



Interim report January - September 2017

July - September

- Net sales increased by 29% to MSEK 27.3 (21.2)
- Operating profit decreased to MSEK 0.1 (2.3). Adjusted operating profit* decreased to MSEK 0.1 (6.4)
- Operating profit includes litigation costs of MSEK 9.2 (0.6) relating to the patent infringement lawsuit** the company has filed
- Operating margin decreased to 0.3% (10.7) Adjusted operating margin* decreased to 0.3% (30.3)
- Cash flow from operating activities decreased to MSEK 6.3 (11.8)
- Earnings per share diluted, amounted to SEK -0.01 (0.08)

January - September

- Net sales increased by 54% to MSEK 85.0 (55.1)
- Operating profit increased to MSEK 6.2 (4.6). Adjusted operating profit* rose to MSEK 13.2 (10.5)
- Operating profit includes litigation costs of MSEK 12.3 (2.7) relating to the patent infringement lawsuit** the company has filed
- Operating margin decreased to 7.3% (8.4). Adjusted operating margin* decreased to 15.5% (19.1)
- Cash flow from operating activities increased to MSEK 10.2 (6.1)
- Earnings per share diluted, amounted to SEK 0.18 (0.16)

The MIPS group in brief

	2017			2016			2016/17	
	Jul-Sep	Jul-Sep	Δ%	Jan-Sep	Jan-Sep	Δ%	LTM	Jan-Dec
MSEK								
Net sales	27.3	21.2	29	85.0	55.1	54	116.5	86.6
Gross profit	20.1	15.2	32	62.7	38.3	64	86.1	61.7
Gross margin, %	73.8	71.8	-	73.8	69.6	-	73.9	71.3
Operating profit (EBIT)	0.1	2.3	-96	6.2	4.6	34	20.0	18.4
Operating margin, (EBIT-margin)%	0.3	10.7	-	7.3	8.4	-	17.1	21.2
Adjusted operating profit*	0.1	6.4	-99	13.2	10.5	25	26.9	24.2
Adjusted operating margin*, %	0.3	30.3	-	15.5	19.1	-	23.1	28.0
Profit for the period	-0.2	1.7	N/A	4.4	3.4	29	15.3	14.3
Earnings per share basic, SEK	-0.01	0.08	N/A	0.18	0.16	13	0.65	0.67
Earnings per share diluted, SEK	-0.01	0.08	N/A	0.18	0.16	17	0.64	0.65
Cash flow from operating activities	6.3	11.8	-47	10.2	6.1	67	20.1	16.0

* Adjusted for items affecting comparability, see page 15

** More detailed information regarding the company's lawsuit and litigation cost, see page 12
For definitions and performance measures, see pages 13 - 16

COMMENT´S FROM THE CEO

Development during the quarter

During the third quarter, net sales increased by 29% to 27.3 MSEK (21.2). Growth comes mainly from higher demand from existing customers within the category Bicycle but also within the category Motorcycle. The adjusted operating margin amounted to 0.3% (30.3), which includes legal costs of 9.2 MSEK (0.6) related to the company's patent dispute. Excluding legal costs, we have continued to improve our operating margin, primarily through efficiency improvements. During the rolling twelve-month period, net sales increased to 116.5 MSEK with an adjusted operating margin of 23.1%.

Patent dispute in Canada

MIPS is involved in an ongoing patent dispute. The company has sued a Canadian helmet manufacturer for patent infringement. The trial phase of the dispute began on 5 September and ended 19 October. A ruling regarding the dispute is expected within 6 months. The process has been preceded by thorough preparatory work with legal and technical expertise since 2014, which intensified at the end of the summer. We have now incurred the major portion of the expected costs for the process. Although the dispute has cost us significant amounts, I'm convinced this is of strategic importance to defend our patents and rights. With our advisors and internal teams focused on these issues, we have further strengthened our ability to defend MIPS patent and market position.

Lower growth rate during third quarter

The growth rate was lower in the third quarter than the trend we have seen earlier during the year. The underlying demand was however higher than what is reflected in the company revenue growth. Some of our customers have challenges in terms of having access to enough production capacity at the helmet factories which means they have not been able to manufacture helmets in line with demand. This has indirectly affected our deliveries. An active dialogue is being held between us and affected customers as well as with representatives of production facilities to get even better insight into our customers' situation.

Positive interest at leading fairs

In September, we participated in the world's largest bicycle fair, Eurobike in Friedrichshafen, Germany. The interest in safety is apparent. Customers and end users are aware, and they make new and clearer demands in terms of safety for their products and equipment. My view is that interest and demand for safety is significantly stronger today than a few years ago. MIPS is today a leading actor in this development which is also evident in the dialogue with existing and potential customers. Both customers and media representatives were clearly interested in and paid attention to our new product solutions.

Sharpened offering

MIPS will launch two additional product solutions in conjunction with our participation at EICMA in Milan. These give us exciting opportunities within the strategically important categories of Motorcycle and LEAF (Law Enforcement Armed Forces). The product portfolio is expanding, and we can now address even more helmet applications.

Now we look forward to our first real performance in the category Motorcycle. We participate for the first time with products and customers at EICMA, a trade fair in Milan in November, the world's largest fair in this category. Our participating customers present 18 helmets with MIPS BPS of which 6 are brand new launches.

Our long-term ambition remain

MIPS is a fast-growing company and the growth rate will fluctuate between the quarters. With over 50% growth year to date and our current plan, I'm convinced that MIPS will reach its 2020 ambitions.

Johan Thiel
President and CEO





FINANCIAL PERFORMANCE

July - September

Net sales

Third-quarter net sales amounted to MSEK 27.3 (21.2), up 29%. Adjusted for currency exchange rate effects, the increase was 33%. The increase was primarily due to higher demand from existing customers, mainly in the Bicycle and Motorcycle categories.

Gross profit

Gross profit increased 32% to MSEK 20.1 (15.2). The gross margin increased by 2.0 percentage points to 73.8% (71.8). The improved gross margin was mainly due to lower sourcing costs.

Operating profit (EBIT)

Operating profit decreased to MSEK 0.1 (2.3), corresponding to an operating margin of 0.3% (10.7). No items affecting comparability for the period (4.2). Thus, adjusted EBIT was also MSEK 0.1 (6.4), corresponding to an adjusted operating margin of 0.3% (30.3).

The decrease in adjusted operating profit was mainly due to increased litigation costs of MSEK 9.2 (0.6), relating to the trial that started on 5 September and ended 19 October regarding the lawsuit* which the company has filed against a helmet manufacturer, increased costs related to strengthening of the organisation and costs related of being a listed company. This increase in costs was partly offset by increased sales and improved gross margin.

Selling expenses amounted to MSEK 4.9 (4.6). The increase was mainly due to increased marketing initiatives. Administrative expenses increased during the quarter to MSEK 12.8 (7.5). The increase of administrative expenses is mainly relating to increased legal costs* and cost relating of being a listed company. On a quarter-to-quarter comparative basis, this was partly offset by cost relating to preparing for the IPO in the same period prior year. Research and development costs increased to MSEK 2.6 (1.0), as a result of initiatives within product development.

Profit for the period and earnings per share

Profit before tax amounted to MSEK -0.2 (2.3). Tax for the quarter was MSEK 0.0 (0.6), corresponding to an effective tax rate of 24% (26). Profit for the period was MSEK -0.2 (1.7). Diluted earnings per share amounted to SEK -0.01 (0.08).

Cash flow

Cash flow from operating activities decreased to MSEK 6.3 (11.8). The decrease was mainly attributable to the decrease in operating profit and higher accounts receivables due to increase in sales.

Cash flow from investing activities amounted to MSEK -0.6 (-0.6). Cash flow from financing activities was MSEK 0.0 (0.0). Cash flow for the period amounted to MSEK 5.7 (11.2).

January - September

Net sales

Net sales for the first nine months amounted to MSEK 85.0 (55.1), up 54%. Adjusted for exchange rate effects, the increase was 49%. The increase was primarily due to higher demand from existing customers.

Gross profit

Gross profit rose 64% to MSEK 62.7 (38.3). The gross margin increased 4.2 percentage points to 73.8% (69.6). The improvement in the gross margin was mainly attributable to lower sourcing costs and a favourable sales mix.

Operating profit (EBIT)

EBIT rose to MSEK 6.2 (4.6), corresponding to an operating margin of 7.3% (8.4). Items affecting comparability for the period amounted to MSEK 7.0 (5.9) and pertained in their entirety to expenses related to the company's IPO. Adjusted EBIT increased to MSEK 13.2 (10.5), corresponding to an adjusted operating margin of 15.5% (19.1). The increase in adjusted EBIT is mainly attributable to increased sales and an improved gross margin, which were partly offset by increased litigation cost relating company's patent dispute* of MSEK 12.3 (2.7), costs connected to the strengthening of the organisation and costs associated with being a listed company.

Selling expenses amounted to MSEK 16.4 (12.1), with the increase mainly due to the strengthening of the sales organisation and increased initiatives within marketing. Administrative expenses rose to MSEK 32.3 (20.0), stemming primarily from higher litigation costs*, expenses related of being a listed company and expenses related to the company's IPO on Nasdaq Stockholm. Research and development costs amounted to MSEK 6.9 (2.5), as a result of increased initiatives within product development.

* More detailed information regarding the company's lawsuit and litigation cost see page 12



Profit for the period and earnings per share

Profit before tax amounted to MSEK 5.7 (4.8). Taxes recognised for the period was MSEK 1.3 (1.4), corresponding to an effective tax rate of 23% (29). Net profit for the period was MSEK 4.4 (3.4). Diluted earnings per share were SEK 0.18 (0.16).

Cash flow

Cash flow from operating activities rose to MSEK 10.2 (6.1) The increase was mainly attributable to the payment related to social security contributions for a terminated option programme, which was made in the second quarter of 2016 and a higher operating profit.

Cash flow from investing activities amounted to MSEK -2.8 (-2.9). Cash flow from financing activities was MSEK 145.1 (0.2), the increase of MSEK 141.2, net after deductions for transaction costs, and payments of MSEK 3.9 received for warrants issued, was attributable to the new share issue in conjunction with the company's IPO. Cash flow for the period amounted to MSEK 152.5 (3.5).

Financial position

On 30 September 2017, the group's total assets amounted to MSEK 233.4 (60.8). The increase was the result of higher liquidity due to the new share issue of MSEK 141.2 (-) net. Current investments of MSEK 155.1 are invested in their entirety in interest-bearing funds. The equity/assets ratio was 90% (76). Cash and cash equivalents, including current investments, totalled MSEK 180.5 (19.4) on 30 September 2017. Deferred tax assets amounted to MSEK 11.5, of which MSEK 12.1 was attributable to loss carry forwards and MSEK -0.6 to other temporary differences.

The carrying amounts of assets and liabilities are considered to correspond to their fair values in all material respects. To reduce the group's short-term currency exposure, certain currency derivative agreements have been entered into with a bank during the year. The derivatives were measured at fair value and amounted to a financial asset of MSEK 2.7 (-) at 30 September 2017. Hedge accounting is applied, according to which, the unrealised change in fair value for the derivatives is primarily recognised in Other comprehensive income.

Investments

Investments in the third quarter amounted to MSEK 0.6 (0.6). Investments in intangible assets amounted to MSEK 0.5 (0.2), of which the majority referred to patents. Investments in tangible assets were MSEK 0.1 (0.4). During the nine months, investments amounted to MSEK 2.8 (2.4), of which investments in intangible assets were MSEK 1.8 (0.9) and tangible assets MSEK 1.0 (1.5). As of 30 September 2017, no significant commitments have been made related to investments.

Parent company

The majority of sales activities during the quarter took place in the parent company, MIPS AB (publ). Thus, net sales for the parent company, mainly correspond to the group's net sales and amounted to MSEK 84.1 (55.1) for the first nine months of the year. Net profit for the period of the parent company corresponds in all material respects to the group's, totalling MSEK 4.2 (3.4) for the first nine months.

Employees

The average number of employees was 32 (18) for the third quarter, of whom 7 (-) employed in the subsidiary in China. The number of employees at the end of the period was 33 (18), of whom 8 (-) employed in the subsidiary in China.



CONDENSED CONSOLIDATED INCOME STATEMENT

TSEK	2017	2016	2017	2016	2016
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	27,271	21,199	84,982	55,111	86,629
Cost of goods sold	-7,135	-5,978	-22,265	-16,769	-24,902
Gross profit	20,136	15,221	62,717	38,342	61,727
Selling expenses	-4,924	-4,632	-16,356	-12,090	-16,608
Administrative expenses	-12,826	-7,510	-32,346	-19,988	-24,118
Research and development expenses	-2,645	-994	-6,942	-2,534	-4,607
Other operating income and expenses	339	176	-884	874	1,982
Operating profit/loss	81	2,260	6,189	4,605	18,376
Financial income and expenses	-328	41	-460	206	410
Net financial items	-328	41	-460	206	410
Profit/loss before tax	-248	2,300	5,728	4,811	18,787
Income taxes	47	-592	-1,325	-1,396	-4,484
Profit/loss for the period	-201	1,709	4,403	3,415	14,303
Earnings per share basic, SEK	-0.01	0.08	0.18	0.16	0.67
Earnings per share diluted, SEK	-0.01	0.08	0.18	0.16	0.65
Average number of shares for the period, basic (thousand)*	25,300	22,039	24,261	21,292	21,479
Average number of shares for the period, diluted (thousand)*	25,382	22,039	24,277	22,005	22,014

*At an Extraordinary General Meeting on 1 February 2017, it was resolved to conduct a 1,000:1 share split according to which each share was split into 1,000 new shares. The new number of shares was taken into consideration when calculating earnings per share for all historical periods. In conjunction with the listing on Nasdaq Stockholm on 23 March 2017, 3,260,870 new shares were issued. The average number of shares represents a weighted average for the period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	2017	2016	2017	2016	2016
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Profit/loss for the period	-201	1,709	4,403	3,415	14,303
Other comprehensive income for the period	-66	-	1,367	-	-
Comprehensive income for the period	-267	1,709	5,770	3,415	14,303



CONDENSED CONSOLIDATED BALANCE SHEET

	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
ASSETS			
<i>Non-current assets</i>			
Intangible assets	5,415	3,133	3,677
Property, plant and equipment	2,788	2,505	2,509
Deferred tax asset	11,527	14,473	11,412
Long term receivables	561	483	563
Total non-current assets	20,290	20,593	18,160
<i>Current assets</i>			
Inventories	1,417	784	675
Accounts receivable	23,625	16,567	21,356
Other current receivables	7,533	3,477	6,700
Current investments	155,075	-	-
Cash and cash equivalents	25,431	19,409	28,507
Total current assets	213,081	40,237	57,237
TOTAL ASSETS	233,371	60,830	75,397
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	2,530	2,204	2,204
Other paid in capital	243,250	96,513	96,513
Reserves	1,367	-	-
Retained earnings incl profit/loss for the period	-36,987	-52,278	-41,390
Total equity	210,160	46,439	57,327
Total non-current liabilities	-	61	87
<i>Current liabilities</i>			
Current interest-bearing liabilities	-	78	55
Accounts payable	10,352	5,762	8,857
Other current liabilities	12,859	8,489	9,072
Total current liabilities	23,211	14,330	17,983
TOTAL EQUITY AND LIABILITIES	233,371	60,830	75,397

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Opening equity for the period	57,327	41,551	41,551
<i>Comprehensive income for the period</i>			
Profit/loss for the period	4,403	3,415	14,303
Comprehensive income for the period	1,367	-	-
Comprehensive income for the period	5,770	3,415	14,303
<i>Contribution from and value transfers to owners</i>			
New share issue*	143,169	292	292
Premium received from issue of warrants	3,894	-	-
Equity settled share based payments	-	1,181	1,181
Total transactions with the Group's owners	147,063	1,473	1,473
Closing equity for the period	210,160	46,439	57,327

*Amount relating to new share issue is reported net after deduction for transactional expenses of TSEK -8,758 and tax TSEK +1,927



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

TSEK	2017	2016	2017	2016	2016
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
<i>Operating activities</i>					
Profit before tax	-248	2,300	5,728	4,811	18,787
Adjustment for non-cash items	1,053	147	1,325	-3,773	-3,681
Income taxes paid	-	-	-	-	-
Cash flow from operating activities before change in working capital	805	2,447	7,054	1,038	15,105
<i>Cash flow from changes in working capital</i>					
Increase (-)/decrease (+) of inventories	63	246	-750	8	117
Increase (-)/decrease (+) of current receivables	1,491	4,703	-1,389	-1,843	-9,855
Increase (+)/decrease (-) of current liabilities	3,947	4,425	5,329	6,922	10,601
Cash flow from operating activities	6,307	11,821	10,243	6,125	15,969
<i>Investing activities</i>					
Acquisition of intangible assets	-492	-243	-1,843	-874	-1,421
Acquisition of property, plant and equipment	-119	-384	-984	-1,498	-1,801
Acquisition of financial asset	-	-	-	-483	-563
Disposal of financial asset	14	-	-	-	-
Cash flow from investing activities	-597	-627	-2,828	-2,855	-3,784
<i>Financing activities</i>					
New share issue	-	-	150,000	292	292
Paid out transaction expenses	-	-	-8,758	-	-
Premium received from issue of warrants	-	-	3,894	-	-
Amortization of lease debt	-8	-23	-55	-69	-92
Cash flow from financing activities	-8	-23	145,081	223	200
Net change in cash & cash equivalents	5,702	11,171	152,496	3,494	12,385
Cash & cash equivalents at beginning of period	175,165	8,196	28,507	15,717	15,717
Exchange rate difference on bank holdings	-361	41	-498	198	406
Cash & cash equivalents at end of period	180,506	19,409	180,506	19,409	28,507



CONDENSED PARENT COMPANY INCOME STATEMENT

TSEK	2017	2016	2017	2016	2016
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	26,753	21,199	84,106	55,111	86,629
Cost of goods sold	-6,649	-5,978	-21,619	-16,769	-24,902
Gross profit	20,104	15,221	62,487	38,342	61,727
Selling expenses	-4,924	-4,632	-16,356	-12,090	-16,608
Administrative expenses	-12,826	-7,513	-32,350	-19,994	-24,126
Research and development expenses	-2,631	-994	-6,927	-2,534	-4,607
Other operating income and expenses	339	176	-884	874	1,982
Operating profit/loss	63	2,258	5,969	4,598	18,368
Financial income and expenses	-325	42	-458	211	416
Net financial items	-325	42	-458	211	416
Profit/loss before tax	-262	2,300	5,511	4,810	18,784
Income taxes	56	-592	-1,271	-1,396	-4,483
Profit/loss for the period	-206	1,708	4,240	3,414	14,301

CONDENSED PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

TSEK	2017	2016	2017	2016	2016
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Profit/loss for the period	-206	1,708	4,240	3,414	14,301
Other comprehensive income for the period	-29	-	1,416	-	-
Comprehensive income for the period	-235	1,708	5,656	3,414	14,301



CONDENSED PARENT COMPANY BALANCE SHEET

TSEK	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
ASSETS			
<i>Non-current assets</i>			
Intangible assets	5,415	3,133	3,677
Property, plant and equipment	2,719	2,430	2,457
Participation in Group companies	585	100	100
Deferred tax asset	11,582	14,473	11,412
Other financial assets	561	483	563
Total non-current assets	20,862	20,619	18,208
<i>Current assets</i>			
Inventories	1,096	784	675
Accounts receivable	23,173	16,567	21,356
Other current receivables	7,890	3,493	6,716
Current investments	155,075	-	-
Cash & cash equivalents	24,778	19,306	28,405
Total current assets	212,012	40,150	57,151
TOTAL ASSETS	232,874	60,770	75,359
EQUITY AND LIABILITIES			
<i>Equity</i>			
Restricted equity	4,219	3,893	3,893
Non restricted equity	205,844	42,565	53,452
Total equity	210,063	46,458	57,345
<i>Provisions</i>			
Deferred taxes	-	61	86
Total provisions	-	61	86
<i>Current liabilities</i>			
Accounts payable	10,060	5,762	8,857
Other current liabilities	12,750	8,489	9,072
Total current liabilities	22,811	14,251	17,928
TOTAL EQUITY AND LIABILITIES	232,874	60,770	75,359



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 have been listed on Nasdaq Stockholm since 23 March 2017 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 EU for use in the EU that were presented in the group's 2016 Annual Report. The standards and interpretative statements applied were in effect as of 1 January 2017 and had been adopted by the EU. The new or revised IFRS that had come into effect on 1 January 2017 did not have any material impact on the group's financial statements. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for groups was 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 was 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 its accompanying notes as well as in other parts of this interim report.

New and amended IFRS not yet applied

A number of new and amended IFRS will take effect from 1 January 2018 and have not been early adopted when preparing this financial statement. The work to analyse the effects of the future adoption of IFRS 9 Financial instruments and IFRS 15 Revenue from contracts has continued during the year. As of the date of this interim report we still find the preliminary analysis described in 2016 Annual report valid and that new standards will have no significant effect except for more extensive disclosure requirements and concerning IFRS 15 it relates to certain earlier recognition of revenues regarding implementation services for development of new helmet models.

Valuation basis applied when preparing the financial statements

Assets and liabilities are recognised at historical cost, except for liabilities for social security contributions on share options programmes and currency derivatives, the value of 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 presentation currency of the group. This means that the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest thousand.

Judgments and estimates in the financial statements

The preparation of the financial statements in accordance with IFRS requires that the company management make judgments and estimates, and make assumptions that affect the application of the accounting policies and the amounts of assets, liabilities, income and expenses recognised. The actual outcome may deviate from these judgments and estimates. Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change only affects that period, 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

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

Alternative performance measures

The European Securities and Markets Authority (ESMA) issued guidelines on alternative performance measures for companies with securities listed on a regulated market in the EU, which came into force on 3 July 2016. Alternative performance measures are financial measures used by company management and investors to analyse trends and the performance of the group's operations that cannot be directly read in or derived from the financial statements. These financial measures are intended to help company management and investors analyse 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. Note that the alternative performance measures defined on pages 14-16 may differ from other companies' definitions of the same term.



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 of the brain and increased competition. As an ingredient brand, MIPS is also dependent upon its customers' ability to reach end-users and on their demand. An economic downturn or change in end-users' preferences in the US and Europe, could have a negative impact on the group's net sales and profitability. The company is dependent on its intellectual property rights, in certain cases the protection may be inadequate or that MIPS may incur significant costs to protect its intellectual property, which could have an adverse impact on the company's operations, earnings and financial position. Additional information is included in "Disputes", concerning a lawsuit the company has filed. The company's executive management actively manages both operating and financial risk.

Currency exposure

MIPS invoice its products and pays its subcontractors primarily in USD, which is also the currency that is mainly the operating currency used by MIPS customers within the helmet industry. Fluctuations in the USD exchange rate against the SEK, may thus have a significant impact on MIPS net sales and profitability. A 10% change in the USD rate on the full-year 2016 figures would have an estimated EBIT impact of MSEK +/- 6. In January 2017, the Board of Directors decided that MIPS should have as a policy to hedge 50% of the projected USD exposure on a 12-months rolling basis going forward.

During 2017, some invoicing has been gradually moved from the parent company to the Chinese subsidiary, resulting in that some of the group's income will be invoiced in CNY in the future. To counteract exposure to CNY in invoicing, a currency adjustment clause against USD has been introduced in MIPS sales agreements. This means that the company's exposure in USD to a large extent remains.

Derivatives and hedge accounting

In order to reduce the group's short-term currency exposure and in line with the group's finance policy, certain derivatives contracts with banks have been entered into covering forecasted sales in USD, starting the first quarter of 2017. Derivatives are valued at fair value on the balance sheet. Hedge accounting is applied and change in value is recognized in Other comprehensive income and the accumulated changes in value are recognized in a separate component of equity (hedging reserve) until the hedged flow affects the profit for the year, whereby the hedging instruments' accumulated changes in value are reclassified to the profit for the period (other operating income / expenses) whereas the hedged item (accounts receivable) affects the profit for the period. The group currently only has instruments classified under level two in the valuation hierarchy:

- Level 1: Listed unadjusted prices on official marketplaces for identical assets or liabilities
- Level 2: Other observable data for assets or liabilities not included in Level 1 either directly, as price quotes, or indirectly: derived from price quotes.
- Level 3: Data for the asset or liability in question, which is not based on observable market data: unobservable input data.

The fair value of the derivatives amounts to MSEK 2.7 (-) as of 30 September 2017, of which MSEK 2.0 (-) has been reported in Other comprehensive income and MSEK 0.7 (-) has been recognized in the income statement as other operating income/ expenses taking deferred tax into account.



Share capital

During the first quarter of 2017, a 1,000:1 share split was completed and a new share issue, covering a total of 3,260,870 shares, totalling MSEK 150.0, was completed. As of 30 September 2017, the total number of shares amounted to 25,299,870 (22,039,000) and the share capital was SEK 2,529,987 (2,203,900 on 31 Dec 2016). All shares are ordinary shares and carry equal voting rights. The shares have a quotient value of SEK 0.10.

Share-based incentive programmes

At the Extraordinary General Meeting on 1 February 2017, it was decided to issue a maximum of 1,250,000 warrants as part of two incentive programmes, one of which is directed to management and certain key individuals and the other to Board members who are independent of the major shareholders of the company. The warrants will result in a dilutive effect of maximum 5%. To date, 875,000 warrants in total have been issued and MIPS has received payments totalling MSEK 3.9 from the issuance of the warrants. The warrant price has been determined by an independent third-party valuation. The exercise price is SEK 59.80 per share. Each warrant entitles the right to acquire one share. The warrants can be exercised for subscription of new shares during the time period 1 March-31 May 2020.

Disputes

MIPS has an ongoing patent dispute in Canada, where MIPS has taken legal action against a helmet manufacturer for patent infringement. The trial started 5 September and ended 19 October. The trial, of first instance, was held before a judge in the Federal Court, Montreal, Canada with witnesses from both parties as well as expert witnesses. The court reserves the right to award the formal ruling within three to six months. Under certain circumstances an appeal may be made if so, the case is examined by a three-judge court. Subsequently, any potentially corrected formal judgment will then be stated. The patent infringement suit and corresponding legal action have been solidly prepared by legal and technical experts since 2014. The legal preparations intensified during the end of the summer. The company estimates that the major part of the cost related to the litigation process has been recognized. Costs for this dispute amounted to MSEK 9.2 (0.6) for the quarter and during the first 9 months of the fiscal year to MSEK 12.3 (2.7), mainly related to costs for outside legal advice. The corresponding amount for the full-year 2016 was MSEK 3.6.

Related-party transactions

No other significant related-party transactions took place during the period.

Events after the end of the reporting period

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

Annual general meeting

Annual general meeting for 2017 will be held in Stockholm 15 May 2018.

Nomination committee established

According to previous company resolutions, the members of the nomination committee for the 2018 Annual General Meeting shall consist of representatives of the three largest shareholders of the company per 31 August 2017 and by MIPS Chairman. Thus, the nomination committee has been appointed by Bell Technology Acquisition LLC (BTA), HealthCap V L.P. and Robur fonder, each appointing their representative who together with the chairman shall constitute the company's nomination committee. The members of the nomination committee are Johan Winnerblad nominated by BTA, Staffan Lindstrand nominated by HealthCap V L.P. and Annika Andersson, nominated by Robur fonder and MIPS board chairman Bengt Baron. The nomination committee will prepare a proposal to the 2018 Annual General Meeting, including, among other things, the recommended chairman of the Annual General Meeting, company board members, chairman of the board, remuneration of the board, auditor election, audit fees and any changes to the nomination committee. Shareholders who wish to submit proposals to the nomination committee can do so by email at: Valberedning@mipsprotection.com.

Auditors report

This report has not been reviewed by company's auditors.



QUARTERLY CONSOLIDATED PERFORMANCE MEASURES

Amounts in TSEK	Q3'17	Q2'17	Q1'17	Q4'16	Q3'16	Q2'16	Q1'16	Q4'15	Q3'15	Q2'15	Q1'15	LTM 16/17
Net sales	27,271	36,605	21,106	31,518	21,199	23,628	10,284	20,378	12,567	13,863	2,751	116,500
Net sales growth*, %	29	55	105	55	69	70	274					54
Gross profit	20,136	27,579	15,002	23,385	15,221	16,909	6,212	15,451	8,877	8,907	1,278	86,102
Gross margin, %	73.8	75.3	71.1	74.2	71.8	71.6	60.4	75.8	70.6	64.3	46.5	73.9
Operating profit	81	11,043	-4,935	13,772	2,260	5,611	-3,267	3,843	1,599	1,547	-4,114	19,961
Operating margin, %	0.3	30.2	-23.4	43.7	10.7	23.7	-31.8	18.9	12.7	11.2	-149.6	17.1
Adjusted operating profit	81	11,532	1,557	13,701	6,422	7,368	-3,267	3,843	1,599	1,547	-4,114	26,871
Adjusted operating margin, %	0.3	31.5	7.4	43.5	30.3	31.2	-31.8	18.9	12.7	11.2	-149.6	23.1
Depreciation/amortization	296	299	213	281	188	182	151	120	98	93	83	1,089
Basic earnings per share, SEK	-0.01	0.35	-0.19	0.49	0.08	0.20	-0.14	1.03	0.09	0.08	-0.21	0.65
Diluted earnings per share, SEK	-0.01	0.34	-0.19	0.49	0.08	0.20	-0.14	0.90	0.08	0.07	-0.21	0.64
Equity ratio, %	90	92	87	76	76	82	74	76	72	68	67	86
Cash flow from operating activities	6,307	5	3,931	9,844	11,821	-8,828	3,132	726	7,365	-1,608	-3,418	20,087
Average adjusted working capital	12,345	5,893	3,604	8,623	11,266	8,299	3,429	4,888	5,690	5,648	3,341	7,931
Average number of employees	32	29	23	20	18	16	15	15	13	12	12	26

DEFINITIONS

N/A

Not applicable. The calculation of a change or similar does not increase understanding.

LTM

Last twelve months. Shows a consecutive 12-month rolling period.

MIPS BPS

MIPS Brain Protection System.

MIPS patented system consisting of license fee, components and, when applicable, a low friction layer.

Performance measures defined in accordance with IFRS

Basic earnings per share (SEK)

Profit for the period divided by the average number of shares during the period.

Diluted earnings per share (SEK)

Profit for the period divided by the diluted average number of shares during the period.

Average number of shares

Calculated as a weighted average number of shares for the period.



Alternative performance measures

MIPS uses certain performance measures not defined in the IFRS rules for financial reporting that MIPS uses. The alternative performance measures presented, complements the IFRS-defined measures and are used by MIPS management to monitor and manage company operation. Accordingly, these alternative performance measures, as they are defined, are not fully comparable with other companies' performance measures with the same name.

Non-IFRS performance measures	Definition	Reason for use of measure
Gross profit	Net sales less cost of goods sold.	Gross profit is the profit measure used by senior management to monitor the profitability directly related to net sales.
Gross margin (%)	Gross profit as a percentage of net sales during the period.	The measure is a material complement to the gross profit, which only states the change in absolute figures, and provides an understanding of the value creation over time.
Operating profit (EBIT)	Profit before financial items and taxes.	The measure is used to measure the profit generated by the operating activities
Operating margin (EBIT margin) (%)	Operating profit as a percentage of net sales during the period.	The measure is used to assess profitability generated by the operating activities and provides an understanding of the value creation over time.
Adjusted operating profit	Operating profit excluding items affecting comparability.	Adjusted operating profit is a measure used by MIPS to maintain comparability between periods and to be able to report a result for operating activities.
Adjusted operating margin (%)	Adjusted operating profit as a percentage of net sales during the period.	See explanation under the description for " <i>Adjusted operating profit</i> ".
Average working capital	Corresponds to inventories, current tax assets, accounts receivable, prepaid expenses and accrued income and other receivables less account payables, current tax liabilities current interest-bearing lease liabilities, accrued expenses and deferred income.	The measure is used to describe the amount of capital employed in the operating activities. The calculation is made by dividing the opening balance with closing balance for the period by two.
Average adjusted working capital	Corresponds to inventories, current tax assets, accounts receivable, prepaid expenses and accrued income and other receivables less account payables, current tax liabilities, other current interest-bearing operating liabilities, current interest-bearing lease liabilities, accrued expenses and deferred income, and current provisions (related to social security contributions for the share option programme).	The reason for the use of this measure is the same as for average working capital. However, this measure includes the impact of current provisions related to social security contributions for the share option programme.
Equity ratio (%)	Equity in relation to total assets.	The measure states the proportion of total assets composed by equity and contributes to a greater understanding of the company's capital structure.
Cash flow from operating activities	Cash flow from the primary income-generating operating activities.	The cash-flow measure is used by senior management to monitor the cash flow generated by the operating activities.
Last 12 months rolling comparison (LTM)	Indicates net sales and adjusted operating profit as a 12-month period from the most recent quarter.	The key performance measure provides senior management with an indication of performance over time without having to wait to compare with the next calendar year to do so.
Average number of employees	The average number of employees converted to full-time positions.	Converting the number of employees to full-time positions makes the measure comparable over periods and in the event of differences in working hours.



Organic growth

Since MIPS primarily invoices its BPS units in USD while the reporting currency is SEK, it is essential to provide an understanding of the company's performance without currency effects when reporting sales. The organic growth is measured in percentage points of the preceding year's net sales. For growth in net sales, and net sales in absolute terms, see the table below.

	2017 Jul-Sep	2017 Jan-Sep
Organic growth		
Net sales growth	29%	54%
Net Sales in TUSD	3,228	9,680
Net Sales in TSEK at 2017 average USD exchange rate	26,753	84,107
Net Sales in TSEK at 2016 average USD exchange rate	27,672	81,114
Impact currency in absolute	-919	2,993
Net Sales 2016 TSEK	21,199	55,111
Currency impact on growth	-4%	5%
Organic growth	33%	49%

Adjusted operating profit

During the year, MIPS has incurred costs relating to the preparation for its IPO on Nasdaq Stockholm. These costs are considered to constitute items affecting period-to-period comparability. Thus, it is important to understand operating profit excluding items affecting comparability in order to assess the operating profit generated by MIPS operating activities.

Adjusted Operating profit (Adjusted EBIT)	LTM									
	2017 Jul-Sep	2016 Jul-Sep	2017 Jan-Sep	2016 Jan-Sep	2015-2016 Jul-Jun	2015-2016 Okt-Sep	2016 Jan-Dec	2016-2017 Apr-Mar	2016-2017 Jul-Jun	2016-2017 Okt-Sep
TSEK										
Operating profit	81	2,260	6,189	4,605	7,787	8,448	18,376	16,708	22,140	19,961
Items affecting comparability*	-	4,161	6,981	5,919	1,757	5,919	5,847	12,340	11,072	6,911
Adjusted operating profit	81	6,421	13,170	10,524	9,544	14,367	24,223	29,048	33,212	26,872

*Cost related to preparation for company's listing at Nasdaq Stockholm

Working capital

Since MIPS does not have any in house manufacturing, working capital represents a large portion of the balance sheet. To optimise the company's cash flow generation, company management focuses on managing working capital as it is defined below.

Working capital

TSEK	2017			2016				2015			
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Inventories	1,417	1,487	1,008	675	784	1,030	1,221	792	638	540	585
Accounts receivable	23,625	27,861	19,143	21,356	16,567	22,637	10,402	15,876	6,421	11,852	6,596
Other current receivables	7,533	5,341	7,289	6,700	3,477	2,110	2,823	2,325	1,493	1,449	1,576
Accounts payable	-10,352	-10,135	-7,692	-8,857	-5,762	-3,846	-4,218	-3,086	-1,952	-2,537	-1,901
Other current liabilities	-12,859	-9,229	-23,289	-9,127	-8,567	-5,897	-4,223	-4,335	-3,118	-3,406	-3,458
Total working capital	9,364	15,325	-3,540	10,747	6,498	16,034	6,006	11,572	3,482	7,897	3,398
Adjustment*	-	-	-	-	-	-	-5,442	-5,278	-	-	-
Adjusted working capital	9,364	15,325	-3,540	10,747	6,498	16,034	564	6,294	3,482	7,897	3,398

*Adjustment relates to current provisions pertaining to the company's Share option program

Average Working capital

TSEK	2017			2016					2015			
	Jul-Sep	Apr-Jun	Jan-Mar	Okt-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Jan-Dec	Okt-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Average inventory	1,452	1,248	841	729	907	1,126	1,007	733	715	589	562	580
Average accounts receivable	25,743	23,502	20,249	18,961	19,602	16,519	13,139	18,616	11,149	9,137	9,224	7,143
Average other current receivable	6,437	6,315	6,994	5,088	2,794	2,467	2,574	4,512	1,909	1,471	1,513	1,228
Average accounts payable	-10,244	-8,913	-8,274	-7,310	-4,804	-4,032	-3,652	-5,971	-2,519	-2,244	-2,219	-1,846
Average other current liabilities	-11,044	-16,259	-16,208	-8,847	-7,232	-5,060	-4,279	-6,731	-3,727	-3,262	-3,432	-3,763
Average working capital	12,345	5,893	3,604	8,623	11,266	11,020	8,789	11,159	7,527	5,690	5,648	3,341
Average adjustments	-	-	-	-	-	-2,721	-5,360	-2,639	-2,639	-	-	-
Average adjusted working capital	12,345	5,893	3,604	8,623	11,266	8,299	3,429	8,520	4,888	5,690	5,648	3,341

Net sales, last 12 months rolling

Given the company's historical growth momentum, company management believes it is important to view corporate performance in a long-term perspective and not focus solely on specific quarterly results.

Net sales 12 month rolling

TSEK	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16	Q4 15	Q3 15	Total RTM
Net Sales	27,271	36,605	21,106	31,518	21,199	23,628	10,284	20,378	12,567	
Rolling 12 month Q2 16'						23,628	10,284	20,378	12,567	66,857
Rolling 12 month Q3 16'					21,199	23,628	10,284	20,378		75,489
Rolling 12 month Q4 16'				31,518	21,199	23,628	10,284			86,629
Rolling 12 month Q1 17'			21,106	31,518	21,199	23,628				97,451
Rolling 12 month Q2 17'		36,605	21,106	31,518	21,199					110,428
Rolling 12 month Q3 17'	27,271	36,605	21,106	31,518						116,500

For further information, please contact:

Johan Thiel, President and CEO

johan.thiel@mipsprotection.com
tel +46 73 399 65 88

Max Strandwitz, CFO

max.strandwitz@mipsprotection.com
tel +46 70 961 17 54

Boel Sundvall, IR

boel.sundvall@mipsprotection.com
tel + 46 70 560 60 18

This information is such that MIPS AB (publ) is obliged to disclose 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 November 2017 at 7.30 a.m. CET.

MIPS will present the interim report for January - September 2017 at a teleconference on 9 November 2017 at 10.00 a.m. CET. To participate, please register at: <http://emea.directeventreg.com/registration/6697746>

Financial calendar

Year-end report 2017	15 February 2018
Annual Report 2017	Week 13 2018
Interim report January-March 2018	9 May 2018
Annual general meeting	15 May 2018
Interim report January-June 2018	16 August 2018
Interim report January-September 2018	7 November 2018

About MIPS

MIPS is a world-leader in helmet-based safety and the protection of the human brain. Based on an ingredient brand business-model, MIPS Brain Protection System (BPS) is sold to the global helmet industry. The BPS solution, which is patented in all relevant markets, is based on 20 years of research and development together with the Royal Institute of Technology and the Karolinska Institute, both located in Stockholm, Sweden.


MIPS headquarter with 25 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. On a rolling 12-month basis, Oct 2016/ Sep 2017, MIPS net sales amounted to MSEK 116.5 resulting in an adjusted EBIT-margin of 23.1%. Since its March 2017 IPO, MIPS is traded on the Nasdaq Stockholm stock exchange. For more information, visit www.mipscorp.com.

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 expectation for the company.

Growth: The goal is to grow organically to achieve net sales in excess of MSEK 400 by 2020.

Profitability: The goal is to achieve an EBIT-margin in excess of 40% by 2020.



MIPS AB (publ)
Källtorpsvägen 2
SE-183 71 Stockholm
Sweden
Corp. Reg. No 556609-0162
www.mipscorp.com