

Alternative performance measures

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' Executive 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. The table below sets provides the definition of Mips' key performance measures. The calculation of the key performance measures is shown separately below.

Non-IFRS key performance measures and IFRS performance metrics	Definition	Reason for use of measure
Organic net sales growth	Calculated as net sales for the period, adjusted for acquired net sales, if any, and currency effects, compared with net sales for the same period the previous year as if the units had been owned for the same length of time in the comparative period.	The measure used by Executive Management to measure the underlying net sales growth.
Gross profit	Net sales less cost of goods sold.	Gross profit is the profit measure used by Executive Management to monitor the profitability directly related to net sales.
Gross margin (%)	Gross profit as a percentage of net sales during the period.	The measure is a material complement to the gross profit, which only states the change in absolute figures, and provides an understanding of value creation over time.
Operating profit (EBIT)	Profit before financial items and taxes.	The measure is used to measure the profit generated by the operating activities.
Operating margin (EBIT margin) (%)	Operating profit as a percentage of net sales during the period.	The measure is used to assess profitability generated by the operating activities and provides an understanding of value creation over time.
Items affecting comparability	Transaction-related revenues and costs, substantial impairments of non-current assets and items affecting comparability not reflecting operating activities.	The measure represents income and expenses that are not attributable to the underlying performance of the business.
Operating profit (EBIT) adjusted for items affecting comparability	Operating profit excluding items affecting comparability.	The measure is used to maintain comparability between periods and to present a result of operating activities.
Operating margin (EBIT margin) adjusted for items affecting comparability (%)	Operating profit adjusted for items affecting comparability as a percentage of net sales during the period.	See explanation under the description of "Operating profit (EBIT) adjusted for items affecting comparability".

Non-IFRS key performance measures and IFRS performance metrics	Definition	Reason for use of measure
EBITDA	Operating profit before depreciation and amortization.	EBITDA is a performance measure used to clarify results before depreciation and amortization, which gives a view of the profit generated by the company's operating activities.
Adjusted EBITDA	EBITDA adjusted for IFRS 16 leasing costs and items affecting comparability.	The measure provides Executive Management and investors with an overview of the size of the operations included in the Group at the report date, as it is adjusted for items that are not directly attributable to the operating activities. The key metric is also used in Mips' covenant calculations for the bank.
Equity ratio (%)	Equity in relation to total assets.	The measure states the proportion of total assets composed of equity and provides a greater understanding of Mips' capital structure.
Cash flow from operating activities	Cash flow from the primary income-generating operating activities.	The cash-flow measure is used by Executive Management to monitor the cash flow generated by the operating activities.
Net debt	Calculated as the sum of interest-bearing liabilities to credit institutions and less cash and cash equivalents.	The key metric can be used for assessment of debt development.
Net debt/EBITDA	Calculated as net debt in relation to EBITDA for the period.	The key metric can be used for assessment of financial risk.
Net debt/adjusted EBITDA	Calculated as net debt in relation to adjusted EBITDA for the period.	The key metric can be used for assessment of financial risk. The key metric is used in Mips' covenant calculations for the bank.
Last 12 months rolling comparison (LTM)	Indicates net sales and adjusted operating profit as a 12-month period from the most recent quarter.	Provides Executive Management with an indication of performance over time without having to wait to compare with the next calendar year.
Average number of employees	The average number of employees converted to full-time positions.	Converting the number of employees to full-time positions makes the measure comparable over periods and in the event of differences in working hours.