



YEAR END REPORT 2018

OCT - DEC

- Net sales increased by 53% to SEK 62.2m (40.6).
Adjusted for currency exchange rate effects, the increase was 44%
- Operating profit increased to SEK 28.7m (14.6).
- Operating profit includes litigation costs of SEK 0.1m (4.1) relating to the company's patents*
- Operating margin increased to 46.1% (36.0)
- Cash flow from operating activities increased to SEK 23.8m (0.9)
- Earnings per share diluted, amounted to SEK 0.85 (0.45)

JAN - DEC

- Net sales increased by 53% to SEK 192.5m (125.6).
Adjusted for currency exchange rate effects, the increase was 50%
- Operating profit increased to SEK 73.0m (20.8).
Adjusted operating profit** also increased to SEK 73.0m (27.8)
- Operating profit includes litigation costs of SEK 4.8m (16.5) relating to the company's patents*
- Operating margin increased to 37.9% (16.6).
Adjusted operating margin** also increased to 37.9% (22.1)
- Cash flow from operating activities increased to SEK 69.1m (11.1)
- Earnings per share diluted, amounted to SEK 2.21 (0.64)
- The Board of Directors proposes dividend 2.50 SEK per share

THE MIPS GROUP IN BRIEF

	2018			2017		
	Oct-Dec	Oct-Dec	Δ%	Jan-Dec	Jan-Dec	Δ%
SEKm						
Net sales	62.2	40.6	53	192.5	125.6	53
Gross profit	46.6	30.6	53	142.2	93.3	52
Gross margin, %	74.9	75.2	-	73.9	74.3	-
Operating profit (EBIT)	28.7	14.6	96	73.0	20.8	250
Operating margin (EBIT-margin), %	46.1	36.0	-	37.9	16.6	-
Adjusted operating profit*	28.7	14.6	96	73.0	27.8	162
Adjusted operating margin, %*	46.1	36.0	-	37.9	22.1	-
Profit for the period	21.9	11.4	92	56.4	15.8	257
Earnings per share basic, SEK	0.87	0.45	92	2.23	0.64	246
Earnings per share diluted, SEK	0.85	0.45	89	2.21	0.64	243
Cash flow from operating activities	23.8	0.9	N/A	69.1	11.1	520

For definitions and description of performance measure and alternative performance measures, please visit <http://www.mipscorp.com/>

* More detailed information regarding the company's patent disputes and litigation cost, see page 12

** No items affecting comparability during 2018. For items affecting comparability in previous year, see page 14

CEO'S COMMENTS

ANOTHER STRONG QUARTER BEHIND US

The strong sales momentum continued during the important fourth quarter and we increased net sales by 53% to SEK 62.2m (40.6). Adjusted for currency effect, the growth was 44% in the quarter. For the full year, sales increased by 53% to SEK 192.5m (125.6), adjusted for currency effect, the growth was 50%. Our major customers continued to be the main contributor of growth by increasing the number of helmet models they offer equipped with the MIPS Brain Protection System (BPS). It is very satisfying to see that all our 15 largest customers have grown their volumes with MIPS during the year and we see good growth in all our product categories.

In 2018 we increased our customer base with the addition of 18 new helmet brands. In total 146 new helmet models with MIPS BPS were introduced around the world. MIPS cooperates with 78 helmet brands that offer 448 models equipped with MIPS BPS. We delivered 3.8 million MIPS BPS equipped units during the year and have delivered 9.2 million units since 2011 to the market.

Our operating profit for the quarter amounted to SEK 28.7m (14.6), an increase of 96%. With an improved operating margin of 46.1%, the scalability of our business model is again confirmed. In addition, we delivered a strong cash flow from operating activities of SEK 23.8m (0.9). Looking at development for the full year, we see a similar trend with an adjusted operating profit of SEK 73.0m (27.8) and an adjusted operating margin of 37.9% (22.1). The positive development during the year enables the Board of Directors, for the first time in MIPS' history to propose a dividend to MIPS shareholders of 2.50 SEK.

POSITIVE DEVELOPMENT IN OUR MAIN CATEGORIES

In November one of the world's leading bicycle brands, Specialized, communicated that they will strengthen their safety story by launching MIPS BPS in all helmet models. This move provides important evidence that the expanded selection of MIPS BPS solutions can be implemented to increase safety across a wide range of price points. This is an important ingredient in our strategy to continue increasing penetration and growth.

INCREASED CONSUMER COMMUNICATION AND MEDIA ATTENTION

Throughout the year, we have met with many of the leading international journalists and thus had the opportunity to present the medical and scientific reasons behind the benefits of MIPS BPS rotational motion protection. This has generated several in-depth articles in world-leading publications for cycling, motorcycle, equestrian and skiing audiences. The fact-based articles help consumers understand what MIPS BPS is and how our solutions can help reduce the risk of brain damage.

In the fourth quarter, the American Virginia Tech University published an updated report where they expanded their previous test of 20 bicycle helmets to 50. I am pleased that MIPS equipped helmets are now found in places 1 through 13 on this influential list of the safest products.

2020 TARGETS WITHIN REACH

2018 has been a year when we established ourselves as an important player in the helmet market. Several external institutions have validated our technology; we have successfully defended our patents; our product portfolio has expanded; collaborations with helmet brands have deepened; and the positive media exposure has been more extensive than ever. The consumer awareness of our technology has been improved and are now not just for the well informed but also something that the average consumer demands. At the same time, we have delivered rapid sales growth and greatly improved profitability. Supported by a strong 2018, we are looking forward to delivering according to our financial targets for 2020.



JOHAN THIEL
President and CEO

FINANCIAL PERFORMANCE

OCTOBER - DECEMBER

NET SALES

Fourth quarter net sales amounted to SEK 62.2m (40.6), up 53%. Adjusted for currency exchange rate effects, the organic growth was 44%. The increase was primarily due to higher demand from existing customers, with strongest growth in the categories Bicycle and Motorcycle.

GROSS PROFIT

Gross profit increased 53% to SEK 46.6m (30.6). The gross margin decreased by -0.3 percentage points to 74.9% (75.2). The decrease in gross margin was mainly due to different sales mix.

OPERATING PROFIT (EBIT)

Operating profit increased to SEK 28.7m (14.6), corresponding to an operating margin of 46.1% (36.0). Litigation costs related to company patents*, amounted to SEK 0.1m (4.1) in the quarter.

The improvement in adjusted operating profit was mainly due to higher sales, litigation costs in prior year comparator and positive impact from currency partly offset by negative impact from currency derivatives and higher costs relating to strengthening of the organization.

Selling expenses increased to SEK 7.4m (5.7), primarily from investments in organization and marketing. Administrative expenses during the quarter amounted to SEK 5.2m (8.5). The decrease in administrative expenses is mainly explained by litigation costs in prior year relating to the patent disputes*. Research and development expenses increased to SEK 3.4m (2.7) due to increased initiatives within product development.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit before tax amounted to SEK 28.4m (14.7). Tax for the quarter was SEK -6.5m (-3.3), corresponding to an effective tax rate of 23% (22). Profit for the period was SEK 21.9m (11.4). Diluted earnings per share amounted to SEK 0.85 (0.45).

CASH FLOW

Cash flow from operating activities increased to SEK 23.8m (0.9). The increase was mainly attributable to higher operating profit and increase in accounts receivables relating to higher sales.

Cash flow from investing activities amounted to SEK -2.2m (-1.8). Cash flow from financing activities was SEK 0.0m (0.0). Cash flow for the period amounted to SEK 21.7m (-0.9).

JANUARY - DECEMBER

NET SALES

Net sales for full year 2018 amounted to SEK 192.5m (125.6), up 53%. Adjusted for currency exchange rate effects, the organic growth was 50%. The increase was primarily due to higher demand from existing customers, with growth in the categories Bicycle, Snow and Motorcycle.

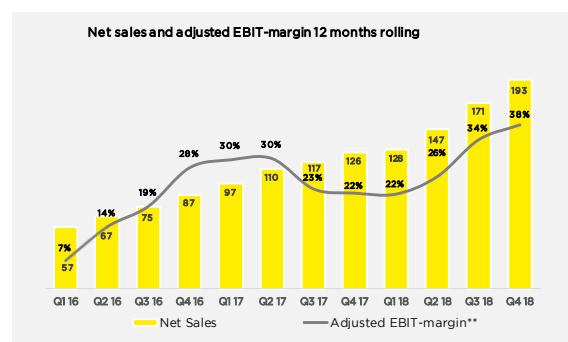
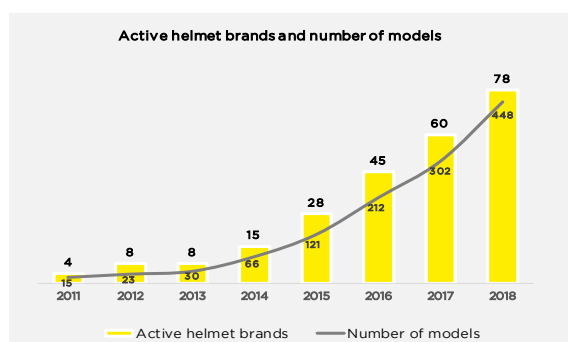
GROSS PROFIT

Gross profit increased 52% to SEK 142.2m (93.3). The gross margin decreased by -0.4 percentage points to 73.9% (74.3). The decrease in gross margin was mainly due to different sales mix.

OPERATING PROFIT (EBIT)

Operating profit increased to SEK 73.0m (20.8), corresponding to an operating margin of 37.9% (16.6). No items affecting comparability for the period (SEK 7.0m). Thus, adjusted EBIT was also SEK 73.0m (27.8), corresponding to an adjusted operating margin of 37.9% (22.1). Legal costs related to company's patents* amounted to SEK 4.8m (16.5) during the period.

The improvement in adjusted operating profit was mainly due to higher net sales, litigation costs in prior year comparator and positive impact from currency, partly offset by strengthening of the organization, negative impact from currency derivatives, additional marketing activities and increased initiatives within product development.



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

** No items affecting comparability during 2018. For items affecting comparability in previous year, see page 14

Selling expenses amounted to SEK 26.1m (22.0), where the increase mainly relates to strengthening of organization and additional marketing activities. Administrative expenses decreased in the period to SEK 27.6m (40.9). The decrease of administrative expenses is mainly related to litigation costs in prior year relating to patent lawsuits* that the company has been party to and IPO costs relating to the company's listing in March 2017 of SEK 7.0m. Research and development expenses increased to SEK 12.1m (9.7), as a result of increased initiatives within product development.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit before tax amounted to SEK 72.8m (20.4). Tax for the period was SEK -16.4m (-4.6), corresponding to an effective tax rate of 23% (22). Profit for the period was SEK 56.4m (15.8). Diluted earnings per share amounted to SEK 2.21 (0.64).

CASH FLOW

Cash flow from operating activities increased to SEK 69.1m (11.1). The increase was mainly attributable to higher operating profit and the increase of other current liabilities, partly offset by higher accounts receivables relating to increased sales.

Cash flow from investing activities amounted to SEK -6.6m (-4.6). Cash flow from financing activities was SEK 0.0m (145.1). The decrease vs. previous year was mainly attributable to the rights issue connected with the company's listing previous year of SEK 150,0m. Cash flow for the period amounted to SEK 62.4m (151.6).

FINANCIAL POSITION

On 31 December 2018, the Group's total assets amounted to SEK 319.4m (242.2). Current investments of SEK 205.7m are invested in their entirety in interest bearing funds. The equity/assets ratio was 86% (91). Cash and cash equivalents, including current investments, totaled SEK 242.5m (179.8) on 31 December 2018. The company has seen an increase in accounts receivables to SEK 54.4m (37.1) relating to the increase in net sales. Deferred tax assets amounted to net SEK 0.7m and is fully

explained by other temporary differences primarily relating to derivatives. Tax losses carried forwards that at the start of the year amounted to SEK 41.4m, has been fully consumed during the year.

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. The derivatives are measured at fair value and amounted to a financial debt of SEK -3.2m (1.4) at 31 December 2018. Hedge accounting is applied, according to which, the unrealized change in fair value for the derivatives is primarily recognized in Other comprehensive income.

INVESTMENTS

Investments in the fourth quarter amounted to SEK 2.2m (1.8). Investments in intangible assets amounted to SEK 1.3m (1.7), of which the majority referred to patents. Investments in tangible assets were SEK 0.9m (0.1). During the year, investments amounted to SEK 6.7m (4.6), of which SEK 4.5m (3.5) in intangible assets and SEK 2.2m (1.1) in tangible assets. As of 31 December 2018, no significant commitments for the Group have been made related to investments.

PARENT COMPANY

Net sales for the parent company, mainly correspond to the Group's net sales and amounted to SEK 149.0m (122.2) for the year. Net profit for the period of the parent company corresponds in all material respects to the Group's, totaling SEK 52.0m (15.5) for the year.

EMPLOYEES

The average number of employees were 36 (32) in the fourth quarter, of whom 10 (8) were employed in the Chinese subsidiary. The number of employees at the end of the period were 36 (32), of whom 10 (8) employed in the Chinese subsidiary.

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

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKt	2018	2017	2018	2017
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	62,234	40,620	192,534	125,602
Cost of goods sold	-15,623	-10,059	-50,346	-32,324
Gross profit	46,611	30,561	142,188	93,278
Selling expenses	-7,417	-5,662	-26,099	-22,019
Administrative expenses	-5,245	-8,515	-27,595	-40,861
Research and development expenses	-3,429	-2,715	-12,145	-9,657
Other operating income and expenses	-1,826	968	-3,387	84
Operating profit/loss	28,693	14,636	72,962	20,825
Financial income and expenses	-259	34	-124	-426
Net financial items	-259	34	-124	-426
Profit/loss before tax	28,434	14,670	72,838	20,399
Income taxes	-6,531	-3,258	-16,440	-4,584
Profit/loss for the period	21,904	11,412	56,398	15,815
Earnings per share basic, SEK	0.87	0.45	2.23	0.64
Earnings per share diluted, SEK	0.85	0.45	2.21	0.64
Average number of shares for the period, basic (thousand)	25,300	25,300	25,300	24,521
Average number of shares for the period, diluted (thousand)	25,678	25,300	25,545	24,559

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKt	2018	2017	2018	2017
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Profit/loss for the period	21,904	11,412	56,398	15,815
Other comprehensive income				
Items that may subsequently be transferred to profit or loss				
Foreign currency translation	45	44	2	-5
Changes in the fair value of cash flow hedges	1,035	-1,337	-1,914	479
Tax on components in other comprehensive income	-228	294	421	-105
Items that cannot be transferred to profit or loss	-	-	-	-
Other comprehensive income for the period	852	-998	-1,491	369
Comprehensive income for the period	22,755	10,414	54,907	16,184

CONDENSED CONSOLIDATED BALANCE SHEET

SEKt	31 Dec 2018	31 Dec 2017
ASSETS		
<i>Non-current assets</i>		
Intangible assets	11,059	7,036
Property, plant and equipment	3,728	2,664
Deferred tax asset	720	8,659
Long term receivables	482	561
Total non-current assets	15,990	18,920
<i>Current assets</i>		
Inventories	1,845	1,000
Accounts receivable	54,411	37,077
Other current receivables	4,638	5,402
Current investments	205,692	162,219
Cash and cash equivalents	36,817	17,555
Total current assets	303,403	223,252
TOTAL ASSETS	319,393	242,173
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	2,530	2,530
Other paid in capital	243,250	243,250
Reserves	-1,122	369
Retained earnings incl profit/loss for the period	30,980	-25,575
Total equity	275,637	220,574
<i>Current liabilities</i>		
Accounts payable	20,111	12,217
Other current liabilities	23,645	9,382
Total current liabilities	43,756	21,599
TOTAL EQUITY AND LIABILITIES	319,393	242,173

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKt	2018 Jan-Dec	2017 Jan-Dec
Opening equity for the period	220,574	57,327
Change accounting policies*	156	-
Adjusted opening equity for the period	220,730	57,327
<i>Comprehensive income for the period</i>		
Profit/loss for the period	56,398	15,815
Other comprehensive income for the period	-1,491	369
Comprehensive income for the period	54,907	16,184
<i>Contribution from and value transfers to owners</i>		
New share issue**	-	143,169
Premium received from issue of warrants	-	3,894
Total transactions with the Group's owners	-	147,063
Closing equity for the period	275,637	220,574

* Relates to change of accounting standard for IFRS 9 and IFRS 15

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEkt	2018	2017	2018	2017
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
<i>Operating activities</i>				
Profit before tax	28,434	14,670	72,838	20,399
Adjustment for non-cash items	1,627	-217	3,891	1,108
Cash flow from operating activities before change in working capital	30,062	14,452	76,729	21,507
<i>Cash flow from changes in working capital</i>				
Increase (-)/decrease (+) of inventories	840	425	-843	-325
Increase (-)/decrease (+) of current receivables	-7,890	-12,317	-17,625	-13,707
Increase (+)/decrease (-) of current liabilities	827	-1,668	10,821	3,661
Cash flow from operating activities	23,839	893	69,083	11,137
<i>Investing activities</i>				
Acquisition of intangible assets	-1,318	-1,687	-4,507	-3,530
Acquisition of property, plant and equipment	-943	-147	-2,216	-1,131
Disposal of property, plant and equipment	-	23	3	23
Disposal of financial asset	78	-	78	-
Cash flow from investing activities	-2,183	-1,811	-6,643	-4,639
<i>Financing activities</i>				
New share issue	-	-	-	150,000
Expenses relating to new share issue	-	-	-	-8,758
Premium received from issue of warrants	-	-	-	3,894
Amortization of lease debt	-	-	-	-55
Cash flow from financing activities	-	-	-	145,082
Net change in cash & cash equivalents	21,656	-918	62,440	151,580
Cash & cash equivalents at beginning of period	220,770	180,506	179,774	28,507
Exchange rate difference on bank holdings	84	185	296	-313
Cash & cash equivalents at end of period	242,510	179,774	242,510	179,774

CONDENSED PARENT COMPANY INCOME STATEMENT

SEKt	2018	2017	2018	2017
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	47,231	38,137	148,976	122,242
Cost of goods sold	-3,683	-8,422	-14,630	-30,041
Gross profit	43,547	29,714	134,345	92,201
Selling expenses	-7,124	-5,385	-24,883	-21,742
Administrative expenses	-5,245	-8,515	-27,595	-40,865
Research and development expenses	-3,098	-2,316	-10,974	-9,243
Other operating income and expenses	-1,802	966	-3,363	82
Operating profit/loss	26,279	14,464	67,530	20,433
Financial income and expenses	-259	35	-129	-423
Profit after financial items	26,020	14,499	67,401	20,010
Appropriations	-398	-15	-398	-15
Appropriations	-398	-15	-398	-15
Profit/loss before tax	25,621	14,485	67,003	19,995
Income taxes	-5,836	-3,216	-14,993	-4,487
Profit/loss for the period	19,786	11,269	52,010	15,509

CONDENSED PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEKt	2018	2017	2018	2017
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Profit/loss for the period	19,786	11,269	52,010	15,509
Other comprehensive income				
Items that may subsequently be transferred to profit or loss				
Changes in the fair value of cash flow hedges	1,035	-1,337	-1,914	479
Tax on components in other comprehensive income	-228	294	421	-105
Items that cannot be transferred to profit or loss	-	-	-	-
Other comprehensive income for the period	807	-1,042	-1,493	373
Comprehensive income for the period	20,593	10,226	50,518	15,882

CONDENSED PARENT COMPANY BALANCE SHEET

SEkt	31 Dec 2018	31 Dec 2017
ASSETS		
<i>Non-current assets</i>		
Intangible assets	11,059	7,036
Property, plant and equipment	3,619	2,550
Financial assets	1,876	9,805
Total non-current assets	16,555	19,392
<i>Current assets</i>		
Inventories	568	755
Accounts receivable	36,755	34,789
Other current receivables	4,995	5,716
Current investments	205,692	162,219
Cash & cash equivalents	34,699	16,758
Total current assets	282,710	220,237
TOTAL ASSETS	299,265	239,629
EQUITY AND LIABILITIES		
<i>Equity</i>		
Restricted equity	4,219	4,219
Non restricted equity	266,744	216,070
Total equity	270,963	220,289
Untaxed reserves	398	-
Untaxed reserves	398	-
<i>Current liabilities</i>		
Accounts payable	7,771	10,071
Other current liabilities	20,132	9,268
Total current liabilities	27,903	19,340
TOTAL EQUITY AND LIABILITIES	299,265	239,629

OTHER INFORMATION

INFORMATION ABOUT THE PARENT COMPANY

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

ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretative statements by the IFRS Interpretations Committee (IFRIC) as adopted by the European Commission for use in the EU that were presented in the Group's 2017 Annual Report. The standards and interpretative statements applied were in effect as of 1 January 2018 and had been adopted by the EU. Changed accounting policies at 1 January 2018 is described below. 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.

CHANGE IN ACCOUNTING STANDARDS FROM FIRST OF JANUARY, 2018

The Group applies IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers* as of 1 January 2018. The effects of the transition to IFRS 9 and IFRS 15 are explained in detail on page 15.

IFRS 9 involves changes in how financial assets are classified and valued, an impairment model is implemented based on expected loan losses instead of losses occurred and changes in principles for hedge accounting, including with the aim to simplify and increase coherence with enterprise-based risk management strategies. The standard replaces IAS 39 *Financial Instruments: Accounting and Valuation*. The new impairment model means that provision for loan losses relating primarily to customer and similar receivables are brought forward. All these receivables are booked for the loan losses that are expected to arise during the remaining maturity and not only for those receivables that have demonstrated objective proof of impairment. The company has had limited credit losses historically, this has resulted in an increased bad debt reserve of SEK 21t on 1 January 2018. The equity has been adjusted with the corresponding amount including tax effect.

IFRS 15 is a comprehensive standard for determining the amount of revenue to be reported and when these revenues are to be reported. It replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts Agreement* and IFRIC 13 *Customer Loyalty Programmes* starting 2018. For the company, IFRS 15 implies a certain change in revenue recognition of implementation services compared to earlier practice. Implementation of the new standard has meant that equity has increased by SEK 0.2m, including tax. Net sales for the year 2018 has increased by SEK 1.3m and profit for the period with SEK 0.7m, compared to the previously used accounting principle. For further information, see transitional bridge on page 15.

For the Group and for the parent Company, the impact from the implementation of the new standards is the same.

NEW ACCOUNTING STANDARDS FROM 2019

IFRS 16 *Leases* replace, as of 2019, existing IFRS related to the recognition of leases, such as IAS 17 *Leases* and IFRIC 4 *Determining whether an agreement contains a lease*. The company is applying IFRS 16 from 1 January 2019.

IFRS 16 primarily affects lessees and the central effect is that all leases that are reported as operating leases today are reported in a manner similar to the current accounting of financial leases. This means that even for operational leases, assets and liabilities need to be reported, including accounting for depreciation and interest expenses, as opposed to today, when no leasing and related liabilities are reported, and leasing fees are recognized on a straight-line basis as leasing costs. The company will as operational lease holder be affected by the introduction of IFRS 16. Estimates of the financial impact of IFRS 16 has been concluded and at 1 January 2019 it is estimated that assets and liabilities will increase with approximately SEK 10m relating to rental agreements for rented premises. Operating profit for 2019 will increase somewhat compared to if previous accounting principles had been used, due to the fact that part of the leasing costs will be reported as interest expense. The effect on profit after tax is expected to be insignificant.

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 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 SEkt.

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 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 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 company is following The European Securities and Markets Authority (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 14. Definition of alternative performance measure is presented in the annual report and on 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 of 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 that MIPS may incur significant costs to protect its

intellectual property, which could have an adverse impact on the company's operations, earnings and/or financial position. Additional information concerning lawsuits the company has been party to is included below under Disputes. The company's executive management actively manages both operating and financial risk. Above statement applies for both the parent company as well as the group.

CURRENCY EXPOSURE

MIPS has previously only invoiced its customers in USD. Since the establishment of the Chinese subsidiary in early 2017, some invoicing has been gradually transferred from the parent company to the Chinese subsidiary, which means that part of the Group's revenues and costs are regulated in CNY. In order to counteract exposure to CNY in the invoicing, a currency adjustment clause against USD in the sales agreements has been introduced. This means that the company's USD exposure to a large extent remains. Fluctuations in the USD exchange rate against the Swedish krona thus have a significant impact on MIPS net sales and profitability. A 10 percent change in the USD rate would affect EBIT by an estimated SEK +/- 9m for the full year 2017. In accordance with the company's financial policy, the company has the ambition to hedge 50% of the forecasted USD exposure rolling 12 months ahead. For further information on derivatives and hedge accounting, see below.

DISTRIBUTION OF REVENUE

The company's revenue primarily comprises sales of kit components for helmet manufacturers. Implementation is attributable to the development of customized MIPS BPS solutions for a specific customer and model.

SEKT	2018	2017	2018	2017
Income by nature	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
<i>Revenue recognized at the time of delivery</i>				
Sales of goods	59,790	39,316	184,417	119,012
<i>Revenues* reported over time</i>				
Sales of services	2,444	1,304	8,117	6,590
Total	62,234	40,620	192,534	125,602

* 2017 not adjusted for the effect of IFRS 15 implementation

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

SEKT	2018	2017	2018	2017
Income by region	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
North America	47,293	30,151	149,625	95,963
Europe	9,296	6,788	27,707	20,831
Sweden	2,687	2,758	7,379	5,499
Asia and Australia	2,957	923	7,822	3,309
Total	62,234	40,620	192,534	125,602

DERIVATIVES

The fair value of the derivatives amounted to SEK -3.2m (1.4) as of 31 December 2018, of which SEK -1.1m (0.5) has been reported in Other comprehensive income and SEK -2.1m (0.9)

have been recognized in the income statement as other operating income/operating expenses, without consideration of deferred tax effects.

SHARE CAPITAL

As of 31 December 2018, the total number of shares amounted to 25,299,870 (25,299,870) and the share capital was SEK 2,529,987 (2,529,987 on 31 December 2017). All shares are ordinary shares and carry equal voting rights. The shares have a quotient value of SEK 0.10.

PROPOSED DIVIDEND

Prior to the Annual General Meeting in May, the Board of Directors will propose a dividend of SEK 2.50 per share for 2018, which corresponds to SEK 63.2m. The proposed dividend corresponds to 112% of earnings per share for the period.

SHARE-BASED INCENTIVE PROGRAMMES

The Group has two outstanding warrant programs. One for senior executives and key people and one for certain board members. The programs include 875,000 issued and paid warrants. The warrants can lead to a dilution of a maximum of 3.5 percent. The exercise price has been determined to SEK 59.80 per share. Each warrant entitles the holder to acquire one share. The warrants may be exercised for subscription of newly issued shares during the period 1 March - 31 May 2020.

DISPUTES

On 23 April 2018, it was announced that MIPS received a positive outcome in a European patent case, in which MIPS previously opposed to the European Patent Office against Bauer Hockey Corp. European Patent No. 2 550 886.

On 8 May 2018, MIPS received a judgment in Canada concerning a patent dispute with Bauer regarding MIPS patented helmet technology. Following the recent judgment of the Federal Court of Canada, MIPS AB has entered into an agreement with Bauer. Pursuant to the agreement, the parties have resolved all outstanding matters related to the judgment, the proceeding has now concluded and no party shall take any further

legal actions in the case. The agreement is the final step for MIPS to bring its dealings with Bauer to an end in relation to this patent dispute.

On 19 April 2018, POC and MIPS agreed to a conciliation agreement regarding the company's patent dispute. The conciliation does not imply any obligation for any of the Parties to compensate the other Party's costs relating to the process.

During the quarter, the costs relating to above stated patent disputes amounted to SEK 0.1m (4.1), and for the year 2018 to SEK 4.8m (16.5). MIPS's does not expect to recover any costs from above stated disputes.

RELATED-PARTY TRANSACTIONS

At the Annual General Meeting of 15 May 2018, Greg Shapleigh was elected as Board member. Since 2017, the company has engaged Greg Shapleigh as business consultant. The consultancy fee for the elected Board member has since the Annual General Meeting totaled SEK 1,0m and SEK 0,1m has been paid in cost reimbursement. No other significant transactions with related parties have been carried out during the period.

ANNUAL GENERAL MEETING

Annual General Meeting 2019 will be held in Stockholm 9 May 2019.

EVENTS AFTER THE END OF THE REPORTING PERIOD

MIPS AB (publ), was reclassified from Small Cap to Mid Cap at the Nasdaq Stockholm stock exchange on 2 January 2019.

AUDITORS REPORT

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

Stockholm 14 February 2019

JOHAN THIEL

President and CEO

QUARTERLY CONSOLIDATED PERFORMANCE MEASURES

Amounts in SEKt	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16
Net sales	62,234	51,192	55,557	23,551	40,620	27,271	36,605	21,106	31,518	21,199	23,628	10,284
Net sales growth, %	53	88	52	12	29	29	55	105	55	69	70	274
Gross profit	46,611	37,410	40,914	17,253	30,561	20,136	27,579	15,002	23,385	15,221	16,909	6,212
Gross margin, %	74.9	73.1	73.6	73.3	75.2	73.8	75.3	71.1	74.2	71.8	71.6	60.4
Operating profit	28,693	20,822	21,651	1,797	14,636	81	11,043	-4,935	13,772	2,260	5,611	-3,267
Operating margin, %	46.1	40.7	39.0	7.6	36.0	0.3	30.2	-23.4	43.7	10.7	23.7	-31.8
Adjusted operating profit	28,693	20,822	21,651	1,797	14,636	81	11,532	1,557	13,701	6,422	7,368	-3,267
Adjusted operating margin, %	46.1	40.7	39.0	7.6	36.0	0.3	31.5	7.4	43.5	30.3	31.2	-31.8
Depreciation	475	413	388	361	337	296	299	213	281	188	182	151
Basic earnings per share, SEK	0.87	0.62	0.68	0.07	0.45	-0.01	0.35	-0.19	0.49	0.08	0.20	-0.14
Diluted earnings per share, SEK	0.85	0.61	0.67	0.07	0.45	-0.01	0.34	-0.19	0.49	0.08	0.20	-0.14
Equity ratio, %	86	88	87	92	91	90	92	87	76	76	82	74
Cash flow from operating activities	23,839	30,970	5,885	8,388	893	6,307	5	3,931	9,844	11,821	-8,828	3,132
Average number of employees	36	36	35	33	32	32	29	23	20	18	16	15

DEFINITIONS AND DESCRIPTIONS OF PERFORMANCE MEASURES AND ALTERNATIVE PERFORMANCE MEASURES

For definitions and description of performance measure and alternative performance measures, please visit <http://www.mipscorp.com/>

EXPLANATION OF ALTERNATIVE PERFORMANCE MEASURES

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 impact from USD effect on net sales in absolute terms, see the table below.

	2018 Oct-Dec	2018 Jan-Dec
Organic growth		
Net sales growth	53%	53%
Net Sales in USDt	5,252	16,821
Net Sales in SEKt at 2018 average USD exchange rate	47,569	148,067
Net Sales in SEKt at 2017 average USD exchange rate	43,805	144,255
Impact currency in absolute	3,763	3,812
Net Sales 2017 SEKt	40,620	125,602
Currency impact on growth	9%	3%
Organic growth	44%	50%

ADJUSTED OPERATING PROFIT (ADJUSTED EBIT)

In 2017, MIPS incurred costs relating to the preparation for its IPO on Nasdaq Stockholm. These costs are considered to constitute items affecting period-to-period comparability. During 2018 there were no items affecting 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)	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
SEKt				
Operating profit	28,693	14,636	72,962	20,825
Items affecting comparability*	-	-	-	6,981
Adjusted Operating profit	28,693	14,636	72,962	27,806

* Cost related to preparations to company's listing at Nasdaq Stockholm.

NET SALES, LAST 12 MONTHS ROLLING

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

Net sales 12 month rolling

SEKt	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16	Total LTM
Net Sales	62,234	51,192	55,557	23,551	40,620	27,271	36,605	21,106	31,518	21,199	23,628	10,284	
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
Rolling 12 month Q4 17'					40,620	27,271	36,605	21,106					125,602
Rolling 12 month Q1 18'				23,551	40,620	27,271	36,605						128,047
Rolling 12 month Q2 18'			55,557	23,551	40,620	27,271							147,000
Rolling 12 month Q3 18'		51,192	55,557	23,551	40,620								170,921
Rolling 12 month Q4 18'	62,234	51,192	55,557	23,551									192,534

IMPACT IMPLEMENTATION OF IFRS 9 AND IFRS 15

The Group applies IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers* as of 1 January 2018. The effects of the implementation of IFRS 9 and IFRS 15 are explained below. The adjustment for IFRS 15, as described below, refers to changes in accounting of the company's implementation services. Previously, the company has reported revenue only when the implementation is completed and approved by the customer. These revenues are now recognized over time, versus earlier upon completion of implementation, which means that certain revenue is recognized earlier compared with previous years. As these services are only performed by the Parent Company, the impact on the income statement and balance sheet in the Group and Parent Company is the same.

BRIDGE ACCOUNTING CHANGE IFRS 9 AND IFRS 15, INCOME STATEMENT OCT - DEC

GROUP INCOME STATEMENT	Oct-Dec 2018 as reported in interim report	Adjustment transition to IFRS 9	Adjustment transition to IFRS 15	Oct-Dec 2018 without adjustments
SEKT				
Net sales	62,234	-	376	61,858
Cost of goods sold	-15,623	-	-138	-15,485
Selling expenses	-7,417	-7	-	-7,410
Income taxes	-6,531	2	-52	-6,480
Profit/loss for the period	21,904	-5	186	21,724

BRIDGE ACCOUNTING CHANGE IFRS 9 AND IFRS 15, INCOME STATEMENT JAN - DEC

GROUP INCOME STATEMENT	Jan-Dec 2018 as reported in interim report	Adjustment transition to IFRS 9	Adjustment transition to IFRS 15	Jan-Dec 2018 without adjustments
SEKT				
Net sales	192,534	-	1,269	191,265
Cost of goods sold	-50,346	-	-372	-49,974
Selling expenses	-26,099	-15	-	-26,084
Income taxes	-16,440	3	-197	-16,246
Profit/loss for the period	56,398	-12	700	55,710

BRIDGE ACCOUNTING CHANGE IFRS 9 AND IFRS 15, BALANCE SHEET

GROUP BALANCE SHEET	31 Dec 2018 as reported in interim report	Adjustment transition to IFRS 9	Adjustment transition to IFRS 15	31 Dec 2018 without adjustments
SEKT				
Accounts receivable	54,411	-36	-	54,447
Other current receivables	4,638	-	1,118	3,520
TOTAL ASSETS	319,393	-36	1,118	318,311
Retained earnings	-25,419	-17	172	-25,575
Profit/loss for the period	56,398	-12	700	55,710
Other shortterm liabilities	23,645	-8	246	23,407
TOTAL EQUITY AND LIABILITIES	319,393	-36	1,118	318,311

OTHER

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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 14 February 2019 at 7.30 a.m. CET.

MIPS will present the Interim report at a audiocast with teleconference on 14 February 2019 at 10.00 a.m. CET. To participate, please register at: <https://financialhearings.com/event/11899>

FINANCIAL CALENDAR

Annual report	Week 13 2019
Interim report January-March 2019	3 May 2019
Annual General Meeting	9 May 2019
Interim report April-June 2019	23 July 2019
Interim report July-September 2019	8 November 2019

ABOUT MIPS

MIPS is a world-leader in helmet-based safety and the protection of the 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 26 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. During 2018 MIPS net sales amounted to SEK 192.5m and the operating margin to 37.9 percent. 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 objective for the company.

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

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



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