

# Interim report January-September 2023

## July-September 2023

- Net sales decreased by 32% to SEK 77m (113), organic growth amounted to -33% during the quarter
- Operating profit amounted to SEK 15m (37)
- Operating margin was 19.5% (32.8)
- Cash flow from operating activities amounted to SEK 12m (97)
- Earnings per share, diluted, amounted to SEK 0.52 (1.10)

## January-September 2023

- Net sales decreased by 42% to SEK 266m (456), organic growth amounted to -44%
- Operating profit amounted to SEK 53m (205)
- Operating margin was 20.0% (45.1)
- Cash flow from operating activities amounted to SEK -21m (189)
- Earnings per share, diluted, amounted to SEK 1.82 (5.91)

## The Mips Group in brief

SEKm	Jul-Sep 2023	Jul-Sep 2022	Δ%	Jan-Sep 2023	Jan-Sep 2022	Δ%	Full year 2022
Net sales	77	113	-32	266	456	-42	563
Gross profit	56	78	-28	190	328	-42	406
Gross margin, %	73.1	69.0	-	71.1	72.0	-	72.1
Operating profit (EBIT)	15	37	-60	53	205	-74	229
Operating margin (EBIT-margin), %	19.5	32.8	-	20.0	45.1	-	40.7
Profit for the period	14	29	-53	48	156	-69	175
Earnings per share basic, SEK	0.52	1.10	-53	1.83	5.97	-69	6.68
Earnings per share diluted, SEK	0.52	1.10	-53	1.82	5.91	-69	6.63
Cash flow from operating activities	12	97	-87	-21	189	-	236
Dividend per share, SEK	-	-	-	5.50	5.00	-	5.00

# CEO's comments

## **A soft quarter with the impact of inventory adjustments still being felt in the bike sub-category**

As expected, the third quarter was soft with a 32 percent decline in net sales compared to the same quarter last year. The decrease in net sales was mainly due to a continued soft demand in the bike sub-category.

After a slow start, sales gradually improved during the quarter. Bike retailers in the key US and European markets continued to reduce their inventory during the end of the summer and inventory of bike helmets have now returned to normal levels in the majority of bike stores. Inventory levels at some of our customers in the bike sub-category, the helmet brands, are still higher than normal, but improved during the quarter.

Inventory normalisation in the bike sub-category has taken longer than what the sector and we ourselves predicted. Customers and retailers are more cautious in building inventories as they now have higher cost of capital. As always at this time of the year, the orders we are receiving and producing now for the bike sub-category are for helmets that will be sold during the coming spring season, so they are not a direct effect of our customers' sales to end customers.

Our customers communicate that they see a recovery ahead for 2024. Even if demand from end customers has been lower than during the pandemic-boasted years, sales of bike helmets to consumers are still higher than before the pandemic in most of the major markets. At Mips we have also substantially increased our customer penetration in recent years with more helmet models equipped with Mips solutions, and we have won new customers.

Operating profit decreased by 60 percent, amounting to SEK 15m (37) in the quarter. During the first nine months of the year the operating profit decreased by 74 percent to SEK 53m (205). The operating margin was 19 percent (33) and during the first nine months it was 20 percent (45). The decrease in operating margin can largely be explained by the lower sales, ongoing investments within our strategic initiatives in marketing, research and development, as well as the negative impact of currencies.

The operating cash flow amounted to SEK 12m (97) in the quarter, and during the first nine months of the year it amounted to SEK -21m (189).

## **Helmet category Sport – bike market remains soft**

As mentioned above, the third quarter was slow in the Sport category, and we saw a decline in net

sales of 29 percent compared to the prior year. The decrease in net sales was mainly due to slow development in the bike sub-category.

When we analyse data from our major bike channels, we see that despite the impact of inventory corrections, we successfully continued to take market share and increase market penetration of helmet models with Mips' safety system. We therefore remain confident about our long-term growth opportunities in the bike sub-category once the market starts to normalise.

Within the snow sub-category we continued to deliver many Mips solutions after a strong 22/23 winter season, especially in the North American market. Our view is that the winter season will be strong again this year as we see an increase in the level of our customers' pre-season orders compared to last year.

## **Helmet category Motorcycle – worse than expected**

Despite new customers and new helmet models launched on the market, the Motorcycle category continued to be weak with a decrease in net sales of 68 percent. While we still see a great interest in Mips, we are seeing that it is taking our customers longer than both we and they had expected to get helmet models equipped with Mips solutions out in the market. There are several reasons for this but the main one is that a somewhat weaker consumer demand has led the helmet brands to focus on selling the older models they have in stock, which are not equipped with the Mips safety system.

Our assessment is that the Motorcycle category will remain soft in the near term. We have already initiated initiatives to increase sell-through sales and awareness of Mips, both in stores and online. We have also launched Mips technology in new helmet models with our customers that will generate volume going forward and support our long-term growth ambition.

We remain positive about the Motorcycle category, but at the same time need to increase the number of activities, mainly in the on-road motorcycle helmets sub-category, to ensure we achieve our long-term plan for the Motorcycle category.

## **Helmet category Safety – continued good development this quarter**

Our Safety category continued to develop well with strong growth in sales both during the quarter and for the year, compared with the prior year.

In October we participated in the sector's two major annual trade fairs, NSC in New Orleans, USA and A+A in Düsseldorf, Germany. In conjunction with these fairs we announced new helmet launches with existing customers as well as two new

collaborations. One of these is with the strong global brand MSA and the second is with the brand LIFT Safety, which has a strong position in the US safety market in the premium segment.

With these two customers we have further strengthened our position on the North American market and have now established a solid customer base that supports our long-term plan for the Safety category. I am pleased with our development in this category and with the new customers and models we have launched, and I look forward to delivering on our ambitious, long-term plan.

#### **Exciting investment in sensor technology**

On 31 August we acquired 25 percent of the sensor technology company Quintessential Design, Inc., "Quin". This investment is the first step towards exploring the opportunities of sensor technology. It will enable us to gather more data regarding incidents by using high-precision sensor technology and accompanying machine learning algorithms, which makes this investment an important step in delivering Mips' vision, ambition and strategy.

#### **Strong confidence in our strategy and the future - despite a soft market**

We have a bright view on the future and we are convinced that the bike market will return to growth. We are pleased with the development in the important Safety category, and while we believe the Motorcycle category will be challenging in the near term, we see great opportunities for strong growth in this category too.

Our market research shows that awareness of Mips' brand continues to increase around the world. We see, as before, that there is extremely strong loyalty amongst Mips users. Awareness and willingness to buy is also growing rapidly amongst helmet users who do not already have a helmet equipped with the Mips safety system. We therefore continue to invest at the same pace in the initiatives that support our journey towards our long-term plan.

We continue to see great interest from new and existing customers in developing new models with Mips' solutions and at the same pace, so we still believe there is strong growth ahead. Corrections in inventory levels in the sector have meant that we have not been able to show the market the large number of new helmets that have been fitted with the Mips safety system, and the full sales potential these entail. The start of the fourth quarter has been stronger than the same period last year in terms of orders received and we perceive a balanced optimism in the market.

During the last 12 months, the bike sector has faced tough challenges, but several sector analyses indicate an expectation that the market will normalise in 2024. This is after the sector has been impacted by a decline in consumer sales for the last one and a half years after the strong years of the pandemic in 2020 and 2021. Above all though, the sector was impacted by the retailers' extreme inventory adjustments after the over-optimistic predictions ahead of the 2022 season.

Due to the general market unease about the effects of higher inflation and higher interest costs, both in terms of consumer purchasing habits and the retailers' financial ability and desire to return to the inventory levels they had historically, this recovery will probably take place gradually and at varied speed depending on the geography and brand. Overall though, we look forward to a more stable base for our journey towards our long-term goals.

Stockholm, October 2023

Max Strandwitz  
President and CEO



**"A soft quarter with the impact of inventory adjustments still being felt in the bike sub-category"**



# Financial performance

## July – September

### Net sales

Net sales for the third quarter amounted to SEK 77m (113), a decrease of 32%. Adjusted for exchange rate effects, the organic development was -33%. The decrease in net sales is mainly explained by a decreased demand within the bike sub-category.

### Changes in net sales

%	Jul-Sep 2023	Jul-Sep 2023
Organic growth	-33	-44
Change in exchange rates	1	3
<b>Total</b>	<b>-32</b>	<b>-42</b>

### Gross profit

Gross profit decreased by 28% to SEK 56m (78). The gross margin amounted to 73.1% (69.0) where the increase in gross margin is mainly attributable to product and volume mix.

### Operating profit (EBIT)

Operating profit decreased by 60% to SEK 15m (37), corresponding to an operating margin of 19.5% (32.8). The decrease in operating profit is mainly explained by decreased sales, strategic initiatives within marketing, research and development, and higher other operating costs related to exchange rate effects and a fine from Nasdaq Stockholm's disciplinary committee amounting to SEK 1.7m as a result of the company's information disclosure procedures in connection with a statement from Mips' CEO regarding the current situation on the bike market in September 2022. Although Mips' Board does not share the disciplinary committee's view, the fine has been settled.

Selling expenses amounted to SEK 15 m (19). Administrative expenses amounted to SEK 12m (12) during the quarter. Research and development costs amounted to SEK 8m (6).

### Profit for the period and earnings per share

Profit before tax amounted to SEK 18m (37). Tax expenses for the quarter amounted to SEK -5m (-8), corresponding to an effective tax rate of 25.0% (21.7). Profit for the period was SEK 14m (29). Diluted earnings per share amounted to SEK 0.52 (1.10).

### Cash flow

Cash flow from operating activities amounted to SEK 12m (97). The change is mainly explained by decreased earnings.

Cash flow from investing activities was SEK -82m (-3), mainly driven by the investment in Quin of SEK -80m. Cash flow from financing activities was SEK 85m (-1) attributable to exercising of warrants under the warrant-based incentive programs of SEK 86m (-). Cash flow for the period amounted to SEK 15m (92).

## January – September

### Net sales

Net sales for the first nine months amounted to SEK 266m (456), a decrease by 42%. Adjusted for exchange rate effects, the organic development was -44%. The decrease in net sales is mainly explained by reduced demand within the bike sub-category.

### Gross profit

Gross profit decreased by 42% to SEK 190m (328). The gross margin amounted to 71.1% (72.0) where the decrease mainly is explained by higher share of fixed costs as an effect of decrease in net sales.

### Operating profit (EBIT)

Operating profit decreased to SEK 53m (205), corresponding to an operating margin of 20.0% (45.1). The decrease in operating profit is mainly explained by decreased sales during the first nine months, strategic initiatives within marketing, research and development, strengthening of the organization and higher other operating costs related to exchange rate effects.

Selling expenses amounted to SEK 53m (56). Administrative expenses amounted to SEK 44m (43). Research and development costs amounted to SEK 26m (18). The increase is mainly explained by strategic initiatives within research and development.

### Profit for the period and earnings per share

Profit before tax amounted to SEK 62m (199). Tax expenses for the first nine months amounted to SEK -14m (-43), corresponding to an effective tax rate of 23.0% (21.4). Profit for the period was SEK 48m (156). Diluted earnings per share amounted to SEK 1.82 SEK (5.91).

### Cash flow

Cash flow from operating activities amounted to SEK -21m (189). The decrease is mainly explained by decreased earnings.

Cash flow from investing activities was SEK -86m (-19), mainly driven by the investment in Quin of SEK -80m. Cash flow from financing activities was SEK -54m (-134) attributable to dividend payment of SEK -144m (-131) and exercising of warrants under the warrant-based incentive programs of SEK 94m (-).

### Financial position

The Group's total assets as of 30 September 2023 amounted to SEK 703m (782).

Non-current assets as of 30 September 2023 amounted to SEK 177m (109), mainly attributable to the investment in the associated company Quin of SEK 80m. Short-term investments of SEK 180m (378) are in their entirety invested in interest-bearing funds. The equity ratio was 89% (76). Cash and cash equivalents, including short-term investments, as of 30 September 2023 amounted to SEK 371m (493).

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, amounting to a net financial liability of SEK 4m (39) as of 30 September 2023. 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 having an impact on the cash flow amounted to SEK 82m (3), whereof the investment in Quin amounted to SEK 80m. Investments in intangible fixed assets amounted to SEK 2m (1). Investments in tangible fixed assets amounted to SEK 1m (2).

During the first nine months, investments amounted to SEK 86m (19), whereof the investment in Quin amounted to SEK 80m. Investments in intangible assets amounted to SEK 4m

(14) mainly related to acquisition of patent rights and some other intangible assets. Investments in tangible assets amounted to SEK 2m (6).

The Group had no significant commitments as of 30 September 2023 related to investments.

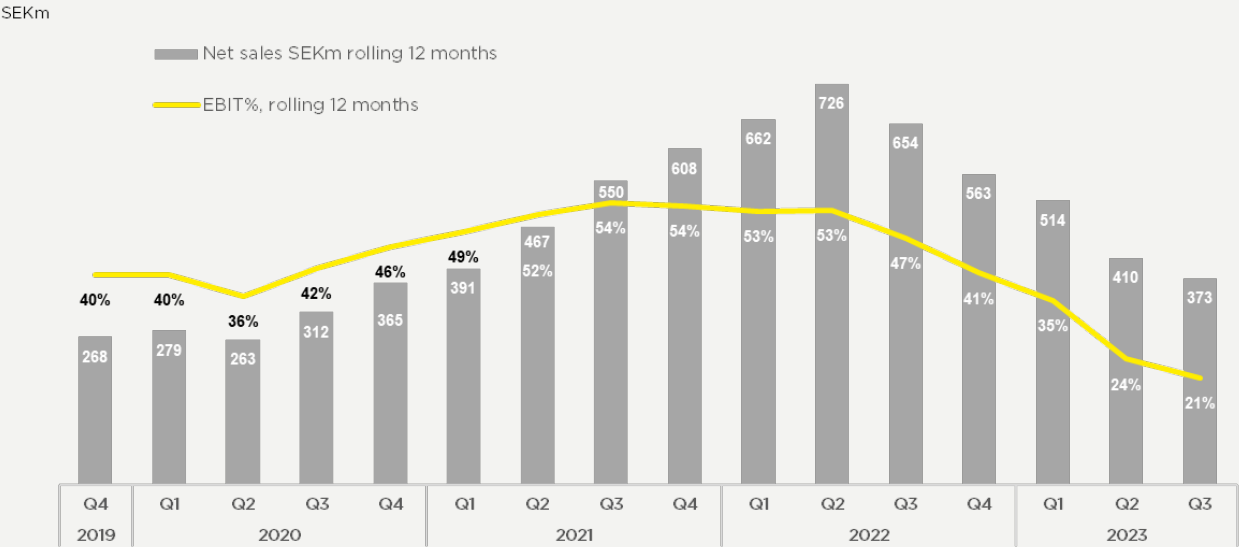
### Parent company

Net sales for the first nine months for the parent company amounted to SEK 190m (318). Profit for the same period was SEK 36m (137).

Cash and cash equivalents, including short-term investments, as of 30 September 2023 amounted to SEK 312m (447).

### Employees

The average number of employees during the third quarter was 102 (93), of whom 24 (23) were employed in the Chinese subsidiary. The number of employees at the end of the period was 106 (98), of whom 24 (23) were employed in the Chinese subsidiary. The number of men employed was 58 and number of women employed was 48 at the end of the period.



\* For information and derivation of adjusted items, please see pages 17-18.



# Condensed consolidated income statement

SEKm	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Full year 2022
Net sales	77	113	266	456	563
Cost of goods sold	-21	-35	-77	-127	-157
<b>Gross profit</b>	<b>56</b>	<b>78</b>	<b>190</b>	<b>328</b>	<b>406</b>
Selling expenses	-15	-19	-53	-56	-75
Administrative expenses	-12	-12	-44	-43	-57
Research and development expenses	-8	-6	-26	-18	-26
Other operating income and expenses	-5	-4	-13	-6	-18
<b>Operating profit/loss</b>	<b>15</b>	<b>37</b>	<b>53</b>	<b>205</b>	<b>229</b>
Financial income and expenses	3	0	9	-7	-6
<b>Net financial items</b>	<b>3</b>	<b>0</b>	<b>9</b>	<b>-7</b>	<b>-6</b>
<b>Profit/loss before tax</b>	<b>18</b>	<b>37</b>	<b>62</b>	<b>199</b>	<b>223</b>
Income taxes	-5	-8	-14	-43	-48
<b>Profit/loss for the period</b>	<b>14</b>	<b>29</b>	<b>48</b>	<b>156</b>	<b>175</b>
Earnings per share basic, SEK	0.52	1.10	1.83	5.97	6.68
Earnings per share diluted, SEK	0.52	1.10	1.82	5.91	6.63
Average number of shares for the period, basic (thousand)	26,252	26,184	26,205	26,184	26,184
Average number of shares for the period, diluted (thousand)	26,367	26,317	26,367	26,446	26,411

# Condensed consolidated statement of comprehensive income

SEKm	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Full year 2022
<b>Profit/loss for the period</b>	<b>14</b>	<b>29</b>	<b>48</b>	<b>156</b>	<b>175</b>
<b>Other comprehensive income</b>					
<b>Items that may subsequently be transferred to profit or loss</b>					
Foreign currency translation	-1	2	-1	5	2
Changes in the fair value of cash flow hedges	0	-10	1	-21	3
Tax on components in other comprehensive income	0	2	0	4	-1
<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>-6</b>	<b>0</b>	<b>-11</b>	<b>5</b>
<b>Comprehensive income for the period</b>	<b>13</b>	<b>23</b>	<b>48</b>	<b>145</b>	<b>180</b>

# Condensed consolidated balance sheet

SEKm	30 Sep 2023	30 Sep 2022	31 Dec 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	71	74	72
Property, plant and equipment	11	14	13
Right-of-use assets	15	17	18
Participations in associated companies	80	-	-
Other long term receivables	0	5	0
<b>Total non-current assets</b>	<b>177</b>	<b>109</b>	<b>104</b>
<b>Current assets</b>			
Inventories	5	9	6
Accounts receivable	101	156	110
Other current receivables	49	15	14
Current investments	180	378	381
Cash and cash equivalents	191	116	152
<b>Total current assets</b>	<b>526</b>	<b>673</b>	<b>663</b>
<b>TOTAL ASSETS</b>	<b>703</b>	<b>782</b>	<b>767</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	3	3	3
Other paid in capital	367	274	274
Reserves	2	-15	2
Retained earnings incl profit/loss for the period	252	329	348
<b>Total equity</b>	<b>624</b>	<b>591</b>	<b>626</b>
<b>Non-current liabilities</b>			
Lease liability	10	12	12
Other liabilities	10	10	9
Deferred tax liability	3	-	2
<b>Total non-current liabilities</b>	<b>23</b>	<b>22</b>	<b>24</b>
<b>Current liabilities</b>			
Lease liability	4	4	5
Accounts payable	28	45	29
Other liabilities	23	121	83
<b>Total current liabilities</b>	<b>56</b>	<b>169</b>	<b>117</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>703</b>	<b>782</b>	<b>767</b>

# Condensed consolidated statement of changes in equity

SEKm	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
<b>Opening equity for the period</b>	<b>626</b>	<b>577</b>	<b>577</b>
<i>Comprehensive income for the period</i>			
Profit/loss for the period	48	156	175
Other comprehensive income for the period	0	-11	5
<b>Comprehensive income for the period</b>	<b>48</b>	<b>145</b>	<b>180</b>
<i>Transactions with owners</i>			
Equity settled share based payments	0	0	0
New share issues	94	-	-
Dividend	-144	-131	-131
<b>Total transactions with the owners</b>	<b>-50</b>	<b>-131</b>	<b>-131</b>
<b>Closing equity for the period</b>	<b>624</b>	<b>591</b>	<b>626</b>



# Consolidated statement of cash flows

SEKm	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Full year 2022
<b>Operating activities</b>					
Profit before tax	18	37	62	199	223
Adjustment for non-cash items	4	3	10	9	19
Income taxes paid	-11	-12	-88	-46	-56
<b>Cash flow from operating activities before change in working capital</b>	<b>11</b>	<b>28</b>	<b>-15</b>	<b>161</b>	<b>186</b>
<b>Cash flow from changes in working capital</b>					
Increase (-)/decrease (+) of inventories	-1	3	2	2	4
Increase (-)/decrease (+) of current receivables	13	86	3	64	100
Increase (+)/decrease (-) of current liabilities	-12	-21	-10	-39	-54
<b>Cash flow from operating activities</b>	<b>12</b>	<b>97</b>	<b>-21</b>	<b>189</b>	<b>236</b>
<b>Investing activities</b>					
Acquisition of intangible assets	-2	-1	-4	-14	-15
Acquisition of property, plant and equipment	-1	-2	-2	-6	-6
Gain on sale of property, plant and equipment	-	-	0	-	-
Investments in associated companies	-80	-	-80	-	-
<b>Cash flow from investing activities</b>	<b>-82</b>	<b>-3</b>	<b>-86</b>	<b>-19</b>	<b>-22</b>
<b>Financing activities</b>					
New share issues	86	-	94	-	-
Paid dividend	-	-	-144	-131	-131
Amortization of lease debt	-1	-1	-4	-3	-5
<b>Cash flow from financing activities</b>	<b>85</b>	<b>-1</b>	<b>-54</b>	<b>-134</b>	<b>-136</b>
<b>Net change in cash &amp; cash equivalents</b>	<b>15</b>	<b>92</b>	<b>-161</b>	<b>35</b>	<b>78</b>
<b>Cash &amp; cash equivalents at beginning of period</b>	<b>356</b>	<b>398</b>	<b>532</b>	<b>450</b>	<b>450</b>
Exchange-rate difference, cash and cash equivalents	0	3	0	8	4
<b>Cash &amp; cash equivalents at end of period</b>	<b>371</b>	<b>493</b>	<b>371</b>	<b>493</b>	<b>532</b>

# Condensed parent company income statement

SEKm	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Full year 2022
Net sales	55	79	190	318	395
Cost of goods sold	-8	-8	-20	-19	-24
<b>Gross profit</b>	<b>47</b>	<b>71</b>	<b>170</b>	<b>300</b>	<b>371</b>
Selling expenses	-14	-18	-51	-54	-73
Administrative expenses	-12	-12	-44	-42	-56
Research and development expenses	-8	-5	-25	-17	-25
Other operating income and expenses	-6	-4	-13	-7	-18
<b>Operating profit/loss</b>	<b>8</b>	<b>31</b>	<b>37</b>	<b>180</b>	<b>199</b>
Financial income and expenses	3	0	9	-7	-6
<b>Profit after financial items</b>	<b>11</b>	<b>31</b>	<b>46</b>	<b>173</b>	<b>193</b>
Appropriations	-	-	-	-	-4
<b>Appropriations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4</b>
<b>Profit/loss before tax</b>	<b>11</b>	<b>31</b>	<b>46</b>	<b>173</b>	<b>189</b>
Income taxes	-3	-7	-10	-36	-40
<b>Profit/loss for the period</b>	<b>8</b>	<b>25</b>	<b>36</b>	<b>137</b>	<b>150</b>

# Condensed parent company statement of comprehensive income

SEKm	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Full year 2022
<b>Profit/loss for the period</b>	<b>8</b>	<b>25</b>	<b>36</b>	<b>137</b>	<b>150</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	0	-10	1	-21	3
Tax on components in other comprehensive income	0	2	0	4	-1
<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>0</b>	<b>-8</b>	<b>1</b>	<b>-17</b>	<b>3</b>
<b>Comprehensive income for the period</b>	<b>8</b>	<b>17</b>	<b>37</b>	<b>120</b>	<b>152</b>

# Condensed parent company balance sheet

SEKm	30 Sep 2023	30 Sep 2022	31 Dec 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	71	74	72
Property, plant and equipment	11	13	13
Participations in Group companies	1	1	1
Participations in associated companies	80	-	-
Other financial assets	1	9	2
<b>Total non-current assets</b>	<b>163</b>	<b>96</b>	<b>89</b>
<b>Current assets</b>			
Inventories	-	0	-
Accounts receivable	68	108	75
Other current receivables	45	11	11
Current investments	180	378	381
Cash & cash equivalents	133	70	101
<b>Total current assets</b>	<b>426</b>	<b>566</b>	<b>568</b>
<b>TOTAL ASSETS</b>	<b>588</b>	<b>663</b>	<b>657</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	4	4	4
Non restricted equity	526	507	539
<b>Total equity</b>	<b>530</b>	<b>511</b>	<b>543</b>
Untaxed reserves	21	17	21
<b>Total untaxed reserves</b>	<b>21</b>	<b>17</b>	<b>21</b>
<i>Non-current liabilities</i>			
Other liabilities	10	10	9
<b>Total non-current liabilities</b>	<b>10</b>	<b>10</b>	<b>9</b>
<b>Current liabilities</b>			
Accounts payable	11	13	11
Other current liabilities	16	111	72
<b>Total current liabilities</b>	<b>27</b>	<b>124</b>	<b>83</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>588</b>	<b>663</b>	<b>657</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 Large 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 2022 Annual Report. The standards and interpretative statements applied were in effect as of 1 January 2023 and had been adopted by the EU. Changed accounting policies as of 1 January 2023 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 2023

The new or amended IFRS effective as of 2023 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.

## Judgements 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 17-18. 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. Russia's invasion of



Ukraine has affected the geopolitical situation around the world and has heightened uncertainty about future market developments. Mips has no operations in Russia or Ukraine and the direct business exposure is very limited. Mips' financial position, earnings and cash flow have not been materially affected by Russia's invasion of Ukraine, nor have the company been affected by any sanctions. In recent quarters, there has been a challenge in the demand for Mips' products due to the challenges which the bike market have had, which has negatively affected the financial results. The company continues to believe that the long-term demand for Mips' products is good. We see continued risks in the supply chain that could lead to insolvency among our customers. 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. The company has not noticed any material issues with payments during the quarter with any of its 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 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.

You can read more about Mips' risks and uncertainties in Mips' annual report for 2022 from page 38-42.

### 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.

### Income by nature

SEKm	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Full year 2022
<i>Revenue recognized at the time of delivery</i>					
Sales of goods	69	107	249	440	542
<i>Revenues reported over time</i>					
Sales of services	8	6	17	16	21
<b>Total</b>	<b>77</b>	<b>113</b>	<b>266</b>	<b>456</b>	<b>563</b>

### Income by region

SEKm	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Full year 2022
North America	33	78	153	295	369
Europe	18	23	63	109	127
Sweden	4	6	13	36	43
Asia and Australia	21	7	38	16	25
<b>Total</b>	<b>77</b>	<b>113</b>	<b>266</b>	<b>456</b>	<b>563</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. Revenues decreased during the third quarter with 32% mainly driven by North America with negative growth of 57% and Europe with negative 22% growth. During the quarter, Asia and Australia yielded a positive growth of 203%.

### Income per helmet category

SEKm	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Full year 2022
Sports	69	98	239	417	511
Motorcycle	5	15	19	37	47
Safety	3	1	9	2	4
<b>Total</b>	<b>77</b>	<b>113</b>	<b>266</b>	<b>456</b>	<b>563</b>

Mips has chosen to divide its business into three main helmet categories. Thus, the company's revenues are distributed over these helmet categories. Revenues for the third quarter in Sports decreased by 29% while Motorcycle decreased by 68%.

### 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 37m (42) on the full-year figures for 2022. In accordance with the company's financial policy, the company 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 2022 page 102.

### **Derivatives, short-term investments and non-current liabilities**

The fair value of the derivatives as of 30 September 2023 amounted to a net financial liability of SEK 4m (39). Hedge accounting has been applied whereby the unrealized change in fair value of the outstanding derivatives is primarily recognized in Other comprehensive income. Financial instruments (derivatives) are valued at fair value on the balance sheet and belongs to level 2 and short-term investments belongs to level 1 according to IFRS 13. The fair value of short-term investments as of 30 September 2023 amounts to SEK 180m (378). As of 30 September 2023, Mips had a non-current liability amounting to SEK 10m (10) regarding contingent additional purchase consideration related to the acquisition of patent rights and certain other intangible assets valued at accrued acquisition value.

### **Other information/Investments in associated companies**

The 31<sup>st</sup> of August 2023, Mips AB has entered into an agreement to acquire 25 percent of the sensor technology company Quintessential Design, Inc. ("Quin") for a consideration of USD 7.3 million. Quin is an ingredient brand for event detection technology, providing specialized sensor fusion and software to helmet brands since 2018. The investment in Quin is a strategically important step in exploring the possibilities of sensor technology. Associated companies are reported by use of the equity method.

### **Share capital and number of shares**

As of 30 September 2023, the total registered number of shares amounted to 26,465,978 (26,183,620) and the share capital amounted to SEK 2,646,598 (2,618,362). All shares are ordinary shares and carry equal voting rights. The shares have a nominal value of SEK 0.10.

As of 30 September 2023, the company's holdings of own shares amounted to 2,151 shares, which corresponds to less than 0.1 percent of the total number of registered shares. The number of outstanding shares as of 30 September 2023 was 26,463,827.

### **Share-based incentive programs**

The Group has one outstanding warrant-based incentive program for senior executives and certain key employees which expired in September 2023. The program comprised 550,000 issued and paid warrants and an additional 25,000 issued but not allocated warrants. During the third quarter 2023, 252,139 warrants have been exercised leading to 259,698 new shares. After the end of the quarter 26,500 warrants have been exercised leading to 27,295 new shares. The remaining 249,361 of the total warrants of 550,000. The remaining 249,361 of the total warrants of 550,000 therefore forfeited. In total, the warrants could lead to a dilution of the share capital and votes in the company of a maximum of 2.2 percent. The exercise price was SEK 339.30 per share (before recalculation). Each warrant entitled to subscription of one new share. As in previous warrant programs, the exercise price and number of shares should be recalculated based on paid dividend in accordance with the terms and conditions for the warrants. The exercise price after paid dividend is SEK 331.30.

Previous share performance program included in total 33 Mips' employees in Sweden and China have during the second quarter 2023 been completed. No outstanding performance shares remains.

At the Annual General Meeting 2023 it was Resolved upon three long term incentive plans for senior executives and certain key persons in Mips. Per the 30<sup>th</sup> of September 2023 none have been allocated yet to the participants.

### **Disputes**

The company is not part of any significant legal dispute.

### **Related-party transactions**

No material related-party transactions have been conducted during 2023 except payment of dividend.

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

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

### **Auditors report**

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



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, 26 October 2023

Mips AB (publ)

The Board of Directors

# Review report

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## Mips AB

Corp. id 556609-0162

### Introduction

We have reviewed the condensed interim financial information (interim report) of Mips AB (publ) as of 30 September 2023 and the nine-month period then ended. The Board of Directors and the Managing Director 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 26 October 2023

KPMG AB

### Christel Caldefors

Authorized Public  
Accountant



# Quarterly consolidated performance measures

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	LTM
Net sales	77	102	88	107	113	206	137	198	185	142	83	140	102	373
Net sales growth, %	-32	-51	-35	-46	-39	45	65	41	81	115	48	60	94	-43
Gross profit	56	71	62	77	78	151	99	145	136	105	60	103	74	267
Gross margin, %	73.1	70.0	70.8	72.3	69.0	73.4	72.5	73.0	73.3	73.8	72.5	73.3	72.2	71.5
Operating profit	15	23	15	24	37	107	62	104	110	72	39	76	55	77
Operating margin, %	19.5	22.6	17.5	22.0	32.8	51.7	45.3	52.6	59.6	50.7	47.4	54.4	53.6	20.6
Adjusted operating profit	15	23	15	24	37	107	62	104	110	72	39	76	55	77
Adjusted operating margin, %	19.5	22.6	17.5	22.0	32.8	51.7	45.3	52.6	59.6	50.7	47.4	54.4	53.6	20.6
EBITDA	20	28	20	29	41	110	65	107	113	75	42	80	59	96
EBITDA-margin, %	25.5	27.1	22.5	27.1	36.3	53.5	47.6	54.2	61.3	52.7	50.9	56.8	57.4	25.7
Depreciation/ amortization	5	5	4	6	4	4	3	3	3	3	3	3	4	19
Earnings per share basic, SEK	0.52	0.76	0.55	0.71	1.10	3.04	1.83	3.05	3.38	2.10	1.23	2.24	1.61	2.54
Earnings per share diluted, SEK	0.52	0.76	0.55	0.71	1.10	3.01	1.81	3.00	3.33	2.08	1.22	2.23	1.61	2.53
Equity ratio, %	89	85	88	82	76	74	80	76	78	79	84	82	84	89
Cash flow from operat- ing activities	12	9	-42	47	97	55	37	81	71	56	69	49	29	26
Average number of employees	102	99	98	96	93	89	80	77	74	67	62	59	55	99

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

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

# Explanation of alternative performance measures

## Organic growth

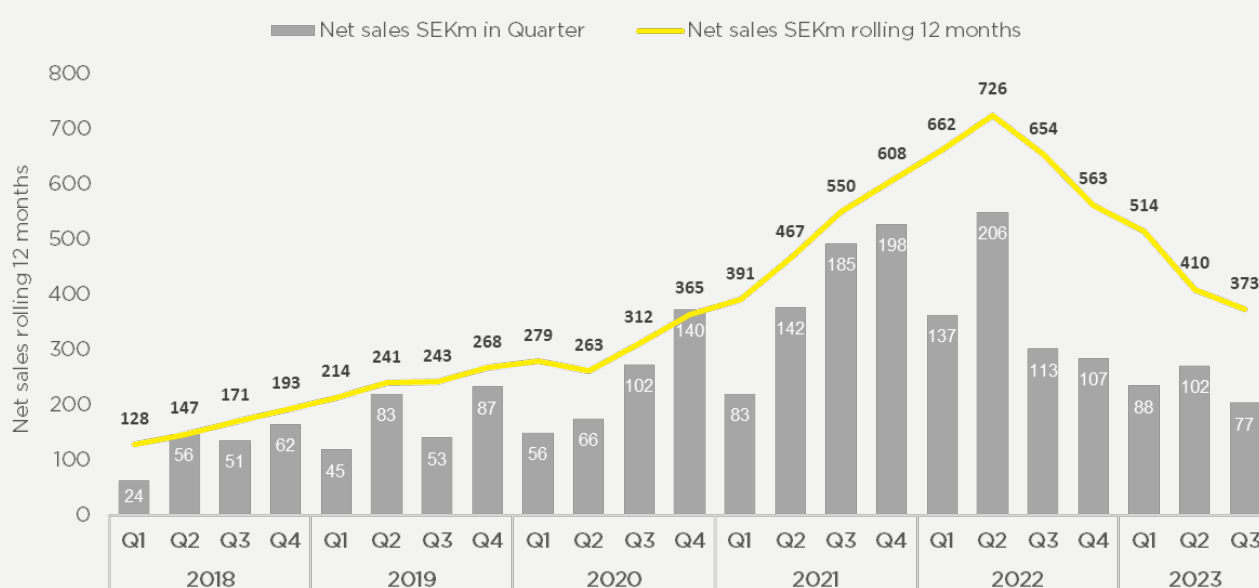
Since Mips invoices its goods and services in USD and CNY at the same time as the accounting currency is SEK, it is essential to create an understanding of how the company performs excluding currency exchange effects when recalculating sales.

This key figure is expressed in percentage points of the previous year's net sales, a high growth rate consequently leads to a greater currency impact. For net sales growth, impact of foreign currencies and acquisition related effects on net sales, see below.

Organic growth	Jul-Sep 2023	Jan-Sep 2023
<b>Net sales growth</b>	<b>-32%</b>	<b>-42%</b>
Net Sales in USDm	5	18
Net Sales in SEKm at 2023 average USD exchange rate	54	189
Net Sales in SEKm at 2022 average USD exchange rate	53	176
Impact currency in absolute numbers	2	13
Net Sales 2022 SEKm	113	456
<b>USD impact on growth</b>	<b>2%</b>	<b>3%</b>
Net Sales in CNYm	14	51
Net Sales in SEKm at 2023 average CNY exchange rate	21	76
Net Sales in SEKm at 2022 average CNY exchange rate	22	76
Impact currency in absolute numbers	-1	0
Net Sales 2022 SEKm	113	456
<b>CNY impact on growth</b>	<b>-1%</b>	<b>0%</b>
<b>Organic growth</b>	<b>-33%</b>	<b>-44%</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.



# Other

**For further information, please contact:**  
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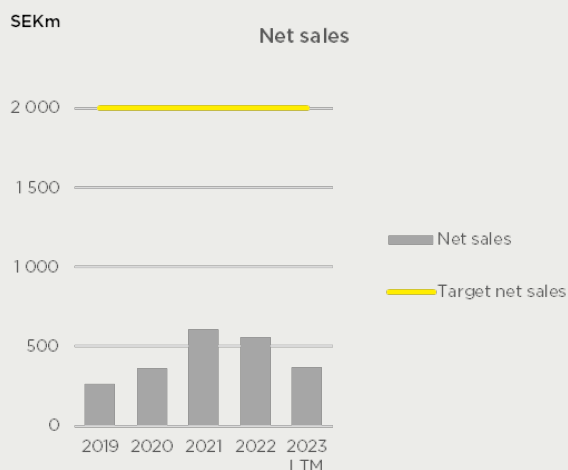
**Karin Rosenthal, CFO**  
Karin.Rosenthal@Mipsprotection.com  
tel +46 768 34 63 66

Mips will present the interim report at an audiocast via teleconference on 26 October 2023 at 10.00 a.m. CET.  
To participate, please register at <https://financialhearings.com/event/45800>.

FINANCIAL CALENDER	2023 - 2024
8 February 2024:	Year-end-report 2023
21 March 2024:	Annual Report 2023
25 April 2024:	Interim report January-March 2024
7 May 2024:	Annual General Meeting
18 July 2024:	Interim report January-June 2024
24 October 2024:	Interim report January-September 2024

# About Mips

## Growth Target 2027



## 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 2 billion by 2027.

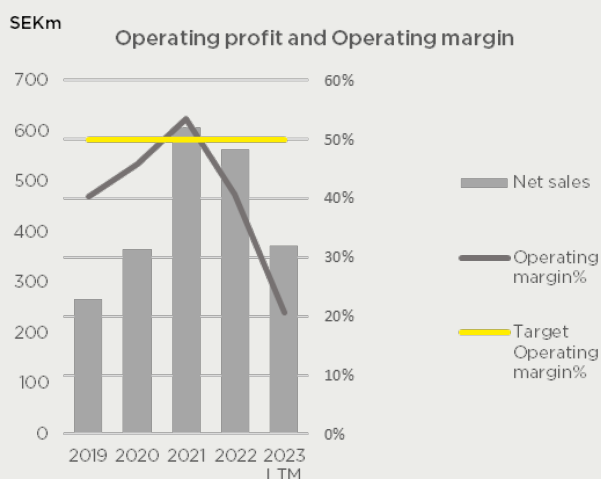
### PROFITABILITY:

The goal is to maintain an EBIT margin of more than 50 percent.

### DIVIDEND POLICY:

The target is to distribute approximately 50 percent of the Mips' annual net earnings as dividends.

## Profitability



## Sustainability targets

Mips is a global leader in its field and also aims to be at the forefront of its industry when it comes to sustainability. You can read about Mips' sustainability work in Mips' annual report for 2022.

Our long-term ambition includes:

### SCIENCE BASED TARGETS:

Mips has committed to the Science Based Target initiative to reduce emissions to limit global warming to 1.5 degrees Celsius, in line with the Paris Agreement. This means that Mips' goal is to reduce its total emissions by 42 percent by the end of 2030, based on a base year of 2021, notwithstanding any growth.

### UN GLOBAL COMPACT:

Mips has committed itself and its manufacturing partners to adhere to the ten principles of the UN Global Compact.

### CIRCULAR PRODUCT OFFERING:

Mips uses post industrial plastic in its products but the ambition going forward is to work for more sustainably products to contribute to the climate change.

## About Mips

Mips specializes in helmet-based safety and is a world leader in this area. Based on an ingredient brand business model, Mips safety system is sold to the global helmet industry. The solution is based on over 25 years of research and development together with the Royal Institute of Technology and the Karolinska Institute, both located in Stockholm, Sweden.

Mips' headquarter with 82 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 2022 amounted to SEK 563m and the operating margin was 41 percent.

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 26 October 2023 at 07.30 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.*



Safety for helmets

**Mips**

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