

### OFFER A SUPERIOR PRODUCT

#### What

Maintain and develop an intellectual property portfolio that will continue to protect the company's technology.

#### Why

Mips currently has a large patent portfolio consisting of 40 patent families and a total of almost 300 granted patents. The company continually applies for new patents for its technology 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 specialists when necessary to ensure that the company's intellectual property protection is as strong as possible.

## 3

### ENABLE INCLUSION IN MORE TYPES OF HELMETS

#### What

Develop solutions that make it possible for Mips' technology to be included in most types of helmets.

#### Why

Mips has a large addressable market with the opportunity to make a difference in a large number of areas in which a helmet is worn. Mips believes it is important to be able to offer a relevant solution to all areas of use that the company addresses. That's why the company constantly develops new solutions in order for its technology to work in as many different types of helmets as possible. Mips currently offers ten types of solutions which enables the company to address the majority of its selected market.

## 4

### COST-EFFECTIVE AND SCALABLE TECHNOLOGY

#### What

Offer the best and most cost-effective solution based on science and research.

#### Why

Mips is a company that is founded on research. Mips aims to invest 5–7 percent of net sales annually into research and development 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 the company 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 researchers at the Royal Institute of Technology in Sweden), which enables the company to continue to lead the development of solutions in the field of helmet safety.

Mips' Virtual Test Lab is the latest major innovation from Mips that allows virtual testing of helmets, which saves time and costs and reduces environmental impact.



# Market overview



# Global trends



## Population growth and urbanization

General population growth and urbanization leads to greater traffic, primarily in cities. Consequently many people are looking for alternative ways to move from A to B, which is why riding bikes, mopeds and motorcycles is becoming more popular.

## Electric vehicles

More bikes, mopeds and scooters are becoming affordable to more people. Since these normally go at faster speeds than bikes, the risk of accidents is increasing.

## Greater disposable incomes

Higher incomes allow more people to spend money on safety for themselves and their children. This also intensifies the interest in, and possibility to do, sports for which a helmet is a natural part of the safety equipment, such as equestrian sports, climbing or winter sports.

## Greater focus on safety

Private individuals are becoming more safety-conscious, and the use of helmets is generally rising worldwide. Employee safety is an important matter for companies, and there is a growing interest in being able to improve protection for employees. Helmet usage is standard in certain professions, and more companies are gradually choosing to improve protection for employees.

## Greater focus on health

There is a growing interest in exercising, which means that more people are riding bikes not only to go from A to B, but also to improve their health, for example through road biking or mountain biking. It has also led to an increased interest in other sports and outdoor activities that require helmets.

# Increased demand

A greater awareness of Mips' products along with global trends are increasing demand. Mips' focus market amounts to approximately 130 million helmets per year.

## A number of strong trends in helmet usage

Helmet usage is growing worldwide, mostly driven by greater safety-consciousness among end users. Since Mips has an ingredient-brand business model, and does not sell directly to end users, the company is reliant on end users' helmet usage and thus on sales of helmets generally. Below is a summary of the main trends that affect the company's ability to increase the penetration of Mips' technology into the global market for helmets, which thus drives the demand for Mips' products.

- **AWARENESS OF MIPS' TECHNOLOGY** – There is a growing awareness that rotational motion can be harmful to the brain and that traditional helmets are not designed to protect against this, but only against injuries caused by straight impact (such as skull fractures). This is increasing consumer awareness 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 protocols. 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 FOCUS ON SAFETY** – Focus on improving safety, especially at workplaces, but also in general, has substantially increased in recent years.

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

- The market for Sports helmets continues to grow, primarily due to the growth in biking during recent years. This category is continuing to grow as more people are choosing bikes as a form of transport and because cycling is becoming more popular as a leisure activity. Mips believes that consumers are prepared to pay more for safety equipment today than ten years ago.
- The market for Motorcycle 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.

# The global helmet market

The global helmet market encompasses a large number of areas of use that are constantly evolving.

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 into three different categories:

1. Sports helmets
2. Motorcycle helmets
3. Safety helmets

## Mips' safety systems can be integrated into almost all helmets

Mips aims to be able to offer its solution to as many helmet users as possible all over the world. However, usage is limited in some respects by the following factors:

1. Mips adheres to the principle that it must be scientifically proven that the company's technology 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 has mainly been 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, the addressable market has grown.

Even though Mips is the market leader in solutions that address rotational motion to protect the head, to date the company has only penetrated a small portion of the total market.

## Competitors

Mips is currently the market-leading provider of helmet-based solutions that are designed to reduce 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 that 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 that 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 degree limits the possibility for other players to launch new competing technologies.

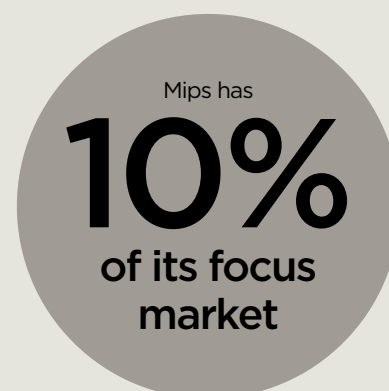
# Mips is active in three helmet categories

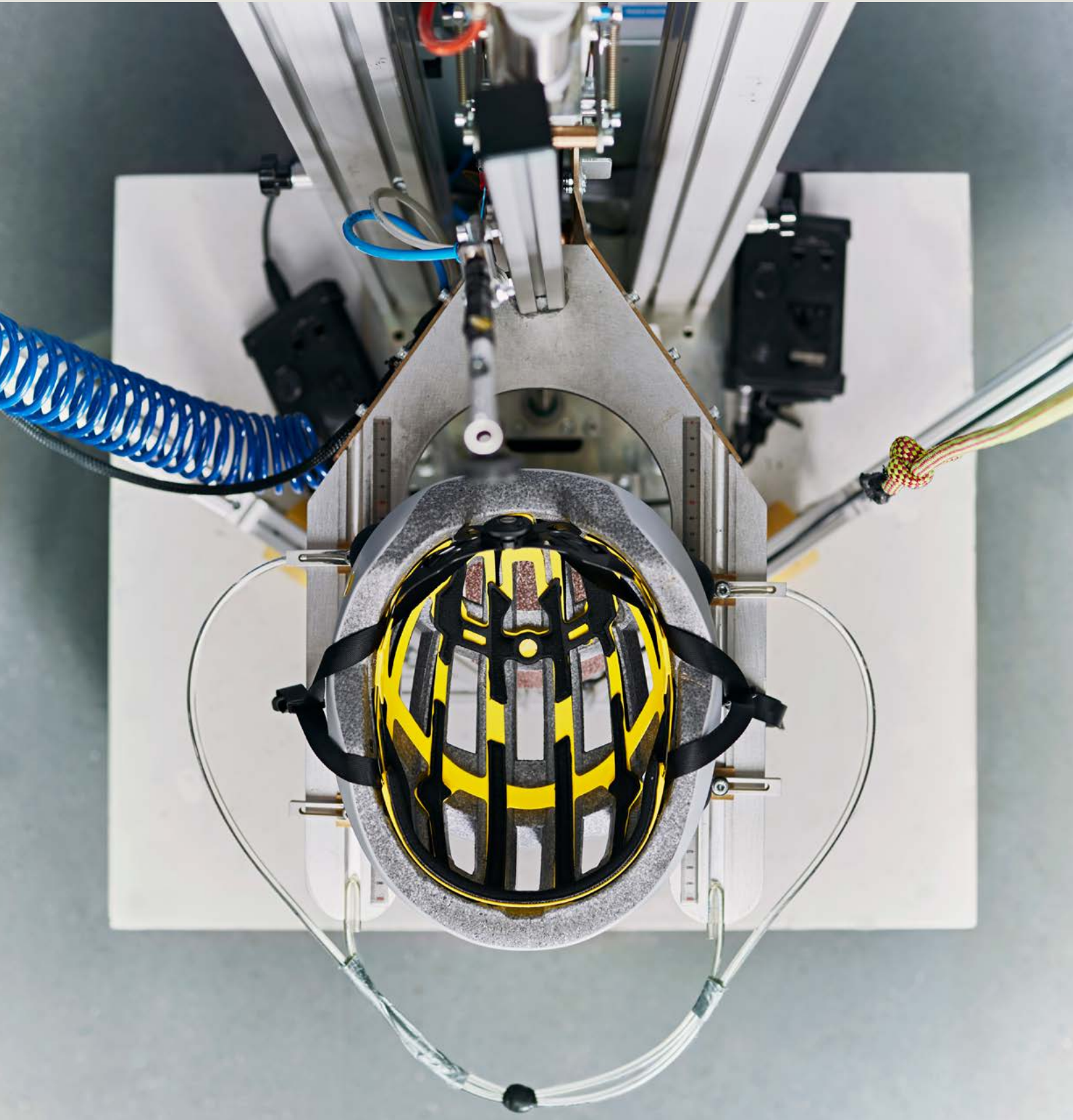
Mips addresses three helmet categories: Sports, Motorcycle and Safety helmets

## OVERVIEW OF HELMET MODELS, 2021

	Category	Mips' total market (million units)	Mips' focus market (million units)	Number of helmet models, Mips	Active helmet brands, Mips
SPORTS	Bike	> 35	> 20	559	85
	Snow	> 6	> 5	207	31
	Equestrian	> 2	> 2	26	11
	Team sports	> 2	> 2	3	2
	Other	> 4	> 2	5	2
	<b>Total</b>	<b>50</b>	<b>30</b>	<b>800</b>	<b>131</b>
MOTORCYCLE	Road bike	> 47	> 28	15	9
	Motocross	> 3	> 2	59	21
	<b>Total</b>	<b>50</b>	<b>30</b>	<b>74</b>	<b>30</b>
SAFETY	Industrial use	> 300	> 60	8	7
	LEAF	> 10	> 10	1	1
	<b>Total</b>	<b>310</b>	<b>70</b>	<b>9</b>	<b>8</b>
	<b>Total</b>	<b>&gt; 410</b>	<b>&gt; 130</b>	<b>883</b>	<b>169</b>

This table is broken down by sub-category, and a brand can be part of several sub-categories. The total number of unique brands is 143, but several brands sell helmets within several categories and sub-categories.





## Sports helmets

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

The market for sports helmets continues to grow, primarily driven by developments in the biking market during recent years. Mips believes that consumers today are ready to pay more for safety equipment than they were ten years ago.

Historically, the Mips safety system has mainly been implemented in helmets with higher price points, but the company currently offers products that can be implemented in helmets with price points from USD 30. Previously, the replacement cycle for helmet users in Sports Helmets was estimated to be an average of five to eight years. Although no new data is available regarding how often helmets actually are replaced, Mips estimates that replacement cycles have been shortened over time. Below is a summary of the main sub-categories of the Sports Helmets category.

### Bike helmets

Bike helmets are the single largest sub-category of Sports Helmets, with an estimated annual volume of 35 million helmets. Mips believes that the greatest constraint in this sub-category 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 primarily divided into helmets for daily use and commuting, helmets for road biking, helmets for mountain biking and children's helmets, with helmets for daily use representing the largest portion. Helmets for electric bikes is a rapidly growing area, 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 sub-category is the source of the majority of Mips' revenues. Awareness of Mips' technology in this market is relatively high, with the greatest level of 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 sub-categories 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/families/novice and intermediate levels) and helmets for advanced use (alpine and freestyle). Awareness of Mips' technology is high in this sub-category and exceptions to this are mostly geographic in nature. Mips has delivered snow helmet solutions since 2010.

### Equestrian helmets

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

### Team sports

The Team sports helmet sub-category 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 sub-category is low. Mips has delivered solutions for helmets in this sub-category since 2018.

## Motorcycle helmets

The market for the Motorcycle category, like the market for Sports helmets, is estimated at 50 million helmets annually.

The market for Motorcycle 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 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 sub-categories: road motorcycle helmets, motocross helmets, including snowmobiling, and helmets for the moped and scooter market. Mips believes it has a large addressable market in the first two of these sub-categories, but less potential in the market for moped and scooter helmets since it primarily comprises helmets at lower price points in developing countries. Mips has delivered solutions for helmets in this category since 2013.

### Road motorcycles

Mips' focus market in this category is estimated to be 28 million helmets. Awareness of Mips' technology is relatively low in this sub-category, in all markets.

### Motocross

The helmets in this category mainly comprise motocross helmets, but a portion of the helmets are also used in other areas such as snowmobiling, car driving and other activities involving travel at high speeds. Mips' focus market is estimated to be 2 million helmets for motocross and awareness of Mips' technology in this sub-category is estimated to be relatively high.

## Safety helmets

Helmets in the Safety category can be divided into two main sub-categories: safety helmets for industrial use (mainly in the construction, manufacturing, mining, and oil industries) and helmets in Law Enforcement and the Armed Forces (LEAF), which include helmets for the police force, the military, and rescue services.

This category, Safety helmets, is estimated at 310 million helmets annually, including 300 million helmets for industrial use and 10 million for LEAF.

The market for Safety helmets is growing worldwide, mainly due to 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.

### Safety helmets for industrial use

The market for industrial use helmets is large and is estimated to be more than 300 million helmets annually. The majority of these helmets are "Type I helmets", which is a simpler form of helmet primarily intended to protect the wearer against falling objects. This type of helmet is less expensive, costing around USD 10-15. The other type of helmet in the industrial helmets sub-category is "Type II helmets," which have been added in recent years; these helmets originate from 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 sub-category since 2019.

### Safety helmets for LEAF

Mips estimates that the market for helmets for the LEAF segment is more than ten million helmets annually. Mips has launched solutions in this sub-category, but to date has only delivered a limited number of Mips units for LEAF helmets. The main sub-categories within the helmet market for LEAF are briefly described below.

#### HELMETS FOR MILITARY USE

The sub-category 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. One of the distinctive features of military helmets is that the inner liner of the helmet is usually replaced once or twice per year, which represents a potential 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 altitudes and on water. Mips currently delivers solutions used in search and rescue helmets.

# 2025 strategy

The company's long-term 2025 strategy is built around the three main helmet categories Sports, Motorcycle, 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, the Mips safety system has mainly been implemented in helmets with higher price points, but the company currently offers products that can be implemented in helmets at 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 sub-categories: road motorcycle helmets, motocross helmets, and helmets for the moped and scooter market (other). Mips sees an addressable market of about 30 million helmets annually in these sub-categories.

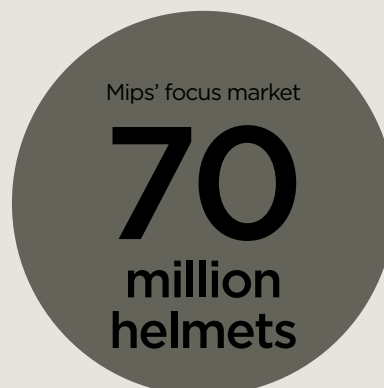
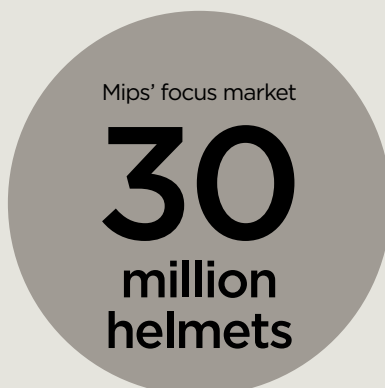
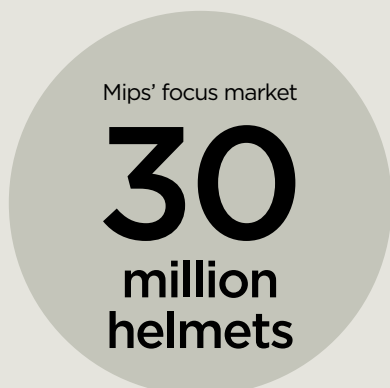


## SAFETY

- Helmets for industrial use
- LEAF

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

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





# Operations



# How we do business as an ingredient brand

## Customers and helmet brands

Mips works with many of the biggest helmet manufacturers in the world within its focus categories of Sports, Motorcycle and Safety, with Sports being the largest category with the most customers. Our customer base is widening all the time, and the total number of customers currently exceeds 140, several of which have been Mips customers for many years.

Mips' technology gives a helmet added value which means that a helmet equipped with Mips' safety system allows the helmet manufacturer to get a premium price. The price of a helmet equipped with Mips' safety system usually starts at around USD 30.

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. Sports category, which primarily includes helmets for biking, snow sports, equestrian sports, climbing, and team sports
2. Motorcycle category, which is divided into road motorcycles and motocross
3. Safety category which is divided into safety helmets for industrial use and helmets for LEAF

In 2021 Mips delivered safety system solutions to 143 (121) helmet brands. The five largest customers accounted for about 49 percent (52) of sales. The company delivered the Mips safety system for a total of 883 different types of helmets.

## Sales process

Mips' sales process can be divided into sales to existing customers and winning new customers. Mips has a standardized process for developing Mips' safety system in helmet models.

## Testing and implementation

Mips' technology can be implemented in both new and existing helmet models and provides the helmet brands a market differentiator.

The majority of testing and implementation of new helmet models is carried out in Mips' test lab in Stockholm, Sweden. Mips' test lab is vital in the development work and testing ahead of implementing Mips' technology in specific helmet models. Mips' test facilities have so far performed more than 50,000 helmet tests. Since 2021, Mips has offered its customers a virtual test lab, in addition to the physical testing for the creation of new helmet models.

## Manufacturing and quality control

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' premises. This facilitates the logistics chain, with all work to integrate the Mips safety system into 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 only of other safety system components.

Mips' office in China allows the company to retain control of production and quality in the manufacturing of the products.

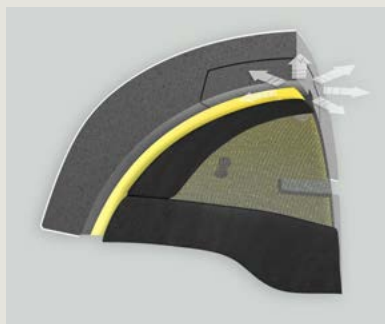
Since Mips does not carry out production directly but uses subcontractors, the production model is scalable. This means that Mips can grow substantially without having to add significant resources to the organization.



# Our product range

In January 2021, Mips launched its new classification of Mips' various systems, with the aim of making it easier for end users to choose a system to match their needs.

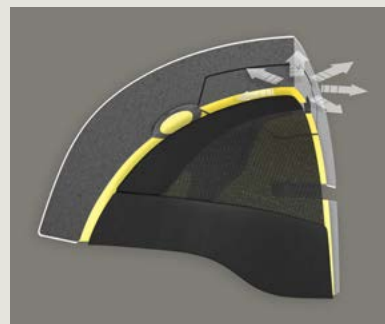
To make it easier for end users to choose different helmets and Mips' solutions, Mips has created product families that describe the safety features of the different products and classify each of the products based on its intended use. Future helmets equipped with Mips' safety solution will be able to use this classification with a new labelling system, designed to inform and educate consumers about Mips. This is intended to guide the helmet brands and end users to select the best Mips solution and helmet for their needs, without compromising on safety. Mips is thus taking another step towards a more consumer-oriented brand identity.



## MIPS® EVOLVE

### WORLD-LEADING SAFETY SYSTEM FOR HELMETS

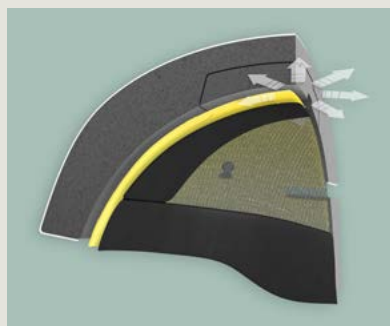
With its excellent fit, improved ventilation and light weight Mips Evolve is probably the most commonly used Mips' helmet safety system, designed to help reduce the rotational force to the head upon impact from certain angles.



## MIPS® INTEGRA

### HELMET SAFETY THAT YOU DON'T EVEN NOTICE

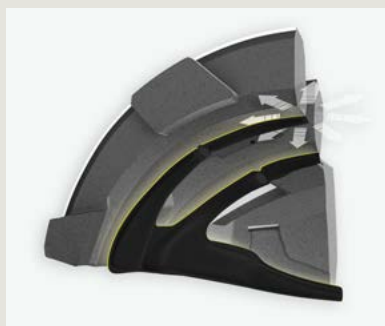
One of our lightest, thinnest, and deeply integrated systems. Mips Integra is designed to help reduce the rotational force to the head upon impact from certain angles and is the result of close collaboration between Mips and one of the helmet brands.



## MIPS® ESSENTIAL

### BASIC SYSTEM FOR HELMET SAFETY

Mips Essential is a simple, but nonetheless robust safety system for helmets and is perfect as an introduction system. The system has been designed to help reduce the rotational force to the head upon impact from certain angles.



## MIPS® AIR

### OUR LIGHTEST HELMET SAFETY SYSTEM

This system is lighter than all of our earlier systems. Since the air flows through the helmet, you hardly notice it. Mips Air is designed to help reduce the rotational force to the head upon impact from certain angles.



## MIPS® ELEVATE

### A REVOLUTION IN SAFETY HELMETS

Through Mips Elevate, Mips' advanced helmet safety system can be used in a classic hard-hat safety helmet and in other harness-based helmets for the first time ever. The system has been designed to help reduce the rotational force to the head upon impact from certain angles – in other words, for elevated safety.

# Mips' product offering to the helmet brands

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

## Product offering

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

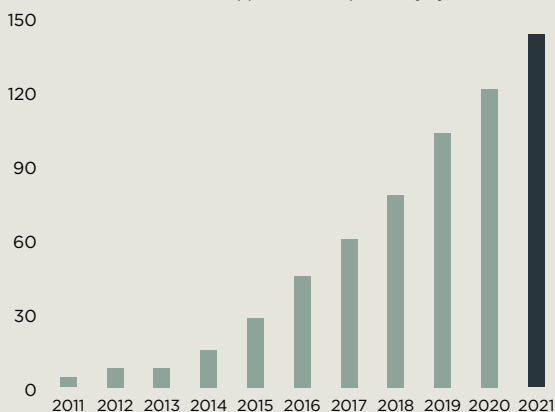
1. Mips' safety system, which is the physical product that is implemented in the customers' helmets.
2. Development services for implementation of the Mips safety system in new and existing helmet models.
3. Licensing to customers regarding the right to produce, market and sell helmets with Mips' safety 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 the production of the tools that are necessary for commercial production of the specific low friction layer, and then invoices a fee for production of these tools. Once the helmet is approved for production, Mips usually invoices the helmet brand a licensing fee for the right to use Mips' IP and technology, amongst others, and to use Mips' marketing material.

The components are usually invoiced directly to the helmet manufacturer's factory from the subsidiary in China.

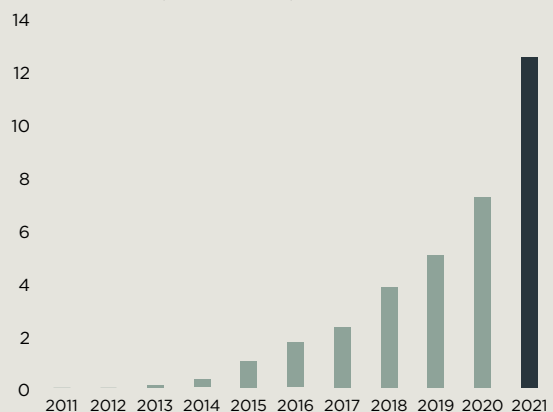
## HISTORICAL DEVELOPMENT, ACTIVE CUSTOMERS

Number of helmet brands supplied with Mips' safety system



## TOTAL NUMBER OF MIPS' SAFETY SYSTEM UNITS SOLD

Total volume sold (millions of units)



# The technology behind Mips and ongoing research and development

## Mips' safety system

Mips' safety system is designed to add protection against rotational motion into helmets. 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 impacts, Mips' safety system has proved, during testing in Mips' test lab, 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 is designed to allow the head to continue to move in the direction it was following instead of remaining fixed to the impact surface. It is designed this way to help 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 installed low friction layer, which allows a relative movement 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 about the technology and the familiar yellow Mips logo which shows that the helmet is equipped with Mips' safety system.

## Research and development in close collaboration with universities

Mips invests 5 to 7 percent of its annual budget in research and development. This is done to ensure the company remains at the forefront of innovation

and development of helmet safety products, which is one of the major strengths of the company.

The company is also active in international university and research environments, where the company actively works to ensure that testing of rotational motion is included as a standard in the 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.

## Four development categories

Research and development at Mips are founded on science and proven experimental methods and are divided into four separate development categories:

1. INNOVATION – founded on science and research with the emphasis on new advancements in the field and concepts for dealing with impact risks, thereby allowing in-roads into new categories.
2. PRODUCT DEVELOPMENT – with a short-term perspective of about twelve months into the future, the aim is to improve existing solutions and previously established concepts.
3. DEVELOPMENT OF NEW MODELS – founded on the customers' product development, with Mips providing customer support for 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

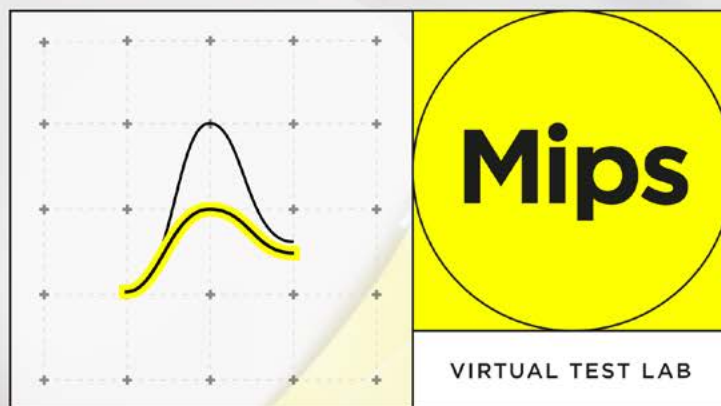
Mips has a broad patent portfolio consisting of 40 different patent families, with almost 300 patents granted, intended to protect the company's technology.

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 research and development investments, and foster credibility amongst the company's customers and other stakeholders.

Any infringements are addressed based on a defined IP strategy with the assistance of both internal and external expertise.

# Mips Virtual Test Lab

The Mips Virtual Test Lab (VTL) was launched in 2021. For several years, Mips has been working on the creation of this virtual testing lab that allows helmets to be tested without the need for any physical prototype or testing devices. Mips VTL gives helmet manufacturers the possibility to digitally stage how a helmet model would likely be affected upon impact, which saves time and costs and reduces the climate impact of testing.



# Team Mips



**HENRIK HARLAUT**

The most decorated skier in X-Games history and an Olympic bronze medallist in big air, Beijing 2022.



**KATE COURTNEY/  
TEAM SCOTT-SRAM**

MTB XC world champion 2018 and overall UCI World Cup winner 2019.



**MARION HAERTY**

The global queen in big mountain snowboard with 4 Freeride World Tour titles and now finalist, as a rookie, in the Natural Selection Tour 2022.

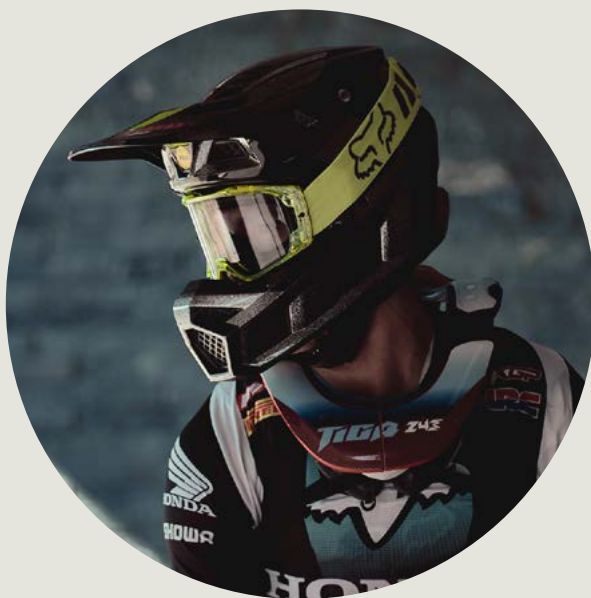
**BRANDON SEMENUK**

Undoubtedly the best freeride  
MTB athlete of all times with 4 wins in  
Red Bull Rampage, 3 overall WC wins and  
X-games gold medalist.

## Ambassadors for Mips

Team Mips' members are world-leading advocates of helmet safety and include athletes from all over the world, from a variety of backgrounds and professional sports including biking, skiing, motorcycling, 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 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.

**TIM GAJSER (Team HRC)**

Multiple world champion in motocross;  
junior 2012, MX2 2015 and MXGP in his  
rookie year 2016, as well as in 2019 and  
2020.



# Risks 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 having a negative impact on the business, the Group needs good procedures and the capability 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 highlight and prioritize risk management initiatives in order for the company to limit the negative impact of risk. 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 and Board members alike.

## Risk management organization

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

Executive Management considers risks related to both business development and long-term strategic planning, as well as 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 policies. The Group's central finance department is responsible for prioritizing and managing financial risks, including exposure to exchange rate fluctuations. Mips' 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 has proposed and the Board has 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 42–45 briefly present

the most significant risks, as well as how they are managed and measured 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 that are hard to assess. Russia's invasion into Ukraine has affected the geopolitical situation around the world, and has heightened uncertainty about future market developments. Mips has no activities in either Russia or Ukraine and the direct business exposure is therefore very minimal. Thus far, we are seeing no negative impact on demand, but we are following developments closely. 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 ones.

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.

## Business and sustainability-related risks

Business-related risks are often based on the company's own activities and thus the degree of impact we can have on them is 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.

## Legal risks and product liability-related risks

Legal risks are primarily attributable 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 linked to the company's products. These types of risks are limited as much as possible through insurance coverage.

### Environmental and climate-related risks

There is a risk that climate change will impact Mips. This may involve transition risks such as changing rules and taxation, as well as physical risks. Physical risks include changes that are both long-term and urgent in nature, such as extreme weather conditions and natural disasters that could impact Mips' access to materials and disrupt business operations directly or indirectly.

Mips is seeing an increased interest in climate-related disclosures and will continue to work towards better reporting on climate-related impacts, risks, and opportunities, and how these affect our business and operations.







### 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 Group's Board of Directors.











Read more about accounting policies and risk management and risk exposure in Notes 1 and 19.









## CUSTOMER AND MARKET RELATED RISKS

	RISK	MANAGEMENT
<b>Competition from new technology and demand for the company's products</b>	 <p>Mips' safety system may encounter strong competition and there is a risk that Mips will not be able to respond to it successfully. Competition in the helmet solutions market that addresses rotational motion, may increase as a result of growing awareness and increased demand for helmets to have protective functions against rotational motion. 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. Should these competitors 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 helmet testing standards are introduced, and also pursues an active dialogue with universities to ensure that the company remains at the forefront of the dialogue on test standards. The company also invests 5 to 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' safety system 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>
<b>Dependence on a few large customers</b>	 <p>The helmet industry currently consists of a small number of players that account for a large share of total sales in the market. This is also reflected in the concentration of Mips' customers, with a few customers accounting for a large portion of total sales. In 2021, Mips delivered products to 143 customers, of which the five largest accounted for 49 percent (52) of total sales. For more information, see Note 2.</p>	 <p>Loss of one of the major customers would have an 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, as well as broadening the customer base. As the company expands into other categories and more geographic areas, dependence on individual customers will decline.</p>
<b>The company may miss important steps in biomechanical advancements in helmet safety</b>	 <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 SUSTAINABILITY-RELATED RISKS

	RISK	MANAGEMENT
<b>Production-related quality problems</b>	 <p>Production and assembly of the company's products largely takes place in China. As the company launches more products and they are implemented in more helmet models in more customer factories, 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>
<b>Production capacity in China</b>	 <p>Increased global disruptions in the supply chain due to Covid-19 along with electricity restriction policies due to carbon dioxide emissions in China have meant that countries such as China and Vietnam have had to limit their capacity. This has left the supply chain exposed during 2020, 2021 and into 2022.</p>	 <p>Mips works actively to ensure, and if needed increase, its reserve stocks to make sure important components are available. Further, the company engages in close dialogue with all its major customer factories.</p>
<b>Management of business secrets and intellectual property</b>	 <p>Loss, improper handling, or dissemination of information related to product development or solutions for which 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>
<b>Negative brand publicity</b>	 <p>Negative brand publicity may arise after legal cases, failure in a major third-party testing or accidents involving one of the Mips ambassadors. The risk is also associated with using inappropriate marketing language, in other words that Mips could fail to communicate correctly when marketing or selling helmets equipped with Mips' technology, or that Mips makes unfounded or medical claims in its marketing. Further, this risk is also associated with a general risk of litigation with external and internal stakeholders.</p>	 <p>The company works with PR agencies to assess and respond to potentially bad publicity.</p> <p>The company strives for scrupulous external communication regarding the benefits of Mips' technology and avoids medical claims.</p>
<b>The ability of the company to attract and retain the right skills</b>	 <p>Mips is a company that is dependent on the right skills to be able to continue to grow and to develop new products. Mips is active in a field in which there is limited knowledge and it is paramount for the company to find the right talent in order to continue to grow in line with the company's strategy.</p>	 <p>As the company grows and with it, the number of employees, dependence on individual employees will decrease. The company also actively works with skills and development plans for current staff to ensure that they can grow together with Mips. The company also works on documentation and process control for key processes to limit the impact of the loss of employees.</p>

## LEGAL RISKS AND PRODUCT LIABILITY-RELATED RISKS

	RISK	MANAGEMENT
<b>The ability to defend the company's patents</b>	 <p>The company's success is largely dependent on its ability to defend patents since the company's products are based on its own helmet safety patents. Should the company not have the ability or capacity to defend its patents, it could have a significant impact on the company's operations.</p>	 <p>The company now has in-house intellectual property expertise and also uses several different legal advisers to ensure that the right expertise is always available. The company is also working on a patent strategy to ensure that its products and patents are protected against infringement in all relevant markets.</p>
<b>Expiring patents</b>	 <p>Expiring patents can affect the business.</p>	 <p>Being a leader in technology related to helmet safety systems creates a high threshold for other players attempting to supply credible solutions. A functioning solution demands that scientific aspects are clearly reliable. Product liability and the risk of integrating a solution that is not scientifically proven should/can prevent helmet brands from testing their own solutions.</p> <p><b>IP strategy</b> Continue to broaden the IP portfolio, covering areas that can prevent helmet manufacturers/innovators from inventing in the area where Mips provides protection. Continue to build brand capital and strengthen brand awareness.</p>
<b>Product liability and legal risks</b>	 <p>Since the company's products are integrated into products sold to consumers, there is a risk, direct or indirect, of damages or lawsuits based on alleged defects or deficiencies in the function of Mips' technology. There is also a risk that marketing of Mips' technology by local sales personnel fails to comply with the company's directives and agreements, and claims for damages based on incorrect marketing claims could arise.</p>	 <p>The company has comprehensive insurance coverage to deal with any financial risks. The company also works closely with legal specialists, especially in the US market, where the risk of legal disputes and claims for damages is considered to be greatest. The company has an extensive training program for customers who sell Mips' technology in how to properly market Mips' technology to minimize the risk of any legal disputes.</p>

## FINANCIAL RISKS

	RISK	MANAGEMENT
<b>Dependency on trends relating to foreign currency</b>	 <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 somewhat exposed 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>

A full-page photograph of a mountain biker in a red and black Fox racing suit and helmet, riding a mountain bike through a forest. The rider is leaning forward, navigating a dirt trail. The background is filled with green trees and foliage, with sunlight filtering through the leaves. The text "Sustainability report" is overlaid in the bottom left corner of the image.

# Sustainability report



# Mips' sustainability agenda

Mips continues to integrate social and environmental aspects into its business strategy and operations. We are world leaders in our field, and also aim to be leaders in our industry when it comes to sustainability, in order to identify risks and opportunities, live up to the expectations of others, and lead the way for others. That is how we ensure that we will continue to grow profitably.

## INFLUENCE AND COLLABORATION

**Our aim is to influence the entire helmet industry.**

We are a small company that provides helmet manufacturers with one ingredient in their helmets, but we are world leaders in our field. Just as our product can make a decisive difference in a helmet, we believe that our company can make a difference in influencing the entire helmet industry to become more sustainable.

To develop sustainable materials we and our partners need to contribute to, and inspire, each another. Together with suppliers and partners, Mips works to limit climate and environmental impact 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.

## CLIMATE CHALLENGE – GREATER INSIGHT AND TRANSPARENCY

We understand the climate challenge and support the ambitions of the Paris Agreement. To gain a better understanding of how to reduce our climate impact, Mips first needs full insight into what that impact is, which will guide our work going forward.

In 2021 we worked with a third party to analyze the total climate impact of our value chain to identify those aspects of sustainability where Mips can make the greatest difference. As a result, we know that we can have the greatest impact in matters related to Mips' product and material usage.

In 2022 our goal is to refine this analysis and set ambitions, targets and plans for continuously working to reduce our total climate impact and communicate this going forward. Our aim is to be able to adopt climate targets in line with the Science based targets.



## DELIVER MORE PRODUCTS AND DRIVE GREATER HELMET SAFETY



Read more on pages 65–67

Helmet safety is and always will be our highest priority. Mips' safety system shall be the obvious safety solution choice for our end users and the industry.

We make a difference and make a positive contribution to society through our products.

### Our approach

To continue to develop new technologies and products that increase helmet safety, broaden our customer base, and implement the Mips safety system in more helmet models – quite simply, carry on doing what we are good at.



### Targets reached in 2021

- Number of customers
- Number of helmet models
- Number of units sold



## SUPPLY SUSTAINABLE PRODUCTS

### Challenge

Plastic is currently the only material that is light, strong, and safe enough for manufacturing helmets. Plastic creates CO<sub>2</sub> emissions, hazardous waste and oceans polluted by plastic, which is why plastic is an urgent challenge to be addressed in our value chain.

### Our approach

Innovation and product development are part of our DNA. During the year we signed up new suppliers that can supply polycarbonate (PC) in the form of wastage from other manufacturing. As a result, starting in 2022 we will be able to deliver products that have the same level of safety and the same high quality as before, but that are made from a more sustainable material.



### Packaging material

During the year we achieved our target of only using recycled packaging materials. The next step is to implement guidelines for our partners to use recycled packaging materials when supplying goods to us.



## Our employees

Read more on pages 59-63

### DIVERSITY AND GENDER EQUALITY

#### Challenge

To continue to succeed and grow as a company, we need employees with varied backgrounds and different competences. That's why we work actively to promote diversity in the company.

#### Our approach

We strive for a 50/50 split between men and women in the company, which we are close to achieving. Our target is to have a 40/60 distribution between men and women or vice versa in the Executive Management group and the Board of Directors. This goal has been achieved in the Board, but not at the management level.

#### Target achievement

At year end we had a 55/45 distribution of men/women in the company, which is an improvement compared to last year (62/38).



### HEALTH, WELLBEING, NON-DISCRIMINATION

#### Challenge

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

#### Our approach

Our target is for total health-related absence to be below 3 percent. Furthermore, we have a zero vision regarding work-related injuries that lead to sick leave, and zero tolerance for any occurrence of discrimination.



#### Target achievement

Health-related absenteeism was 1.39 percent which is well below the target of no higher than 3 percent. No work-related injuries or cases of discrimination have been reported during the year.

### ENSURE THAT WE HAVE A SUSTAINABLE VALUE CHAIN AND MANUFACTURING

We do not manufacture products ourselves, instead we use external subcontractors.

## Our supply chain

Read more on pages 69-70

#### Challenge

Ensuring that the factories we partner with, primarily located in China, share our core values in terms of working environment, human rights, the environment, and corruption.

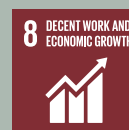
#### Our approach

We believe that we have an important role in ensuring that the human rights of the people we affect through our operations are respected. We have a Code of Conduct that all suppliers are obliged to sign. We also audit larger suppliers continuously.



#### Target achievement

All suppliers have been audited during the year and approved under the Mips' supplier Code of Conduct.



# Our value chain

	Impact	Risks	Opportunities	Action
<b>Research and product development</b>	<ul style="list-style-type: none"> <li>Increased safety for helmet users</li> <li>Material usage</li> </ul>	<ul style="list-style-type: none"> <li>Do not fulfil customer expectations</li> <li>Plastic is not sustainable</li> </ul>	<ul style="list-style-type: none"> <li>Mips' products used in more types of helmets</li> <li>Reduce the impact of material usage</li> </ul>	<ul style="list-style-type: none"> <li>Continued research and development as well as collaboration</li> </ul>
<b>Own operations</b>	<ul style="list-style-type: none"> <li>Provide jobs and income</li> <li>Health and wellbeing of employees</li> <li>Environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Difficulties in recruiting and retaining employees that can help Mips advance</li> <li>Environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Reduce the carbon footprint of our operations</li> <li>Improve gender equality as well as health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Use resources efficiently</li> <li>Develop and take care of employees</li> </ul>
<b>Subcontracted manufacturers</b>	<ul style="list-style-type: none"> <li>Air, water and ground emissions</li> <li>Waste</li> <li>Provide jobs and income</li> </ul>	<ul style="list-style-type: none"> <li>Labor law, human rights and environmental compliance by subcontractors</li> <li>Substances that affect people and the environment</li> <li>Corruption</li> </ul>	<ul style="list-style-type: none"> <li>Have a positive influence on the environmental performance of our suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Workplace standards for suppliers</li> <li>Quality enhancement and quality assurance</li> <li>Supplier audits</li> </ul>
<b>Transportation</b>	<ul style="list-style-type: none"> <li>Emissions from transportation</li> </ul>	<ul style="list-style-type: none"> <li>Environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Reduce the impact of transportation</li> </ul>	<ul style="list-style-type: none"> <li>Efficient logistics processes</li> <li>Encourage the use of more sustainable transportation and recyclable packaging</li> </ul>
<b>Sales and end-user usage</b>	<ul style="list-style-type: none"> <li>Increased safety for helmet users</li> </ul>	<ul style="list-style-type: none"> <li>Do not fulfil customer expectations</li> </ul>	<ul style="list-style-type: none"> <li>Market communication in support of safer helmets and to reduce the risk of injuries</li> </ul>	<ul style="list-style-type: none"> <li>Marketing of the Mips safety system</li> </ul>
<b>Used products</b>	<ul style="list-style-type: none"> <li>Plastic waste</li> </ul>	<ul style="list-style-type: none"> <li>Low rate of material recycling</li> </ul>	<ul style="list-style-type: none"> <li>Higher rate of material recycling</li> </ul>	<ul style="list-style-type: none"> <li>Communication and cooperation with helmet manufacturers and end users</li> </ul>

# Sustainability highlights in 2021

Performed an analysis of our total climate impact to identify where we can make the greatest difference

Carried out lifecycle analyses to better understand the impact of our products on the environment

**All packaging materials are from recycled materials**

Implemented a whistleblower service for employees and external partners

Taken a step closer to our goal of having a gender equal workplace with 50/50 men/women (55/45)

Commenced collaboration with suppliers to make our products more sustainable

Increased to **9 active** brand partners in the Safety category

**12.6 million** safety systems sold which are now in 883 types of helmet models

# Sustainability at Mips

In 2021, Mips and our stakeholders continued our ambitious journey towards a more sustainable future with a clear goal, governance model, and motivated organization.

## Organization and responsibility

Sustainability is embedded into every part of our business, in our governance, and in our strategic and operational activities.

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 progress 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. As part of their introduction, all new employees are trained in the Mips Code of Conduct, which ensures a shared understanding between all employees of the ethical, social, and environmental guidelines that exist in the company.

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. To increase the engagement with and knowledge about sustainability, Mips established a multifunctional group in 2021 consisting of representatives from all the functions. This group has run and coordinated sustainability efforts across the company during the year. In addition to this group a steering committee has set the direction and made the overall decisions regarding sustainability at Mips in 2021.

Additional information about the Board's work during the year can be found in the corporate governance report on pages 126-136.

## Standards and frameworks

Mips wants to be a driving force in the shift towards a more sustainable way of doing business. One important aspect in this work involves being transparent in reporting and following up on our sustainability efforts to help our stakeholders and ourselves follow up on the progress in our work.

## REPORTING FRAMEWORKS THAT MIPS APPLIES

### UNs 17 Sustainable Development Goals

- Mips wants to contribute to achieving the 17 global sustainability goals. To ensure that Mips' KPIs are relevant in this regard we have chosen to align Mips' sustainability targets with the UNs sustainability goals.
- The link between Mips' sustainability targets and the UNs sustainability goals is presented in the table under each focus area.

### GRI

- The account of our sustainability work is inspired by the GRI's international standards, and is available on page 137.

## MIPS' SUSTAINABILITY WORK



## EU taxonomy

- The EU taxonomy for sustainable activities is a classification system that aims to make it easier for investors to identify and compare sustainable investments. The taxonomy is currently being developed and full reporting is required from the 2022 financial year. Simplified reporting is sufficient for the 2021 financial year.
- Companies covered by the taxonomy include financial market players along with companies of public interest with more than 500 employees in Europe. This means that Mips is not currently subject to the taxonomy nor does the company need to report in accordance with the taxonomy. However, we see the taxonomy as a framework that enables us to be transparent about our activities towards our stakeholders, as well as help us to be proactive in understanding the areas of our operations where we can become more sustainable. We will continue to work with the taxonomy as more guidelines and instructions are developed about how it should be applied in practice.

- Items that are to be reported under the taxonomy are: the portion of revenue which are eligible by the taxonomy, the portion of capital expenditure eligible by the taxonomy, and the portion of operational expenses eligible by the taxonomy. After performing a mapping against the taxonomy, our conclusion is that Mips currently does not have revenues, capital expenditure or operational expenses to which the taxonomy applies, as summarized in the table below.

### MIPS MAPPING AGAINST THE EU TAXONOMY 2021

	Proportion of taxonomy-eligible economic activities (SEKm)	Proportion of taxonomy-eligible economic activities (%)	Proportion of taxonomy non-eligible activities (%)
Revenues	–	0	100
CapEx	–	0	100
OpEx	–	0	100

## OUR MOST IMPORTANT POLICIES FOR A SUSTAINABLE BUSINESS

Our work with sustainability is governed by our Code of conduct and our other policies that describe how we run our operations. All employees learn about the Code of conduct through the training given to all new employees when they start their employment at Mips. All employees also sign the Code of Conduct. Through Mips' whistleblower system all employees (and external stakeholders) are given the opportunity to anonymously report deviations from the Code of Conduct, or any other misconduct.

Our function-specific policies, such as the Finance policy and the Supplier Code of Conduct, are followed up by each function. All policies are available to all employees via the intranet, and employees are informed of any updates.

- Code of Conduct
- Supplier Code of Conduct
- Anti-corruption policy
- Finance policy
- Communication policy
- Insider policy
- Staff manual
- Environmental instruction
- Whistleblowing instruction
- Data protection policy

# Responsibility and a long-term perspective

Our business shall 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 other important partners.

It is important for us to do business correctly, with zero tolerance for corruption and bribery, which is followed up annually. We also value and promote fair competition as the power of our offer drives our growth.

## Organization 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, amongst others, are our moral compass, providing clear guidance for our employees in their daily work. In addition, Mips has several further 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 Supplier Code of Conduct, 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.

Mips applies the precautionary principle by assessing and updating risks related to organization, product and sustainability every quarter. Relevant controls and measures are also implemented to handle these risks in the best possible way. More information about risks can be found on page 38-45.

## Laws and regulations

For us, it is a given to respect the laws and regulations that apply in the countries where we operate, which is why we engage legal advisors when needed to ensure our understanding of and compliance with local legislation.

## Whistleblower service

We have reporting procedures regarding suspicions of improprieties that employees should bring to the attention of their immediate supervisor, the CFO, or the CEO. In early 2021, Mips also 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.

Mips ensures that internal and external stakeholders are aware of the company's whistleblower function by informing them about Mips' whistleblower system on:

- Mips' websites ([mipsprotection.com](https://mipsprotection.com) and [mipscorp.com](https://mipscorp.com))
- In Mips' Code of Conduct (which is available on [mipscorp.com](https://mipscorp.com))
- In Mips' Anti-corruption and Anti-bribery policy (which are available on [mipscorp.com](https://mipscorp.com))
- In Mips Supplier Code of Conduct which is intended for – and provided to – all Mips' suppliers.

## Risk analysis and risk management

Our risk analysis forms the basis of the priorities and key areas we are focused on in our sustainability program. The risk analysis is updated every quarter 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 and their associated risks is managed and prepared by Executive Management and ultimately addressed by the Board of Directors. All risks are ranked based on probability and impact on the business. Read more about risks and risk management in the section on risk on pages 38-45.

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

# Input to Mips' sustainability focus

During the year we have continuously followed up and evaluated our focus areas and received input from our stakeholders. We have also carried out an analysis of our total climate impact, the initial results of which we received at the end of 2021. Furthermore we have performed a lifecycle analysis of

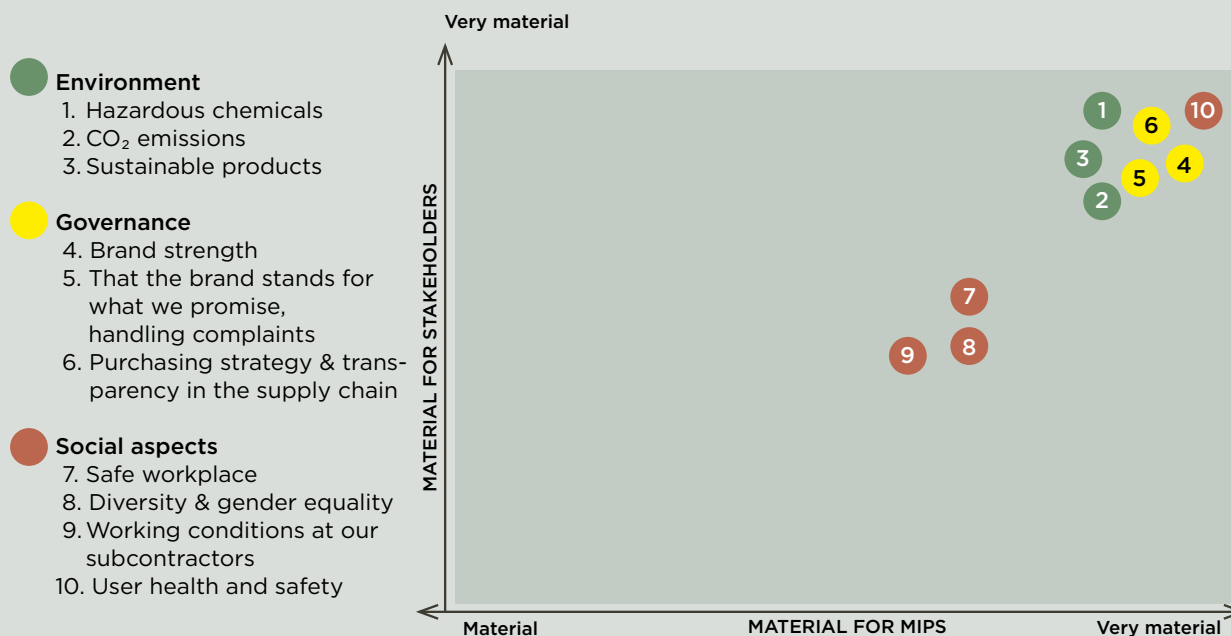
four of our products. The measurement of our total climate impact along with our lifecycle analyses are important to ensure that we focus on the areas where we can make the greatest difference. This work will form the most important building block for our future sustainability work.

## Stakeholder dialogues

We work closely with many of our stakeholders, including customers, suppliers, shareholders, and research institutes. A continuous 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 have shown over several years that we have a good work environment with a high level of employee satisfaction and participation. These employee surveys show that the main area for development is a continued focus on personal development for employees.

We have delved deeper into and structured our sustainability work during the year. Just like last year, we have held stakeholder dialogues with employees, Board members, investors, customers, sustainability specialists and suppliers, and this year we have expanded the number of dialogues and added more questions. Input from these stakeholder dialogues has been fed into a materiality analysis aimed at ensuring we steer our sustainability efforts in the right direction, and focus on the areas of sustainability where Mips has the greatest impact. 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 in sustainability work.

### MATERIALITY ANALYSIS 2021



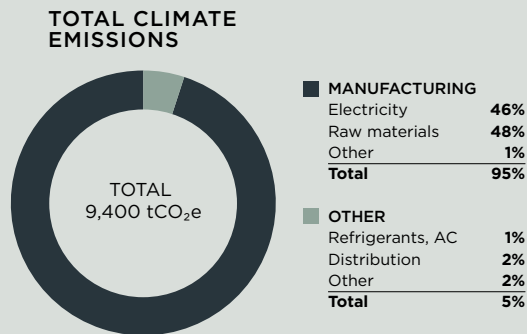
# Mips' total climate impact

In 2021 we analyzed our total climate impact according to the Greenhouse Gas Protocol Initiative (GHG). We have performed calculations of our impact in Scope 1-3. Our goal is to align operations to achieve the Paris Agreement ambitions of no more than 1.5 degrees of climate change.

**Scope 1** consists of direct emissions that we can control ourselves

**Scope 2** represents indirect emissions (energy purchased) from our own operations

**Scope 3** includes indirect emissions from sources that are not controlled by Mips (Mips' value chain)



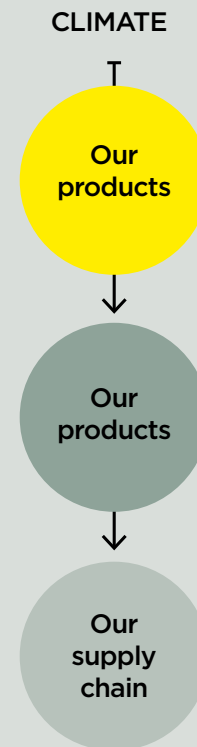
## Total carbon footprint

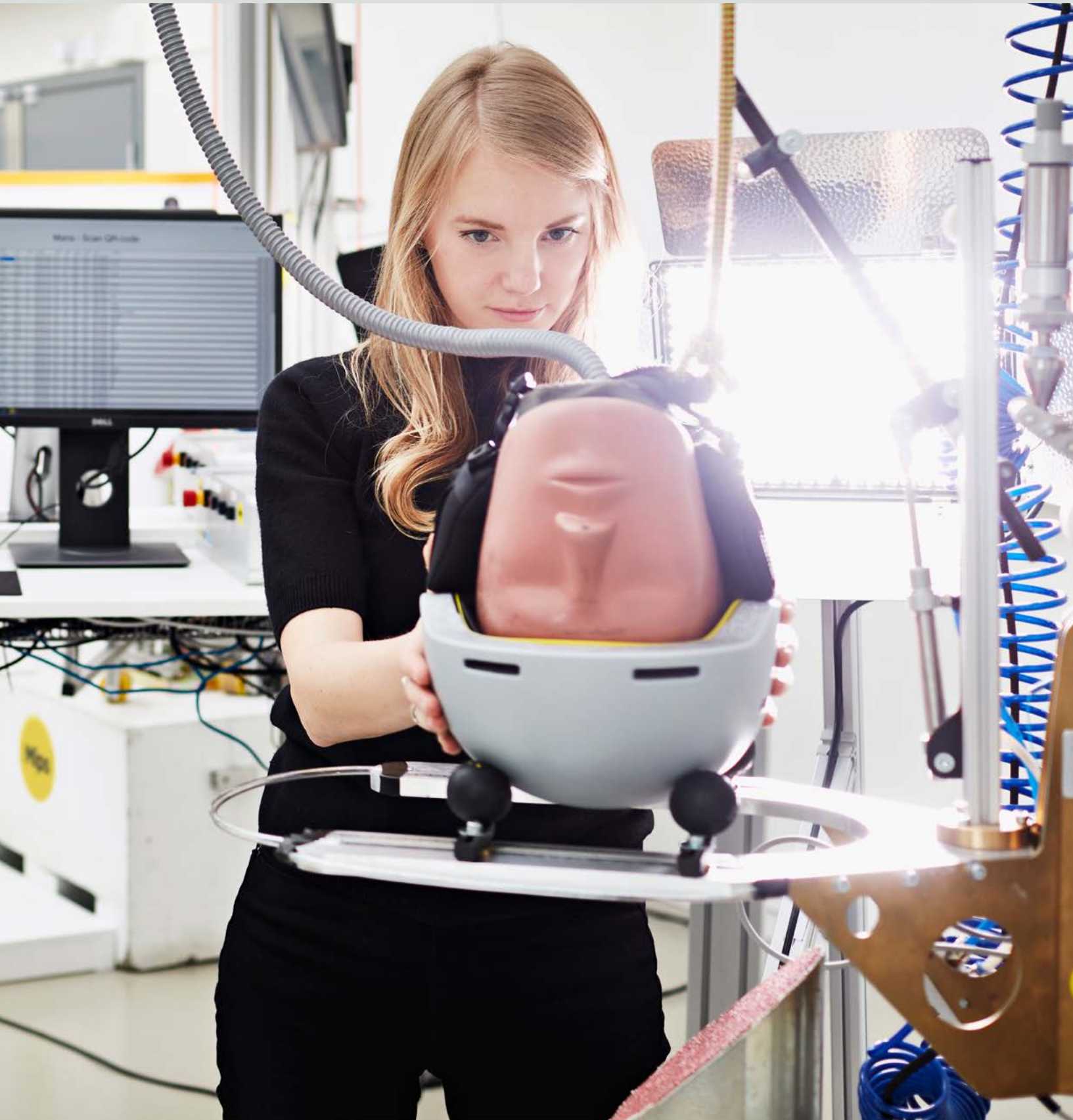
Production within scope 3, related to production of products in our supply chain, accounts for 95% of Mips' total climate emissions. The development of raw material and electricity generated during the production of Mips' components account for 99% of the emissions within scope 3.

The remaining 5% (approximately 500 tCO<sub>2</sub>e) is related to scope 1 and 2 and is mainly derived from transportation of helmet samples between our companies in China and Sweden, as well as the refrigerant at the offices.

## Three focus areas

The stakeholder dialogues and materiality analysis, along with the improved insight we have gained into our total climate impact, have led us to structure our sustainability efforts around three focus areas. The difference compared to the structure and follow-up of previous years' sustainability work is that we have integrated the earlier focus area "our impact on the environment" into the other three focus areas as environmental aspects permeate all three of the other areas.





## FOCUS AREA

# Our employees



### A strong corporate culture

Part of Mips' vision is to use our technology 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 for us to be the leader in our field, and that means having a coaching leadership, good cooperation and engaged employees. It also serves as the foundation for our continued growth journey. We ensure that we maintain this strong corporate culture through continuous and clear communication with and across the entire organization, through our annual kick-offs, through biannual employee surveys and the follow-ups thereof, as well as various team activities throughout the year.

### 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 that 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 has resulted in subsequent employment.

All employees have annual performance appraisals with their immediate supervisor, during which individual goals and development plans are formulated and then followed up regularly. Several times a year "Lunch and Learn" events are arranged, where we hold internal lectures and/or discuss relevant subjects.

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

# Diversity and gender equality

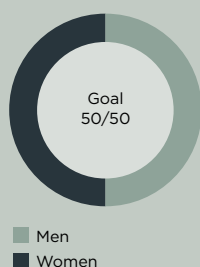
Diversity is a critical success factor for Mips. With different skills and experiences we can constantly evolve as a company. We have employees from many different countries, which is why English is the language spoken in our Group. The helmet industry has traditionally been male-dominated and we are actively working to reverse that trend, as well as to promote diversity in our business. Mips' Code of Conduct emphasizes that all people are of equal value and that Mips must provide fair conditions for all individuals and groups.

## A review of 2021

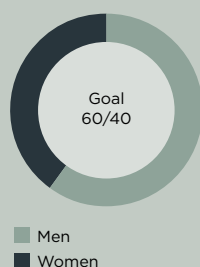
At year end 2021 the number of employees was 78 (61), including 35 (23) women, which corresponds to 45 percent (38) of the total number of employees (including China). Mips is approaching its target of having a 50/50 split between female and male employees, overall. Executive Management currently consists of 7 (7) people, including 2 (2) women, which corresponds 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, which corresponds to 40 percent (40) of the total number of Board members. Our goal is for both the Executive Management and the Board of Directors to have a 40-60 percent balance between both genders.

## INDICATORS FOR GENDER EQUALITY

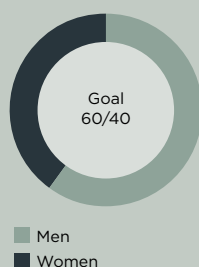
### GENDER DISTRIBUTION, ALL EMPLOYEES



### GENDER DISTRIBUTION, GROUP MANAGEMENT



### GENDER DISTRIBUTION, BOARD OF DIRECTORS



KPI:	Goal	2021	2020	SDG
Gender distribution all employees, (% men/women)	50/50	55/45	62/38	5.5
Gender distribution Executive management, (% men/women)	60/40	71/29	71/29	5.5
Gender distribution Board of Directors, (% men/women)	60/40	60/40	60/40	5.5

# Health, safety and inclusivness

Mips views its employees as the single most important factor for success and recognizes that they create the company's long-term competitiveness. Our overarching goal is for everyone in the Group to feel that they work in a sound, safe and secure environment. Having employees who enjoy their work and feel good is crucial to Mips' success. Our managers engage in active dialogue with employees to ensure their wellbeing and that they have 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 sick leave, stress and burnout, but also leads to a positive atmosphere 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 available to all employees seven days a week. Our subsidiary in China also has a gym as well as health-related initiatives.

Mips has zero tolerance for all forms of discrimination, and this is followed up annually. 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, the CFO, the CEO or via the company's third-party whistleblower channel.

Mips is a global company and for many of our employees travel is essential to the job. We use video and telephone conferencing to the extent possible and appropriate 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.

## The year in review

Mips has zero tolerance for any form of discrimination, bullying or harassment, and since the beginning of 2021 we have had a whistleblowing service in place through which all employees, suppliers and other external stakeholders can anonymously raise the alarm about misconduct or behavior that

violates the Group's Code of Conduct. No incidents were reported to Mips via the whistleblower system this year.

Mips has a zero vision related to occupational injuries and works constantly to evaluate the safety of the workplace. In 2021 Mips carried out a risk analysis of the safety of the office in Sweden. The analysis has shown that the largest risks are found in the workshop and in the testing lab, which has led to updated safety procedures and internal training to prevent accidents occurring. As a further element in ensuring we have a safe workplace, all employees in Sweden have been offered cardiopulmonary resuscitation (CPR) training. Some 50 percent of the employees in Sweden took the course in 2021 and the plan is to offer CPR training again in 2022 to compensate for the courses that had to be cancelled in 2021 due to pandemic restrictions. This is a way to ensure that all our employees know the basics of CPR.

The pandemic has led to new ways of working and in the periods when it has been necessary, all Mips employees have naturally had the opportunity to work from home.

Each year employee surveys are conducted in both Sweden and China, through which 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. The results of the 2021 employee survey showed that Mips still has a positive culture that is characterized by engagement, collaboration, growth and the desire to win.

All employees have annual performance appraisals with their immediate supervisor, during which individual goals and development plans are formulated and then followed up regularly. Part of the individual's development planning involves discussing any skills that need to be developed to help the individual and Mips progress, and identifying how this can be done through both internal learning and external courses and training. As an example, in 2021 seven employees did a leadership course and more people will do the course in 2022.

## A sustainable workplace

In addition to the fact that the pandemic has required more meetings with colleagues and external parties to take place online, we have also been proactive in limiting our travel, which has led to a reduction in our CO<sub>2</sub> emissions from travel, from 3.75 tons per employee in 2019 (150 tons in total) to 0.39 tons per employee in 2021 (24 tons in total). Our target was to half our CO<sub>2</sub> emissions per employee between 2019 and 2021.

Mips' environmental instructions describe the environmental requirements that are to be followed in all internal processes so as to reduce Mips' environmental impact. One of our policies covers

waste and recycling, and our target is to recycle everything that can possibly be recycled, which also includes electronics. In early 2022 Mips will extend the offices in Täby by an additional floor, which will be partly furnished using recycled furniture.

In 2021, 100 percent of Mips' electricity consumption in Sweden came from renewable energy sources. Our goal is to reach the same level in China too, but as renewable energy has not been available to the extent needed, we have chosen to climate compensate for the electricity consumed in China through a Renewable Energy Certificate (I-REC), corresponding to the volume of electricity we consumed in China for the entire year.

## INDICATORS FOR HEALTH, SAFETY AND NON-DISCRIMINATION

KPI	Goal	2021	2020	SDG
Employee turnover, (% of total number of employees)	<10	10%	4%	N/A
Number of cases of workplace harassment investigated	0	0	0	8.8
Skills development and investment in training (% of salary cost)	3.0%	1.0%	0.5%	4.7
Employee survey (BPI metric)	+1 vs the prior year	77	80	8.8
Performance appraisals (% of employees)	100%	100%	100%	4.7
Work-related injuries (no. of accidents)	0	0	0	8.8
Sick leave (Mips AB)	<3%	1.39%	0.83%	N/A

## INDICATORS FOR ETHICS AND CORPORATE CULTURE

KPI	Goal	2021	2020	SDG
Code of conduct updated and approved by the Board	yes	yes	yes	4.7
Code of conduct signed by employees (% of employees)	100%	100%	100%	4.7
Anti-bribery and anti-corruption policy updated and approved by the Board	yes	yes	yes	4.7
Anti-bribery and anti-corruption training (% of employees)	100%	100%	100%	4.7
Corruption (no. of cases reported)	0	0	0	4.7

## INDICATORS FOR A SUSTAINABLE WORKPLACE

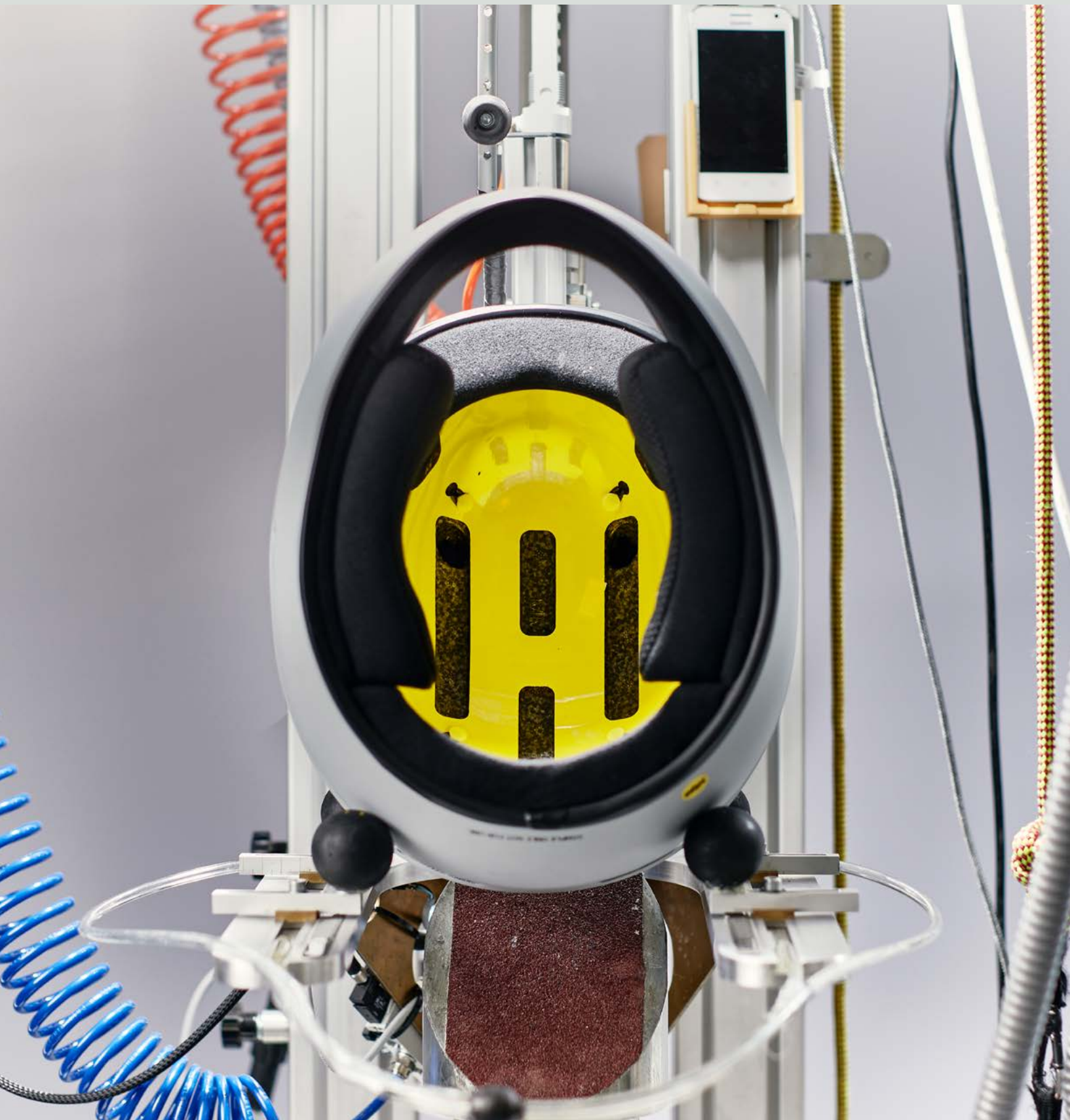
KPI	Goal	2021	2020	SDG
Share of green electricity, Sweden	100%	100%	100%	7.2
Share of green electricity, China	100%	0%*	0%	7.2
CO <sub>2</sub> emissions from air travel (ton CO <sub>2</sub> /employee)	<1.88**	0.39	0.08	13.2

\* Green electricity is not available therefore Mips compensates through a Renewable Energy Certificate.

\*\* Reduce emissions related to air travel by at least 50 percent per employee compared to 2019.

## Risks related to our employees

RISK	MANAGEMENT
Our workplace benefits from being a workplace that is inclusive, where differences are welcomed, respected, valued and embraced. This approach helps create 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. It also creates a risk of individual employees being discriminated against.	<p>This year we have moved towards becoming a more diverse workplace with a 45/55 split between female/male employees, and people of different nationalities, backgrounds, ages and experience.</p> <p>Mips' Code of Conduct states that nobody should be subjected to discrimination. There is also a whistleblowing service through which all employees can report anonymously.</p>
Taking care 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 worklife balance, in order to avoid the risk of poor health and sick leave.	<p>The annual employee survey along with ongoing dialogue between employees and their managers help us to proactively understand whether employees are in the risk zone for needing to go on sick leave.</p> <p>Additionally, Mips offers employees the opportunity to exercise during working hours, access to a gym, massage services and yoga at work, as well as a wellness allowance. Mips also works continuously with occupational safety.</p>



## FOCUS AREA

# Our products



## Helmet safety

Sustainable societal development is extremely important for Mips, and the company believes that its technology and products lead 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 25 years of research in collaboration with the Royal Institute of technology (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, which can lead to brain damage. 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 work to ensure that testing of rotational motion is included as a standard in the 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.

### A review of 2021

This year Mips received four product complaints per 1,000,000 units sold from consumers. Our target is to receive less than five complaints per 1,000,000 units sold, which we achieved with good margin. Most complaints concerned older models or solutions.

In 2021 we submitted several patent applications, a few more than in 2020. This is in part driven by a greater focus on the Safety category, which led to new products needing to be developed to suit the types of helmets in this category. Continuous product development and strong IP protection are important for Mips so that we can retain our competitiveness as a company.

In 2021, Mips launched its product families, a new classification of Mips' various products, which will make it easier for consumers to choose the right system for their needs. The names of the five different product families are Mips Air, Mips Integra, Mips Evolve, Mips Essential and Mips Elevate, which are described more fully on page 32.

In the first quarter of 2021 Mips introduced quarterly measurements of the level of brand awareness amongst consumers to track the development of Mips' brand awareness.

### 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 our membership is to ensure that appropriate 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.

# A sustainable product

Mips constantly strives 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 mapping out our total climate impact. We have also recently completed work on a more detailed lifecycle analysis of four of our best-selling products. Both of these analyses will help us understand where in the manufacturing process we can have the most impact of reducing our climate impact.

The life span of Mips' products should be at least as long or longer than for the helmet in which the product is installed. Many of our products are made of plastic that is recyclable and we always try to use materials that have 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.

## A review of 2021

Helmet safety is and always will be Mips' highest priority, and to give our products the correct properties for safety, we and our subcontractors are currently reliant on a number of chemicals that are classed as toxic in excessive amounts. The levels of

hazardous chemicals in all of our products are very low, and far beneath the current approved limits. We are nonetheless actively working to phase them out and find more environmentally friendly alternatives. In 2021, the volume of PPM (parts per million) was 2.74 which is a reduction compared to the prior year (2.93). Our goal is to use as few hazardous chemicals as possible.

During the year we have continued to look for more sustainable alternatives to the material currently used in our products. One area where we have researched and made progress is with more sustainable polycarbonates (PC) for which we have signed up new suppliers. As a result we will be able to deliver products that offer the same level of safety and the same high quality as before, but made from a more sustainable material. We hope to gradually introduce this approach across our product portfolio and over time offer more sustainable materials in Mips current solutions, thus substantially reducing our and our customers' environmental impact.

Mips' latest innovation, the Virtual Test Lab (VTL) launched in November 2021, allows helmets to be tested in a virtual setting. Mips' VTL will save Mips and the helmet manufacturers we work with both time and money in the development of new helmet models. Virtual testing will also help in reducing our climate impact compared to physical testing alone as fewer physical prototypes will be required and therefore less waste material in the production process.

## INDICATORS FOR OUR PRODUCTS

KPI	Goal	2021	2020	SDG
Consumer complaints, (number of complaints/1 million units sold)	Max 5 per million helmets	4	5	8
Recyclable material in our products, (% of recyclable material in our products)*	100%	>90%	>90%	12.5
Hazardous chemicals	<3 PPM	2.74	2.92	12.4

\* All hard plastic components from Mips' products can be recycled.

## Risks related to our products

RISK	MANAGEMENT
Mips does not conduct any activities of its own that are subject to mandatory reporting requirements. 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 the environmental aspects of new products and minimize negative environmental impact throughout the product cycle. The risk entails environmental and climate impact as well as negative impact from chemicals.	During the last quarter of 2021, Mips carried out lifecycle analyses of our four most-sold products. The lifecycle analyses will help the company better understand which products within our portfolio are more environmentally friendly and which areas of production have the greatest impact on the environment.
Even if Mips views itself as 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 lawyers and patent engineers, and engages external IP law experts. Mips has an extensive training program for customers who sell Mips' technology covering 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.
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, and in more customer factories, there is an increased risk that production will be carried out with materials of the wrong quality, or with lower production quality.	Mips actively works with quality assurance procedures and documentation. The company's quality assurance procedures are regularly updated and monitored. Frequent and proactive quality controls are carried out at factories that manufacture or install Mips' products and the outcome is monitored and documented.



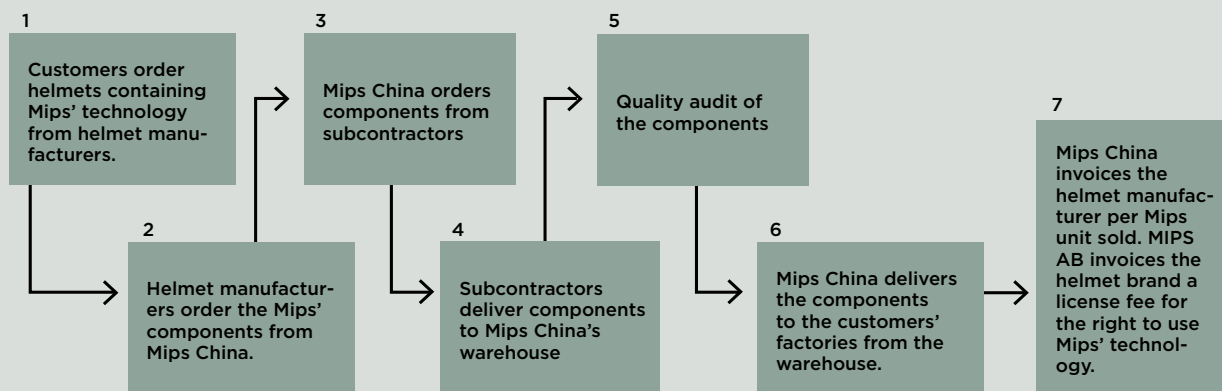
## FOCUS AREA

# Our supply chain

## CLIMATE



## A sustainable supply chain



Mips does not conduct any of its own production, and instead uses external suppliers for the manufacturing of Mips' products. To ensure that our supply chain and the manufacturing of our products is sustainable we therefore need to ensure that the supply chains of our suppliers are sustainable and comply with requirements stipulated by international laws and conventions.

Mips' customers, i.e. helmet manufacturers, have chosen to use factories mainly in China to produce the their products. Due to this Mips opened a subsidiary in 2017 to be as close as possible to the production.

### Supplier Code of Conduct

We believe that we have an important role in ensuring that the human rights of the people we affect through our operations are respected. This includes the entire value chain and every single supplier and distributor. Mips has therefore drawn up a Code of Conduct aimed at defining the sustainability requirements that apply to all suppliers. The supplier Code of Conduct is based on Mips' internal Code of Conduct as well as international conventions and standards such as the ten principles of the UN Global Compact, the standards of the International Labour Organization (ILO) , and the OECD guide-

lines. The Code is a complement to applicable laws and regulations, and the supplier must conduct all activities in full compliance with all laws and regulations that are applicable to its operations. Mips respects, and expects its suppliers to respect, children's rights in accordance with the United Nations Convention on the Rights of the Child and other applicable national and international laws, regulations and rules related to child labor in the countries where our production or operations take place.

Our supplier Code of Conduct has been designed to ensure that all companies in our supply chain take responsibility for the environment, and for respecting human rights, employee rights, working conditions and proper occupational health and safety. Suppliers must also conduct their operations in accordance with applicable laws and regulations.

Mips regularly audits its suppliers to ensure that the requirements of the Code of Conduct are fulfilled. Controls are carried out by Mips' employees 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.

Mips has operations in Sweden and China and deems that there is always a risk that corruption may occur. Mips has an anti-corruption policy and

applies a zero-tolerance policy to corruption and bribery. Mips therefore performs continuous audits of the factories that are part of our supply chain.

All transportation to end markets is handled by our customers, who are encouraged to choose green options to the extent possible. We continually review circumstances with the aim of locating our production as close to the end users as possible, but in this regard we are dependent on our customers and their production logistics. Our subsidiary in China is located close to many of the largest helmet factories in order to minimize negative climate impact. We also deem that future inroads into new categories and greater penetration of certain existing categories, may mean that our production, at least in part, may 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.

All testing of new helmet models with Mips' technology takes place in the testing lab at our offices in Sweden. The helmets used in testing are

then sent to be destroyed and burnt at incinerators where the energy generated through combustion is recycled by a third party and used for household heating.

Since 2021, Mips has had a goal to always choose the most environmentally friendly choice of transportation.

#### A review of 2021

During the year we calculated our total climate impact according to the GHG Protocol, the results of which will provide the basis for our continued efforts to reduce our climate impact. Read more about this on page 57.

In 2021, 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 associated with our value chain, including the workplace environment and working conditions of our suppliers.

RISK	MANAGEMENT
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. Manufacturing of Mips' products takes place at suppliers that are mainly located in China, which entails 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 AND HUMAN RIGHTS

KPI	Goal	2021	2020	SDG
Supplier Code of Conduct updated and approved by the Board	yes	yes	yes	8.7
Supplier Code of Conduct signed by suppliers (%)	100%	100%	100%	8.7
Supplier audit at least bi-annually (% of suppliers)	100%	100%	100%	8.7

### 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 improper conduct in violation of the Code of Conduct have been reported in 2021.

# 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 2021. MIPS AB has defined the scope of the Sustainability Report to pages 46-70 and 137-138 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 53 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.

## The 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 have conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information (revised). 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 audit 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.

## Opinion

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, 24 March 2022

KPMG AB

Tomas Gerhardsson  
AUTHORIZED PUBLIC ACCOUNTANT

Torbjörn Westman  
SPECIALIST MEMBER OF FAR

A silhouette of a person riding a horse in an indoor arena. The rider is wearing a helmet and is positioned on the right side of the frame, facing left. The horse is dark-colored and is standing on a light-colored, textured surface. The background features several arched windows that let in bright light, creating a strong silhouette effect. The overall atmosphere is calm and focused.

# Financial information



# 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 2021.

## General information about operations

MIPS is the market leader in helmet solutions designed to help to reduce harmful rotational motion that can be transferred to the head from angled impacts. 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 sport helmets) and professional users (e.g. industry, military, police, and search and rescue helmets).

MIPS has an "ingredient brand" business model, which means that the company sells its products and licenses associated technology to other companies that manufacture, market and sell helmets to end users. As an ingredient brand, MIPS does not sell or market helmets and therefore does not sell its products to end users. Several world-leading helmet brands have launched helmets with MIPS' safety system and they market them to end customers globally.

The company's technology and patents are based on more than 25 years of research and development that started at the Royal Institute of Technology and the Karolinska Institute in Sweden. Several scientific articles validating the company's technology have been published and over 50,000 internal 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 financial 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 even more price points and in more types of helmet model. It also continued to expand 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 2021 amounted to SEK 608m (365), up 67 percent. Adjusted for currency effects, the increase was 72 percent. The increase was primarily due to higher demand from current customers, with growth mainly in the Sports and Motorcycle categories. Gross profit rose by 68 percent to SEK 445m (265). Gross margin declined by 0.5 percentage points to 73.2 percent (72.8). The change in gross margin can mainly be attributed to the change in the sales mix.

Operating profit rose to SEK 326m (167), corresponding to an operating margin of 53.6 percent (45.8). No items affecting comparability have impacted profit during the year. In 2020 these amounted to SEK 1m. Improvement in the operating profit can primarily be explained by higher sales, partly offset by higher costs due to the strengthening of the organization, marketing investments and the effect of currencies.

Selling expenses amounted to SEK 57m (42), with the increase being largely attributable to increased marketing efforts and strengthening of the organization.

Administrative expenses during the period amounted to SEK 48m (35), with the increase being largely the result of strengthening the organization. Research and development expenses increased to SEK 24m (18), which was the result of product development initiatives. Other operating income and expenses amounted to SEK 9m (-4), mainly due to exchange rate gains.

Reported tax for the period amounted to SEK -73m (-36), corresponding to an effective tax rate of 22.2 percent (22.0).

### LIQUIDITY AND FINANCIAL POSITION

On 31 December 2021, the Group's total assets amounted to SEK 756m (517). Current investments of SEK 361m (181) are invested in their entirety in interest-bearing funds. The equity ratio was 76 percent (82). Cash and cash equivalents, including current investments, totaled SEK 450m (272) on 31 December 2021.

\*For definitions and alternative performance measures, see pages 122-123.

During the year the company saw an increase in accounts receivable to SEK 200m (138), mainly 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 derivatives are measured at fair value and amounted to a financial liability of SEK 10m on 31 December 2021. Last year the derivatives amounted to a financial asset of SEK 18m. 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 11m (15), including investments in intangible assets of SEK 6m (5). Investments in property, plant and equipment totaled SEK 4m (10), mainly attributable to investments in the testing lab and office premises.

As of 31 December 2021 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 2021. The number of shares registered amounted to 26,183,620 as of 31 December 2021. In 2020 MIPS purchased 5,749 of its own shares at an average price of SEK 449.6. On 31 December 2021 the company's holdings of its own shares totaled 5,749 shares, corresponding to less than 0.1 percent of the total number of registered shares. The number of outstanding shares amounted to 26,177,871 as of 31 December 2021.

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

#### Share-based incentive program

The Group has an 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 can result in a dilutive effect of maximum 2.2 percent. The exercise price (before recalculation) is SEK 339.30 per share. Each warrant entitles the holder to acquire one share. Similar to previous warrant plans, conditions apply regarding a recalculated subscription price and a recalculated number of shares as a result of dividends. After recalculation for dividends paid, the exercise price for 2021 is SEK 337.41.

The Group also has an outstanding long-term performance share plan for employees who do not participate in the warrant plan. The performance share plan covers a total of 35 people in Sweden and China. For people 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 4,132 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 R&D at the company includes innovation projects both for its products, as well as development of better materials and components, and processes such as current development of more efficient testing and production processes, and the development of the Virtual Test Lab (VTL). During the year, the company increased product development initiatives and strengthened the organization. Research and development expenses in 2021 were SEK 24m (18). The company did not capitalize development costs in 2021. 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 as a result, MIPS 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.
- Given that the company's products are integrated into products sold to consumers, there is a risk, direct or indirect, of damages and/or lawsuits based on alleged defects or deficiencies in MIPS' technology. There is also a risk that marketing of MIPS' technology by customers or their local sales personnel fails to comply with the company's directives and agreements, and lawsuits 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, shut-downs and strikes, political unrest, shut-downs due to Covid-19, and economic instability, etc., which could make MIPS' or its customers' 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 misconstrue or 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' counter-parties are unable to fulfil their financial obligations to the company, or fulfil 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. Geopolitical uncertainty and military conflicts, such as that currently taking place between Ukraine and Russia, can also arise. It is difficult to assess the future impact of these events on MIPS' business.
- Russia's invasion into Ukraine has affected the geopolitical situation around the world, and has heightened uncertainty about future market developments. MIPS has no activities in either Russia or Ukraine and the direct business exposure is therefore very minimal. Thus far, we are seeing no negative impact on demand, but we are following developments closely.

For information about material risks and risk management at MIPS, see pages 38–45. For more information about the company's financial risks, see note 19.

## Information on non-financial performance indicators

At year-end, the Group had 78 (61) employees. The average number of employees during the year was 70 (55), of which 42 percent (32) 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 four people in China.

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

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

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

These guidelines cover the senior executives at MIPS and are applicable to remuneration that will be agreed, and amendments to remuneration already agreed, after the adoption of the guidelines by the 2022 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

The company's business strategy is briefly summarised below.

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, Motorcycle 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/about-mips/business-model-and-strategy/>.

The company's position as a world-leading actor in its field is largely a result of the innovation, know-how and ability to get things done of a number of individuals affiliated with Mips. To continue to implement the company's business strategy successfully 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/corporate-governance/incentive-program/>.

### TYPES OF REMUNERATION, ETC.

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 share-related or share price-related remuneration, amongst others.

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 Chief Executive Officer 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, for example by 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 insofar 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 the increase and rate of increase 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 of the Chief Executive Officer and remuneration for other employees will be disclosed in the company's remuneration report.

#### 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 of the senior executives. The Board shall prepare a proposal for new guidelines whenever the need arises for substantial changes in the guidelines, however at least every fourth year, and submit it to the Annual General Meeting. The guidelines shall apply 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 insofar 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.

#### DESCRIPTION OF SIGNIFICANT CHANGES TO THE GUIDELINES AND HOW SHAREHOLDER OPINIONS HAVE BEEN TAKEN INTO ACCOUNT

The Board of Directors has not received any opinions from the shareholders on the existing guidelines for remuneration to the senior executives. No significant changes have been made to the guidelines, and the Board's proposal essentially corresponds to the existing guidelines. There has been one clarification regarding the fact that the persons covered by the guidelines are now only referred to as senior executives of the company.

#### Corporate governance report

For the Corporate Governance Report, see page 124 and the company's website [www.mipscorp.com](http://www.mipscorp.com).

#### Parent company

MIPS AB is the parent company of the Group. The accounts of the parent company are essentially consistent with the accounts of the Group, and for that reason, the comments for the Group largely also apply to the parent company. Net sales for the parent company totaled SEK 435m (276) for the full year. The profit during the same period was SEK 237m (115). The parent company had cash and cash equivalents, including current investments, totaling SEK 430m (250) on 31 December 2021.

#### Outlook

The company has established itself as a leader in helmet solutions that are designed to help reduce harmful rotational motion that can be transmitted to the head from angled impact. 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 profits

Available for disposal at the Annual General Meeting:

SEKt	
Share premium reserve	245,935
Fair value reserve	-6,179
Retained earnings	41,339
Profit for the year	236,590
<b>Total</b>	<b>517,686</b>

The Board of Directors proposes that the available funds of SEKt 517,686 be disposed so that SEK 5.0 per share, corresponding to SEKt 130,889 based on the number of shares on 31 December 2021, will be distributed to shareholders and the remaining amount of SEKt 386,797 be carried forward, including SEKt 245,935 to the share premium reserve, SEKt 147,041 to profit brought forward and SEKt -6,179 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	2021	2020
Net sales	2	608	365
Cost of goods sold		-163	-99
<b>Gross profit</b>		<b>445</b>	<b>265</b>
Selling expenses		-57	-42
Administrative expenses		-48	-35
Research and development expenses		-24	-18
Other operating income	3	9	-
Other operating expenses	3	-	-4
<b>Operating profit/loss</b>	4, 6, 7, 21	<b>326</b>	<b>167</b>
Financial income		4	1
Financial expenses		-2	-3
<b>Net financial items</b>	8	<b>2</b>	<b>-2</b>
<b>Profit/loss before tax</b>		<b>328</b>	<b>165</b>
Tax	9	-73	-36
<b>Profit for the year</b>		<b>255</b>	<b>129</b>
Earnings per share basic, SEK	10	9.75	4.96
Earnings per share diluted, SEK	10	9.64	4.93

# Consolidated statement of comprehensive income

SEKm	2021	2020
<b>Profit for the year</b>	<b>255</b>	<b>129</b>
<b>Other comprehensive income</b>		
<b>Items that may subsequently be transferred to profit or loss</b>		
Foreign currency translation	4	0
Changes in fair value for the year, cash flow hedges	-27	19
Change in the fair value of cash flow hedges transferred to profit or loss for the year	6	-5
Tax attributable to items that have been or may subsequently be transferred to profit or loss	4	-3
<b>Items that cannot be transferred to profit or loss for the year</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the year</b>	<b>-13</b>	<b>11</b>
<b>Comprehensive income for the year</b>	<b>242</b>	<b>140</b>

# Consolidated balance sheet

SEKm	Note	31 Dec 2021	31 Dec 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	11	56	55
Property, plant and equipment	12	11	11
Right-of-use assets	21	8	11
Deferred tax assets	9	0	0
Financial assets	13	0	0
<b>Total non-current assets</b>		<b>76</b>	<b>77</b>
<b>Current assets</b>			
Inventories		10	3
Accounts receivable	14, 19	200	138
Prepaid expenses and accrued income	15	5	7
Other current receivables		15	20
Current investments	16, 19	361	181
Cash and cash equivalents	16, 19	89	91
<b>Total current assets</b>		<b>680</b>	<b>440</b>
<b>TOTAL ASSETS</b>	20	<b>756</b>	<b>517</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	17	3	3
Other paid-in capital		274	274
Reserves		-3	10
Retained earnings including profit for the year		303	139
<b>Total equity attributable to Parent Company shareholders</b>		<b>577</b>	<b>426</b>
<b>Non-current liabilities</b>			
Lease liabilities	21	4	8
Deferred tax liabilities	9	1	6
Other liabilities		0	0
<b>Total non-current liabilities</b>		<b>5</b>	<b>14</b>
<b>Current liabilities</b>			
Lease liabilities	21	3	3
Accounts payable		70	33
Tax liabilities		57	18
Other liabilities		20	5
Accrued expenses and deferred income	18	24	18
<b>Total current liabilities</b>	20	<b>174</b>	<b>77</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>756</b>	<b>517</b>

# Consolidated statement of changes in equity

Equity attributable to Parent Company shareholders						
2021	Share capital	Other paid-in capital	Reserves		Profit brought forward incl. Net profit/loss	Total equity
			Translation reserve	Hedging reserve		
SEKm						
Opening equity, 1 January 2021	3	274	0	11	139	426
Profit for the year	-	-	-	-	255	255
Other comprehensive income for the year	-	-	4	-17	-	-13
<b>Comprehensive income for the year</b>	-	-	<b>4</b>	<b>-17</b>	<b>255</b>	<b>242</b>
Dividend paid	-	-	-	-	-92	-92
Share-based remuneration (LTIP)	-	-	-	-	0	0
<b>Total transactions with Group shareholders</b>	-	-	-	-	<b>-92</b>	<b>-92</b>
Closing equity, 31 December 2021	3	274	3	-6	303	577

Equity attributable to Parent Company shareholders						
2020	Share capital	Other paid-in capital	Reserves		Profit brought forward incl. Net profit/loss	Total equity
			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
<b>Comprehensive income for the year</b>	-	-	<b>0</b>	<b>11</b>	<b>129</b>	<b>140</b>
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
<b>Total transactions with Group shareholders</b>	<b>0</b>	<b>62</b>	<b>-</b>	<b>-</b>	<b>-73</b>	<b>-11</b>
Closing equity, 31 December 2020	3	274	0	11	139	426

# Consolidated cash flow statement

SEKm	Note	2021	2020
<b>Operating activities</b>			
Profit/loss before tax		328	165
Adjustment for non-cash items	24	8	13
Income taxes paid		-42	-19
<b>Cash flow from operating activities before changes in working capital</b>		<b>294</b>	<b>160</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in inventory		-6	-1
Increase (-)/decrease (+) in operating receivables		-58	-63
Increase (+)/decrease (-) in operating liabilities		47	20
<b>Cash flow from operating activities</b>		<b>277</b>	<b>116</b>
<b>Investing activities</b>			
Acquisition of intangible assets		-6	-5
Acquisition of property, plant and equipment		-4	-10
Disposal of property, plant and equipment		-	-
Acquisition of financial fixed assets		-	-
Sale of financial assets		-	-
<b>Cash flow from investing activities</b>		<b>-11</b>	<b>-15</b>
<b>Financing activities</b>			
New share issue		-	52
Repurchase own shares		-	-3
Premium received from issue of warrants		-	18
Dividend paid		-92	-79
Amortization of lease liabilities		-3	-4
<b>Cash flow from financing activities</b>		<b>-95</b>	<b>-15</b>
<b>Cash flow for the year</b>		<b>171</b>	<b>85</b>
Cash and cash equivalents at the beginning of the year	16	272	192
Exchange-rate difference, cash and cash equivalents		6	-4
<b>Cash and cash equivalents at the end of the year</b>	<b>16</b>	<b>450</b>	<b>272</b>

# 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 24 March 2022.

### 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 which may entail material adjustment in the financial accounts for the coming 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 2021

New and amended IFRS standards that are effective from 1 January, 2021 have not had any effect on MIPS.

### New IFRS that have not yet begun to be applied

New and amended IFRS that are to be applied in 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 executive 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 have been launched in the professional sector, such as industry, military, firefighters, police, etc., but no major sales have been started in this field. The helmet kit is sold to customers all over 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 executive 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 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 of foreign subsidiaries are translated from the foreign operation's functional currency to the Group's presentation currency, SEK, 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 since 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 upon 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 volume discounts, which gives rise to variable compensation. The company has no fixed or variable discounts aside from the fact that MIPS invoices its customers at a

predetermined price based on volume. The company manufactures goods pertaining to a specific order and design, for which no return or cancellation rights apply.

The Group's revenues primarily consist of sales related to components implemented in helmets including a license fee (component kit) and, to a smaller extent, 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 follows.

#### 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 components, 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 carry-forwards 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

The calculation of earnings per share is based on the 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 share rights, respectively. Dilution from these warrants 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 share rights, consideration is also given to the number of share rights 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, other liabilities (derivatives) 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 included in the accounts when the company has performed, and there is a contractual obligation for the counter-party to pay, even if the invoice has not yet been sent. Accounts receivable are included in the statement of financial position after the invoice has been sent. Liabilities are included in the accounts when the counter-party has performed and a contractual obligation to pay exists, even if the invoice has not yet been received. Accounts payable are included in the accounts when the invoice is 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 agreement has been met or otherwise extinguished.

A financial asset and a financial liability are offset and recognized as a net amount in the statement of financial position only when a legal right exists to offset the amounts and there is an intention 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. Account 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. Historic 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 Group's 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. This includes 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 fulfil 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 using the exchange rate prevailing on the transaction date. The functional currency is the currency of the primary economic environment in which the entity operates. Monetary assets and liabilities in foreign currency are translated to 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. 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 estimated 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* |

\* According to terms of the contract

#### Leases

When a contract is entered into, the Group assesses whether the agreement is, or contains a lease. An agreement is, or contains, a lease agreement if the agreement transfers the right to decide over the use of an identified asset for a certain 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 the initial amount of the liability adjusted for any lease payments at or before the commencement date plus any initial 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 the fact 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
- penalties paid in the event of termination of the leasing agreement if the assessed leasing period reflects that such termination will take place.

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 by 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 ready for use is 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 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 settled 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 has defined-contribution 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 event 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 component kits for helmet manufacturers. Sales of services (implementation) are attributable to the development of customized MIPS' safety systems for a specific customer and model.

### Revenue by nature

SEKm	2021	2020
Sales of goods	593	344
Sales of services	15	21
<b>Total</b>	<b>608</b>	<b>365</b>

Sales of goods correspond to revenue reported at the 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 comes largely from customers in North America and Europe. The majority of sales in North America is due to the large number of helmet manufacturers in this geographic region. Specification by region is based on the customers' domicile and not distribution.

### Revenue by helmet category

SEKm	2021	2020
Sports	570	341
Motorcycle	35	24
Safety	3	0
<b>Total</b>	<b>608</b>	<b>365</b>

### Revenue by region

SEKm	2021	2020
North America	409	261
Europe	120	73
Sweden	47	13
Asia and Australia	32	18
<b>Total</b>	<b>608</b>	<b>365</b>

Revenue by customer in the table below is based on customers and sales over 10 percent of the company's net sales for each year. The largest customer accounted for 16 percent (17) of sales in 2021. The five largest customers in 2021 accounted for 49 percent (52) of net sales.

### Revenue by customer

SEKm	2021	2020
Customer 1	97	63
Customer 2	70	42
Customer 3	53	36
Other customers	388	223
<b>Total</b>	<b>608</b>	<b>365</b>

### Contract balances

Revenue recognized during the period ending 31 December 2021 from performance obligations that were satisfied (or partially satisfied) in prior periods amounts to SEK 1m (4). 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	2021	2020
Exchange rate gain on operations	9	-
<b>Total</b>	<b>9</b>	<b>-</b>

### Other operating expenses

SEKm	2021	2020
Loss on disposal of non-current assets	-	-
Exchange rate loss on operations	-	-4
<b>Total</b>	<b>-</b>	<b>-4</b>

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

##### Costs for employee remuneration

SEKm	2021	2020
Salaries and other remuneration	49	37
– of which the parent company	45	34
Pension costs, defined-contribution plans	6	5
– of which the parent company	6	5
Social security contributions	15	10
– of which the parent company	15	10
<b>Total</b>	<b>70</b>	<b>52</b>
– of which the parent company	65	49

##### Average number of employees

	2021	of which men, %	2020	of which men, %
<b>Parent Company</b>				
Sweden	51	55	40	67
<b>Total parent company</b>	<b>51</b>	<b>55</b>	<b>40</b>	<b>67</b>
<b>Subsidiaries</b>				
Sweden	–	–	–	–
China	19	68	15	70
<b>Total subsidiaries</b>	<b>19</b>	<b>68</b>	<b>15</b>	<b>70</b>
<b>Group, total</b>	<b>70</b>	<b>58</b>	<b>55</b>	<b>68</b>

##### Gender distribution in executive management

(% men)	2021	2020
Board of Directors	60	60
Other senior executives	71	79

##### Salaries and other remuneration distributed among senior executives and other employees

	2021		2020	
SEKm	Salaries and remuneration	Social security contributions	Salaries and remuneration	Social security contributions
<b>Senior executives</b>	18	6	13	5
– of which variable remuneration	5	1	1	0
– of which pension costs	2	1	2	1
<b>Other employees</b>	30	14	24	8
– of which variable remuneration	1	0	0	0
– of which pension costs	3	5	–	3
<b>Total</b>	<b>49</b>	<b>21</b>	<b>37</b>	<b>15</b>

#### Benefits to senior executives

##### PRINCIPLES FOR REMUNERATION

Board fees are resolved by the Annual General Meeting. The Chairman is tasked by the Board to reach an agreement with the Chief Executive Officer on salary and other benefits. Remuneration to executives who report directly to the CEO is decided by the CEO after salary consultation with the remuneration committee and the Board. The main principle is to offer senior executives market-based remuneration and employment conditions. 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 long-term incentive programs in the form of warrant plans.

##### 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. 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 the 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 2021 was primarily based on the Group's sales, operating profit, sustainability targets, 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, sustainability targets, cost targets and individual targets. Variable salary is awarded on an individual basis and for 2021 it could not exceed 50 percent of base salary. The period of notice for other senior executives varies, but is not exceeding 6 months. Senior executives are not entitled to severance pay. At the end of the fiscal year Executive Management consisted of 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 the 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

2021 SEKt	Basic salary Board fee	Variable remunera- tion	Share-based remuneration	Pension costs	Other remunera- tion	Total
Magnus Welander (Chairman)	485	-	-	-	-	485
Jenny Rosberg	325	-	-	-	-	325
Jonas Rahmn	245	-	-	-	-	245
Thomas Bräutigam	275	-	-	-	-	275
Pernilla Wiberg	225	-	-	-	-	225
<b>Total, Board</b>	<b>1,555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,555</b>
Max Strandwitz (CEO)	4,048	2,925	-	1,071	-	8,044
Group management (6 individuals)	7,119	1,753	-	1,701	-	10,431
<b>Total senior executives</b>	<b>11,167</b>	<b>4,678</b>	<b>-</b>	<b>2,772</b>	<b>-</b>	<b>18,475</b>
<b>Total</b>	<b>12,722</b>	<b>4,678</b>	<b>-</b>	<b>2,772</b>	<b>-</b>	<b>20,030</b>

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

## NOTE 5 SHARE-BASED REMUNERATION

### Warrants TO Series 3

The Group has an outstanding warrant program ("Warrant Plan 2020/2023"), that was adopted by the Annual General Meeting in 2020, for senior executives and certain key persons in MIPS (12 persons in total) consisting of an issue of warrants with a subsequent transfer to the participants at a price corresponding to market terms.

Each warrant entitles the participant to a 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 339.30 per share. Similar to previous warrant plans, conditions apply regarding a recalculated subscription price and a recalculated number of shares as a result of dividends. After recalculation for dividends paid in 2021, the exercise price is SEK 337.41. As of 30 December 2021, the last trading day of the year, the closing price for the MIPS share on Nasdaq Stockholm was SEK 1,187.

### LTIP 2020

The Annual General Meeting held on 7 May 2020 also resolved to adopt a long-term performance share plan for MIPS' employees ("LTIP 2020"), which comprised all employees within the MIPS group except for the employees who were offered to participate in the Warrant plan 2020/2023. Participation in the plan required a personal investment

and the participants could 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 share right and each performance share right 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 the 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 35 as of 31 December 2021. A total of 5,749 shares were invested in the plan, and after a couple of employees resigned, the outstanding number of shares was 5,296 as of 31 December 2021. For people employed by MIPS' subsidiary in China, certain other conditions apply entailing that these employees have received synthetic shares, free of charge, instead of performance share rights and that no personal investment is required. The share performance program comprises a total of 4,132 shares and 1,164 synthetic shares.

### Warrants TO Series 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 0.3m (0.2).

### Warrants

2021 Number	Outstanding warrants at the start of the year	Issued warrants during the year	Forfeited warrants during the year	Exercised warrants during the year	Number of out- standing warrants at year-end
<b>CEO, senior executives and other employees (TO Series 1, TO Series 3)</b>					
Max Strandwitz (CEO)	216,494	-	-	-	216,494
Other senior executives and key personnel	333,506	-	-	-	333,506
<b>Total senior executives</b>	<b>550,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>550,000</b>

## NOTE 5 SHARE-BASED REMUNERATION, CONTINUED

### Warrants

2020 Number	Outstanding warrants at the start of the year	Issued warrants during the year	Forfeited warrants during the year	Exercised warrants during the year	Number of out- standing warrants at year-end
<b>Board of Directors (TO Series 2)</b>					
Magnus Welander (Chairman)	50,000	-	-	-50,000	-
Pär Arvidsson	50,000	-	-	-50,000	-
Jonas Rahmn	50,000	-	-	-50,000	-
Pernilla Wiberg	50,000	-	-	-50,000	-
Bengt Baron (former Chairman)	100,000	-	-	-100,000	-
<b>Total, Board</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>-300,000</b>	<b>-</b>
<b>CEO, senior executives and other employees (TO Series 1, TO Series 3)</b>					
Max Strandwitz (CEO)	150,000	216,494	-	-150,000	216,494
Johan Thiel (former CEO)	200,000	-	-	-200,000	-
Other senior executives and key person- nel	225,000	333,506	-	-225,000	333,506
<b>Total senior executives</b>	<b>575,000</b>	<b>550,000</b>	<b>-</b>	<b>-575,000</b>	<b>550,000</b>
<b>Market value per series</b>					
Warrants Series 1 issued 2017					4.45
Warrants Series 2 issued 2017					4.45
Warrants Series 3 issued 2020					32.10
<b>Conditions of valuation, Series 3</b>					
Exercise price, SEK					339.30
Volatility, %					30
Risk-free interest, %					-0.24
Dividend					0
Share price at issue date, SEK					261
Maturity, years					3

### Share-based incentive program LTIP 2020

Fair value per share at the start of the program amounted to SEK 237.30 per share. 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. In 2020, 5,749 performance share rights were granted. As of 31 December 2021, the outstanding number of performance share rights was 5,296 after a certain number of employees left the company.

## NOTE 6 FEES AND REMUNERATION OF AUDITORS

### Fees and remuneration of auditors

SEKm	2021	2020
<b>KPMG AB</b>		
Audit assignment	1	1
Fees for audit-related services	0	-
<b>Other auditors</b>		
Tax advice	0	0
Audit assignment	0	-
<b>Total</b>	<b>1</b>	<b>1</b>

## NOTE 7 OPERATING EXPENSES BY TYPE OF COST

### Operating expenses by type of cost

SEKm	2021	2020
Goods for resale and consumables	151	91
Personnel expenses	73	54
Other external costs	57	41
Legal advice costs	1	1
Depreciation/amortization and impairment	9	9
Other operating expenses	19	4
<b>Total</b>	<b>309</b>	<b>199</b>

For more information regarding other operating expenses see Note 3.

## NOTE 8 NET FINANCIAL ITEMS

### Net financial items

SEKm	2021	2020
<b>Financial income</b>		
Interest income		
- bank balances	-	-
Change in fair value of financial investments	-	1
Other financial income	0	0
Exchange gains, cash and cash equivalents	4	-
<b>Total</b>	<b>4</b>	<b>1</b>
<b>Financial expenses</b>		
Interest expenses		
- lease liabilities	0	-1
- financial liabilities measured at amortized cost	-	-
Change in fair value of financial investments	-1	-
Other financial expenses	0	0
Exchange loss, cash and cash equivalents	-	-3
<b>Total</b>	<b>-2</b>	<b>-3</b>

## NOTE 9 TAXES

### Taxes

SEKm	2021	2020
<b>Current tax</b>		
Tax expenses for the year	-74	-34
<b>Deferred tax</b>		
Deferred tax pertaining to temporary differences	1	-2
<b>Total</b>	<b>-73</b>	<b>-36</b>

### Reconciliation of effective tax

SEKt	2021	2020
Profit/loss before tax	327,924	165,296
Tax in accordance with applicable tax rate for parent company	20.6% -67,552	21.4% -35,373
Non-deductible expenses	-975	-189
Effect of unrecognized temporary differences	-	-173
Standard income, shares in investment funds	-149	-125
Impact of changed tax rate	-7	53
Impact of other tax rates on foreign subsidiaries	-1,191	-519
Impact of adjusted tax prior periods	-2,762	-
<b>Total</b>	<b>-72,638</b>	<b>-36,327</b>

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 if the tax assets are expected to be utilized through the settlement of future taxable profits. As of 31 December 2021 the Group had no unused tax loss carry-forwards.

## NOTE 9 TAXES CONTINUED

### Deferred tax assets and liabilities

31 Dec 2021 SEKt	Deferred tax assets	Deferred tax lia- bilities	Net	31 Dec 2020 SEKt	Deferred tax assets	Deferred tax lia- bilities	Net
Intangible assets	-	-3,415	-3,415	Intangible assets	-	-2,996	-2,996
Property, plant and equipment	368	-109	259	Property, plant and equipment	140	-51	89
Right-of-use assets	-	-1,614	-1,614	Right-of-use assets	-	-2,217	-2,217
Accounts receivable	54	-	54	Accounts receivable	48	-	48
Lease liabilities	1,667	-	1,667	Lease liabilities	2,217	-	2,217
Other receivables (Derivatives)	1,986	-	1,986	Other liabilities (Derivatives)	-	-3,620	-3,620
Other	248	-	248	Other	105	-	105
<b>Total deferred tax assets/liabilities</b>	<b>4,322</b>	<b>-5,138</b>	<b>-816</b>	<b>Total deferred tax assets/liabilities</b>	<b>2,510</b>	<b>-8,884</b>	<b>-6,374</b>
Offsetting	-4,075	4,075	-	Offsetting	-2,510	2,510	-
<b>Total deferred tax assets/liabilities, net</b>	<b>247</b>	<b>-1,063</b>	<b>-816</b>	<b>Total deferred tax assets/liabilities, net</b>	<b>-</b>	<b>-6,374</b>	<b>-6,374</b>

### Change in deferred tax in temporary differences

SEKt	31 Dec 2020	Recognized in equity Income statement	Recognized in equity other comprehensive income	Recognized in equity	31 Dec 2021
Intangible assets	-2,996	-419	-	-	-3,415
Property, plant and equipment	89	170	-	-	259
Right-of-use assets	-2,217	602	-	-	-1,614
Accounts receivable	48	5	-	-	53
Lease liabilities	2,217	-548	-	-	1,667
Other liabilities (Derivatives)	0	383	1,603	-	1,986
Other receivables (Derivatives)	-3,620	857	2,763	-	-
Other	105	143	-	-	248
<b>Total</b>	<b>-6,374</b>	<b>1,192</b>	<b>4,366</b>	<b>-</b>	<b>-816</b>

SEKt	31 Dec 2019	Recognized in equity Income statement	Recognized in equity other comprehensive income	Recognized in equity	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
<b>Total</b>	<b>-1,526</b>	<b>-1,957</b>	<b>-2,882</b>	<b>-9</b>	<b>-6,374</b>

## NOTE 10 EARNINGS PER SHARE

### Earnings per share

SEK	2021	2020
Earnings per share basic	9.75	4.96
Earnings per share diluted	9.64	4.93
	2021	2020
Profit for the year attributable to parent company shareholders	255,286,133	128,968,442
Average number of shares outstanding, basic	26,183,620	25,996,417
Impact of share option program	308,578	169,687
Effect of long-term share-based incentive program	3,435	1,682
<b>Average number of shares – after dilution</b>	<b>26,495,633</b>	<b>26,167,786</b>

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

### Instruments with a dilutive effect

Dilution has been calculated for warrants exercised during the year up to the time of use, and for warrants issued during the year from the time of publication. For the number of warrants and exercise prices see note 5, Share-based remuneration. The share rights in the performance share program are seen as dilutive due to the program conditions relating to the fact that the return on shares would have been fulfilled as of the end of the reporting period if the reporting period output had constituted the end of the vesting period. 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 2021	31 Dec 2020
<b>Accumulated cost</b>		
Opening balance, 1 Jan	65	60
Acquisitions	7	5
<b>At year-end, 31 Dec</b>	<b>72</b>	<b>65</b>
<b>Accumulated depreciation</b>		
Opening balance, 1 Jan	-10	-4
Amortization	-5	-6
<b>At year-end, 31 Dec</b>	<b>-15</b>	<b>-10</b>
<b>Total</b>	<b>56</b>	<b>55</b>

The intangible assets are mainly attributable to the company's acquisition of patent portfolios and other intellectual property rights associated with the technologies for Fluid and GlideWear. Remaining economic lives as of 31 December 2021 amount to 1-18 years. Reported value regarding the technologies Fluid and GlideWear amount to SEK 31 million and the remaining useful life for these amounts to just over 7 years. The carrying amount of patents amounts to SEK 24 million. A useful life of between 1-18 years is calculated for these patents, where there are patents with a 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	2021	2020
<b>Depreciation, by function</b>		
Cost of goods sold	-5	-6
Selling expenses	0	0
<b>Total</b>	<b>-5</b>	<b>-6</b>

## NOTE 12 PROPERTY, PLANT AND EQUIPMENT

### Property, plant and equipment

SEKm	31 Dec 2021	31 Dec 2020
<b>Accumulated cost</b>		
Opening balance, 1 Jan	16	8
Acquisitions	4	11
Divestments and disposals	0	-2
<b>At year-end, 31 Dec</b>	<b>20</b>	<b>16</b>
<b>Accumulated depreciation</b>		
Opening balance, 1 Jan	-6	-5
Depreciation	-4	-3
Divestments and disposals	0	2
<b>At year-end, 31 Dec</b>	<b>-10</b>	<b>-6</b>
<b>Total</b>	<b>11</b>	<b>11</b>

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	2021	2020
<b>Depreciation, by function</b>		
Cost of goods sold	0	0
Selling expenses	0	0
Administrative expenses	-2	-1
R&D expenses	-1	-1
<b>Total</b>	<b>-4</b>	<b>-3</b>

## NOTE 13 FINANCIAL ASSETS

### Financial assets

SEKm	31 Dec 2021	31 Dec 2020
<b>Accumulated cost</b>		
Opening balance, 1 Jan	0	1
Acquisitions		
Deferred tax assets	0	
Divestments	-	-1
Exchange rate differences	-	-
<b>At year-end, 31 Dec</b>	<b>0</b>	<b>0</b>

Relates to deposits for lease contracts.

## NOTE 14 ACCOUNTS RECEIVABLE

### Accounts receivable

Invoiced receivables are due as follows:

SEKm	31 Dec 2021	31 Dec 2020
Invoiced receivables	198	144
Currency adjustments	2	-5
Reserve, expected credit losses	0	0
<b>Total</b>	<b>200</b>	<b>138</b>
<b>Invoiced receivables are due as follows:</b>		
Not yet due	89	68
Overdue by 1-30 days	48	34
Overdue by 31-60 days	30	16
Overdue by 61-90 days	12	13
Overdue by 91+ days	19	12
<b>Total</b>	<b>198</b>	<b>144</b>

### Change in reserve for expected credit losses

Opening balance, 1 Jan	0	0
During the year		
- repaid	-	-
- provisions established	0	0
<b>At year-end, 31 Dec</b>	<b>0</b>	<b>0</b>

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 2021	31 Dec 2020
Accrued revenue	1	4
Prepaid system costs	1	1
Other	3	2
<b>Total</b>	<b>5</b>	<b>7</b>

## NOTE 16 CASH AND CASH EQUIVALENTS AND CURRENT INVESTMENTS

### Cash and cash equivalents and current investments

SEKm	31 Dec 2021	31 Dec 2020
Cash and bank balances	89	91
<b>Total according to statement of financial position</b>	<b>89</b>	<b>91</b>
Current investments equivalent to cash and cash equivalents	361	181
<b>Total according to statement of cash flows</b>	<b>450</b>	<b>272</b>

Cash and bank balances refer to balances of bank accounts in SEK, USD, CNY and EUR. Current investments relate to surplus liquidity invested in units of fixed income funds at highly reputable credit institutions; these investments can be sold within 2 days. MIPS believes that the company can convert the investments in a short time to a known amount of 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 2021	26,183,620
<b>Registered number of shares, 31 Dec 2021</b>	<b>26,183,620</b>
Own shares held	-5,749
<b>Outstanding shares at year-end, 31 Dec 2021</b>	<b>26,177,871</b>
	Total no. of shares
Opening balance, 1 Jan 2020	25,299,870
New share issue	883,750
<b>Registered number of shares, 31 Dec 2020</b>	<b>26,183,620</b>
Own shares held	-5,749
<b>Outstanding shares at year-end, 31 Dec. 2020</b>	<b>26,177,871</b>

### Share capital

As of 31 December 2021, the total number of shares was 26,183,620 (26,183,620) and share capital was SEK 2,618,362 (2 618 362). 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. In 2020, MIPS acquired 5,749 own shares at an average price of SEK 449.60. As of 31 December 2021 the company's holding amounted to 5,749 shares, which corresponds to less than 0.1 percent of the total number of registered shares. The number of outstanding shares amounted to 26,177,871 as of 31 December 2021.

### Equity instruments that have a dilutive effect

The company has issued warrants and a granted performance share rights, 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

This refers to equity that has been contributed by shareholders, and includes the premium paid in conjunction with issues.

### 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 2021	31 Dec 2020
Holiday pay liability	2	2
Accrued salaries and remuneration	8	4
Accrued social security expenses	4	2
Estimated payroll tax on pensions	-	-
Prepaid Implementation	1	1
Other accrued expenses	9	9
<b>Total</b>	<b>24</b>	<b>18</b>

Thus far, the current Covid-19 situation has not affected MIPS' customers' solvency. 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 between a large number of customers, which is why the solvency of any one company has no significant detrimental impact on the company. The company continuously analyses accounts receivable and takes measures to limit 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.

## 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 focused on 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 at the correct time. The Group's principles for fundamental financial risk management are regulated in the Group's Finance Policy, as adopted by the Board.

### Credit risk

Credit risk is the risk that the Group's counter party in a financial instrument is unable to fulfill its obligations and thus 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. Historically, bad debt losses for MIPS AB have not totaled significant amounts, and in the Chinese subsidiary, MIPS DG they have been almost non-existent. For that reason, MIPS has chosen to use the same basis to calculate the expected credit losses (ECL) in the parent company and the Group, i.e. the same calculation basis has been used for the ECL of the parent company as for the Group. MIPS has used an average for the last 5 years and created a reserve for credit losses using an average rate of 0.11%. As the amounts for past credit losses and expected credit losses are not material, MIPS has not provided detailed information about the assessments in the Annual Report, according to IFRS 7.

The company continuously analyses accounts receivable and takes measures to limit credit risk.

SEKm	31 Dec 2021	31 Dec 2020
Invoiced receivables	198	144
Currency adjustments	2	-5
Reserve, expected credit losses	0	0
<b>Total</b>	<b>200</b>	<b>138</b>
<b>Invoiced receivables are due as follows:</b>		
Not yet due	89	68
Overdue by 1-30 days	48	34
Overdue by 31-60 days	30	16
Overdue by 61-90 days	12	13
Overdue by 91+ days	19	12
<b>Total</b>	<b>198</b>	<b>144</b>
<b>Change in reserve for expected credit losses</b>		
Opening balance, 1 Jan	0	0
During the year		
- repaid	-	-
- provisions established	0	0
<b>At year-end, 31 Dec</b>	<b>0</b>	<b>0</b>

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

### Interest rate risk

The Group's interest-rate risk is attributable to 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 can convert the investments in a short time to a known amount of 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 (%)

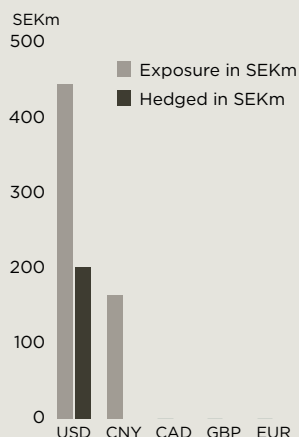
	2021		2020	
	Revenue	Operating expenses	Revenue	Operating expenses
USD	73	7	76	9
CNY	27	49	24	37
SEK	0	39	0	48
EUR	-	1	-	2
CAD	-	0	-	0
GBP	0	4	-	4
Other	-	0	-	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

As the table above shows, the company's main transaction exposure is in USD. A 10 percent change in the USD against the SEK would impact the 2021 operating profit by approximately SEK 42m (26). Other currencies would have a limited impact on the 2021 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 2021 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 its forecast sales in USD for rolling twelve-month periods. This is done using currency futures.

### TRANSACTION EXPOSURE



The graph above shows the breakdown of MIPS' net inflows in various currencies and the proportion hedged in 2021. The company currently only hedges in USD. As of 31 December 2021 the nominal amounts hedged totaled USD 22.5m (16), corresponding to SEK 202m (148). The average price for outstanding futures was SEK 8.61 (9.25) and all contracts expire within 12 months.

MIPS' safety system components are sold from the Chinese subsidiary, which means 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 customer agreements. This means that the company's exposure to the 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 progress 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 50 percent of the company's annual net profit over time.

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

### 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 reasons such 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, a number of derivatives contracts have been entered into with banks covering forecast sales in USD. The derivatives are valued at fair value on the balance sheet. Hedge accounting is applied.

The Group currently only has derivative instruments classified under level two in the valuation hierarchy:

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

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

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

31 Dec 2021 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)	13	-	-	0	-	-	0	0
Accounts receivable	14	-	-	200	-	-	200	200
Other current receivables		-	-	15	-	-	15	15
Current investments	16	361	-	-	-	-	361	361
Cash and cash equivalents	16	-	-	89	-	-	89	89
Accounts payable		-	-	-	-	-70	-70	-70
Other liabilities (Derivatives)		-	-10	-	-	-	-10	-10
Other receivables (Derivatives)		-	-	-	-	-	-	-
Accrued expenses	18	-	-	-	-	-24	-24	-24
<b>Total financial assets and liabilities by category</b>		<b>361</b>	<b>-10</b>	<b>305</b>	<b>-</b>	<b>-94</b>	<b>561</b>	<b>561</b>

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)	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 liabilities (Derivatives)		-	18	-	-	-	18	18
Accrued expenses	18	-	-	-	-	-18	-18	-18
<b>Total financial assets and liabilities by category</b>		<b>181</b>	<b>18</b>	<b>230</b>	<b>-</b>	<b>-51</b>	<b>378</b>	<b>378</b>

## 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 recognized refers to the non-cancellable period according to agreement. 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. At mid-year a new rental lease was signed for more premises in the current office building in Täby. MIPS will gain access to these premises in February 2022, at which time right-of-use assets will increase by SEK 10.2m to SEK 17.9m. There will also be a review of new premises in China this year.

Amounts recognized in profit or loss are summarized below.

SEKm	2021	2020
Leases of low-value assets	0	0
Depreciation of right-of-use assets relating in their entirety to leases for office space	3	3
Interest expense, lease liability	0	1
Variable lease payments not included in the valuation of lease liability	0	0

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

Closing balance as of 31 December regarding rented office properties

SEKm	2021	2020
Right-of-use assets	8	11
Current lease liability	3	3
Non-current lease liability	4	8

No new right-of-use assets were added in 2021.

Cash Flow 2021 from lease agreements

SEKm	2021	2020
Right of use of low-value assets	0	0
Total cash outflow for leases	3	4

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;

	2021	2020
1 year	4	3
2-3 years	8	5
4-5 years	8	2

## NOTE 22 INVESTMENT COMMITMENTS

The company has no significant investment commitments as of 31 December 2021 or 2020.

Regarding assumptions pertaining to acquired intangible assets, see Note 11.

## NOTE 23 RELATED PARTIES

No material related-party transactions were carried out during 2021 in addition to paid dividends.

## NOTE 24 SPECIFICATION OF STATEMENT OF CASH FLOWS

Specification of statement of cash flows

SEKm	2021	2020
Depreciation/amortization of non-current assets	12	12
Unrealized exchange-rate differences	-11	6
Change in value of financial instruments	6	-5
Other items not affecting liquidity	1	1
<b>Total</b>	<b>8</b>	<b>13</b>

Interest income and expense

SEKm	2021	2020
Interest income received	0	0
Interest expense	0	0

## NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets and contingent liabilities

	2021	2020
Pledged assets	None	None
Contingent liabilities	None	None

No patent disputes were initiated or resolved in 2021 or 2020.

There were no costs for patent disputes this year or in the prior year.

## 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 be changed at a later date, for example because of changes in factors in the external business environment. The judgments that are most critical to MIPS are presented below. An Audit Committee was established in 2016 consisting of some of the Board's members 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 its patents and brand protection. Several assumptions and estimates are made concerning the future, 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 incidents. Patent infringement from competitors also occurs. Accordingly, there is a need to monitor related market developments, 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 THE BALANCE-SHEET DATE

On 3 January 2022 MIPS' shares were listed on the Nasdaq Stockholm Large Cap. Prior to that MIPS has been listed on the Nasdaq Stockholm Mid Cap.

MIPS carried out an acquisition on 11 January 2022. The transaction involved the purchase of patent rights and certain other intellectual property rights from BiaGuard Inc. related to the BiaGuard technology. The purchase price was approximately USD 1 million, which was paid in cash, and MIPS may pay a further purchase consideration of up to USD 1 million based on MIPS' future sales of the BiaGuard technology. The acquisition is not deemed to have a material effect on MIPS' net sales or EBIT in 2022.

MIPS has sent out press releases during March 2022 with updates on the potential impacts from the pandemic situation in China.

## NOTE 28 INFORMATION ABOUT THE PARENT COMPANY

MIPS AB (publ) 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	2021	2020
Net sales	P2	435	276
Cost of goods sold		-26	-30
<b>Gross profit</b>		<b>409</b>	<b>246</b>
Selling expenses		-55	-39
Administrative expenses		-45	-35
Research and development expenses		-22	-16
Other operating income	P3	12	-
Other operating expenses	P3	-	-4
<b>Operating profit/loss</b>	P4, P18, 4, 5, 6	<b>298</b>	<b>153</b>
Financial income		4	1
Financial expenses		-1	-2
<b>Net financial items</b>		<b>301</b>	<b>151</b>
Appropriations		-2	-5
<b>Appropriations</b>	P5	<b>-2</b>	<b>-5</b>
<b>Profit/loss before tax</b>		<b>299</b>	<b>147</b>
Tax	P6	-62	-32
<b>Profit for the year</b>		<b>237</b>	<b>115</b>

# Parent company statement of comprehensive income

SEKm	2021	2020
<b>Profit for the year</b>	<b>237</b>	<b>115</b>
<b>Other comprehensive income</b>		
<b>Items that may subsequently be transferred to profit or loss</b>		
Changes in fair value for the year, cash flow hedges	-27	19
Change in the fair value of cash flow hedges transferred to profit or loss for the year	6	-5
Tax attributable to items that have been or may subsequently be transferred to profit or loss	4	-3
<b>Items that cannot be transferred to profit or loss for the year</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the year</b>	<b>-17</b>	<b>11</b>
<b>Comprehensive income for the year</b>	<b>220</b>	<b>126</b>

# Parent Company balance sheet

SEKm	Note	31 Dec 2021	31 Dec 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	P7	56	55
Property, plant and equipment	P8	11	10
Participation in Group companies	P9	2	1
Financial assets	P10	2	0
<b>Total non-current assets</b>		<b>71</b>	<b>66</b>
<b>Current assets</b>			
Inventories		0	0
Accounts receivable	P11	131	103
Receivables from Group companies	P12	-	0
Tax asset		-	0
Prepaid expenses and accrued income	P13	6	7
Other current receivables		3	19
Current investments	P14	361	181
Cash and cash equivalents	P14	69	69
<b>Total current assets</b>		<b>571</b>	<b>379</b>
<b>TOTAL ASSETS</b>	P17	<b>642</b>	<b>446</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	P15	3	3
Statutory reserve		2	2
<b>Non restricted equity</b>			
Share premium reserve		246	246
Fair value reserve		-6	11
Retained earnings		41	18
Profit for the year		237	115
<b>Total equity</b>		<b>522</b>	<b>394</b>
Untaxed reserves		17	15
<b>Untaxed reserves</b>	P5	<b>17</b>	<b>15</b>
<b>Current liabilities</b>			
Accounts payable		14	6
Liabilities to Group companies	P12	3	1
Tax liabilities		55	15
Other liabilities		14	3
Accrued expenses and deferred income	P16	17	13
<b>Total current liabilities</b>	P17	<b>103</b>	<b>38</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>642</b>	<b>446</b>

# Parent company statement of changes in equity

2021	Restricted equity		Non-restricted equity				Total
	Share capital	Statutory reserve	Share premium reserve	Fair value fund	Earnings brought forward	Profit for the year	
SEKm				Hedging reserve			
Opening equity, 1 January, 2021	3	2	246	11	18	115	394
Transfer of preceding year's profit/loss	-	-	-	-	115	-115	-
Profit for the year	-	-	-	-	-	237	237
Other comprehensive income for the year	-	-	-	-17	-	-	-17
Comprehensive income for the year	-	-	-	-17	-	237	220
Dividend paid	-	-	-	-	-92	-	-92
Share-based remuneration (LTIP)	-	-	-	-	0	-	0
Total transactions with shareholders	-	-	-	-	-91	-	-91
Closing equity, 31 December, 2021	3	2	246	-6	41	237	522

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			
SEKmn							
Opening equity, 1 January 2020	3	2	205	0	-	70	279
Transfer of preceding year's profit/loss	-	-	-	-	70	-70	-
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	-	41	-	-53	-	-11
Closing equity, 31 December 2020	3	2	246	11	18	115	394

# Parent company cash flow statement

SEKm	Note	2021	2020
<b>Operating activities</b>			
Net financial items		301	151
Adjustments for non-cash items	P21	4	10
Income taxes paid		-26	-20
<b>Cash flow from operating activities before changes in working capital</b>		<b>279</b>	<b>141</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in inventory		0	0
Increase (-)/decrease (+) in operating receivables		-21	-46
Increase (+)/decrease (-) in operating liabilities		22	4
<b>Cash flow from operating activities</b>		<b>279</b>	<b>99</b>
<b>Investing activities</b>			
Acquisition of intangible assets		-6	-5
Acquisition of property, plant and equipment		-4	-10
Disposal of property, plant and equipment		-	-
Acquisition of financial fixed assets		-1	0
Sale of financial assets		-	-
<b>Cash flow from investing activities</b>		<b>-11</b>	<b>-16</b>
<b>Financing activities</b>			
New share issue		-	52
Repurchase own shares		-	-3
Premium received from issue of warrants		-	18
Dividend paid		-92	-79
<b>Cash flow from financing activities</b>		<b>-92</b>	<b>-11</b>
<b>Cash flow for the year</b>		<b>177</b>	<b>72</b>
Cash and cash equivalents at beginning of year	P14	250	181
Exchange-rate difference, cash and cash equivalents		4	-2
<b>Cash and cash equivalents at end of year</b>	P14	<b>430</b>	<b>250</b>

# 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 2021 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

SEKm	2021	2020
Sales of goods	420	255
Sales of services	15	21
<b>Total</b>	<b>435</b>	<b>276</b>

### NOTE P3 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

#### Other operating income

SEKm	2021	2020
Exchange rate gain on operations	12	-
<b>Total</b>	<b>12</b>	<b>-</b>

#### Other operating expenses

SEKm	2021	2020
Loss on disposal of non-current assets	-	-
Exchange rate loss on operations	-	-4
<b>Total</b>	<b>-</b>	<b>-4</b>

## NOTE P4 OPERATING EXPENSES BY TYPE OF COST

### Operating expenses by type of cost

SEKm	2021	2020
Goods for resale and consumables	19	22
Personnel expenses	68	51
Other external expenses	53	38
Legal advice costs	1	1
Depreciation/amortization and impairment	9	9
Other operating expenses	-12	4
<b>Total</b>	<b>137</b>	<b>123</b>

## NOTE P5 APPROPRIATIONS

### Appropriations

SEKm	2021	2020
Appropriations	-2	-5
<b>Total</b>	<b>-2</b>	<b>-5</b>

## 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

SEKm	2021	2020
<b>Current tax</b>		
Tax expenses for the year	-63	-31
Adjusted tax, prior periods	0	-
<b>Deferred tax</b>		
Deferred tax pertaining to temporary differences	1	-1
<b>Total</b>	<b>-62</b>	<b>-32</b>

### Reconciliation of effective tax

SEkt	2021	2020
Profit/loss before tax	298,508	146,634
Tax in accordance with applicable tax rate for parent company	20.6% -61,493	21.4% -31,380
Non-deductible expenses	-269	-189
Effect of unrecognized temporary differences	-	-173
Standard income, shares in investment funds	-149	-125
Impact of changed tax rate	-7	9
<b>Total</b>	<b>-61,918</b>	<b>-31,857</b>

### Deferred tax assets and liabilities

31 Dec 2021 SEkt	Deferred tax assets	Deferred tax liabilities	Net
Property, plant and equipment	368	-	368
Accounts receivable	53	-	53
Other liabilities (Derivatives)	1,986	-	1,986
Other receivables (Derivatives)	-	0	-
<b>Total deferred tax assets/liabilities</b>	<b>2,407</b>	<b>0</b>	<b>2,407</b>
Offsetting	-	-	-
<b>Total deferred tax assets/liabilities, net</b>	<b>2,407</b>	<b>0</b>	<b>2,407</b>

31 Dec 2020 SEkt	Deferred tax assets	Deferred tax liabilities	Net
Property, plant and equipment	140	-	140
Accounts receivable	48	-	48
Other liabilities (Derivatives)	-	-	-
Other receivables (Derivatives)	-	-3,620	-3,620
<b>Total deferred tax assets/liabilities</b>	<b>188</b>	<b>-3,620</b>	<b>-3,432</b>
Offsetting	-188	188	0
<b>Total deferred tax assets/liabilities, net</b>	<b>0</b>	<b>-3,432</b>	<b>-3,432</b>

## NOTE P6 TAXES

### Change in deferred tax in temporary differences

SEKt	31 Dec 2020	Recognized in equity Income statement	Recognized in equity other comprehensive income	Recognized in equity	31 Dec 2021
Property, plant and equipment	140	228	-	-	368
Accounts receivable	48	5	-	-	53
Other liabilities (Derivatives)	0	383	1,603	-	1,986
Other receivables (Derivatives)	-3,620	857	2,763	-	0
Other	-	-	-	-	-
<b>Total</b>	<b>-3,432</b>	<b>1,473</b>	<b>4,366</b>	<b>-</b>	<b>2,407</b>

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	0
<b>Total</b>	<b>591</b>	<b>-1,132</b>	<b>-2,882</b>	<b>-9</b>	<b>-3,432</b>

## NOTE M7 INTANGIBLE ASSETS

### Intangible assets

SEKm	31 Dec 2021	31 Dec 2020	Breakdown of amortization	2021	2020
<b>Accumulated cost</b>			<b>Depreciation, by function</b>		
Opening balance, 1 Jan.	65	60	Cost of goods sold	-5	-6
Acquisitions	7	5	Selling expenses	0	0
<b>At year-end, 31 Dec.</b>	<b>72</b>	<b>65</b>	<b>Total</b>	<b>-5</b>	<b>-6</b>
<b>Accumulated depreciation</b>			Refer to Note 11 in the consolidated financial statements.		
Opening balance, 1 Jan.	-10	-4			
Amortization	-5	-6			
<b>At year-end, 31 Dec.</b>	<b>-15</b>	<b>-10</b>			
<b>Total</b>	<b>56</b>	<b>55</b>			

Intangible assets primarily pertain to expenses for patents and brand protection, which are acquired externally. Remaining economic lives as of 31 December 2021 amount to 1-18 years.

## NOTE P8 PROPERTY, PLANT AND EQUIPMENT

### Property, plant and equipment

SEKm	31 Dec 2021	31 Dec 2020
<b>Accumulated cost</b>		
Opening balance, 1 Jan.	16	8
Acquisitions	4	10
Divestments and disposals	0	-2
<b>At year-end, 31 Dec.</b>	<b>20</b>	<b>16</b>
<b>Accumulated depreciation</b>		
Opening balance, 1 Jan.	-5	-5
Depreciation	-4	-3
Divestments and disposals	0	2
<b>At year-end, 31 Dec.</b>	<b>-8</b>	<b>-5</b>
<b>Total</b>	<b>11</b>	<b>10</b>

### Breakdown of depreciation

SEKm	2021	2020
<b>Depreciation, by function</b>		
Selling expenses	0	0
Administrative expenses	-2	-1
R&D expenses	-1	-1
<b>Total</b>	<b>-4</b>	<b>-3</b>

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

## NOTE P9 PARTICIPATION IN GROUP COMPANIES

### Participation in Group companies

SEKm	31 Dec 2021	31 Dec 2020
<b>Accumulated cost</b>		
Opening balance, 1 Jan.	1	1
Acquisitions	1	0
<b>At year-end, 31 Dec.</b>	<b>2</b>	<b>1</b>
<b>Total</b>	<b>2</b>	<b>1</b>

### Subsidiaries

SEKm	Corporate identity number	Registered office	No. of shares	Holding %	31 Dec. 2021 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	1
<b>Total</b>					<b>2</b>

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
<b>Total</b>					<b>1</b>

## NOTE P10 OTHER FINANCIAL ASSETS

### Other financial assets

SEKm	31 Dec 2021	31 Dec 2020
<b>Accumulated cost</b>		
Opening balance, 1 Jan.	-	0
Divestments	-	0
Deferred tax assets	2	-
<b>At year-end, 31 Dec.</b>	<b>2</b>	<b>0</b>

Refers to deferred tax assets attributable to temporary differences.

## NOTE P12 GROUP TRANSACTIONS

### Group transactions

SEKm	31 Dec 2021	31 Dec 2020
<b>Receivables and liabilities to subsidiaries</b>		
Receivables	-	-
Liabilities	3	1
<b>Net</b>	<b>3</b>	<b>1</b>
<b>Revenues and costs from subsidiaries</b>		
Revenue	-	-
Costs	0	-1
<b>Net</b>	<b>0</b>	<b>-1</b>

## NOTE P11 ACCOUNTS RECEIVABLE

### Accounts receivable

SEKm	31 Dec 2021	31 Dec 2020
Invoiced receivables	129	109
Currency adjustments	2	-5
Reserve for expected credit losses	0	0
<b>Total</b>	<b>131</b>	<b>103</b>
<b>Invoiced receivables are due as follows:</b>		
Not yet due	58	51
Overdue by 1-30 days	30	25
Overdue by 31-60 days	13	10
Overdue by 61-90 days	11	11
Overdue by 91- days	18	12
<b>Total</b>	<b>129</b>	<b>109</b>
<b>Change in reserve for expected credit losses</b>		
Opening balance, 1 Jan.	0	0
During the year		
- repaid	-	-
- provisions established	0	0
<b>At year-end, 31 Dec.</b>	<b>0</b>	<b>0</b>

## NOTE P13 PREPAID EXPENSES AND ACCRUED INCOME

### Prepaid expenses and accrued income

SEKm	31 Dec 2021	31 Dec 2020
Accrued revenue	1	4
Prepaid rental costs	1	1
Prepaid system costs	1	1
Other	3	2
<b>Total</b>	<b>6</b>	<b>7</b>

## NOTE P14 CASH AND CASH EQUIVALENTS

### Cash and cash equivalents

SEKm	31 Dec 2021	31 Dec 2020
Cash and bank balances	69	69
<b>Total according to statement of financial position</b>	<b>69</b>	<b>69</b>
Current investments equivalent to cash and cash equivalents	361	181
<b>Total according to statement of cash flows</b>	<b>430</b>	<b>250</b>

Cash and bank balances refer to balances of bank accounts in SEK, USD, and EUR. Current investments relate to the company's surplus liquidity that is invested in fixed income funds at highly reputable credit institutions in order to avoid negative interest rates. The company's current investments can be sold within two days. MIPS believes that the company can convert the investments in a short time to a known amount of 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 is 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	-6,179
Retained earnings	41,339
Profit for the year	236,590
<b>Total</b>	<b>517,686</b>

The Board of Directors proposes that the available funds of SEKt 517,686 be disposed so that SEK 5.0 per share, corresponding to SEKt 130,889 based on the number of shares on 31 December 2021, will be distributed to shareholders and the remaining amount of SEKt 386,797 be carried forward, including SEKt 245,935 to the share premium reserve, SEKt 147,041 to profit brought forward and SEKt -6,179 to the fair value reserve.

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

### OWN SHARES HELD

During 2020, MIPS acquired 5,749 own shares at an average price of SEK 449.60. On 31 December 2021 the company's holdings totaled 5,749 shares, corresponding to 0.1 percent of the total number of registered shares.

## NOTE P16 ACCRUED EXPENSES AND DEFERRED INCOME

### Accrued expenses and deferred income

SEKm	31 Dec 2021	31 Dec 2020
Accrued leave liability	2	2
Accrued salaries and remuneration	8	4
Accrued social security contributions	4	2
Estimated payroll tax on pensions*	-	-
Prepaid Implementation	1	1
Other accrued expenses	1	4
<b>Total</b>	<b>17</b>	<b>13</b>

## NOTE P17 FINANCIAL INSTRUMENTS

### Financial instruments

31 Dec 2021 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	-	-	131	-	-	131	131
Receivables from Group companies	12	-	-	-	-	-	-	-
Other current receivables		-	-	-	-	-	-	-
Current investments	14	361	-	-	-	-	361	361
Cash and cash equivalents	14	-	-	69	-	-	69	69
Accounts payable		-	-	-	-	-18	-18	-18
Other receivables (Derivatives)		-	-	-	-	-	-	-
Other liabilities (Derivatives)		-	-10	-	-	-	-10	-10
Accrued expenses	16	-	-	-	-	-12	-12	-12
<b>Total financial assets and liabilities by category</b>		<b>361</b>	<b>-10</b>	<b>201</b>	<b>-</b>	<b>-29</b>	<b>522</b>	<b>522</b>

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
Liabilities to Group companies		-	-	-	-	-	-	-
Accrued expenses	16	-	-	-	-	-10	-10	-10
<b>Total financial assets and liabilities by category</b>		<b>181</b>	<b>18</b>	<b>173</b>	<b>-</b>	<b>-16</b>	<b>356</b>	<b>356</b>

## 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 February 2022, the company will gain access to larger premises, and lease payments will thus increase. The contract extends until January 2027 and the total future minimum lease payments relate to SEK 18m for office premises.

### Future minimum lease payments

SEKm	31 Dec 2021	31 Dec 2020
Within 1 year	4	3
Between 1-5 years	16	8
More than 5 years	0	-
<b>Total</b>	<b>20</b>	<b>11</b>
Lease costs for the year pertaining to lease payments totaled:	3	3

## NOTE P19 INVESTMENT COMMITMENTS

The company has no significant investment commitments as of 31 December 2021 or 2020.

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	2021	2020
Depreciation/amortization of non-current assets	9	9
Unrealized exchange-rate differences	-11	6
Change in value of financial instruments	6	-5
Other items not affecting liquidity	0	0
<b>Total</b>	<b>4</b>	<b>10</b>

### Interest income and expense

SEKm	2021	2020
Interest income received	-	0
Interest expense	-	0

## NOTE P22 PLEDGED ASSETS AND CONTINGENT LIABILITIES

### Pledged assets and contingent liabilities

	2021	2020
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 THE 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 accounts and the consolidated accounts give a true and fair view of the financial status and financial results of the Parent Company and the Group. The Directors' Report pertaining to the Parent Company and the Group provides a true and fair view of the development of the Parent Company's and the Group's operations, financial position and results, and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Stockholm, 24 March 2022

Magnus Welander  
CHAIRMAN OF THE BOARD

Thomas Bräutigam

Jonas Rahmn

Jenny Rosberg

Pernilla Wiberg

Max Strandwitz  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Our Auditor's Report was submitted on 24 March 2022

KPMG AB

Tomas Gerhardsson  
AUTHORIZED PUBLIC ACCOUNTANT

# Auditor's report

To the general meeting of the shareholders in MIPS AB, corporate identity number 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 2021. The annual accounts and consolidated accounts of the company are included on pages 74-117 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 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 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

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Accounting for revenue

See note 2 and accounting principles on page 84 in the annual accounts and consolidated accounts for detailed information and description of the matter.

#### DESCRIPTION OF KEY AUDIT MATTER

Consolidated net sales of the Group amount to SEK 608 million for 2021 and mainly relate to contracts with customers for the supply of insert products to be fitted in helmets.

Revenue is recognized in the income statement when significant risks and rewards associated with the products have been transferred to the buyer. The assessment of revenue takes into account uncertainties in payment, shipping terms and associated costs.

The terms of delivery of products and the element of judgment and estimation inherent in the recognition of revenue give rise to a risk that revenue is overstated, understated or recognized in the incorrect period.

#### RESPONSE IN THE AUDIT

In our audit, we assessed the risks in the revenue recognition processes. We evaluated the design and implementation of internal controls related to revenue recognition and reviewed the applicable contractual terms and conditions to assess the Group's revenue recognition.

We also assessed the timing of revenue recognition based on the delivery of goods and the terms of delivery, both on a sample basis and by analyses of margins.

We have also reviewed the disclosures relating to revenue included in the annual accounts and the consolidated accounts.

## 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 2–73, 122–123 and 137–140. 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 scepticism 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

### Auditor's audit of the administration and the proposed appropriations of profit or loss

#### 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 2021 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 scepticism 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 exam-

ined 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.

## The auditor's examination of the Esef report

### OPINION

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Chief Executive Officer have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for MIPS AB for year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #2pltOUXsVrY6yfo= has been prepared in a format that, in all material respects, enables uniform electronic reporting.

### BASIS FOR OPINION

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of MIPS AB 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Chief Executive Officer determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Chief Executive Officer, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Chief Executive Officer.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of MIPS AB by the general meeting of the shareholders on May 6, 2021. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2014.

Stockholm, 24 March 2022

KPMG AB

Tomas Gerhardsson  
AUTHORISED PUBLIC ACCOUNTANT

# Financial and alternative performance measures by year

All amounts are in SEKm unless stated otherwise.

Group	2021	2020	2019	2018	2017	2016
<b>NET SALES AND PROFIT/LOSS</b>						
Net sales	608	365	268	193	126	87
Net sales growth, %	67	36	39	53	45	75
Gross profit	445	265	198	142	93	62
Gross margin, %	73.2	72.8	74.1	73.9	74.3	71.3
Operating profit/loss	326	167	108	73	21	18
Operating margin, %	53.6	45.8	40.3	37.9	16.6	21.2
Adjusted operating profit (Adjusted EBIT)	326	168	111	73	28	24
Adjusted operating margin (Adjusted EBIT), %	53.6	46.2	41.2	37.9	22.1	28.0
Amortization	12	9	7	2	1	1
EBITDA	338	176	115	75	22	19
EBITDA margin, %	55.5	48.2	42.8	38.8	17.4	22.2
Profit for the year	255	129	85	56	16	14
<b>GROUP STATEMENT OF CASH FLOWS</b>						
Cash flow from operating activities	277	116	63	69	11	16
Cash flow from investing activities	-11	-15	-49	-7	-5	-4
Cash flow from financing activities	-95	-15	-65	-	145	0
<b>FINANCIAL STANDING</b>						
Total assets	756	517	343	319	242	75
Equity	577	426	298	276	221	57
Equity ratio, %	76	82	87	86	91	76
<b>KEY FIGURES PER SHARE</b>						
Earnings per share basic, SEK	9.75	4.96	3.35	2.23	0.64	0.67
Earnings per share diluted, SEK	9.64	4.93	3.28	2.21	0.64	0.65
Average number of shares outstanding – before dilution	26,183,620	25,996,417	25,229,870	25,229,870	24,520,884	21,478,586
Average number of shares outstanding – after dilution	26,495,633	26,167,786	25,837,404	25,544,935	24,559,246	22,013,833
<b>EMPLOYEES</b>						
Average number of employees	70	55	43	35	29	17

# Alternative performance measures

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

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

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



# Corporate governance



# Corporate Governance Report

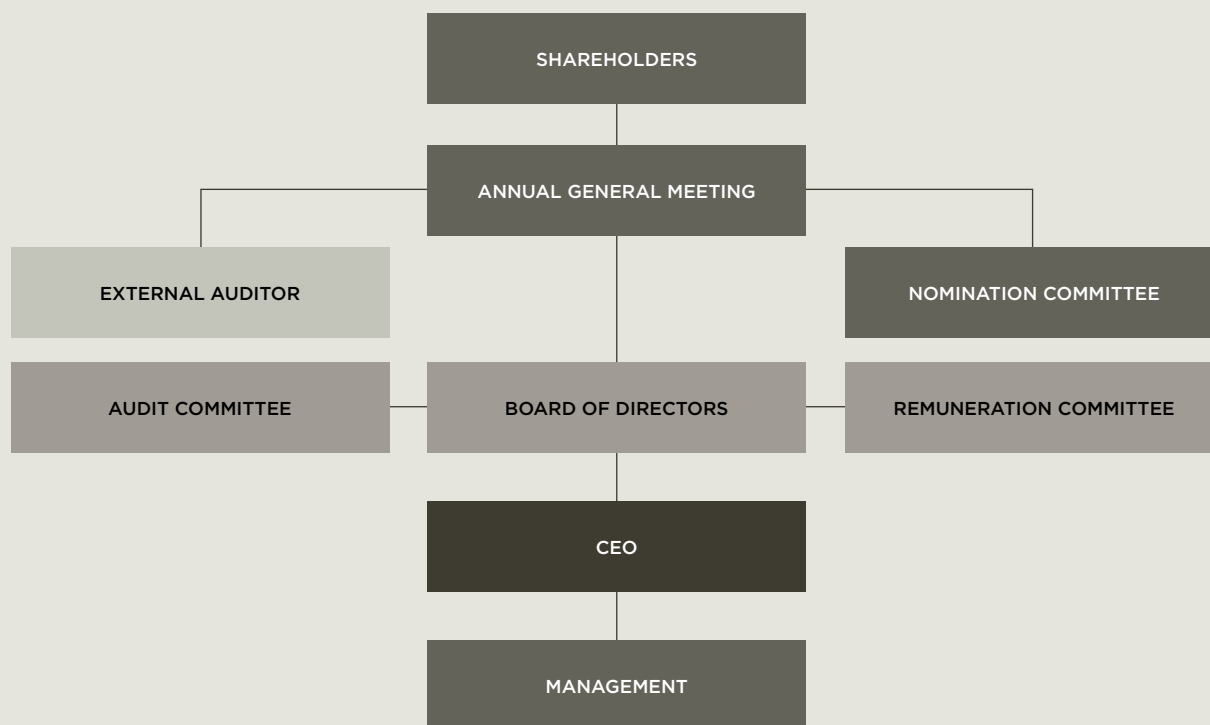
MIPS AB (publ) is a Swedish public limited liability company. The company's shares have been listed on Nasdaq Stockholm since 2017. MIPS complies with the rules and regulations that apply to companies listed on Nasdaq Stockholm and other applicable regulations, including the Swedish Corporate Governance Code (the "Code"), which is based on the "comply or explain" principle. No reportable deviation from the Code occurred in 2021. 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 2021, the 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 2021 MIPS had about 21,000 shareholders. Of the total number of shares, approximately 71 percent were held by foreign shareholders. Swedbank Robur Funds is the single largest owner, with a holding of approximately 6.2 percent of share capital and votes as of 31 December 2021. Capital Group is the second largest shareholder with a holding of 4.3 percent of capital and AMF Pension & Fonder is the third largest shareholder 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 139, as well as on the company's website, [www.mipscorp.com](http://www.mipscorp.com).

## OVERVIEW OF GOVERNANCE



## General meeting of shareholders

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 Companies Act and the Articles of Association stipulate how notice of the AGM and Extraordinary General Meeting shall be announced, as well as who is entitled to participate and vote at the meeting. The Articles of Association do not contain any restrictions on the number of votes each shareholder may cast at the meeting, nor do the Articles of Association contain any provisions on how amendments to the Articles of Association may be made. All shares carry the right to one vote. According to the Articles of Association adopted by the AGM in 2021, shareholders may vote via so-called postal voting.

The general meeting has not presently authorized the Board to resolve on the company issuing new shares nor repurchasing its own shares.

## 2022 Annual General Meeting

MIPS' 2022 Annual General Meeting will be held on Thursday May 5, 2022 in Stockholm. For more information, visit [www.mipscorp.com](http://www.mipscorp.com).

## Nomination committee

The Nomination Committee shall consist of four members who, in addition to the Chairman of the Board, shall consist of representatives of the three largest shareholders in terms of votes, or the largest shareholders that 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 AGM on:

- Chairman of the AGM;
- Number of Board 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;
- Fees to external auditors; and
- Proposals for any updates to the instructions for the composition of the Nomination Committee and its work.

The announcement of the composition of the Nomination Committee for the 2022 AGM was published on 21 September 2021. The members of the Nomination Committee and respective nominating shareholders for the 2022 AGM are:

Member	Nominating shareholder
Jan Dworsky, Chairman	Swedbank Robur Fonder
Tomas Risbecker	AMF Pension & Fonder
Henrik Söderberg	C WorldWide Asset Management
Magnus Welandér*	

\* Chairman of the Board of MIPS AB

The Nomination Committee has held four 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 (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 the 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 Code are met. The Nomination Committee believes that the composition of the Board is appropriate in terms of multidimensional diversity. The Committee further believes that the composition of expertise and experience is well in line with MIPS' priorities. Women account for 40 percent of the Board members elected by the AGM.

For the 2022 AGM, the Nomination Committee will inform of its recommendations in the notice convening the AGM, which will be published on or around 29 March 2022.

## Auditors

The 2021 AGM elected KPMG AB as auditors of the company until the end of the 2022 AGM. Tomas Gerhardsson was appointed auditor in charge.

In accordance with a resolution adopted at the AGM, the auditor's fee until the 2022 AGM shall be paid on the basis of approved invoices. The auditor's independence is ensured by legislation and professional ethics rules and the audit firm's internal guidelines, as well as by adhering to the Audit Committee's instructions governing the type of assignments that the audit firm may conduct in addition to the audit. KPMG AB has provided limited advice above and beyond the audit assignment for the company, primarily related to the company's sustainability work and specific auditing matters regarding the parent company and subsidiary in China. 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 board members who are elected by the general meeting for the period until the end of the next AGM. The Articles of Association do not stipulate any restrictions on the eligibility of the Board members.

At the proposal of the Nomination Committee, the 2021 AGM reelected Magnus Welander, Jonas Rahmn, Pernilla Wiberg and Jenny Rosberg as Board members. The AGM elected Thomas Bräutigam as a new Board member and Magnus Welander to serve as chairman.

The Boards' assignment is regulated by, among others, 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 (CEO), 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 work and proposals for resolution at the AGM (such as appropriation of profit). Board policy documents and guidelines are adopted following the AGM each year. The Board of Directors also monitors financial developments, ensuring the quality of financial reporting and 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 Board members 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 2021 include the company's work with sustainability which includes a mapping of the company's total carbon emissions, challenges in the supply chain in the wake of the Covid-19 pandemic and local energy restrictions, the company's investment in marketing and product development, and the company's expanded product range. The overarching long-term strategy and financial development within MIPS was also discussed during the year. In addition, the Board actively worked on important issues such as compliance with laws and regulations 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 is responsible for distributing and following up a written questionnaire to capture the opinions of all Board members and suggestions for improvement. The survey results were compiled, presented, and discussed in the Board. The results of the evaluation have been presented to the Nomination Committee by the Chairman of the Board and also reported to the Nomination Committee in writing.

## Fees for members of the Board

Fees for Board members, including remuneration for committee work, are determined by the shareholders at the general meeting. The AGM held on 6 May 2021 resolved that a fee of SEK 450,000 shall be paid to the Chairman of the Board and SEK 225,000 to each of the other members of the board.

## 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
<b>Chairman</b>							
Magnus Welander*	2019	485	Yes	Yes	10/10		4/4
<b>Members</b>							
Thomas Bräutigam**	2021	275	Yes	Yes	6/10	4/7	
Jonas Rahmn	2012	245	Yes	Yes	10/10		4/4
Jenny Rosberg	2018	325	Yes	Yes	10/10	7/7	
Pernilla Wiberg	2016	225	Yes	Yes	10/10		
Pär Arvidsson***	2016	300	Yes	Yes	4/10	3/7	

\* Elected to serve as Chairman of the Board at the 2019 Annual General Meeting, elected as member of the Board at the 2016 Annual General Meeting.

\*\* Elected as member of the Board at the 2021 Annual General Meeting.

\*\*\* Declined re-election at the 2021 Annual General Meeting.

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 10 meetings, including eight by video conference and two physical meetings. The physical meetings took place in Täby, Sweden.

MIPS' CEO, CFO and Chief Legal Counsel usually participate in MIPS' Board meetings. The Chief Legal Counsel acts as the secretary of the Board and records the minutes at Board meetings. Other members of Group Management, besides the CEO and CFO, 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 per year. The Board also reviews and monitors any legal disputes the company may have. The company's external auditors meet with the Board at least once a year, without the presence of the members of Group Management.

### Independence of the Board of Directors

In accordance with the Code, the 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 128.

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

#### AUDIT COMMITTEE

MIPS has an Audit Committee consisting of two members. Prior to the 2021 AGM the committee's members were Pär Arvidsson (Chairman) and



Jenny Rosberg. Subsequent to the 2021 AGM, the committee's members are Jenny Rosberg (Chairperson) and Thomas Bräutigam. 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 auditor's 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 seven meetings in 2021. 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, 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 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 four meetings in 2021. 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 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 laws, 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 the 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 Organisations 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 International Financial Reporting Standards (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, instructions 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 given 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, with quarterly updates, wherein 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 senior executive 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 Executive 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 are 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 Executive 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' Executive Management and, if necessary, also to the Board. In addition, the internal control system is evaluated annually. MIPS' CFO is responsible for ensuring that appropriate monitoring processes are in place, including a specific 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 auditing

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 internal control and financial reporting. Given the company's organizational structure, existing procedures and internal control efforts, 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 2022.

# Board of Directors

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

All board members 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 2016. 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. Board member, MIPS AB

## Holdings including any related parties:

50,500 shares, relate to holdings 31 December 2021.



## THOMAS BRÄUTIGAM

Board member since 2021. Member of the Audit Committee

Born 1967. MBA from Stockholm School of Economics.

**Current assignments:**  
President Lifting Automation Division, Piab AB and Chairman of the Board of AxKid AB.

## Selected past assignments:

CEO of ColArt, BRIO, European Nursery Group and Tretorn.

## Holdings including any related parties:

0 shares, relate to holdings 31 December 2021.



### JONAS RAHMN

Director since 2012.  
Member of the Remuneration Committee.

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

#### Current assignments:

Board member of Apica AB, Knoxville AB, ExOpen Systems Aktiebolag and Ekoligens AB.

#### Selected past assignments:

Partner KTH Chalmers Capital, Norröna Sport AS.

#### Holdings including any related parties:

33,500 shares, relate to holdings 31 December 2021.



### JENNY ROSBERG

Director since 2018.  
Member of the Audit Committee.

Born 1966. MBA from Stockholm School of Economics.

#### Current assignments:

CEO and Board member of ROPA Management AB and BOARDA AB. Board member of Persson Invest AB (publ), C.A.G and C-RAD AB (publ).

#### Selected past assignments:

Board member of Länsförsäkringar Stockholm, NetEnt AB (publ), Nordax Group AB (publ), Nordax Bank AB (publ), Eastnine AB (publ), 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 2021.



### PERNILLA WIBERG

Board member since 2016.

Born 1970. Social science secondary education (three years). Economics, Dalarna University in Borlänge.

#### Current assignments:

Owner of Pernilla Wiberg Sport Promotion. Minority shareholder in Hotell Idre Sweden. Vice President World Olympians Association (WOA). Chairman of a working group of the Interna-

tional Ski Federation and expert commentator on SVT sport (TV).

#### 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 2021.

# Management



## MAX STRANDWITZ

Born 1975 and Chief Executive Officer since 2019.

### Education

MSc in business, University of Borås. Sweden.

### Current assignments:

None

### Selected past assignments:

Previously CFO at MIPS AB, CFO Operations at Cloetta AB and Finance Director at Unilever Supply Chain Company and Unilever Nordic.

### Holdings including any related parties:

121,500 shares  
216,494 warrants,  
relate to holdings  
31 December 2021.



## PETER HALLDIN

Born 1968 and Chief Science Officer since 2008.

### Education

PhD, Royal Institute of Technology, Stockholm.

### Current assignments:

Part time post-doc at the Royal Institute of Technology, Stockholm, and Chair of the CEN TC158 working group.

### Selected past assignments:

Co-founder and Board member at MIPS AB.

### Holdings including any related parties:

188,665 shares  
25,000 warrants,  
relate to holdings  
31 December 2021.



## SHUYI ISAKSSON

Born 1978 and Head of Operations since 2016.

### Education

BA English Education, Guangzhou College of Education, China. Entrepreneurship and business development, Stockholm International School of Trading.

### Current assignments:

None

### Selected past assignments:

Previously Account Manager at OSM Group AB.

### Holdings including any related parties:

25,000 shares  
72,164 warrants,  
relate to holdings  
31 December 2021.



### FREDRIK KJELLBERG

Born 1976 and Chief Marketing Officer since 2019.

#### Education

BA in Marketing, Stockholm University.

#### Current assignments:

None

#### Selected past assignments:

Previously Global Marketing Director Atomic Austria GmbH, Global Marketing Manager Haglöfs Scandinavia AB and Digital Manager Peak Performance Production AB.

#### Holdings including any related parties:

50,788 warrants, relate to holdings 31 December 2021.



### KARIN ROSENTHAL

Born 1978 and Chief Financial Officer since 2020.

#### Education

BA in Economics, Stockholm University.

#### Current assignments:

None

#### Selected past assignments:

Previously Finance Manager Volati AB, Manager global accounting services Klarna, Head of Group Accounting, Fabège AB.

#### Holdings including any related parties:

6,000 warrants, relate to holdings 31 December 2021.



### JOHAN SAUER

Born 1978 and Head of Sales since 2018.

#### Education

MSc, Stockholm School of Economics, MS Accounting and Managerial Finance, University of New Mexico, Anderson School of Management.

#### Current assignments:

Owner of and Director at Fall Line AB.

#### Selected past assignments:

Previously Executive Vice-President at RECCO AB, and Senior Associate, Arkwright AB.

#### Holdings including any related parties:

53,000 warrants, relate to holdings 31 December 2021.



### MARCUS SEYFFARTH

Born 1973 and Head of Product Development since 2019.

#### Education

MSc Datalogy and Mathematics, Stockholm University/Royal Institute of Technology, Stockholm.

#### Current assignments:

None

#### Selected past assignments:

Previously Product Manager at MIPS AB. Founder and CEO of EttSexEtt Skateboards HB.

#### Holdings including any related parties:

10,000 shares and 72,164 warrants, relate to holdings 31 December 2021.

# 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

The Board of Directors is responsible for the corporate governance statement for the year 2021 on pages 124-135 and that it has been prepared in accordance with the Annual Accounts Act.

## Scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU16, 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, second paragraph, points 2-6 of the Annual Accounts Act and chapter 7 section 31, second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 24 March 2022

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	Comments	Page or URL
<b>Organizational profile</b>			
102-1	Name of the organization	MIPS AB	74
102-2	Activities, brands, products, and services	The company shall, directly or indirectly, 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.	74
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.	18-27
102-7	Scale of the organization	About 51 employees in Sweden and about 19 in China	78, 80, 91-92
102-8	Information on employees and other workers		60, 91-92, 122
102-9	A description of the supply chain including the main components and how they relate to the organization and its products/services		30, 69
102-10	Significant changes to the organization and its supply chain		7-9, 69
102-11	Precautionary Principle or approach	MIPS use the precautionary principle	55
102-12	External initiatives related to sustainability that the organization supports/is part of		48, 53-54, 65
102-13	Membership of associations		53-54
<b>Strategy</b>			
102-14	Statement from senior decision-maker		7-9
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behavior		55
<b>Governance</b>			
102-18	Governance structure		126-131
<b>Stakeholder dialogue</b>			
102-40	List of stakeholder groups		56
102-41	Collective bargaining agreements	None	
102-42	Identifying and selecting stakeholders		56
102-43	Approach to stakeholder engagement	Interviews with selected stakeholders	56
102-44	Key topics and concerns raised		56
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements		113

Disclosure	Description	Comments	Page or URL
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102-47	List of material topics		56
102-48	Restatements of information		48-71
102-49	Changes in reporting		48, 53
102-50	Reporting period	1 January – 31 December 2021	
102-51	Date of most recent report	26 March 2021, Annual report for 2020	
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	
102-55	GRI Index	See this index	137-138
102-56	External assurance	See Assurance Report	71
<b>Financial impact</b>			
205-1	Operations assessed for risks related to corruption	Report according to criteria b	51, 54, 55, 62
205-2	Communication and training about anti-corruption policies and procedures	Report share of total number of employees	54, 55, 62
205-3	Confirmed incidents of corruption and actions taken	Report number of reported cases	62
<b>Environmental impact</b>			
301-1	Materials used by weight or volume	Report share of recyclable material	65-67
305-3	Other indirect (Scope 3) GHG emissions		57
<b>Social impact</b>			
401-1	New employee hires and employee turnover	Report share of total number of employees	60, 62
403-1	Occupational health and safety management system		61-62
403-2	Hazard identification, risk assessment, and incident investigation		54-55
403-5	Employee training on occupational health and safety		61-63
403-9	Accidents and serious incidents	Report number of incidents	62
404-3	Percentage of employees receiving regular performance and career development reviews	Report share of total number of employees	62
405-1	Diversity of governance bodies and employees		60, 91
406-1	Incidents of discrimination and corrective actions taken		62

# Share information

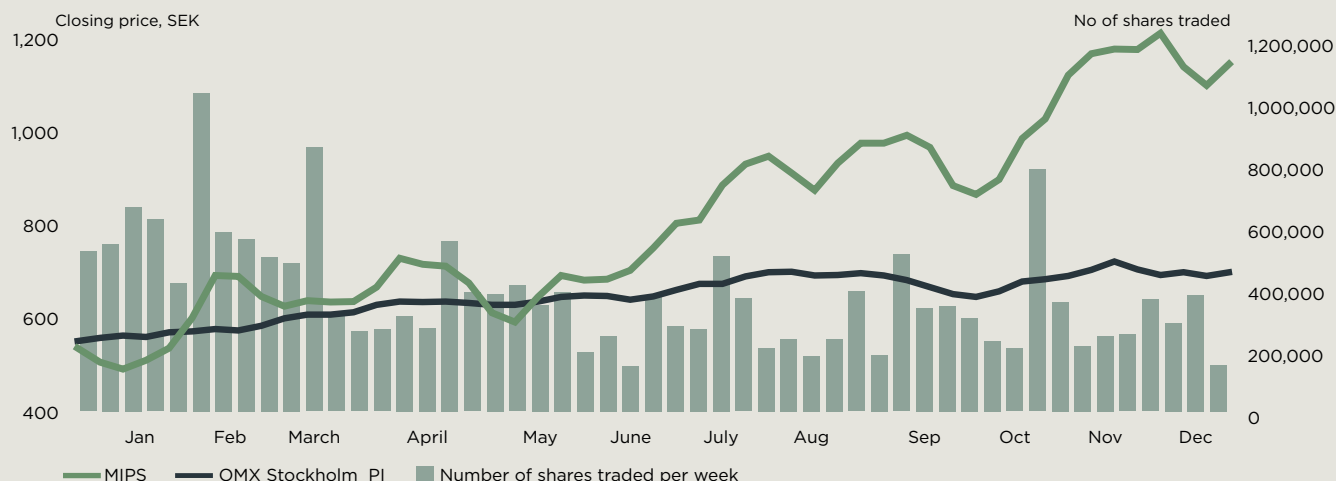
In 2021 the MIPS share was listed on Nasdaq Stockholm, Mid Cap and as of 31 December 2021 MIPS had 20,899 shareholders.

Foreign owners accounted for about 71 percent of the votes and capital. The ten largest shareholders accounted for 29 percent of the votes and the capital. The highest price paid in 2021 was SEK 1,242.0 and the lowest price paid was SEK 450.4.

The share capital of MIPS was SEK 2,618,362 on 31 December 2021; 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 2021



## The ten largest shareholders as of 31 December 2021

SHAREHOLDERS	Number of shares	Capital	Votes
Swedbank Robur Fonder	1,617,990	6.2%	6.2%
Capital Group	1,130,500	4.3%	4.3%
AMF Pension & Fonder	716,149	2.7%	2.7%
Vanguard	696,120	2.7%	2.7%
Invesco	665,041	2.5%	2.5%
Columbia Threadneedle	627,599	2.4%	2.4%
Montanaro	558,000	2.1%	2.1%
C WorldWide Asset Management	532,709	2.0%	2.0%
T. Rowe Price	522,244	2.0%	2.0%
Brown Capital Management, LLC	498,536	1.9%	1.9%
<b>Total 10 largest shareholders</b>	<b>7,564,888</b>	<b>28.8%</b>	<b>28.8%</b>

# Information to shareholders

## Annual General Meeting

The 2022 Annual General Meeting of MIPS AB (publ) will be held on 5 May 2022 in Stockholm. The Board of Directors has decided that 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 27 April 2022.
- Notify the company of their intention to participate in the AGM by Wednesday 4 April 2022 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 4 April 2022.

## Nominee-registered shares

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 participate in the Annual General Meeting. The shareholders' register as of the record date on Wednesday 27 April 2022 will include voting registrations made no later than Wednesday 4 April 2022. Therefore, shareholders should inform their nominees well in advance of this date.

## Postal voting

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 (2022:121) 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](http://www.mipscorp.com).

FINANCIAL CALENDAR	2022
April 28, 2022:	Interim report January–March 2022
May 5, 2022:	2022 Annual General Meeting
June 9, 2022:	Capital Markets Day
July 21, 2022:	Interim report January–June 2022
October 26, 2022:	Interim report January–September 2022
February 2023	Year-end report 2022

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Safety for helmets

**Mips**

**MIPS AB**

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[mipsprotection.com](https://mipsprotection.com)