

## Interim report January – September 2020

### July - September

- Net sales increased by 94% to SEK 102m (53).  
Organic growth during the quarter increased 108%
- Operating profit amounted to SEK 55m (20).  
Adjusted operating profit\* amounted to SEK 55m (21)
- Operating margin was 53.6% (38.6).  
Adjusted operating margin\* was 53.6% (39.5)
- Cash flow from operating activities amounted to SEK 29m (12)
- Earnings per share, diluted, amounted to SEK 1.61 (0.62)

### January - September

- Net sales increased by 24% to SEK 225m (180).  
Organic growth for the period increased 27%
- Operating profit amounted to SEK 91m (69).  
Adjusted operating profit\* amounted to SEK 92m (71)
- Operating margin was 40.5% (38.3).  
Adjusted operating margin\* was 41.0% (39.2)
- Cash flow from operating activities amounted to SEK 66m (43)
- Earnings per share, diluted, amounted to SEK 2.69 (2.12)

## The MIPS Group in brief

	2020	2019	Δ%	2020	2019	Δ%	2019
	Jul-Sep	Jul-Sep		Jan-Sep	Jan-Sep		Jan-Dec
<b>SEKm</b>							
Net sales	102	53	94	225	180	24	268
Gross profit	74	39	91	163	133	22	198
Gross margin, %	72.2	73.0	-	72.5	73.7	-	74.1
Operating profit (EBIT)	55	20	169	91	69	32	108
Operating margin (EBIT-margin), %	53.6	38.6	-	40.5	38.3	-	40.3
Adjusted operating profit*	55	21	163	92	71	30	110
Adjusted operating margin, %*	53.6	39.5	-	41.0	39.2	-	41.2
Profit for the period	42	16	164	70	55	28	85
Earnings per share basic, SEK	1.61	0.63	156	2.71	2.16	25	3.35
Earnings per share diluted, SEK	1.61	0.62	160	2.69	2.12	27	3.28
Cash flow from operating activities	29	12	138	66	43	54	63
Dividend per share, SEK	-	-	-	-	-	-	3.0

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

\* For information and derivation of adjusted items, please see pages 16-18

## CEO's comments

### **Strong growth driven by high demand, especially in bicycle helmets**

The third quarter was the strongest so far in the history of MIPS, normally the third quarter is a seasonally soft quarter. After the exceptional situation with shutdowns during the spring, we saw increased demand during the summer months. As I mentioned in the last quarterly report, we began to see a positive recovery in demand for most helmet types, for which we sell solutions, already in June. The positive development continued with bicycle helmets as the biggest contributing factor.

We continue to grow with existing customers expanding their range of helmets with MIPS solutions. During the third quarter the positive market situation, in the bicycle industry, contributed to the growth. We have seen a very good development from helmet brands in both the US and Europe. Demand from the US has primarily been driven by sales of bicycle helmets specifically for recreational use. The market situation in Europe has been favorable mainly from strong demand for bicycle helmets used for commuting.

Net sales increased by 94% during the quarter and amounted to SEK 102m. Adjusted for currency effects, organic growth was 108%. The increase in sales was, as mentioned, primarily driven by a favorable development for bicycle helmets but also motorcycle helmets. The quarterly growth comparison was positively impacted by the weak sales in the prior year which was caused by the uncertainty in the US from the implementation of trade tariffs.

Operating profit increased by SEK 35m during the quarter, an increase of 169%, and amounted to SEK 55m (20). The increase in volume and our scalable business model meant that the operating margin increased to 53.6% (41.0). We also saw a strong improvement in operating cash flow, which amounted to SEK 29m (12).

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

It is difficult to grasp all the effects of the COVID-19 pandemic, especially with regards to future effects on our operations, our current view of the situation is summarized below.

### **Helmet category Sport - continued strong demand in bicycle helmets**

As we mentioned earlier, cycling for both commuting and recreation has increased around the world in the wake of the COVID-19 pandemic. This had a positive impact during the beginning of the second half of the year on our sales. Demand has been higher than what the helmet manufacturers have been able to meet, which has led to low inventory levels. We expect a strong demand in the coming quarters.

In the snow helmet sub-category, we experienced weak sales during the second quarter, partly due to delayed order placement. During the third quarter, sales partially recovered, and we saw improved growth. There is still a great uncertainty regarding the development of the winter season due to restrictions in ski resorts in Europe and the US. What we know is that we have more helmet models than ever equipped with MIPS solutions available on the market for the 2020-2021 season.

### **Helmet category Moto - strong recovery in sales during the quarter**

After weak sales of MIPS solutions for motorcycle helmets during the second quarter, which we considered to be of a temporary nature, we saw good growth during the third quarter. There is an overall increased demand, as many people avoid public transportation due to the COVID-19 pandemic, for both motorcycles and helmets. In mid-July, a new helmet standard was approved, ECE 22.06, which includes testing of rotational forces, which we believe could increase demand for MIPS' technology in the future.

### **Helmet category Safety - higher understanding that brain damage is a problem**

Three years ago, we at MIPS began to review accident statistics, primarily in the construction industry, in order to better understand relevant injury criteria. From the accident statistics, we have been able to determine that brain injuries are significantly more common than what the general perception seems to be, especially regarding more serious injuries. This is something that has now also begun to receive attention in the construction industry. Among other things, several articles have been published that address this topic, which we believe will increase the relevance of and understanding of the importance of improving today's construction helmets.

The safety category is a new category for us and many of the dialogues that take place are with helmet brands and construction companies that we have not previously collaborated with. Despite this, we have advanced in this category during the year and we look forward to its long-term potential.

### **Additional initiatives to strengthen the MIPS brand**

A long-term strategic initiative is to strengthen the MIPS brand to symbolize safety and become an obvious consumer choice when buying a helmet. During the year, we have revised our brand platform to simplify and streamline our

external communication. The next step is to strengthen the awareness of MIPS as a brand among consumers. We have launched several different initiatives, where one is the creation of Team MIPS, a team of athletes who share our belief in the importance of safer helmets. At the end of September, we presented the team's first member, Henrik Harlaut, a legend in the ski world. An athlete who has won the most X Games medals and who has taken the sport to a new level. Henrik has a strong focus on safety and has for a group of skiers who previously did not wear a helmet, raised the understanding that safety is crucial for a professional athlete. Therefore, Henrik is an obvious MIPS ambassador.

### **Continued high commitment from all employees at MIPS and intact long-term goals**

Dealing with the large fluctuations in the industry and delivering a doubled turnover in the quarter during an ongoing pandemic, has required significant efforts from all employees at MIPS, I am proud with how we so far have handled and navigated a challenging period.

With continued positive developments in bicycle helmets, progress in motorcycle and promising discussions in the safety category, I optimistically look at the rest of the year and continued progress next year. Therefore, I continue to look forward to the journey towards achieving our unchanged long-term goals.

**Max Strandwitz**  
*President and CEO*



# Financial performance

## July - September

### Net sales

Net sales for the third quarter amounted to SEK 102m (53), an increase by 94%. Adjusted for exchange rate effects and acquisitions, the organic growth was 108%. The increase in net sales is mainly explained by an increased demand from existing customers.

Change in net sales, %	Jul-Sep	Jan-Sep
Organic growth	108	27
Change in exchange rates	-14	-3
Structural changes	0	0
<b>Total</b>	<b>94</b>	<b>24</b>

### Gross profit

Gross profit increased by 91% to SEK 74m (39). The gross margin decreased by 0.8 percentage points to 72.2% (73.0). The decrease in the gross margin is mainly due to changes in the sales mix.

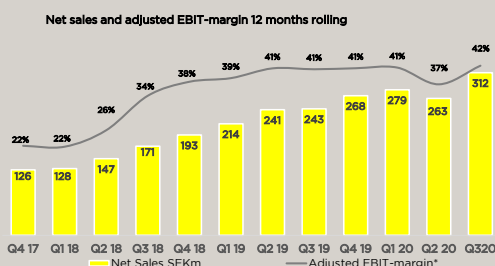
### Operating profit (EBIT)

Operating profit increased to SEK 55m (20), corresponding to an operating margin of 53.6% (38.6). The adjusted operating profit amounted to SEK 55m (21) corresponding to an adjusted operating margin of 53.6% (39.5). The increase in adjusted operating profit is mainly explained by increased sales mitigated by higher costs related to strengthening of the organization and initiatives within marketing.

Selling expenses increased to SEK 9m (7) mainly due to increased initiatives within marketing and investments in the organization. During the quarter, administrative expenses amounted to SEK 8m (7). The increase in administrative expenses is mainly explained by costs related to strengthening of the organization. Research and development costs amounted to SEK 3m (3).

### Profit for the period and earnings per share

Profit before tax amounted to SEK 55m (21). Tax expenses for the quarter amounted to SEK -13m (-5), corresponding to an effective tax rate of 22.9% (23.8). Profit for the period was SEK 42m (16). Diluted earnings per share amounted to SEK 1.61 (0.62).



\* For information and derivation of adjusted items, please see pages 16-18

### Cash flow

Cash flow from operating activities increased and amounted to SEK 29m (12). The increase is mainly explained by operating profit and driven by higher sales.

Cash flow from investing activities was SEK -7m (-2). Cash flow from financing activities was SEK -1m (-1). Cash flow for the period was SEK 21m (9).

## January - September

### Net sales

Net sales for the first nine months amounted to SEK 225m (180), an increase by 24%. Adjusted for exchange rate effects and acquisitions, the organic growth was 27%. The increase in net sales is mainly explained by an increased demand from existing customers.

### Gross profit

Gross profit amounted to SEK 163m (133). Gross margin decreased by 1.2 percentage points to 72.5% (73.7). The decrease in the gross margin is mainly due to changes in the sales mix and impact from acquisitions of patents.

### Operating profit (EBIT)

Operating profit amounted to SEK 91m (69), corresponding to an operating margin of 40.5% (38.3). The adjusted operating profit amounted to SEK 92m (71) corresponding to an adjusted operating margin of 41.0% (39.2). The increase in adjusted operating profit is mainly explained by higher sales during the first nine months partly mitigated by impact from forex and higher costs related to strengthening of the organization and increased initiatives within marketing.

Selling expenses amounted to SEK 31m (24) mainly due to increased initiatives within marketing and strengthening of the organization. Administrative expenses increased during the period to SEK 26m (23). The increase in administrative expenses is mainly explained by costs related to strengthening of the organization. Research and development costs increased to SEK 12m (11).

### Profit for the period and earnings per share

Profit before tax amounted to SEK 91m (71). Tax expenses for the first nine months amounted to SEK -21m (-16), corresponding to an effective tax rate of 22.8% (22.5). Profit for the period was SEK 70m (55). Diluted earnings per share amounted to SEK 2.69 (2.12).

### Cash flow

Cash flow from operating activities increased to SEK 66m (43). The increase is mainly explained by operating profit and driven by higher sales.

Cash flow from investing activities was SEK -13m (-46). The change is mainly related to acquisitions of patent portfolios during prior year. Cash flow from financing activities was SEK -11m (-65) attributable to dividend payment of SEK -79m (-63), exercising of warrants under the

warrant-based incentive programs of SEK 52m (0) and received premium payments for issued warrants of SEK 18m (0). Cash flow for the period was SEK 41m (-67).

### Financial position

The group's total assets as of 30 September 2020 amounted to SEK 432m (306). Short-term investments of SEK 159m (141) are in their entirety invested in interest-bearing funds. The equity/assets ratio was 84% (86). Cash and cash equivalents, including short-term investments, as of 30 September 2020 amounted to SEK 233m (176).

Reported values for assets and liabilities are in all material aspects consistent with fair market value. In order to reduce the group's short-term currency exposure, certain currency derivatives have been entered into with a bank. The derivatives are valued at fair market value and are treated as a financial asset, amounting to SEK 6m (-10) as of 30 September 2020. Hedge accounting is applied, whereby the unrealized change in the fair value of the derivatives is primarily reported in *Other comprehensive income*.

### Investments

During the third quarter, investments amounted to SEK 7m (2). Investments in intangible fixed assets amounted to SEK 2m (2). Investments in tangible fixed assets were SEK 5m (0) and mainly related to investments associated with our relocation to new office facilities during the first quarter of the year. During the first three quarters of the year investments amounted to SEK 13m (46), of which investments in intangible fixed assets amounted to SEK 4m (45) and investments in tangible fixed assets were SEK 9m (1).

As of 30 September 2020, the Group had no significant commitments related to investments.

### Parent company

Net sales for the parent company during the three first quarters of the year amounted to SEK 170m (137). Profit for the same period was SEK 64m (50).

### Employees

The average number of employees during the third quarter was 55 (45), of whom 15 (12) were employed in the Chinese subsidiary. The number of employees at the end of the period was 58 (45), of whom 16 (12) were employed in the Chinese subsidiary.



## Condensed consolidated income statement

SEKm	2020	2019	2020	2019	2019
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	102	53	225	180	268
Cost of goods sold	-28	-14	-62	-47	-69
<b>Gross profit</b>	<b>74</b>	<b>39</b>	<b>163</b>	<b>133</b>	<b>198</b>
Selling expenses	-9	-7	-31	-24	-35
Administrative expenses	-8	-7	-26	-23	-31
Research and development expenses	-3	-3	-12	-11	-15
Other operating income and expenses	2	-1	-3	-5	-10
<b>Operating profit/loss</b>	<b>55</b>	<b>20</b>	<b>91</b>	<b>69</b>	<b>108</b>
Financial income and expenses	0	0	0	1	0
<b>Net financial items</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>Profit/loss before tax</b>	<b>55</b>	<b>21</b>	<b>91</b>	<b>71</b>	<b>108</b>
Income taxes	-13	-5	-21	-16	-24
<b>Profit/loss for the period</b>	<b>42</b>	<b>16</b>	<b>70</b>	<b>55</b>	<b>85</b>
Earnings per share basic, SEK	1.61	0.63	2.71	2.16	3.35
Earnings per share diluted, SEK	1.61	0.62	2.69	2.12	3.28
Average number of shares for the period, basic (thousand)	26,184	25,300	25,934	25,300	25,300
Average number of shares for the period, diluted (thousand)	26,208	25,872	26,118	25,833	25,837

## Condensed consolidated statement of comprehensive income

SEKm	2020	2019	2020	2019	2019
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Profit/loss for the period	42	16	70	55	85
<b>Other comprehensive income</b>					
<b>Items that may subsequently be transferred to profit or loss</b>					
Foreign currency translation	0	0	0	0	0
Changes in the fair value of cash flow hedges	2	-5	5	-7	1
Tax on components in other comprehensive income	0	1	-1	1	0
<b>Items that cannot be transferred to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the period</b>	<b>1</b>	<b>-4</b>	<b>4</b>	<b>-5</b>	<b>1</b>
<b>Comprehensive income for the period</b>	<b>44</b>	<b>12</b>	<b>74</b>	<b>50</b>	<b>86</b>

## Condensed consolidated balance sheet

SEKm	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>ASSETS</b>			
<i>Non-current assets</i>			
Intangible assets	57	54	56
Property, plant and equipment	10	3	3
Right-of-use assets	12	1	0
Deferred tax asset	-	2	-
Long term receivables	0	1	1
<b>Total non-current assets</b>	<b>80</b>	<b>61</b>	<b>60</b>
<i>Current assets</i>			
Inventories	3	3	2
Accounts receivable	102	62	82
Other current receivables	14	5	7
Current investments	159	141	146
Cash and cash equivalents	74	35	46
<b>Total current assets</b>	<b>353</b>	<b>246</b>	<b>282</b>
<b>TOTAL ASSETS</b>	<b>432</b>	<b>306</b>	<b>343</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Share capital	3	3	3
Other paid in capital	274	212	212
Reserves	4	-6	0
Retained earnings incl profit/loss for the period	83	54	84
<b>Total equity</b>	<b>364</b>	<b>262</b>	<b>298</b>
<i>Non-current liabilities</i>			
Lease liability	9	-	-
Deferred tax liability	3	-	2
<b>Total non-current liabilities</b>	<b>12</b>	<b>-</b>	<b>2</b>
<i>Current liabilities</i>			
Lease liability	3	1	0
Accounts payable	27	16	26
Other current liabilities	26	27	17
<b>Total current liabilities</b>	<b>56</b>	<b>44</b>	<b>43</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>432</b>	<b>306</b>	<b>343</b>

## Condensed consolidated statement of changes in equity

SEKm	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
<b>Opening equity for the period</b>	<b>298</b>	<b>276</b>	<b>276</b>
<b>Adjusted opening equity for the period</b>	<b>298</b>	<b>276</b>	<b>276</b>
<i>Comprehensive income for the period</i>			
Profit/loss for the period	70	55	85
Other comprehensive income for the period	4	-5	1
<b>Comprehensive income for the period</b>	<b>74</b>	<b>50</b>	<b>86</b>
<i>Transactions with owners</i>			
Premium received from issue of stock options	18	-	-
Equity settled share based payments	0	-	-
New share issues	52	-	-
Dividend	-79	-63	-63
<b>Total transactions with the owners</b>	<b>-9</b>	<b>-63</b>	<b>-63</b>
<b>Closing equity for the period</b>	<b>364</b>	<b>262</b>	<b>298</b>

## Consolidated statement of cash flows

SEKm	2020	2019	2020	2019	2019
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
<i>Operating activities</i>					
Profit before tax	55	21	91	71	108
Adjustment for non-cash items	0	1	5	4	9
Income taxes paid	-5	-6	-15	-19	-27
<b>Cash flow from operating activities before change in working capital</b>	<b>50</b>	<b>16</b>	<b>81</b>	<b>56</b>	<b>91</b>
<i>Cash flow from changes in working capital</i>					
Increase (-)/decrease (+) of inventories	0	1	-2	-1	0
Increase (-)/decrease (+) of current receivables	-30	5	-20	-6	-32
Increase (+)/decrease (-) of current liabilities	9	-10	6	-5	4
<b>Cash flow from operating activities</b>	<b>29</b>	<b>12</b>	<b>66</b>	<b>43</b>	<b>63</b>
<i>Investing activities</i>					
Acquisition of intangible assets	-2	-2	-4	-45	-48
Acquisition of property, plant and equipment	-5	0	-9	-1	-1
Disposal of property, plant and equipment	-	-	-	0	0
Acquisition of financial assets	-	-	-	0	0
Disposal of financial asset	0	-	-	-	-
<b>Cash flow from investing activities</b>	<b>-7</b>	<b>-2</b>	<b>-13</b>	<b>-46</b>	<b>-49</b>
<i>Financing activities</i>					
Premium received from issue of warrants	-	-	18	-	-
Premium received from exercising of warrants	-	-	52	-	-
Paid dividend	-	-	-79	-63	-63
Amortization of lease debt	-1	-1	-3	-2	-2
<b>Cash flow from financing activities</b>	<b>-1</b>	<b>-1</b>	<b>-11</b>	<b>-65</b>	<b>-65</b>
<b>Net change in cash &amp; cash equivalents</b>	<b>21</b>	<b>9</b>	<b>41</b>	<b>-67</b>	<b>-51</b>
<b>Cash &amp; cash equivalents at beginning of period</b>	<b>212</b>	<b>167</b>	<b>192</b>	<b>243</b>	<b>243</b>
Exchange rate difference on bank holdings	-1	0	-1	1	0
<b>Cash &amp; cash equivalents at end of period</b>	<b>233</b>	<b>176</b>	<b>232</b>	<b>176</b>	<b>192</b>



## Condensed parent company income statement

SEKm	2020	2019	2020	2019	2019
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	77	42	170	137	204
Cost of goods sold	-9	-5	-20	-12	-16
<b>Gross profit</b>	<b>68</b>	<b>37</b>	<b>150</b>	<b>126</b>	<b>187</b>
Selling expenses	-8	-6	-29	-23	-34
Administrative expenses	-8	-7	-26	-23	-31
Research and development expenses	-3	-3	-11	-11	-14
Other operating income and expenses	2	-1	-3	-5	-10
<b>Operating profit/loss</b>	<b>50</b>	<b>19</b>	<b>82</b>	<b>63</b>	<b>99</b>
Financial income and expenses	0	0	0	2	1
<b>Profit after financial items</b>	<b>49</b>	<b>19</b>	<b>82</b>	<b>65</b>	<b>100</b>
Appropriations	-	-	-	-	-10
<b>Appropriations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-10</b>
<b>Profit/loss before tax</b>	<b>49</b>	<b>19</b>	<b>82</b>	<b>65</b>	<b>90</b>
Income taxes	-11	-4	-19	-14	-19
<b>Profit/loss for the period</b>	<b>38</b>	<b>15</b>	<b>64</b>	<b>50</b>	<b>70</b>

## Condensed parent company statement of comprehensive income

SEKm	2020	2019	2020	2019	2019
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
<b>Profit/loss for the period</b>	<b>38</b>	<b>15</b>	<b>64</b>	<b>50</b>	<b>70</b>
<b>Other comprehensive income</b>					
<b>Items that may subsequently be transferred to profit or loss</b>					
Changes in the fair value of cash flow hedges	2	-5	5	-7	1
Tax on components in other comprehensive income	0	1	-1	1	0
<b>Items that cannot be transferred to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the period</b>	<b>1</b>	<b>-4</b>	<b>4</b>	<b>-5</b>	<b>1</b>
<b>Comprehensive income for the period</b>	<b>39</b>	<b>11</b>	<b>68</b>	<b>45</b>	<b>71</b>

## Condensed parent company balance sheet

SEKm	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>ASSETS</b>			
<i>Non-current assets</i>			
Intangible assets	57	54	56
Property, plant and equipment	10	3	3
Other financial assets	1	3	2
<b>Total non-current assets</b>	<b>67</b>	<b>60</b>	<b>61</b>
<i>Current assets</i>			
Inventories	0	0	0
Accounts receivable	76	49	61
Other current receivables	14	5	7
Current investments	159	141	146
Cash & cash equivalents	57	25	35
<b>Total current assets</b>	<b>306</b>	<b>221</b>	<b>249</b>
<b>TOTAL ASSETS</b>	<b>374</b>	<b>282</b>	<b>310</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Restricted equity	4	4	4
Non restricted equity	334	249	275
<b>Total equity</b>	<b>338</b>	<b>253</b>	<b>279</b>
Untaxed reserves	10	0	10
<b>Total untaxed reserves</b>	<b>10</b>	<b>0</b>	<b>10</b>
<i>Non-current liabilities</i>			
Other non-current liabilities	1	-	-
<b>Total non-current liabilities</b>	<b>1</b>	<b>-</b>	<b>-</b>
<i>Current liabilities</i>			
Accounts payable	6	7	9
Other current liabilities	18	21	12
<b>Total current liabilities</b>	<b>24</b>	<b>28</b>	<b>21</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>374</b>	<b>282</b>	<b>310</b>

## Other information

### Information about the parent company

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

### Accounting policies

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

### New accounting standards from 1 January 2020

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

### Valuation basis applied when preparing the financial statements

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

### Functional currency and presentation currency

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

### Judgments and estimates in the financial statements

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

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

### Adjustments

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

### Alternative performance measures

The company is following the European Securities and Markets Authority's (ESMA) guidelines on alternative performance measures. Alternative performance measures are financial measures that cannot be directly read in or derived from the financial statements. These financial measures are intended to help company management and investors analyze the Group's performance. Investors should not consider these alternative performance measures to be a substitute for the financial statements prepared in accordance with IFRS, but rather a supplement to them. Explanation of alternative performance measures, see page 16-18. Definitions of alternative performance measures are presented in the annual report and on [www.mipscorp.com](http://www.mipscorp.com).

### Segment

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

### Seasonal variations

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

### Risks and uncertainties

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

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

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

### Distribution of revenue

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

SEKm Income by nature	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Revenue recognized at the time of delivery					
Sales of goods	96	50	210	174	257
Revenues reported over time					
Sales of services	6	3	14	6	11
<b>Total</b>	<b>102</b>	<b>53</b>	<b>225</b>	<b>180</b>	<b>268</b>

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

SEKm Income by region	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
North America	72	37	157	127	185
Europe	21	11	46	35	58
Sweden	3	3	7	8	12
Asia and Australia	7	2	14	11	13
<b>Total</b>	<b>102</b>	<b>53</b>	<b>225</b>	<b>180</b>	<b>268</b>

In connection with the launch of MIPS' 2025 long-term plan, the company decided to split its operation into three key helmet categories. Consequently, the company's revenue is divided according to these helmet categories. Per 30 September 2020, the company had a total of 111 purchasing brands (customers). Even though certain brands are represented in more than one category they are only accounted for as one brand in the total number of brands. Within the Sports category (including the sub-categories bike, snow, equestrian, team sports and other) there are 102 brands, within the Moto category

(including the sub-categories road bike and motocross) there are 22 brands and within the Safety category (including the sub-categories industrial use and LEAF) there are two brands that have launched helmets equipped with MIPS BPS.

SEKm Income per helmet category	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Sport	96	50	210	169	251
Moto	6	2	14	11	17
Safety	0	0	0	0	0
<b>Total</b>	<b>102</b>	<b>53</b>	<b>225</b>	<b>180</b>	<b>268</b>

### Currency exposure

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

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

### Derivatives

The fair market value of the derivatives as of 30 September 2020 amounted to SEK 6m (-10) recorded as a financial asset. Hedge accounting has been applied whereby the unrealized change in the fair value of the outstanding derivatives is primarily reported in *Other comprehensive income*. The fair value of short-term investments as of September 30, 2020 amounts to SEK 159m (141).

### Share capital

As of 30 September 2020, the total number of shares amounted to 26,183,620 (25,299,870) and the share capital amounted to SEK 2,618,362 (2,529,987). All shares are ordinary shares and carry equal voting rights. The shares have a nominal value of SEK 0.10.

### Share-based incentive programs

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

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

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

The Group has also launched a long-term share performance program for all employees who are not participating in the warrant-based incentive program. The share performance program includes in total 38 participants in Sweden and China. For the persons who are employed by MIPS' subsidiary in China, certain other conditions apply entailing that these employees have received synthetic shares, free of charge, instead of share rights and that no personal investment is required. The share performance program comprises a total of 4,585 shares and 1,164 synthetic shares.

#### **Disputes**

The company is not part of any significant legal dispute.

#### **Related-party transactions**

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

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

On 26 October Karin Rosenthal assumed the position as CFO for MIPS AB.

#### **Auditors report**

This report has been subject for a review engagement by the company's auditors.





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The Board of Directors and the President and CEO affirm that this interim report provides a true and fair view of the Parent Company's and the Group's position and earnings, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 6 November 2020

MIPS AB (publ)

Board of Directors



# Auditors report

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## MIPS AB

Corp. id. 556609-0162

### Introduction

We have reviewed the summary interim financial information (interim report) of MIPS AB as of September 30, 2020 and the nine-month period ending at this date. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other

review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 6 November 2020

KPMG AB

**Tomas Gerhardsson**

*Authorized Public Accountant*



## Quarterly consolidated performance measures

SEKm	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	LTM 19/20
Net sales	102.4	66.0	56.2	87.5	52.9	82.6	44.9	62.2	51.2	55.6	23.6	40.6	312.0
Net sales growth, %	94	-20	25	41	3	49	91	53	88	52	12	29	29
Gross profit	74.0	49.0	39.8	65.5	38.6	61.6	32.7	46.6	37.4	40.9	17.3	30.6	228.2
Gross margin, %	72.2	74.2	70.8	74.9	73.0	74.6	72.8	74.9	73.1	73.6	73.3	75.2	73.2
Operating profit	54.9	19.6	16.3	39.0	20.5	36.8	11.8	28.7	20.8	21.7	1.8	14.6	129.8
Operating margin, %	53.6	29.7	29.1	44.6	38.6	44.5	26.3	46.1	40.7	39.0	7.6	36.0	41.6
Adjusted operating profit	54.9	20.3	16.9	39.7	20.9	38.0	11.8	28.7	20.8	21.7	1.8	14.6	131.8
Adjusted operating margin, %	53.6	30.8	30.1	45.4	39.5	46.0	26.3	46.1	40.7	39.0	7.6	36.0	42.3
EBITDA	58.8	22.1	18.7	40.8	24.3	38.2	12.9	29.2	21.2	22.0	2.2	15.0	140.4
EBITDA-margin	57.4	33.5	33.3	46.6	45.8	46.3	28.6	46.9	41.5	39.7	9.2	36.9	45.0
Depreciation	3.9	2.5	2.4	1.8	3.8	1.5	1.0	0.5	0.4	0.4	0.4	0.3	10.6
Earnings per share basic, SEK	1.61	0.61	0.48	1.19	0.63	1.15	0.38	0.87	0.62	0.68	0.07	0.45	3.89
Earnings per share diluted, SEK	1.61	0.61	0.47	1.16	0.62	1.12	0.38	0.85	0.61	0.67	0.07	0.45	3.85
Equity ratio, %	84.1	84.9	84.6	87.0	85.6	79.0	85.1	86.3	87.6	86.9	92.2	91.0	85.2
Cash flow from operating activities	28.6	22.7	14.9	19.7	11.6	24.2	7.7	23.8	31.0	5.9	8.4	0.9	85.9
Average number of employees	55	53	52	47	45	41	39	36	36	35	33	32	52

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

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

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



# Explanation of alternative performance measures

## Organic growth

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

	2020 Jul-Sep	2020 Jan-Sep
<b>Organic growth</b>		
<b>Net sales growth</b>	<b>94%</b>	<b>24%</b>
Net Sales in USDm	8	18
Net Sales in SEKm at 2020 average USD exchange rate	75	167
Net Sales in SEKm at 2019 average USD exchange rate	82	171
Impact currency in absolute	-6	-3
Net Sales 2019 SEKm	52	180
<b>USD impact on growth</b>	<b>-12%</b>	<b>-2%</b>
Net Sales in CNYm	20	41
Net Sales in SEKm at 2020 average CNY exchange rate	27	55
Net Sales in SEKm at 2019 average CNY exchange rate	28	56
Impact currency in absolute	-1	-2
Net Sales 2019 SEKm	52	128
<b>CNY impact on growth</b>	<b>-2%</b>	<b>-1%</b>
Impact relating to acquisitions in absolute	0	0
<b>Impact relating to acquisitions</b>	<b>0%</b>	<b>0%</b>
<b>Organic growth</b>	<b>108%</b>	<b>27%</b>

## Net sales, last 12 months rolling

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

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



### Adjusted operating profit (Adjusted EBIT)

During the first and second quarter of 2020 and third and fourth quarter of 2019, adjustments have been made with respect to effects (revenue and costs) related to acquisitions, which have been deemed to affect comparability. There were no items affecting comparability during 2018. In 2017, MIPS had costs for preparations for the listing on Nasdaq Stockholm, deemed to affect comparability.

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

#### Adjusted Operating profit (Adjusted EBIT)

	2020	2019	2020	2019	LTM	2019
SEKm	Jul-Sep	Apr-Jun	Jan-Jun	Jan-Jun	2019-2020	Jan-Dec
					Okt-Sep	
Net sales	102	53	225	180	312	268
Operating profit	55	20	91	69	130	108
<i>Operating margin</i>	53.6%	38.6%	40.5%	38.3%	41.6%	40.3%
Items affecting comparability	-	0	1	2	2	2
<b>Adjusted operating profit</b>	<b>55</b>	<b>21</b>	<b>92</b>	<b>71</b>	<b>132</b>	<b>110</b>
<i>Adjusted operating margin</i>	<i>53.6%</i>	<i>39.5%</i>	<i>41.0%</i>	<i>39.2%</i>	<i>42.3%</i>	<i>41.2%</i>



## Other

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MIPS will present the interim report at an audiocast via teleconference on 6 November 2020 at 10.00 a.m. CET. To participate, please register at <https://financialhearings.com/event/12322>

### Financial calendar

Year-end report 2020	11 February 2021
Annual report 2020	Week 12 2021
Interim report January-March 2021	29 April 2021
Annual General Meeting	6 May 2021
Interim report January-June 2021	22 July 2021
Interim report January-September 2021	28 October 2021

### Financial targets

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

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

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

### About MIPS

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

MIPS' headquarter with 42 employees engaged in research and development, sales and administration is in Stockholm, where its product and technology test facility is also located. Production and manufacturing operations take place at sub-contractor facilities. MIPS' net sales during 2019 amounted to SEK 268m and the operating margin was 40.3%. The MIPS share is traded on the Nasdaq Stockholm stock exchange. For more information, visit [www.mipscorp.com](http://www.mipscorp.com).

*This information is of such nature that MIPS AB (publ) is obliged to disclose it in accordance with the EU's Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 6 November 2020 at 7.30 a.m. CET.*

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



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