

# Interim report January–September 2022

## July–September 2022

- Net sales decreased by 39% to SEK 113m (185), organic growth amounted to -50% during the quarter
- Operating profit amounted to SEK 37m (110)
- Operating margin was 32.8% (59.6)
- Cash flow from operating activities amounted to SEK 97m (71)
- Earnings per share, diluted, was SEK 1.10 (3.33)
- On 12 September 2022, Mips announced that the company predicted a short-term weaker development of the bike market

## January–September 2022

- Net sales increased by 11% to SEK 456m (410), organic growth amounted to -4%
- Operating profit amounted to SEK 205m (221)
- Operating margin was 45.1% (54.1)
- Cash flow from operating activities amounted to SEK 189m (196)
- Earnings per share, diluted, amounted to SEK 5.91 (6.64)

## The Mips Group in brief

SEKm	Jul-Sep 2022	Jul-Sep 2021	Δ%	Jan-Sep 2022	Jan-Sep 2021	Δ%	Full year 2021
Net sales	113	185	-39	456	410	11	608
Gross profit	78	136	-42	328	300	9	445
Gross margin, %	69.0	73.3	-	72.0	73.3	-	73.2
Operating profit (EBIT)	37	110	-66	205	221	-7	326
Operating margin (EBIT-margin), %	32.8	59.6	-	45.1	54.1	-	53.6
Profit for the period	29	88	-67	156	176	-11	255
Earnings per share basic, SEK	1.10	3.38	-67	5.97	6.70	-11	9.75
Earnings per share diluted, SEK	1.10	3.33	-67	5.91	6.64	-11	9.64
Cash flow from operating activities	97	71	37	189	196	-3	277
Dividend per share, SEK	-	-	-	5.00	3.50	43	3.50

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 bike market had a negative impact on both sales and profitability**

During the third quarter, net sales decreased by 39 percent. Adjusted for exchange rate effects, the decrease was 50 percent. In the interim report for the second quarter 2022 we communicated that we saw a partial slowdown within bike following a very strong growth in 2021. On 12 September 2022, we published an update when we realized that we had underestimated the speed and the magnitude of the slowdown in the bike sector. The decrease in net sales in the third quarter is explained by reduced sales to the large product group bike helmets. Bike retailers around the world have generally built up too high inventory levels of bikes and bike accessories and therefore helmet manufacturers pulled the handbrake in terms of helmet manufacturing ahead of next season.

Despite the challenging environment, we see a good development in our other helmet categories. During the first nine months of the year, net sales has increased by 11 percent.

In the quarter, operating profit decreased by 66 percent and amounted to SEK 37m (110). During the first nine months of the year, operating profit decreased by 7 percent and amounted to SEK 205m (221). In the quarter, we experienced a material decrease in gross margin which was mainly attributed to the volume effects from the decrease in net sales and product mix.

In the quarter, the operating margin was 33 percent (60), explained by our continued investments for long-term growth, and 45 percent (54) for the first nine months of the year. During the quarter, there was a good development of the operating cash flow with an increase to SEK 97m (71). The operating cash flow during the first nine months of the year amounted to SEK 189m (196).

## **Helmet category Sport - short-term uncertainty within bike**

The softer development in the Sport category compared to previous quarters is entirely explained by the slowdown in the bike market. The uncertain market situation in the bike industry has continued during the third quarter and has resulted in excessive inventory levels of bike and bike accessories at retailers. Our assessment is that the challenging market and inventory situation in the bike industry remains, where retailers in most markets have significantly reduced their purchases, which will negatively affect Mips' sales and results during the rest of the year and to some extent the beginning of 2023. The majority of Mips' sales in the third and fourth quarters are historically driven by sales to bike helmets, when most of the production of this type of helmets takes place.

A more "wait-and-see" approach among retailers has had a greater impact on sales than we anticipated, especially compared to the previous year's strong comparative figures. We assess that this is a short-term negative trend in the bike industry and that this may continue for the remainder of the year and the first part of 2023 until inventory levels are fully balanced. We do not believe that the short-term negative impacts in the bike industry should affect our long-term opportunities to grow within the bike subcategory. We believe that this subcategory will return to growth driven by strong trends in e-bikes, commuting and people wanting to spend more time outdoors. We still see a high interest from our customers wanting to launch new products within the bike subcategory. Therefore, we are confident in our continued investments in bike.

Our other helmet categories in Sport have not experienced the same negative impact and we still see positive developments going forward.

## **Helmet category Motorcycle - development continues to be good**

The Motorcycle helmet category continued to develop well during the quarter with a growth of 16 percent. During the first nine months of the year, the category has grown by 38 percent, and we believe that the development will continue to be positive also going forward. This quarter's growth is mainly due to good progress with our existing customers, but it also comes from more new customers launching helmet models with Mips' technology.

## **Helmet category Safety - great interest from the industry**

During the quarter, one of our key partners, uvex, launched two new helmets globally and we believe in a good sales trend going forward. During September, we participated in the NSC fair in San Diego where we presented our first exhibition stand in the Safety helmet category. At this fair, we once again experienced a confirmed industry interest in Mips' technology, and we believe that the US can become a key market for the Safety category (as it is for the Sport category). Our focus remains - to drive sell-through together with our existing customers and naturally also establish partnerships with new customers.

## **Our most active quarter ever**

Participating in fairs has been a very beneficial way for Mips to both recruit new customers and increase awareness of Mips around the world. We participated in more fairs during the quarter than ever before, and it has been great to meet many of the customers that we could only meet digitally during the pandemic. We exhibited at the world's largest bike fair, Eurobike, in Frankfurt, the world's largest equestrian fair, Spoga, in Cologne and NSC,

a large construction fair in San Diego, USA. We will participate in two fairs during the fourth quarter; EICMA in Italy, which is the biggest motorcycle fair, and ISPO, which is a fair for winter sports.

We do not see that our customers' interest in developing new helmets with Mips' technology has decreased. On the contrary, we experience a good momentum in all our categories. We continue to see a high inflow of new helmet projects from our customers and are investing in our strategic initiatives at an unchanged pace.

**Short-term challenges but confident in our strategy and long-term financial targets**

The year started in a strong way with a good increase in demand, however following the large inventory adjustment within the bike sector and a more uncertain world we have experienced a challenging market during the third quarter, and we expect this to remain short-term. We have handled the faced challenges well so far and I am confident that our market position together with our strong balance sheet will lead to Mips becoming even stronger when this is over. Short-term, we assess that the coming quarter will continue to be erratic since a lot of bike helmets are normally manufactured in the fourth quarter. We continue to gain market share and advance our position within all our categories.

We are convinced that the positive long-term trends remain and, thus, that demand will continue to be good in all our categories going forward. We continue our efforts and investments in accordance with our long-term plan with the aim of consolidating our strong market position when the curve turns up again. With our new strategy and new initiatives, we are prepared for the opportunities and challenges that lie ahead, and I look forward with confidence to the journey towards our long-term targets.

Stockholm, October 2022

Max Strandwitz  
President and CEO



”A challenging bike market had a negative impact on both sales and profitability”

# Financial performance

## July – September

### Net sales

Net sales for the third quarter amounted to SEK 113m (185), a decrease by 39%. Adjusted for exchange rate effects, the organic growth was -50%. The decrease in net sales is mainly explained by a decreased demand within the bike category.

### Changes in net sales

%	Jul-Sep 2022	Jan-sep 2022
Organic growth	-50	-4
Change in exchange rates	11	15
<b>Total</b>	<b>-39</b>	<b>11</b>

### Gross profit

Gross profit decreased by 42% to SEK 78m (136). The gross margin amounted to 69.0% (73.3) where the decrease is mainly attributable to the product mix, higher share of fixed costs as an effect of lower net sales and higher number of projects in implementation.

### Operating profit (EBIT)

Operating profit decreased by 66% to SEK 37m (110), corresponding to an operating margin of 32.8% (59.6). The decrease in operating profit is mainly explained by decreased sales and higher costs related to initiatives within marketing and strengthening of the organization.

Selling expenses increased to SEK 19m (11). The increase in selling expenses is mainly explained by costs related to initiatives within marketing and exhibitions and strengthening of the organization. Administrative expenses amounted to SEK 12m (11) during the quarter. Research and development costs amounted to SEK 6m (5).

### Profit for the period and earnings per share

Profit before tax amounted to SEK 37m (111). Tax expenses for the quarter amounted to SEK -8m (-23), corresponding to an effective tax rate of 21.7% (20.5). Profit for the period was SEK 29m (88). Diluted earnings per share amounted to SEK 1.10 (3.33).

### Cash flow

Cash flow from operating activities amounted to SEK 97m (71). The change is mainly explained by decreased current receivables, mainly account receivables, of SEK 86m (-44).

Cash flow from investing activities was SEK -3m (-2). Cash flow from financing activities was SEK -1m (-1). Cash flow for the third quarter amounted to SEK 92m (68).

## January – September

### Net sales

Net sales for the first nine months amounted to SEK 456m (410), an increase by 11%. Adjusted for exchange rate effects, the organic growth was -4%. The increase in net sales is mainly explained by the sales mix and exchange rate effect.

### Gross profit

Gross profit increased by 9% to SEK 328m (300). The gross margin decreased by 1.3 percentage points to 72.0% (73.3).

### Operating profit (EBIT)

Operating profit decreased to SEK 205m (221), corresponding to an operating margin of 45.1% (54.1). The decrease in operating profit is mainly explained by initiatives within marketing, higher costs related to strengthening of the organization, and forex.

Selling expenses increased to SEK 56m (38). The increase in selling expenses is mainly explained by initiatives within marketing and costs related to strengthening the organization. Administrative expenses amounted during the first nine months to SEK 43m (34). The increase in administrative expenses is mainly explained by higher costs related to strengthening the organization. Research and development costs amounted to SEK 18m (17).

### Profit for the period and earnings per share

Profit before tax amounted to SEK 199m (224). Tax expenses for the first nine months amounted to SEK -43m (-48), corresponding to an effective tax rate of 21.4% (21.5). Profit for the period was SEK 156m (176). Diluted earnings per share amounted to SEK 5.91 (6.64).

### Cash flow

Cash flow from operating activities amounted to SEK 189m (196). The decrease is mainly explained by decreased earnings and higher paid tax partly mitigated by decreased account receivables.

Cash flow from investing activities was SEK -19m (-7), mainly driven by the acquisition of patent rights and some other intangible assets during the first quarter. Cash flow from financing activities was SEK -134m (-94) mainly attributable to dividend payment of SEK -131m (-92).



## Financial position

The group's total assets as of 30 September 2022 amounted to SEK 782m (639). During the first nine months, non-current assets increased to SEK 109m (75) 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 an additional lease contract to enable our continued growth. Short-term investments of SEK 378m (279) are in their entirety invested in interest-bearing funds. The equity/assets ratio was 76% (78). Cash and cash equivalents, including short-term investments, as of 30 September 2022 amounted to SEK 493m (371).

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 39m as of 30 September 2022, compared to a financial liability of SEK 4m previous year. Hedge accounting is applied, whereby the unrealized change in the fair value of the derivatives is primarily reported in Other comprehensive income.

SEKm



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

## Investments

During the third quarter, investments having an impact on the cash flow amounted to SEK 3m (2). Investments in intangible fixed assets amounted to SEK 1m (2). Investments in tangible fixed assets amounted to SEK 2m (0). During the first nine months, investments amounted to SEK 19m (7). Investments in intangible assets amounted to SEK 14m (5) mainly related to acquisition of patent rights and some other intangible assets. Investments in tangible assets amounted to SEK 6m (2).

The Group had no significant commitments as of 30 September 2022 related to investments.

## Parent company

Net sales for the first nine months for the parent company amounted to SEK 318m (296). Profit for the same period was SEK 137m (164).

## Employees

The average number of employees during the third quarter was 93 (74), of whom 23 (21) were employed in the Chinese subsidiary. The number of employees at the end of the period was 98 (77), of whom 23 (21) were employed in the Chinese subsidiary. The number of men employed was 52 and number of women employed was 46 at the end of the period.



# Condensed consolidated income statement

SEKm	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
Net sales	113	185	456	410	608
Cost of goods sold	-35	-49	-127	-109	-163
<b>Gross profit</b>	<b>78</b>	<b>136</b>	<b>328</b>	<b>300</b>	<b>445</b>
Selling expenses	-19	-11	-56	-38	-57
Administrative expenses	-12	-11	-43	-34	-48
Research and development expenses	-6	-5	-18	-17	-24
Other operating income and expenses	-4	1	-6	9	9
<b>Operating profit/loss</b>	<b>37</b>	<b>110</b>	<b>205</b>	<b>221</b>	<b>326</b>
Financial income and expenses	0	1	-7	2	2
<b>Net financial items</b>	<b>0</b>	<b>1</b>	<b>-7</b>	<b>2</b>	<b>2</b>
<b>Profit/loss before tax</b>	<b>37</b>	<b>111</b>	<b>199</b>	<b>224</b>	<b>328</b>
Income taxes	-8	-23	-43	-48	-73
<b>Profit/loss for the period</b>	<b>29</b>	<b>88</b>	<b>156</b>	<b>176</b>	<b>255</b>
Earnings per share basic, SEK	1.10	3.38	5.97	6.70	9.75
Earnings per share diluted, SEK	1.10	3.33	5.91	6.64	9.64
Average number of shares for the period, basic (thousand)	26,184	26,184	26,184	26,184	26,184
Average number of shares for the period, diluted (thousand)	26,317	26,535	26,446	26,454	26,479

# Condensed consolidated statement of comprehensive income

SEKm	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
<b>Profit/loss for the period</b>	<b>29</b>	<b>88</b>	<b>156</b>	<b>176</b>	<b>255</b>
<b>Other comprehensive income</b>					
<b>Items that may subsequently be transferred to profit or loss</b>					
Foreign currency translation	2	1	5	2	4
Changes in the fair value of cash flow hedges	-10	-5	-21	-17	-21
Tax on components in other comprehensive income	2	1	4	3	4
<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>-6</b>	<b>-3</b>	<b>-11</b>	<b>-11</b>	<b>-13</b>
<b>Comprehensive income for the period</b>	<b>23</b>	<b>86</b>	<b>145</b>	<b>164</b>	<b>242</b>

# Condensed consolidated balance sheet

SEKm	30 Sep 2022	30 Sep 2021	31 Dec 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	74	56	56
Property, plant and equipment	14	10	11
Right-of-use assets	17	8	8
Long term receivables	5	0	0
<b>Total non-current assets</b>	<b>109</b>	<b>75</b>	<b>76</b>
<b>Current assets</b>			
Inventories	9	12	10
Accounts receivable	156	164	200
Other current receivables	15	17	20
Current investments	378	279	361
Cash and cash equivalents	116	93	89
<b>Total current assets</b>	<b>673</b>	<b>564</b>	<b>680</b>
<b>TOTAL ASSETS</b>	<b>782</b>	<b>639</b>	<b>756</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	3	3	3
Other paid in capital	274	274	274
Reserves	-15	-1	-3
Retained earnings incl profit/loss for the period	329	223	303
<b>Total equity</b>	<b>591</b>	<b>498</b>	<b>577</b>
<b>Non-current liabilities</b>			
Lease liability	12	5	4
Other non-current liabilities	10	-	-
Deferred tax liability	-	2	1
<b>Total non-current liabilities</b>	<b>22</b>	<b>7</b>	<b>5</b>
<b>Current liabilities</b>			
Lease liability	4	3	3
Accounts payable	45	49	70
Other current liabilities	121	82	101
<b>Total current liabilities</b>	<b>169</b>	<b>134</b>	<b>174</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>782</b>	<b>639</b>	<b>756</b>

# Condensed consolidated statement of changes in equity

SEKm	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
<b>Opening equity for the period</b>	<b>577</b>	<b>426</b>	<b>426</b>
<i>Comprehensive income for the period</i>			
Profit/loss for the period	156	176	255
Other comprehensive income for the period	-11	-11	-13
<b>Comprehensive income for the period</b>	<b>145</b>	<b>164</b>	<b>242</b>
<i>Transactions with owners</i>			
Equity settled share based payments	0	0	0
Dividend	-131	-92	-92
<b>Total transactions with the owners</b>	<b>-131</b>	<b>-91</b>	<b>-91</b>
<b>Closing equity for the period</b>	<b>591</b>	<b>498</b>	<b>577</b>



# Consolidated statement of cash flows

SEKm	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
<b>Operating activities</b>					
Profit before tax	37	111	199	224	328
Adjustment for non-cash items	3	2	9	4	8
Income taxes paid	-12	-8	-46	-20	-42
<b>Cash flow from operating activities before change in working capital</b>	<b>28</b>	<b>105</b>	<b>161</b>	<b>207</b>	<b>294</b>
<b>Cash flow from changes in working capital</b>					
Increase (-)/decrease (+) of inventories	3	-1	2	-8	-6
Increase (-)/decrease (+) of current receivables	86	-44	64	-23	-58
Increase (+)/decrease (-) of current liabilities	-21	11	-39	19	47
<b>Cash flow from operating activities</b>	<b>97</b>	<b>71</b>	<b>189</b>	<b>196</b>	<b>277</b>
<b>Investing activities</b>					
Acquisition of intangible assets	-1	-2	-14	-5	-6
Acquisition of property, plant and equipment	-2	0	-6	-2	-4
<b>Cash flow from investing activities</b>	<b>-3</b>	<b>-2</b>	<b>-19</b>	<b>-7</b>	<b>-11</b>
<b>Financing activities</b>					
Paid dividend	-	-	-131	-92	-92
Amortization of lease debt	-1	-1	-3	-3	-3
<b>Cash flow from financing activities</b>	<b>-1</b>	<b>-1</b>	<b>-134</b>	<b>-94</b>	<b>-95</b>
<b>Net change in cash &amp; cash equivalents</b>	<b>92</b>	<b>68</b>	<b>35</b>	<b>94</b>	<b>171</b>
<b>Cash &amp; cash equivalents at beginning of period</b>	<b>398</b>	<b>302</b>	<b>450</b>	<b>272</b>	<b>272</b>
Exchange-rate difference, cash and cash equivalents	3	2	8	4	6
<b>Cash &amp; cash equivalents at end of period</b>	<b>493</b>	<b>371</b>	<b>493</b>	<b>371</b>	<b>450</b>

# Condensed parent company income statement

SEKm	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
Net sales	79	133	318	296	435
Cost of goods sold	-8	-9	-19	-20	-26
<b>Gross profit</b>	<b>71</b>	<b>124</b>	<b>300</b>	<b>276</b>	<b>409</b>
Selling expenses	-18	-11	-54	-36	-55
Administrative expenses	-12	-10	-42	-32	-45
Research and development expenses	-5	-4	-17	-16	-22
Other operating income and expenses	-4	2	-7	12	12
<b>Operating profit/loss</b>	<b>31</b>	<b>102</b>	<b>180</b>	<b>204</b>	<b>298</b>
Financial income and expenses	0	1	-7	2	3
<b>Profit after financial items</b>	<b>31</b>	<b>103</b>	<b>173</b>	<b>207</b>	<b>301</b>
Appropriations	-	-	-	-	-2
<b>Appropriations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2</b>
<b>Profit/loss before tax</b>	<b>31</b>	<b>103</b>	<b>173</b>	<b>207</b>	<b>299</b>
Income taxes	-7	-21	-36	-43	-62
<b>Profit/loss for the period</b>	<b>25</b>	<b>82</b>	<b>137</b>	<b>164</b>	<b>237</b>

# Condensed parent company statement of comprehensive income

SEKm	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
<b>Profit/loss for the period</b>	<b>25</b>	<b>82</b>	<b>137</b>	<b>164</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	-10	-5	-21	-17	-21
Tax on components in other comprehensive income	2	1	4	3	4
<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>-8</b>	<b>-4</b>	<b>-17</b>	<b>-13</b>	<b>-17</b>
<b>Comprehensive income for the period</b>	<b>17</b>	<b>78</b>	<b>120</b>	<b>151</b>	<b>220</b>

# Condensed parent company balance sheet

SEKm	30 Sep 2022	30 Sep 2021	31 Dec 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	74	56	56
Property, plant and equipment	13	10	11
Participation in Group companies	1	1	2
Other financial assets	9	1	2
<b>Total non-current assets</b>	<b>96</b>	<b>68</b>	<b>71</b>
<b>Current assets</b>			
Inventories	0	0	0
Accounts receivable	108	112	131
Other current receivables	11	7	9
Current investments	378	279	361
Cash & cash equivalents	70	73	69
<b>Total current assets</b>	<b>566</b>	<b>472</b>	<b>571</b>
<b>TOTAL ASSETS</b>	<b>663</b>	<b>540</b>	<b>642</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	4	4	4
Non restricted equity	507	448	518
<b>Total equity</b>	<b>511</b>	<b>453</b>	<b>522</b>
Untaxed reserves	17	15	17
<b>Total untaxed reserves</b>	<b>17</b>	<b>15</b>	<b>17</b>
<i>Non-current liabilities</i>			
Other non-current liabilities	10	-	-
<b>Total non-current liabilities</b>	<b>10</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>			
Accounts payable	13	8	18
Other current liabilities	111	64	85
<b>Total current liabilities</b>	<b>124</b>	<b>73</b>	<b>103</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>663</b>	<b>540</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 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. 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	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
<i>Revenue recognized at the time of delivery</i>					
Sales of goods	107	182	440	400	593
<i>Revenues reported over time</i>					
Sales of services	6	3	16	10	15
<b>Total</b>	<b>113</b>	<b>185</b>	<b>456</b>	<b>410</b>	<b>608</b>

### Income by region

SEKm	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
North America	78	123	295	278	409
Europe	23	42	109	86	120
Sweden	6	11	36	22	47
Asia and Australia	7	8	16	23	32
<b>Total</b>	<b>113</b>	<b>185</b>	<b>456</b>	<b>410</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 39% mainly driven by Europe with negative 46% and North America with negative 37% growth.

### Income per helmet category

SEKm	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
Sport	98	172	417	381	570
Moto	15	13	37	27	35
Safety	1	1	2	2	3
<b>Total</b>	<b>113</b>	<b>185</b>	<b>456</b>	<b>410</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 third quarter in Sport decreased by 43% while Moto increased by 16%.

### 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 30 September 2022 amounted to a financial liability of SEK 39m due to a strong USD, compared to a financial liability of SEK 4m previous year. 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 2022 amounts to SEK 378m (279). As of 30 September 2022, Mips had a non-current liability amounting to SEK 10m (-) 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 30 September 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 30 September 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 30 September 2022 was 26,177,871.

#### **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 ex-

ercise 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.

#### **Significant events during the reporting period**

On 12 September 2022, Mips published a press release stating that the company predicted a short-term weaker development of the bike market.

#### **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, 16 October 2022

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 as of September 30, 2022 and the nine-month period then ended. 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 16 October 2022

KPMG AB

### Tomas Gerhardsson

Authorized Public  
Accountant



# Quarterly consolidated performance measures

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	LTM
Net sales	113	206	137	198	185	142	83	140	102	66	56	87	53	654
Net sales growth, %	-39	45	65	41	81	115	48	60	94	-20	25	41	3	19
Gross profit	78	151	99	145	136	105	60	103	74	49	40	66	39	473
Gross margin, %	69.0	73.4	72.5	73.0	73.3	73.8	72.5	73.3	72.2	74.2	70.8	74.9	73.0	72.3
Operating profit	37	107	62	104	110	72	39	76	55	20	16	39	20	310
Operating margin, %	32.8	51.7	45.3	52.6	59.6	50.7	47.4	54.4	53.6	29.7	29.1	44.6	38.6	47.4
Adjusted operating profit	37	107	62	104	110	72	39	76	55	20	17	40	21	310
Adjusted operating margin, %	32.8	51.7	45.3	52.6	59.6	50.7	47.4	54.4	53.6	30.8	30.1	45.4	39.5	47.4
EBITDA	41	110	65	107	113	75	42	80	59	22	19	41	24	324
EBITDA-margin, %	36.3	53.5	47.6	54.2	61.3	52.7	50.9	56.8	57.4	33.5	33.4	46.6	45.8	49.5
Depreciations	4	4	3	3	3	3	3	3	4	2	2	2	4	14
Earnings per share basic, SEK	1.10	3.04	1.83	3.05	3.38	2.10	1.23	2.24	1.61	0.61	0.48	1.19	0.63	9.02
Earnings per share diluted, SEK	1.10	3.01	1.81	3.00	3.33	2.08	1.22	2.23	1.61	0.61	0.47	1.16	0.62	8.92
Equity ratio, %	76	74	80	76	78	79	84	82	84	85	85	87	86	76
Cash flow from operating activities	97	55	37	81	71	56	69	49	29	23	15	20	12	270
Average number of employees	93	89	80	77	74	67	62	59	55	53	52	47	45	85

## 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

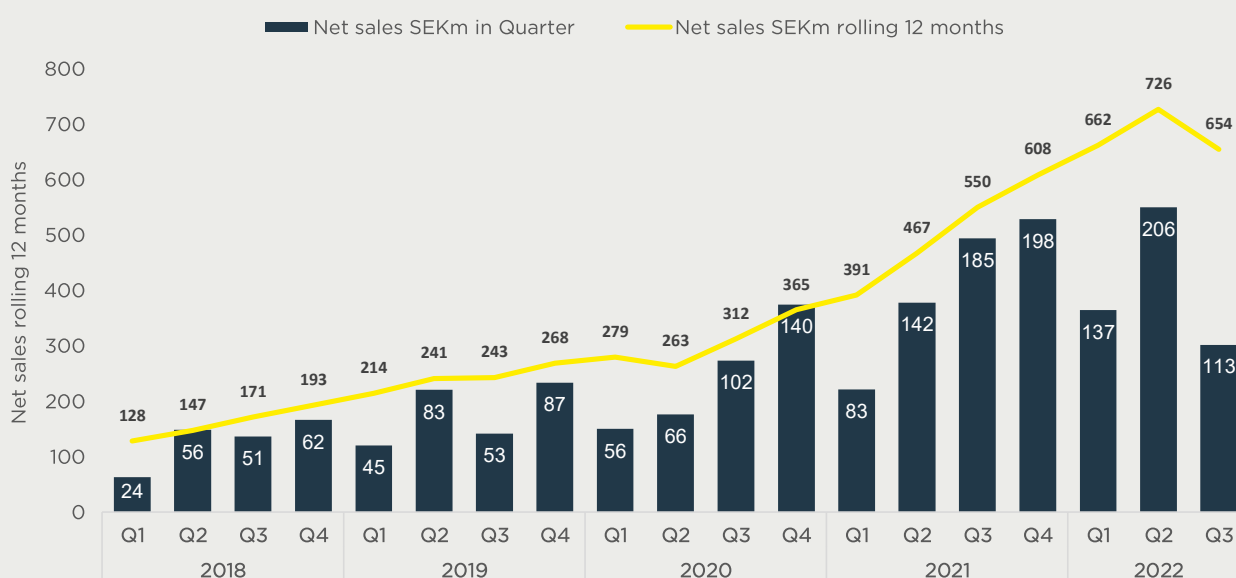
Since Mips invoices its goods and services in USD and CNY at the same time as the accounting currency is SEK, it is essential to create an understanding of how the company performs excluding currency exchange effects when recalculating sales.

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 2022	Jan-Sep 2022
<b>Net sales growth</b>	<b>-39%</b>	<b>11%</b>
Net Sales in USDm	8	33
Net Sales in SEKm at 2022 average USD exchange rate	85	324
Net Sales in SEKm at 2021 average USD exchange rate	69	279
Impact currency in absolute numbers	15	44
Net Sales 2021 SEKm	185	410
<b>USD impact on growth</b>	<b>8%</b>	<b>11%</b>
Net Sales in CNYm	22	92
Net Sales in SEKm at 2022 average CNY exchange rate	34	137
Net Sales in SEKm at 2021 average CNY exchange rate	30	121
Impact currency in absolute numbers	4	17
Net Sales 2021 SEKm	185	410
<b>CNY impact on growth</b>	<b>2%</b>	<b>4%</b>
<b>Organic growth</b>	<b>-50%</b>	<b>-4%</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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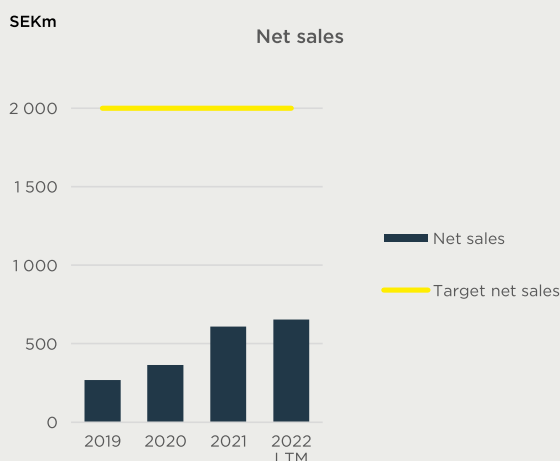
Mips will present the interim report at an audiocast via teleconference on 17 October 2022 at 10.00 a.m. CET.

To participate, please register at <https://financialhearings.com/event/45862>.

<b>FINANCIAL CALENDER</b>	<b>2022-2023</b>
9 February 2023:	Year-end-report 2022
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

# 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.

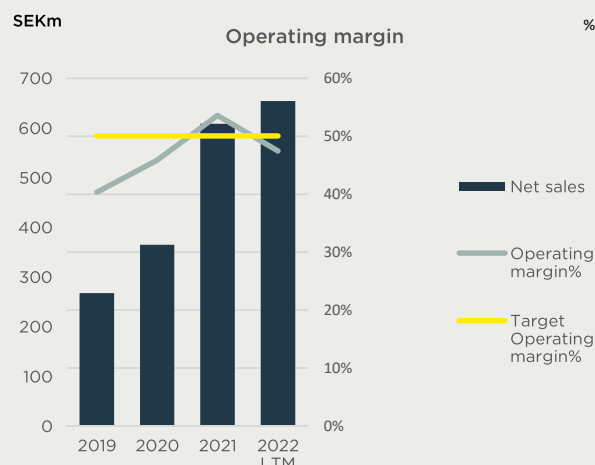
#### PROFITABILITY:

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 75 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 2021 amounted to SEK 608m and the operating margin was 54 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 16 October 2022 at 10 p.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



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