

# Year-end report 2022

## October-December 2022

- Net sales decreased by 46% to SEK 107m (198), organic growth amounted to -53% during the quarter
- Operating profit amounted to SEK 24m (104)
- Operating margin was 22.0% (52.6)
- Cash flow from operating activities amounted to SEK 47m (81)
- Earnings per share, diluted, amounted to SEK 0.71 (3.00)

## January-December 2022

- Net sales decreased by 7% to SEK 563m (608), organic growth amounted to -19%
- Operating profit amounted to SEK 229m (326)
- Operating margin was 40.7% (53.6)
- Cash flow from operating activities amounted to SEK 236m (277)
- Earnings per share, diluted, amounted to SEK 6.63 (9.64)
- The Board of Directors proposes a dividend of SEK 5.50 (5.00) per share, corresponding of 82% of net earnings during the year

## The Mips Group in brief

SEKm	Oct-Dec 2022	Oct-Dec 2021	Δ%	Jan-Dec 2022	Jan-Dec 2021	Δ%
Net sales	107	198	-46	563	608	-7
Gross profit	77	145	-47	406	445	-9
Gross margin, %	72.3	73.0	-	72.1	73.2	-
Operating profit (EBIT)	24	104	-77	229	326	-30
Operating margin (EBIT-margin), %	22.0	52.6	-	40.7	53.6	-
Profit for the period	19	80	-77	175	255	-31
Earnings per share basic, SEK	0.71	3.05	-77	6.68	9.75	-31
Earnings per share diluted, SEK	0.71	3.00	-76	6.63	9.64	-31
Cash flow from operating activities	47	81	-43	236	277	-15
Dividend per share, SEK	-	-	-	5.00	3.50	43

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

# CEO's comments

## **A challenging fourth quarter closes a different kind of year**

The fourth quarter closes a different, challenging but also successful year. A drastic slowdown in the bike sector in the second half of the year had a substantial negative impact on sales in Sport, our largest category. While we had to deal with the short-term challenging market for our largest category, we have taken big steps for the future through several initiatives and successes within other categories. We have also continued to strengthen our brand position, product portfolio and organization.

Sales decreased with 46 percent (53 percent after adjustments for foreign currencies) for the fourth quarter. The 2022 full year thus closed with a 7 percent decrease in sales. Organic development after adjusting for exchange rate effects decreased with 19 percent compared to last year.

We have a long term strategy and, as previously communicated, we are continuing our ambitious investments in product development and brand building. The costs of these investments for future growth combined with a temporary slowdown in the bike category, as well as negative exchange rate effects, had a negative impact on profits for the fourth quarter. Operating profit amounted to SEK 24m (104) during the quarter, a decrease of 77 percent. During the year, operating profit decreased by 31 percent to SEK 175m (255).

The operating margin amounted to 22 percent (53) in the quarter. For the full year, the operating margin decreased to 41 percent (54). The operating cash flow continued to develop well, amounting to SEK 47m (81) during the quarter. The operating cash flow amounted to SEK 236m (277) during the year.

We are pleased with the progress we made in our sustainability work this year. We have delivered according to the three main targets that were set for the year, which means that we are now monitored and have been approved by the SBTi initiative, that we have signed the UN Global Compact and that we have started to use recycled materials in our products. We therefore believe that we have a solid platform for our continued sustainability work.

## **Strong belief in our long-term strategy to drive profitable growth**

While we are experiencing short-term challenges due to a temporary slowdown within the bike retail chain, we are fully committed to our long-term growth strategy and our long-term financial targets. Though the number of bike helmets produced has dropped in a challenging market after the record year 2021, we have continued to increase our market share with more helmet models and brands using our solutions. We have also taken market

share within our two other categories, Motorcycle and Safety where we continue to deliver strong growth.

We have continued to invest at a steady pace in our strategic initiatives. Our product development department has grown during the last two years to be able to develop new technical solutions and manage the increased number of customer projects with our existing solutions.

Furthermore, this year we have launched several new technical solutions that are important for the future. The first of these solutions, Air Node, was launched with Specialized at the start of the Tour de France bicycle race. Air Node will be able to be offered as an after-market product, so that the users themselves can replace the comfort padding fitted with the Mips safety system, which is an important step in bringing Mips even closer to consumers. We launched our Integra Split solution this year, where Mips' technology is completely integrated into the actual helmet. This solution was also received positively by the market. The third solution, Integra TX, was launched at EICMA, the world's largest motorcycle fair. This is a solution by which the Mips safety system is fully integrated into the inner textile layer of the helmet, and this too received great interest from both customers and consumers.

During the autumn fairs we launched the new graphic design of our products. This was well received by customers, retailers and the media, which we believe will further strengthen Mips' leading market position.

## **Helmet category Sport - bike weak but snow strong**

The weak development in the Sport category continued in the fourth quarter with a 50 percent decrease in sales. As a substantial portion of Mips' fourth-quarter sales usually comes from the bike subcategory, the weak market for bikes had a significantly negative effect on our overall sales. Within the snow subcategory we continued to see good sales, and growth for the year as a whole amounted to 48% for this category.

We stand by our earlier assessment that the bike market will start to recover during spring 2023. Our assessment is still that over time there will be excellent opportunities for growth and solid consumer demand in the bike category, mainly driven by our increased market penetration and the strong underlying trends regarding these types of helmets.

## **Helmet category Motorcycle - continued success and first helmet within Moto Grand Prix**

Developments remained positive within the Motorcycle category, and we saw a 33 percent

increase in sales during the quarter. While this increase in sales was primarily driven by existing customers expanding their product ranges with the Mips safety system, we also saw growth from new customers launching products equipped with Mips' technology. During the quarter we launched our new Integra TX solution in Kabuto's Moto GP helmet F-17, which is the first helmet within the prestigious Moto GP that has a Mips solution integrated into it.

For the full year this category grew by 35 percent. We still have a positive outlook for the Motorcycle category, and we see continued strong demand for helmets equipped with the Mips safety system.

#### **Helmet category Safety - broader customer base**

2022 was a successful year within the Safety category. Our target for the year was to establish a broad customer base, which we have achieved through a total of eleven launched partnerships, and our efforts are starting to bear fruit with increased sales toward the end of the year. We are also starting to see greater acceptance of and demand for Mips' products amongst the decision-makers of the largest end customers, such as major construction companies. In 2023, our focus will be on continuing to drive sell-through volumes together with the customers we have established relationships with during the year, and we look forward to an exciting year of growth.

#### **Strategy and our financial targets**

Our profitable growth over the recent years meant that we were ahead of plan, compared to our previous financial targets. For this reason, we updated and presented our new financial targets and updated strategy in June. Growth will still mainly be driven by our existing customers, but our broader strategy includes identifying how we target our product portfolio to new end users in existing and new markets, how we add after-market products and how we develop more solutions for helmets than we do today.

#### **Many positive steps in a challenging environment**

I am very pleased with how we have dealt with the challenges we have faced during the year. We have continued to advance our position in all three categories, we have carried out more customer

projects than in any other year, we have made great progress in our sustainability work, we have increased our pace of product development and launched three new solutions this year and accelerated our marketing investments to ensure that we continue to raise the awareness of Mips around the world.

I look forward to our journey towards our long-term financial targets. All Mips employees have responded to the challenges we've faced in a very good way, and I especially want to thank them all for how they have taken on our changing environment.

Stockholm, February 2023

Max Strandwitz  
President and CEO



"A challenging fourth quarters closes a different kind of year"

# Financial performance

## October – December

### Net sales

Net sales for the fourth quarter amounted to SEK 107m (198), a decrease of 46%. Adjusted for exchange rate effects, the organic growth was -53%. The decrease in net sales is mainly explained by a decreased demand within the bike category.

### Changes in net sales

%	Oct-Dec 2022	Oct-Dec 2022
Organic growth	-53	-19
Change in exchange rates	7	12
<b>Total</b>	<b>-46</b>	<b>-7</b>

### Gross profit

Gross profit decreased by 47% to SEK 77m (145). The gross margin amounted to 72.3% (73.0) where the decrease in gross margin is mainly attributable to the higher share of fixed costs as an effect of decreased net sales and product mix.

### Operating profit (EBIT)

Operating profit decreased by 77% to SEK 24m (104), corresponding to an operating margin of 22.0% (52.6). The decrease in operating profit is mainly explained by decreased sales and higher operating costs related to exchange rate effects, strategic initiatives within marketing and strengthening of the organization.

Selling expenses amounted to SEK 20m (20). Administrative expenses amounted to SEK 15m (14) during the quarter. Research and development costs amounted to SEK 8m (7).

### Profit for the period and earnings per share

Profit before tax amounted to SEK 24m (104). Tax expenses for the quarter amounted to SEK -5m (-25), corresponding to an effective tax rate of 22.6% (23.5). Profit for the period was SEK 19m (80). Diluted earnings per share amounted to SEK 0.71 (3.00).

### Cash flow

Cash flow from operating activities amounted to SEK 47m (81). The change is mainly explained by decreased earnings partly mitigated by decreased current receivables, mainly account receivables, of SEK 35m (-35).

Cash flow from investing activities was SEK -3m (-4). Cash flow from financing activities was SEK -1m (-1). Cash flow for the fourth quarter amounted to SEK 43m (77).

## January – December

### Net sales

Net sales for the full year amounted to SEK 563m (608), a decrease by 7%. Adjusted for exchange rate effects, the organic growth was -19%. The decrease in net sales is mainly explained by reduced demand in the bike category.

### Gross profit

Gross profit decreased by 9% to SEK 406m (445). The gross margin decreased by 1.1 percentage points to 72.1% (73.2) mainly explained by higher share of fixed costs as an effect of decrease in net sales, product mix and increased number of implementation projects.

### Operating profit (EBIT)

Operating profit decreased to SEK 229m (326), corresponding to an operating margin of 40.7% (53.6). The decrease in operating profit is mainly attributable to lower net sales, higher operating costs related to exchange rate effects, strategic initiatives within marketing and higher costs related to strengthening of the organization.

Selling expenses increased to SEK 75m (57). The increase in selling expenses is mainly explained by initiatives within marketing and costs related to strengthening the organization. Administrative expenses during the year amounted to SEK 57m (48). The increase in administrative expenses is mainly explained by higher costs related to strengthening the organization. Research and development costs amounted to SEK 26m (24).

### Profit for the period and earnings per share

Profit before tax amounted to SEK 223m (328). Tax expenses during the year amounted to SEK -48m (-73), corresponding to an effective tax rate of 21.5% (22.2). Profit for the period was SEK 175m (255). Diluted earnings per share amounted to SEK 6.63 (9.64).

### Cash flow

Cash flow from operating activities amounted to SEK 236m (277). The decrease is mainly explained by decreased earnings partly mitigated by decreased account receivables.

Cash flow from investing activities was SEK -22m (-11), mainly driven by the acquisition of patent rights and some other intangible assets during the first quarter. Cash flow from financing activities was SEK -136m (-95) mainly attributable to dividend payment of SEK -131m (-92).

## Financial position

The group's total assets as of 31 December 2022 amounted to SEK 767m (756). During the year, non-current assets increased to SEK 104m (76) mainly explained by the acquisition of patent rights and some other intangible assets as well as increased right-of-use assets as a result of us signing additional lease contracts to enable our continued growth. Short-term investments of SEK 381m (361) are in their entirety invested in interest-bearing funds. The equity/assets ratio was 82% (76). Cash and cash equivalents, including short-term investments, as of 31 December 2022 amounted to SEK 532m (450).

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 financial liability of SEK 9m as of 31 December 2022, compared to a financial liability of SEK 10m in the previous year. Hedge accounting is applied, whereby the unrealized change in the fair value of the derivatives is primarily reported in Other comprehensive income.

## Investments

During the fourth quarter, investments having an impact on the cash flow amounted to SEK 3m (4). Investments in intangible fixed assets amounted to SEK 2m (2). Investments in tangible fixed assets amounted to SEK 1m (2). During the year, investments amounted to SEK 22m (11). Investments in intangible assets amounted to SEK 15m (6) mainly related to acquisition of patent rights and some other intangible assets. Investments in tangible assets amounted to SEK 6m (4).

The Group had no significant commitments as of 31 December 2022 related to investments.

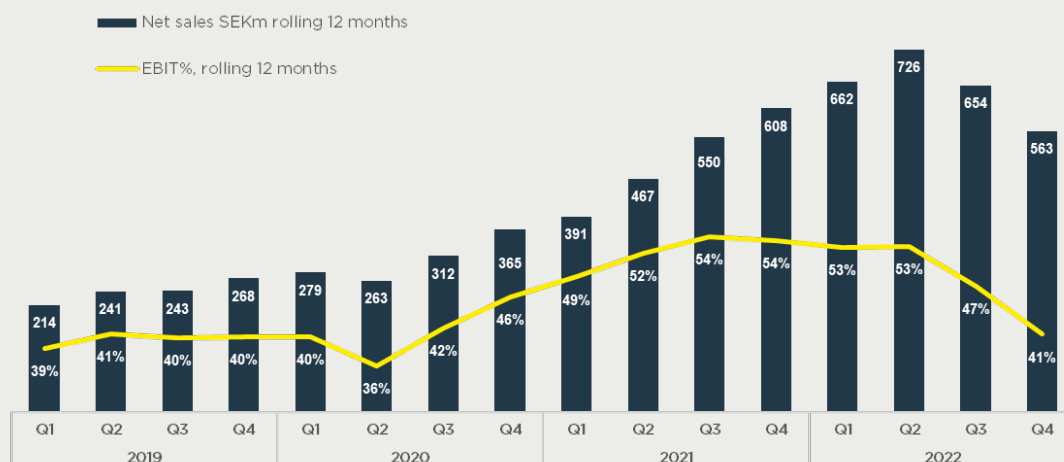
## Parent company

During the year, net sales for the parent company amounted to SEK 395m (435). Profit for the same period was SEK 150m (237).

## Employees

The average number of employees during the fourth quarter was 96 (77), of whom 24 (21) were employed in the Chinese subsidiary. The number of employees at the end of the period was 100 (78), of whom 24 (21) were employed in the Chinese subsidiary. The number of men employed was 52 and number of women employed was 48 at the end of the period.

SEKm



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



# Condensed consolidated income statement

SEKm	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales	107	198	563	608
Cost of goods sold	-30	-53	-157	-163
<b>Gross profit</b>	<b>77</b>	<b>145</b>	<b>406</b>	<b>445</b>
Selling expenses	-20	-20	-75	-57
Administrative expenses	-15	-14	-57	-48
Research and development expenses	-8	-7	-26	-24
Other operating income and expenses	-11	0	-18	9
<b>Operating profit/loss</b>	<b>24</b>	<b>104</b>	<b>229</b>	<b>326</b>
Financial income and expenses	1	0	-6	2
<b>Net financial items</b>	<b>1</b>	<b>0</b>	<b>-6</b>	<b>2</b>
<b>Profit/loss before tax</b>	<b>24</b>	<b>104</b>	<b>223</b>	<b>328</b>
Income taxes	-5	-25	-48	-73
<b>Profit/loss for the period</b>	<b>19</b>	<b>80</b>	<b>175</b>	<b>255</b>
Earnings per share basic, SEK	0.71	3.05	6.68	9.75
Earnings per share diluted, SEK	0.71	3.00	6.63	9.64
Average number of shares for the period, basic (thousand)	26,184	26,184	26,184	26,184
Average number of shares for the period, diluted (thousand)	26,242	26,575	26,411	26,496

# Condensed consolidated statement of comprehensive income

SEKm	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Profit/loss for the period</b>	<b>19</b>	<b>80</b>	<b>175</b>	<b>255</b>
<b>Other comprehensive income</b>				
<b>Items that may subsequently be transferred to profit or loss</b>				
Foreign currency translation	-3	2	2	4
Changes in the fair value of cash flow hedges	24	-4	3	-21
Tax on components in other comprehensive income	-5	1	-1	4
<b>Items that cannot be transferred to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the period</b>	<b>16</b>	<b>-2</b>	<b>5</b>	<b>-13</b>
<b>Comprehensive income for the period</b>	<b>35</b>	<b>78</b>	<b>180</b>	<b>242</b>

# Condensed consolidated balance sheet

SEKm	31 Dec 2022	31 Dec 2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	72	56
Property, plant and equipment	13	11
Right-of-use assets	18	8
Long term receivables	0	0
<b>Total non-current assets</b>	<b>104</b>	<b>76</b>
<b>Current assets</b>		
Inventories	6	10
Accounts receivable	110	200
Other current receivables	14	20
Current investments	381	361
Cash and cash equivalents	152	89
<b>Total current assets</b>	<b>663</b>	<b>680</b>
<b>TOTAL ASSETS</b>	<b>767</b>	<b>756</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	3	3
Other paid in capital	274	274
Reserves	2	-3
Retained earnings incl profit/loss for the period	348	303
<b>Total equity</b>	<b>626</b>	<b>577</b>
<b>Non-current liabilities</b>		
Lease liability	12	4
Other liabilities	9	-
Deferred tax liability	2	1
<b>Total non-current liabilities</b>	<b>24</b>	<b>5</b>
<b>Current liabilities</b>		
Lease liability	5	3
Accounts payable	29	70
Other liabilities	83	101
<b>Total current liabilities</b>	<b>117</b>	<b>174</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>767</b>	<b>756</b>

# Condensed consolidated statement of changes in equity

SEKm	Jan-Dec 2022	Jan-Dec 2021
<b>Opening equity for the period</b>	<b>577</b>	<b>426</b>
<i>Comprehensive income for the period</i>		
Profit/loss for the period	175	255
Other comprehensive income for the period	5	-13
<b>Comprehensive income for the period</b>	<b>180</b>	<b>242</b>
<i>Transactions with owners</i>		
Equity settled share based payments	0	0
Dividend	-131	-92
<b>Total transactions with the owners</b>	<b>-131</b>	<b>-92</b>
<b>Closing equity for the period</b>	<b>626</b>	<b>577</b>

# Consolidated statement of cash flows

SEKm	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Operating activities</b>				
Profit before tax	24	104	223	328
Adjustment for non-cash items	10	4	19	8
Income taxes paid	-10	-21	-56	-42
<b>Cash flow from operating activities before change in working capital</b>	<b>24</b>	<b>87</b>	<b>186</b>	<b>294</b>
<b>Cash flow from changes in working capital</b>				
Increase (-)/decrease (+) of inventories	2	2	4	-6
Increase (-)/decrease (+) of current receivables	35	-35	100	-58
Increase (+)/decrease (-) of current liabilities	-15	28	-54	47
<b>Cash flow from operating activities</b>	<b>47</b>	<b>81</b>	<b>236</b>	<b>277</b>
<b>Investing activities</b>				
Acquisition of intangible assets	-2	-2	-15	-6
Acquisition of property, plant and equipment	-1	-2	-6	-4
<b>Cash flow from investing activities</b>	<b>-3</b>	<b>-4</b>	<b>-22</b>	<b>-11</b>
<b>Financing activities</b>				
Paid dividend	-	-	-131	-92
Amortization of lease debt	-1	-1	-5	-3
<b>Cash flow from financing activities</b>	<b>-1</b>	<b>-1</b>	<b>-136</b>	<b>-95</b>
<b>Net change in cash &amp; cash equivalents</b>	<b>43</b>	<b>77</b>	<b>78</b>	<b>171</b>
<b>Cash &amp; cash equivalents at beginning of period</b>	<b>493</b>	<b>371</b>	<b>450</b>	<b>272</b>
Exchange-rate difference, cash and cash equivalents	-4	2	4	6
<b>Cash &amp; cash equivalents at end of period</b>	<b>532</b>	<b>450</b>	<b>532</b>	<b>450</b>

# Condensed parent company income statement

SEKm	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales	77	139	395	435
Cost of goods sold	-5	-6	-24	-26
<b>Gross profit</b>	<b>72</b>	<b>133</b>	<b>371</b>	<b>409</b>
Selling expenses	-19	-19	-73	-55
Administrative expenses	-14	-13	-56	-45
Research and development expenses	-8	-7	-25	-22
Other operating income and expenses	-11	0	-18	12
<b>Operating profit/loss</b>	<b>19</b>	<b>94</b>	<b>199</b>	<b>298</b>
Financial income and expenses	1	0	-6	3
<b>Profit after financial items</b>	<b>20</b>	<b>94</b>	<b>193</b>	<b>301</b>
Appropriations	-4	-2	-4	-2
<b>Appropriations</b>	<b>-4</b>	<b>-2</b>	<b>-4</b>	<b>-2</b>
<b>Profit/loss before tax</b>	<b>16</b>	<b>92</b>	<b>189</b>	<b>299</b>
Income taxes	-4	-19	-40	-62
<b>Profit/loss for the period</b>	<b>13</b>	<b>73</b>	<b>150</b>	<b>237</b>

# Condensed parent company statement of comprehensive income

SEKm	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Profit/loss for the period</b>	<b>13</b>	<b>73</b>	<b>150</b>	<b>237</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	24	-4	3	-21
Tax on components in other comprehensive income	-5	1	-1	4
<b>Items that cannot be transferred to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the period</b>	<b>19</b>	<b>-3</b>	<b>3</b>	<b>-17</b>
<b>Comprehensive income for the period</b>	<b>32</b>	<b>69</b>	<b>152</b>	<b>220</b>

# Condensed parent company balance sheet

SEKm	31 Dec 2022	31 Dec 2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	72	56
Property, plant and equipment	13	11
Participation in Group companies	1	2
Other financial assets	2	2
<b>Total non-current assets</b>	<b>89</b>	<b>71</b>
<b>Current assets</b>		
Inventories	-	0
Accounts receivable	75	131
Other current receivables	11	9
Current investments	381	361
Cash & cash equivalents	101	69
<b>Total current assets</b>	<b>568</b>	<b>571</b>
<b>TOTAL ASSETS</b>	<b>657</b>	<b>642</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Restricted equity	4	4
Non restricted equity	539	518
<b>Total equity</b>	<b>543</b>	<b>522</b>
Untaxed reserves	21	17
<b>Total untaxed reserves</b>	<b>21</b>	<b>17</b>
<i>Non-current liabilities</i>		
Other liabilities	9	-
<b>Total non-current liabilities</b>	<b>9</b>	<b>-</b>
<b>Current liabilities</b>		
Accounts payable	11	18
Other current liabilities	72	85
<b>Total current liabilities</b>	<b>83</b>	<b>103</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>657</b>	<b>642</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 2021 Annual Report. The standards and interpretative statements applied were in effect as of 1 January 2022 and had been adopted by the EU. Changed accounting policies as of 1 January 2022 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 2022

The new or amended IFRS effective as of 2022 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 15-16. Definitions of alternative performance measures are presented in the annual report and on [www.mipscorp.com](http://www.mipscorp.com).

## Segment

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

## Seasonal variations

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

## Risks and uncertainties

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

Mips is further exposed to external factors which the company cannot control. The spread of COVID-

19 globally has created major uncertainties around the world. It is difficult to assess future impacts of the spread of COVID-19. 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. As described earlier in this report, there have been challenges in the bike market that have had a negative impact on the financial results during the quarter, these are assessed as short-term challenges. 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 year 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 2021 from page 38.

### 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	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<i>Revenue recognized at the time of delivery</i>				
Sales of goods	103	193	542	593
<i>Revenues reported over time</i>				
Sales of services	4	5	21	15
<b>Total</b>	<b>107</b>	<b>198</b>	<b>563</b>	<b>608</b>

### Income by region

SEKm	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
North America	75	131	369	409
Europe	18	34	127	120
Sweden	6	25	43	47
Asia and Australia	8	9	25	32
<b>Total</b>	<b>107</b>	<b>198</b>	<b>563</b>	<b>608</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 quarter with 46% mainly driven by Europe with negative 48% and North America with negative 43% growth.

### Income per helmet category

SEKm	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Sport	95	190	511	570
Moto	10	8	47	35
Safety	3	1	4	3
<b>Total</b>	<b>107</b>	<b>198</b>	<b>563</b>	<b>608</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 fourth quarter in Sport decreased by 50% while Moto increased by 33%.

### 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 42m (26) on the full-year figures for 2021. 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 2021 page 101.

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

The fair value of the derivatives as of 31 December 2022 amounted to a financial liability of SEK 9m, compared to a financial liability of SEK 10m previous year. Hedge accounting has been applied whereby the unrealized change in fair value of the outstanding derivatives is primarily recognized in Other com-

prehensive 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 31 December 2022 amounts to SEK 381m (361). As of 31 December 2022, Mips had a non-current liability amounting to SEK 9m (-) regarding contingent additional purchase consideration related to the acquisition of patent rights and certain other intangible assets valued at accrued acquisition value.

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

As of 31 December 2022, the total registered number of shares amounted to 26,183,620 (26,183,620) and the share capital amounted to SEK 2,618,362 (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 31 December 2022, the company's holdings of own shares amounted to 5,749 shares, which corresponds to less than 0.1 percent of the total number of registered shares. The number of outstanding shares as of 31 December 2022 was 26,177,871.

#### **Dividend**

Prior to the Annual General Meeting in May, the Board of Directors will propose a dividend of SEK 5.50 per share (5.00) for 2022, which corresponds to SEK 144m, based on the number of outstanding shares as per 31 January 2022. The proposed dividend corresponds to 82% of net earnings during the year.

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

The Group has one outstanding 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 allocated warrants. The warrants can lead to a dilution of the share capital and votes in the company of a maximum of 2.2 percent. The exercise price is SEK 339.30 per share (before recalculation). Each warrant entitles to subscription of one

new share. As in previous warrant programs, the exercise price and number of shares shall be recalculated based on paid dividend in accordance with the terms and conditions for the warrants. The exercise price after paid dividend is SEK 334.67.

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 33 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 performance share rights and that no personal investment is required. The share performance program comprises a total of 3,598 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 2022 except payment of dividend.

#### **Annual General Meeting**

The 2023 Annual General Meeting will be held in Stockholm on 10 May 2023.

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

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

#### **Auditors report**

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

Stockholm 9 February 2023

Max Strandwitz  
President and CEO



# Quarterly consolidated performance measures

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	LTM
Net sales	107	113	206	137	198	185	142	83	140	102	66	56	87	563
Net sales growth, %	-46	-39	45	65	41	81	115	48	60	94	-20	25	41	-7
Gross profit	77	78	151	99	145	136	105	60	103	74	49	40	66	406
Gross margin, %	72.3	69.0	73.4	72.5	73.0	73.3	73.8	72.5	73.3	72.2	74.2	70.8	74.9	72.1
Operating profit	24	37	107	62	104	110	72	39	76	55	20	16	39	229
Operating margin, %	22.0	32.8	51.7	45.3	52.6	59.6	50.7	47.4	54.4	53.6	29.7	29.1	44.6	40.7
Adjusted operating profit	24	37	107	62	104	110	72	39	76	55	20	17	40	229
Adjusted operating margin, %	22.0	32.8	51.7	45.3	52.6	59.6	50.7	47.4	54.4	53.6	30.8	30.1	45.4	40.7
EBITDA	29	41	110	65	107	113	75	42	80	59	22	19	41	245
EBITDA-margin, %	27.1	36.3	53.5	47.6	54.2	61.3	52.7	50.9	56.8	57.4	33.5	33.4	46.6	43.6
Depreciations	6	4	4	3	3	3	3	3	3	4	2	2	2	16
Earnings per share basic, SEK	0.71	1.10	3.04	1.83	3.05	3.38	2.10	1.23	2.24	1.61	0.61	0.48	1.19	6.68
Earnings per share diluted, SEK	0.71	1.10	3.01	1.81	3.00	3.33	2.08	1.22	2.23	1.61	0.61	0.47	1.16	6.63
Equity ratio, %	82	76	74	80	76	78	79	84	82	84	85	85	87	82
Cash flow from operating activities	47	97	55	37	81	71	56	69	49	29	23	15	20	236
Average number of employees	96	93	89	80	77	74	67	62	59	55	53	52	47	89

## 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.

	Oct-Dec 2022	Jan-Dec 2022
<b>Organic growth</b>		
<b>Net sales growth</b>	<b>-46%</b>	<b>-7%</b>
Net Sales in USDm	7	40
Net Sales in SEKm at 2022 average USD exchange rate	73	396
Net Sales in SEKm at 2021 average USD exchange rate	61	342
Impact currency in absolute numbers	12	54
Net Sales 2021 SEKm	198	608
<b>USD impact on growth</b>	<b>6%</b>	<b>9%</b>
Net Sales in CNYm	20	112
Net Sales in SEKm at 2022 average CNY exchange rate	30	168
Net Sales in SEKm at 2021 average CNY exchange rate	28	150
Impact currency in absolute numbers	2	18
Net Sales 2021 SEKm	198	608
<b>CNY impact on growth</b>	<b>1%</b>	<b>3%</b>
<b>Organic growth</b>	<b>-53%</b>	<b>-19%</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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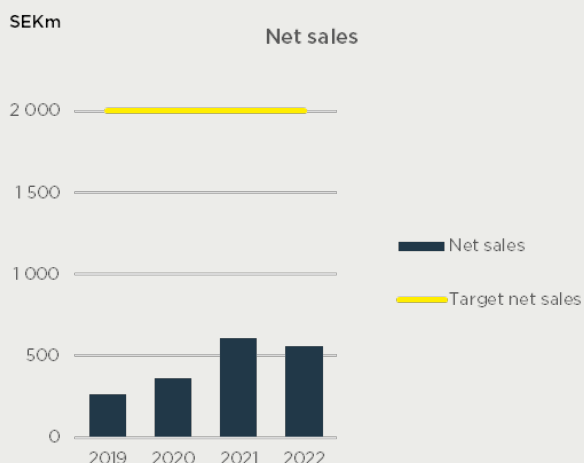
Mips will present the interim report at an audiocast via teleconference on 9 February 2023 at 10.00 a.m. CET.

To participate, please register at <https://financialhearings.com/event/45797>.

FINANCIAL CALENDER	2023
23 March 2023:	Annual Report 2022
26 April 2023:	Interim report January-March 2023
10 May 2023:	Annual General Meeting
20 July 2023:	Interim report January-June 2023
26 October 2023:	Interim report January-September 2023
8 February 2024:	Year-end-report 2023

# 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.

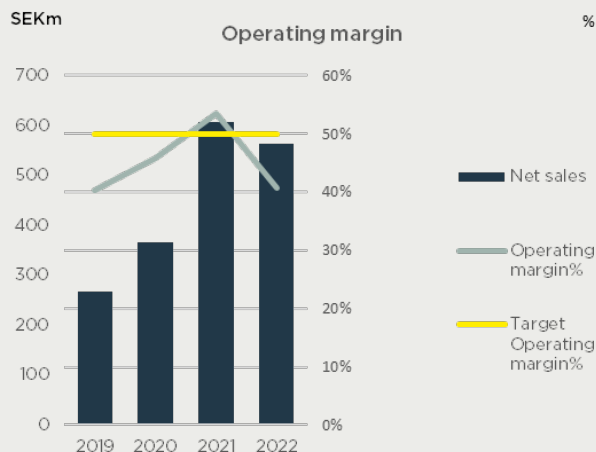
#### PROFITABILITY:

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

#### SUSTAINABILITY:

You can read about Mips' sustainability work in Mips' annual report for 2021.

## Profitability



### 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 76 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.mip-scorp.com](http://www.mip-scorp.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 9 February 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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