

MIPS IN BRIEF

MIPS is the market leader in helmet solutions designed to protect against harmful rotational motion transferred to the brain from angled impacts to the head. The MIPS Brain Protection System (BPS) is sold to the global helmet industry on the basis of an ingredient brand model. The system, which is patented in all relevant markets, is based on more than 20 years of research and development in conjunction with the Royal Institute of Technology (KTH) and the Karolinska Institute in Stockholm.

MIPS BPS is designed to add protection in helmets against rotational motion. Rotational motion is a combination of rotational energy and rotational forces. The rotational motion causes the tissue in the brain to move and/or to stretch, which affects the brain itself and increases the risk of brain injury in the event of impact.



which is an acronym for 'Multi-directional Impact Protection System'.

MIPS BPS is simple to implement in both new and existing helmet models. The system is sold to the global helmet industry where manufacturers integrate MIPS BPS into their helmets. For brands in the helmet industry as a whole, this means that

The principal component in MIPS BPS is the MIPS Low Friction Layer, which mimics the brain's own protective system and allows relative movement between the head and the helmet. MIPS BPS is designed to function on impact from any angle – hence the name MIPS,

manufacturers can sell helmets with potential protection against rotational motion, and can therefore differentiate the brand and generate added value. The helmet industry actively markets the benefits of the solution, as well as the MIPS brand, to end-users.

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2017 IN BRIEF

Net sales increased by 45 % to SEK **125.6**_m (86.6)

Adjusted operating profit* increased to SEK **27.8**_m (24.2)

Adjusted operating margin* **22.1**% (28.0)

The number of MIPS BPS units sold increased to **2.3**_m (1.7)



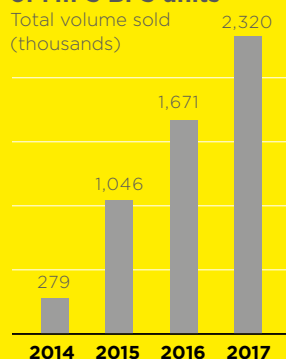
MIPS BPS - Rapidly expanding category, motorcycle helmets for both road riding and motocross.



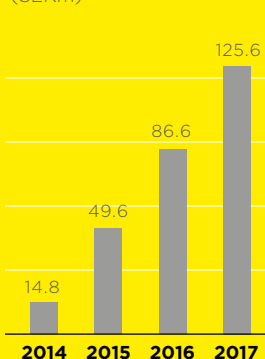
The MIPS share is listed on Nasdaq Stockholm.

Development in total sales of MIPS BPS units

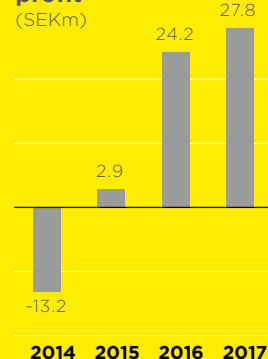
Total volume sold (thousands)



Net sales (SEKm)



Adjusted operating profit* (SEKm)



* Operating profit is adjusted for cost relating to the company listing at Nasdaq, Stockholm, with SEK 7.0m (5.8). The adjusted operating profit includes litigation cost of SEK 16.5m (3.6) relating to two patent processes.

MIPS' HISTORY

1995



The start of 20 years of research into rotational motion

In 1995 Hans von Holst, a Swedish brain surgeon working at the Karolinska Institute in Stockholm, began examining how standard helmets were designed, as he was convinced that the helmets generally available were not providing sufficient protection against brain injuries. Hans von Holst contacted KTH (Royal Institute of Technology in Stockholm) with a view to launching research into preventing head and neck injuries, which resulted in Peter Halldin, a student at the institute, commencing his doctorate on the biomechanics of injuries to the head and neck. In 1996 Hans von Holst and Peter Halldin presented their idea for the MIPS solution. During the same time-period, Svein Kleiven was admitted as a PhD student, and started work on developing what has become one of the finest FE (Finite Element) models in the world of the human brain. This model is a key research tool for MIPS, as it makes it possible to visualize and measure the effects of MIPS BPS.

1996-1997

Research phase

1996-1997

Starting in 1996, the company works to develop the idea of the MIPS solution. Start-up funding is obtained to cover the costs of performing experimental tests, and expenses linked to patent applications.



1998–2009



Start-up phase

1998–2003

The first prototype of a helmet fitted with the MIPS solution is tested at the University of Birmingham in 2000, leading to publication of the first scientific article about the solution in 2001.

2004–2007

An actual equestrian helmet featuring a MIPS solution is developed and launched on the Swedish market.

2008–2009

The first institutional investors choose to invest in the company, and the first agreement with an external customer is signed.

2010–2017

Growth phase

2010–2014

In 2010, the strategic decision is taken to focus exclusively on becoming a leading ingredient brand by selling and licensing the company's technology within different helmet categories, rather than marketing of own brand helmets.

2015

2015 was a milestone year for MIPS, when the company sold more than a million MIPS BPS units to 28 helmet brands, corresponding to an increase in volume of 275 percent in comparison with the previous year.

2016

Having previously been available in motocross helmets, MIPS BPS is launched in a road motorcycle helmet in 2016, and MIPS experiences continued growth in volume, selling 1.7 million MIPS BPS units over the course of the year.

2017

MIPS is listed on Nasdaq Stockholm, attracting more than 3,000 shareholders. Up to and including 2017, the company has sold more than 5.4 million MIPS BPS units, which have been implemented in as many helmets in the snow, bike, equestrian and moto segments.



“Increased focus on safety means that MIPS is fully inline through our research, technology and knowledge”



AN EVENTFUL AND POSITIVE YEAR

2017 was yet another eventful year for the company, distinguished by rapid growth, a reinforced market position and a broader customer base. In just ten years, we have progressed from a research project into a rapidly growing company listed on Nasdaq Stockholm, with stable revenues and more than 3,000 shareholders.

We are a global commercial success, supplying a solution that helps reduce the risk for brain injuries and thus contributes to saving lives. I am extremely proud of what we at MIPS have achieved, and of the confidence that our customers show in us. Over the past year, the world's leading suppliers of helmets launched more new models featuring our solutions than ever before. We see this as clear evidence that not only are our customers keen to be linked with our brand, but also that they see the benefits of our technology.

We have been a listed company since 23 March 2017. Being a listed company boosts our credibility and serves as a stamp of quality – while simultaneously raising the visibility of our brand even higher.

Over the past year, net sales increased organically by 45 percent to SEK 125.6 million (86.6), while the adjusted operating profit totaled SEK 27.8 million (24.2). The operating profit was negatively affected by SEK 16.5 million (3.6) referring to costs related to defending our patents. The full weight of 20 years of science and research constitute the foundations for MIPS technology – which is at the absolute cutting edge – so we consider it essential to defend our patents. In 2017 we were engaged in a dispute in Canada, where we took legal action against a helmet manufacturer for patent infringement. We also initiated legal proceedings against a different helmet manufacturer in Germany. These two disputes have had a negative effect on our profits.

5.4 million MIPS BPS units

Since we started selling our MIPS Brain Protec-

tion System, we have sold more than 5.4 million units for use in helmets for categories including snow, bike, moto and equestrian. In step with the general increasing focus on safety, the use of helmets is on the rise – as are requirements on the level of safety they provide. In order to maintain and reinforce our competitiveness, we focused even more on research and development in 2017. This focus has led to additional patent applications and new solutions for our customers.

At our test center outside Stockholm we tested more than 90 different helmets over the past year, encompassing a variety of models, sizes and categories. To us, safety is our passion and takes precedence over everything. That is why we adapt the MIPS BPS unit to match the specific model of helmet so as to optimize its functionality. We have continued to strengthen our organization, and now employ 24 people in Sweden, 12 of whom are focused on development. Over the past year, we have also established a subsidiary in China with a staff of eight people.

Success in all categories on all markets

We enjoy strong customer relations with many of the world's leading helmet manufacturers. We sold more than 2.3 million MIPS BPS units in 2017, and achieved growth in sales to all 15 of our biggest customers. During the year, MIPS customers have launched an additional 90 models, and MIPS BPS solutions are now to be found in 302 models, distributed across 60 helmet brands. Helmets fitted with MIPS BPS won several consumer tests during the year, as well as the prestigious ISPO Award. One of the winning helmets was in a category new to us – rock climbing – and was launched by the leading brand Mammut. The other award was won by Sweet Protection, which picked up an ISPO Gold Award for its all-mountain skiing helmet.

Entry into new categories

Our biggest product categories are bike, snow,

equestrian and moto. In the moto category, we have long been represented in the field of motocross, and this year we made a stronger showing in the road helmets segment. Customer interest in motorcycle helmets has increased for a number of reasons. For example, the Fédération Internationale de Motocyclisme (FIM), the body which establish a global certification method for MOTO GP helmets, now includes test methods for measuring rotational motion in its certification process. This addition is extremely welcome at MIPS, as the world-leading technology company for solutions designed to reduce rotational motion.

We have taken our first steps into the category of rock climbing helmets, a relatively small category, but one with great attention value. We have also made great strides in the area we refer to as LEAF (Law Enforcement Armed Forces) over the past year, having entered into a working relationship with the Swedish company SAFE4U, which has developed the first military helmet to feature MIPS BPS. This helmet is designed to provide ballistic protection and to carry the technical equipment required without compromising MIPS safety requirements. We have great expectations for this category in the long term.

Challenges at helmet manufacturers

During the second half of the year, several of our customers experienced capacity shortfalls at shared subcontractors with regard to their helmet manufacturing operations in Asia. Our customers thus found it difficult to deliver the volumes of helmets they had planned – which naturally affected our sales as well. With a view to improving our planning, we have reinforced our organization in China and maintained closer dialogue with our customers.

A broad customer base – solid foundations for long-term growth

We currently have a broad customer base and have carved out footholds for ourselves in new categories. Our brand has made a name

for itself among end-users, and the number of users who actively say they ‘want a helmet with MIPS’ is on the rise.

Our focus for 2018 is to continue powering growth with both new and existing customers in all categories. With 45 percent growth in 2017, as well as several interesting product launches planned for the coming year, I remain comfortable with our 2020 target: to achieve net sales in excess of SEK 400 million, with an operating margin above 40 percent.

Research and solutions that save lives

Awareness of and requirements for helmet solutions continue to rise among end-users. The situation today is significantly different from what it was ten years ago. We have grown with increase in awareness and, to a certain extent, taken the lead with our knowledge about rotational motion. Our ambition is to maintain this position and develop it even further. Our focus in the area of research and development over the past year has produced four new products – solutions that have received an enthusiastic welcome from customers and media alike.

MIPS exists as a company thanks to the frustrations of a brain surgeon who was keen to make a difference. We make a contribution today through our technology that preventatively reduces the risk of brain injuries. Via our close working relationship with helmet manufacturers, our technologies open the door to solutions that can save lives. Those of us who work at MIPS can honestly say that it is exciting to come to work every day.

In conclusion, I would like to thank the MIPS team for all their hard work, our customers and shareholders for their confidence and support, and, of course, all the millions of consumers who have chosen a safer solution by buying helmets fitted with MIPS.

Johan Thiel, President and CEO

Today, through its technology, MIPS is preventatively reducing the risk of brain injury from certain types of impact.



MARKET OVERVIEW

MIPS sells its MIPS Brain Protection System (BPS) to the global helmet market on the basis of an ingredient brand model. MIPS is the leading player in this market and has helped increase awareness about the benefits of fitting helmets with protection against rotational motion.

The helmet market as a whole is extremely broad and currently encompasses consumer-specific solutions in categories such as bike, snow, moto and equestrian, as well as helmets for professional use – for law enforcement and the military, for example – and products for the rescue services. Estimates suggest that together, these markets represent a total annual volume in excess of 70 million helmets. MIPS BPS is designed for integration into helmet models for all the market segments mentioned above. The different helmet categories have achieved varying degrees of market penetration for protection against rotational motion, primarily linked to how MIPS has focused on the different helmet categories over the years. As a result of the rise in awareness of risks linked to rotational motion, it is expected that the market for helmet solutions featuring the relevant protection will continue to grow.

Rotational motion

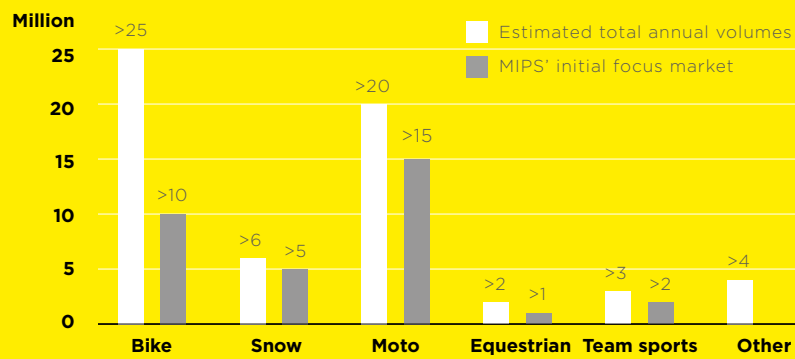
Historically, helmets have been designed to provide protection against energy and forces stemming from linear impacts, with the primary objective of protecting the wearer from skull fractures. This is reflected in the current regulatory certification standards that do not take rotational motion into account. However, the human brain is more vulnerable to rotational motion than to linear motion, and statistics from cycling, motorcycling and equestrian accidents in Belgium, Canada, France and Germany indicate that most accidents result in angled impacts.

Rotational motion is caused by angled impacts and comprises a combination of rotational energy (angular velocity) and rotational forces (from angular acceleration). This rotational motion can result in movement, stretching and abrasion to the tissue in the brain, which in turn can increase the risk of both minor and major brain injuries. Research has demonstrated that the most common types of brain injury, such as Diffuse Axonal Injury (DAI) and Subdural Hematoma (SDH) are more readily caused when the head is subjected to rotational motion. Similar research has shown that rotational motion carries a greater likelihood of concussion or mild Traumatic Brain Injuries (TBI) than purely linear impacts. Concussion is the most common type of brain injury and accounts for approximately 75 percent of traumatic brain injuries in the United States each year. Moreover, figures reveal that the incidence of concussion in the United States has increased by 160 percent in the period 2007–2014*. The United States Center for Disease Control and Prevention calculates that the total cost of emergency room visits, hospitalizations and deaths related to TBIs exceeds USD 82 billion annually.

The market for helmets

Helmets are used by practitioners of a variety of activities, with the common goal of protecting the head against different forms of trauma. Limited but general statistics are available regarding the size of the total global market for helmets, but MIPS estimates that somewhere in the region of 70 million helmets are sold each year. MIPS considers solutions designed to reduce the harmful effects of rotational motion to be relevant to the majority of the helmet categories. Only a limited share of all the helmets sold in 2017 were fitted with any kind of function intended to provide protection against rotational motion. This low level of market penetration constitutes strong potential for continued growth for MIPS. The

* Report to Congress on Mild Traumatic Brain Injury in the United States



market is divided into helmets for private consumers and helmets for professional use.

The consumer market

MIPS estimates the market for helmets intended for consumer use to amount to more than 60 million units sold per year. MIPS is initially focusing on the intermediate to premium segment for consumer helmets (retail price of approximately USD 40 and up). It is estimated that 33 million helmets are sold in this segment, with consumers assumed to replace their helmets every five years. However, there is reason to believe that the replacement cycles are shortening, driven by increased safety awareness combined with interest in new design and new technologies.

The most important helmet categories for MIPS on the consumer helmet market are (based on annual volumes estimated by MIPS):

Bike

Bike helmets make up our biggest category today. Bike helmets can be divided into two categories: commuting (children/city use) and competition (races/sports enthusiasts, including helmets for road bikes and mountain bikes). MIPS has been supplying BPS units since 2010.

Snow

The 'snow helmets' category comprises both alpine skiing and snowboarding helmets and is divided into two main sections: recreational use (children/family/novice and intermediate levels) and advanced use (park, off piste and freestyle, as well as alpine competitions). MIPS has been supplying BPS units since 2010.

Moto

The fastest-growing category is the motorbike helmet category, which is also divided into two main segments: motorcycle (consisting of commuting/recreational helmets and competition helmets) and motocross. MIPS delivered its first BPS unit in 2013.

Equestrian

The first BPS unit was delivered in this category in 2009. Interest in MIPS BPS is growing and is also available in polo as well.

Team sports

The 'team sports' category includes for example football, hockey and lacrosse. Football helmets are distinguished by a special 'refurbishment' cycle, where the helmet liner (the thicker, inner layer in a helmet) can be replaced every year while the outer shell follows the more usual replacement cycles. This should provide an added boost in demand for MIPS BPS. In 2017, MIPS had not yet delivered any MIPS BPS units within this category. However, MIPS is currently developing products intended for the 'team sports helmets' segment.

Other

The 'other' category comprises helmets for motor sports, for example, as well as for baseball, rock climbing, snowmobiles, rafting, etc. In 2017, MIPS delivered only to the climbing category.

Professional use

MIPS estimates the market for helmets intended for professional use (LEAF – Law Enforcement Armed Forces), which MIPS initially intends to focus on, to constitute an annual volume of more than 10 million helmets.

In 2017, MIPS had not yet delivered any MIPS BPS units within this category. However, MIPS has presented a helmet designed for military use in partnership with the Swedish brand SAFE4U. The most important helmet categories for MIPS on this market are:

Military

The market for military helmets can be divided into two principal segments: helmets for ground forces and for the air force. Helmets for ground forces are used by both regular troops and special forces. MIPS is initially concentrating on helmets for special units, with the long-

term ambition of also providing MIPS solutions for helmets used by regular troops and the air force. One distinctive feature of ballistic helmets, which account for the majority of military helmets, is that the inner liner is replaced regularly.

Law enforcement

The market for law enforcement helmets comprises helmets for riot police and ballistic helmets, which often resemble the helmets used by military special forces, and which often have the same features as regards refurbishment and replacement cycles.

Rescue services

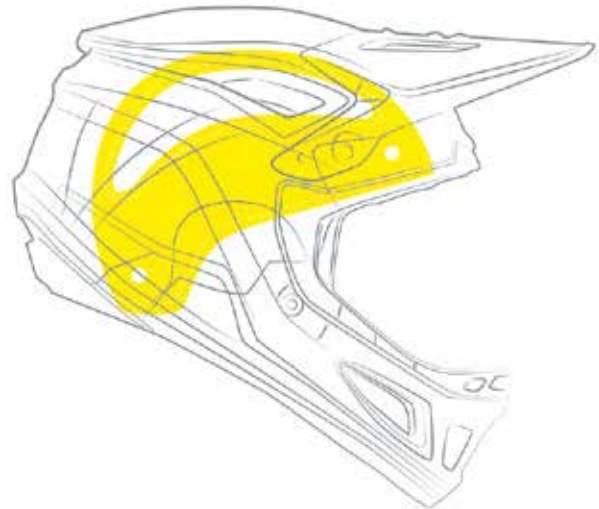
The market for helmets for the rescue services encompasses fire-fighters' helmets used by smoke divers, and helmets used in other rescue situations including traffic accidents, forest fires, ambulance emergency response operations, and search and rescue missions at high heights and on the water.

Trends and dynamics in end-user markets

As the MIPS business model is built on a model for ingredient brands, demand for MIPS solutions is affected by developments in and demand in end-user markets. The trends presented below should contribute to increased demand for MIPS solutions.

Increased interest in sport and outdoor activities

Increased interest in sport and outdoor activities, along with healthier lifestyles, is a global trend. In the United States, the market for outdoor leisure activities grew by around 5 percent annually between 2005 and 2011, while a number of other industries experienced a decline. Decision-makers are also devoting more attention to promoting activities of this kind, as they bring with them financial, social and health-related benefits for society. The appearance of new sports and a rise in popularity of a number of existing sports and



All helmets that contain a MIPS BPS are tested in the MIPS global test lab before they enter production. Following approval, the brand is given a license to label the helmet with the MIPS brand, which must be positioned on the outside of the helmet.

outdoor activities have also contributed to a general increase in interest.

MIPS believes that greater interest in activities of this kind is likely to contribute to increased demand for sports equipment. As the demand increases, it is also likely that the supply of specialist equipment and more advanced protection will expand.

Participants in sporting activities are becoming more devoted to their recreational sports, which may well result in higher demand for intermediate and premium-priced outdoor products and shorter replacement cycles.

MIPS estimates that an increasingly active lifestyle will likely lead to increased spending on health, fitness and sports products. For example, the estimated sales value for bike helmets in the United States rose by 24 percent from 2010 to 2015, while the estimated number of bike helmet units sold in the United States increased by 17 percent. This indicates a rise in the average

price for bike helmets during the period. As participants in sporting activities have become ever-more dedicated, MIPS has also identified a trend in end-users increasingly seeking reliable brands they can relate to, and which offer products and solutions with elevated performance and improved safety functions. At the same time, we have noted that many of the most dedicated participants tend to upgrade their products more often inline with the rapid development.

The bike is becoming a more common means of transport

Urbanization and improvements to urban infrastructure – such as investments in modern, clearly separated cycle paths and the development of bike loan/hire schemes – have helped make cycling a more attractive mode of transport. Reasons for taking your bike rather than choosing another means of transport also include shorter commutes, greater convenience, lower costs, health and environmental considerations.

Changes that boost the use of helmets

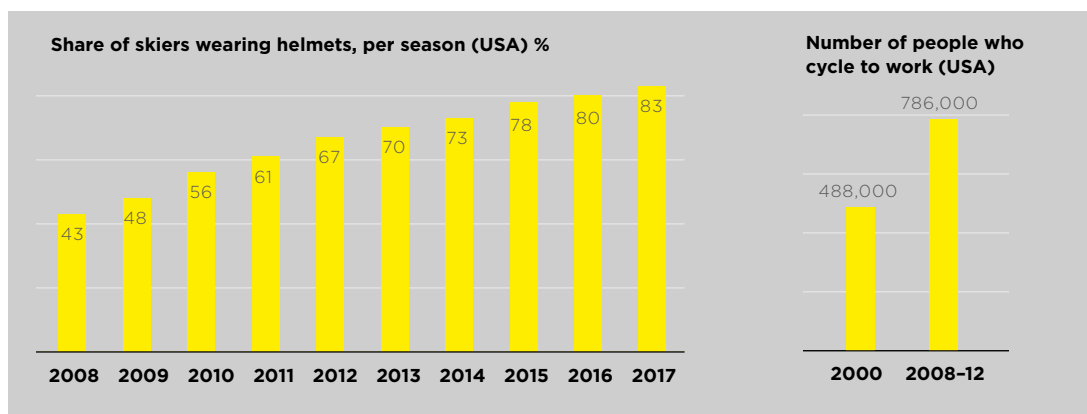
Increased awareness of safety and greater cultural acceptance of the use of helmets

This change in culture is particularly noticeable in the context of skiing helmets, where use in United States resorts rose for ten years in a row, from 38 percent in 2005/06 to 83 percent in 2016/17*. MIPS is of the opinion that helmets are no longer viewed simply as safety equipment, but also as a way to demonstrate awareness, dedication and professionalism. Helmet producers have adapted to this trend by designing helmets intended to reflect the active lifestyle of the end-users.

Inline with the rise in cultural acceptance of the use of helmets and an increase in safety awareness, MIPS expects end-users gradually to pay more for their helmets – particularly for helmets with improved safety functionality and design. Moreover, injuries in popular sports such as hockey and football have attracted considerable attention following a series of incidents in which leading sports profiles have suffered concussions from blows to the head. This has led to a rise in awareness among the general public of the risks and consequences of brain injuries.

Regulations

In many countries, motorcyclists have been required by law to wear helmets for many years. A variety of legal regulations concerning



* National Ski Areas Association

the obligation to wear a helmet have been introduced in recent decades in several countries. Requirements to wear helmets when playing sports have also been introduced, powered by professional organizations in some sports.

Increased safety awareness among professionals

Standards for health and safety in the workplace are under constant development, which often carries with it a demand for safety equipment for people exposed to hazardous environments. In the professional market, knowledge and awareness are also increasing with regard to the incidence and consequences of brain injuries.

Increased awareness of protecting the brain against rotational motion

MIPS is noting a constant rise in awareness of the importance of protection against rotational motion. In 2017, 60 (45) helmet brands around the world purchased MIPS BPS. This increased awareness also involves greater focus from the organizations' and regulatory authorities' work groups with regard to helmet standards. Examples of work groups are:

- CEN TC158 – WG11
- NOCSAE "new test method for football helmets"
- FIM Helmet Certification Program (FHCP)

More evidence of increased awareness about protection against rotational motion is the fact that consumer tests have started to include protection against angled impacts in their methods for comparing different helmets. The Swedish insurance company Folksam, which carries out an annual test of bike helmets, began including protection against angled impacts in its assessments in 2012. In the survey that Folksam carried out in 2017, helmet brands with integrated MIPS BPS scored the highest.

In addition, Consumer Report – a non-profit organization which is based in the United States and carries out consumer tests – started including angled impacts in its bike helmet tests in 2016, and is thus focusing on informing cyclists in particular about occurrences that cause the most severe injuries.

Competitors

MIPS is a leading player in the market for helmet-based products for protection against rotational motion. Existing competitors are mainly companies that offer helmet safety technology for a limited number of helmet categories and therefore do not cover the entire spectrum – which MIPS does. With the rise in awareness of the relationship between rotational motion and the risk of brain injuries, and thus increased demand for relevant products, it is likely that competition will become tougher. Among the products currently marketed as improving the capacity of a helmet to protect against rotational motion, it is possible to distinguish between those companies run as ingredient brands, such as MIPS, and helmet brands that do not offer proprietary helmet safety technology to other brands.

Competition from other ingredient brands that offer products designed to improve helmets by providing protection against rotational motion is currently limited, because there are few companies operating through that specific business model as far as MIPS is aware. It should also be noted that MIPS' patent protection portfolio is relatively comprehensive, which is making it harder for competing products to penetrate the market.

BUSINESS MODEL, STRATEGY AND FINANCIAL TARGETS

Ingredient brand

MIPS is operating as an ingredient brand. This means that MIPS does not sell its products directly to end-users. Instead, MIPS sells its solutions to helmet manufacturers, where the solution is included as part of the helmet that is subsequently marketed to the end-user.

The helmet company often market helmet models with and without MIPS BPS in parallel. Helmets with MIPS BPS are more expensive with the premium historically being in the region of USD 20 and up. MIPS BPS can also be included in the initial design of new helmet models, and thus become an integrated part of the model range.

MIPS marketing and communication is therefore aimed at using limited expenditure to achieve a high level of exposure to end-users by making use of the helmet brand's broad and global marketing resources. MIPS enjoys close working relationships with customers with a view to ensuring a uniform and controlled message to end-users and the media. This also involves MIPS providing the necessary expertise, resources and marketing material to the customers' sales staff and distributors – through participation in sales and distribution meetings, for example.

MIPS also works actively with strategic and cost-efficient marketing strategies targeting towards end-users. This strategy involves working with customers to interact with the media and retailers' staff to teach them about MIPS BPS, through different sales programs and training material.

Mission

Based on scientific research and creative working relationships, MIPS develops technologies and products that preventatively improve protection and thus reduce the risk of injury.

Vision

MIPS vision is to use technology solutions that reduces the risk of injury to ensure that

helmets in all categories protect users significantly better than the current test standards. Protection inline with MIPS offering should be minimum requirement in all helmet standards in the world, irrespective of type of helmet and price point. MIPS will continue to be a pioneer in research and development to supply the safest and most innovative solutions.

Financial targets and dividend policy

The Company's long-term financial targets presented below are not to be seen as a forecast but rather as ambitions that the board of directors and senior executives believe are reasonable long-term expectations for the Company.

Growth: The target is to organically grow net sales to more than SEK 400 million by 2020.

Profitability: The target is to achieve an EBIT margin of more than 40 percent by 2020.

Dividend policy

The target is to distribute approximately 50 percent of the Company's annual net profit as dividends when the company has achieved the desired financial stability, taking into account future profits, investment needs, liquidity and development opportunities, as well as general economic and business conditions.

Strategy

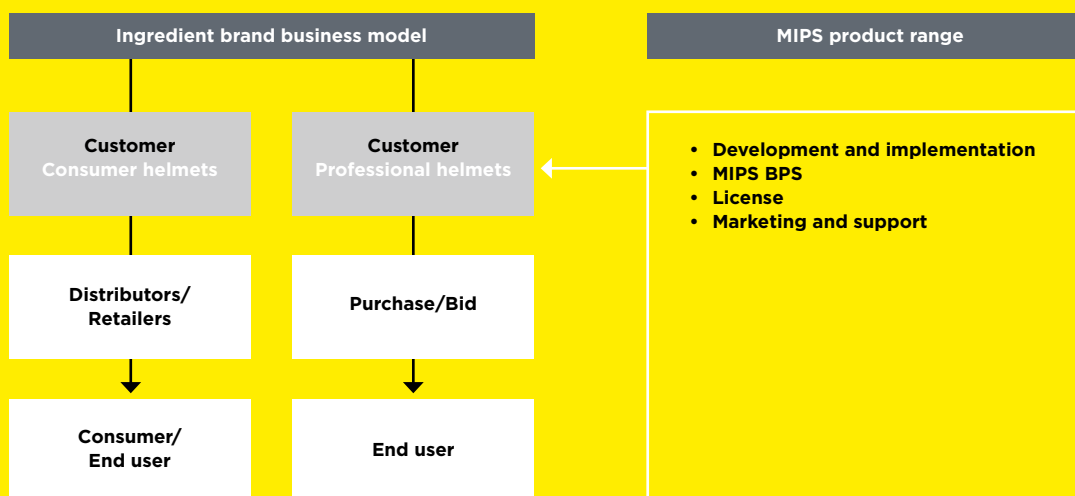
In order to achieve its financial targets, MIPS has prepared a strategy whose key aspects are presented below:

1. Defend MIPS' position as the preferred partner for helmet brands globally across all helmet categories

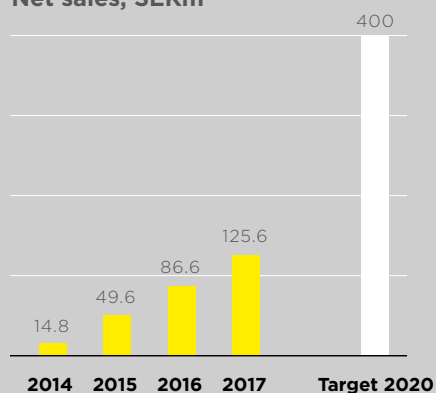
MIPS intends to grow and expand its position as the leading supplier of technology designed to provide protection against rotational motion in helmets by utilizing its technology and expertise in the field of rotational motion, and its relationships within the helmet industry.

- *Reinforce its position among the existing customer base*

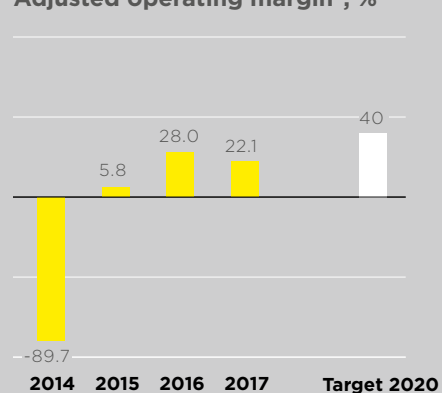
Business model



Net sales, SEKm



Adjusted operating margin*, %



* Operating profit margin is adjusted for cost relating to the company listing at Nasdaq, Stockholm, with SEK 7.0m (5.8). Detioration of the adjusted operating margin between 2016 and 2017 mainly relates to that the operating profit includes litigation cost of SEK 16.5m (3.6) relating to two patent processes.

MIPS has built up strong relations with brands in five helmet categories. The number of helmet brands that have purchased MIPS BPS has increased from four in 2011 to 60 in 2017.

MIPS' customer relationships provides excellent opportunities to increase penetration of existing helmet brands. In 2017, MIPS supplied 2.3 million MIPS BPS units to 302 helmet models, compared to 15 models in 2011. This illustrates MIPS' excellent capacity to expand the use of MIPS solutions in customers' helmet ranges, and highlights the potential for future growth.

- *Expand the customer base in existing categories of consumer helmets and take the step into new ones*

The strongest footholds today are in the helmet categories 'bike' and 'snow'. Increased awareness of the risk of brain injuries related to rotational motion in general – and MIPS solutions in particular – serve as driving forces for the continued implementation of MIPS BPS among the helmet brands. The flexible solution and the simplicity of implementing MIPS BPS is expected to contribute positively to increasing the pace of penetration in moto and equestrian helmets, for example, as well as for developing solutions for new categories of consumer helmets – football helmets, for instance.

- *Establish MIPS in the category of helmets for professional use*

MIPS estimates the market for helmets intended for professional use, which MIPS initially intends to focus on, to amount to an annual volume of more than 10 million helmets.

The most important helmet categories for MIPS in this market is helmets for military use.

The market for military helmets can be divided into two principal segments: helmets for ground forces and for the air force. Helmets for ground forces are used by both regular troops and special forces. MIPS is initially concentrating on helmets for special units, with the long-term

ambition of also providing MIPS solutions for helmets used by regular troops and the air force.

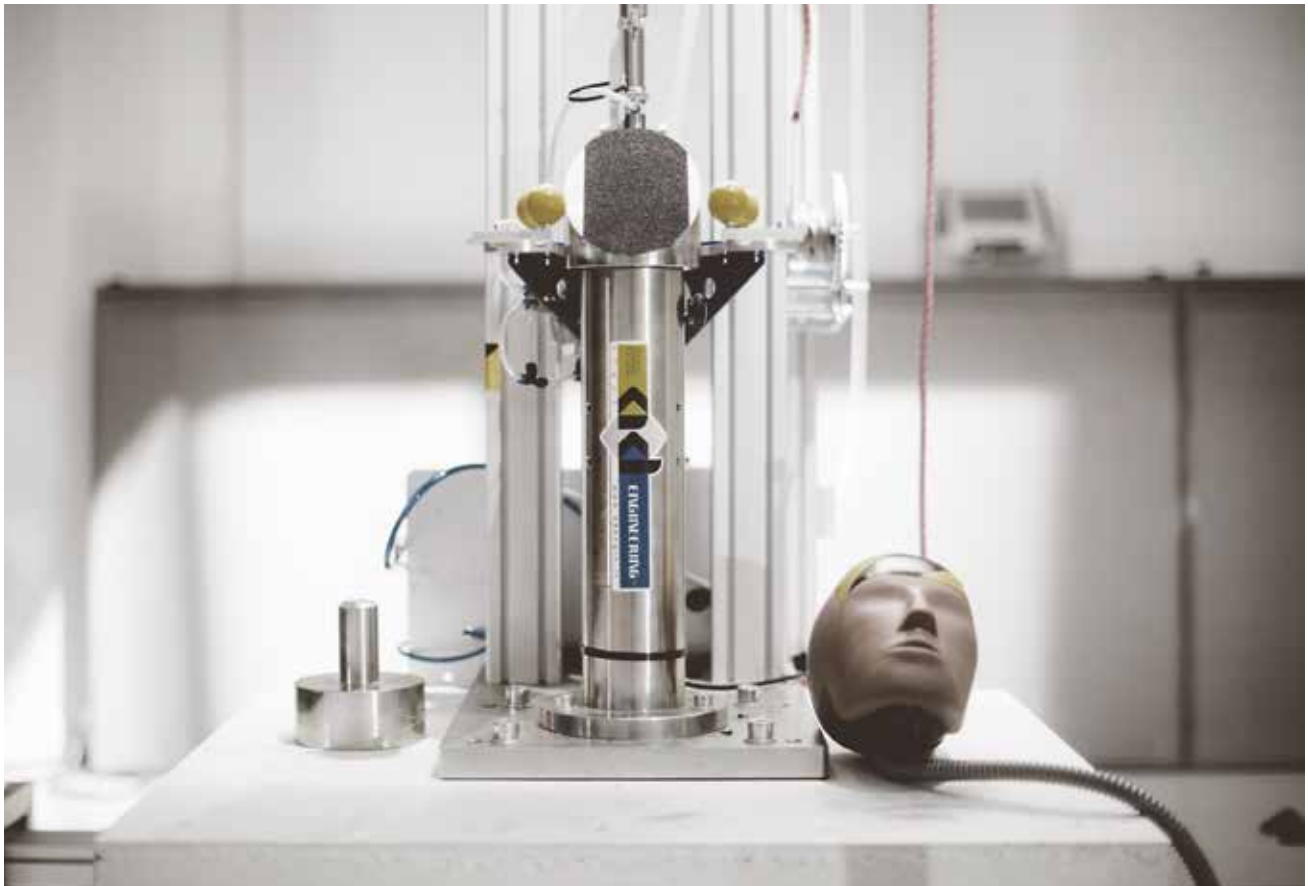
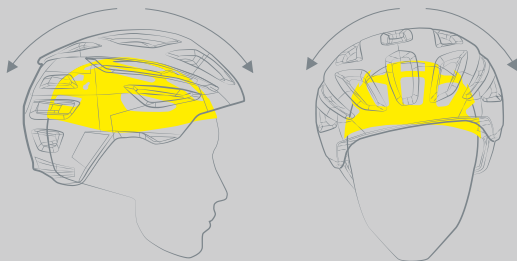
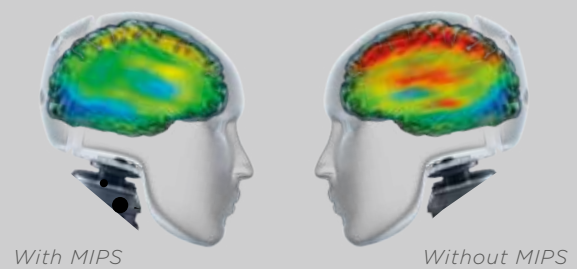
One distinctive feature of ballistic helmets, which account for the majority of military helmets, is that the inner liner is replaced regularly. This should lead to increased demand for MIPS BPS as an aftermarket product in this specific category.

2. Continued utilization of the existing ingredient brand business model and company structure

MIPS will retain its position in the value chain as a supplier to helmet brands combined with outsourced production, which allows a scalable cost base and utilization of customers' distribution and marketing capacity.

3. Secure long-term competitive advantages through continuous development and reinforcement of the portfolio of intellectual property rights and solutions

Since its establishment, MIPS has built up a leading pool of expertise in solutions for protection against rotational motion, and has protected key knowledge through its intellectual property rights strategy. This has, for example, resulted in a global portfolio of patents intended to protect MIPS' interests as regards technical solutions that address the issue of rotational motion.

**Motion in MIPS BPS in helmets on angled impact****MIPS BPS reduces rotational motion on the brain**

STRENGTHS, COMPETITIVE ADVANTAGES AND PRODUCTS

Net sales increased in 2017 by 45 percent to SEK 125.6 million (86.6), with the operating profit totaling SEK 20.8 million (18.4). A total of 2.3 million MIPS BPS (Brain Protection System) units were sold during the year, and important strategic footholds were obtained in the categories of motorcycle helmets for road riding and helmets for professional use. MIPS continued to defend its patents.

Customers and helmet brands

The MIPS customer base comprises a large number of global helmet manufacturers. Thanks to the flexibility of the product, MIPS BPS can be implemented in a variety of types of helmets – both consumer helmets and helmets for professional use. The market for consumer helmets consists of various helmet categories, such as bike, snow, moto, equestrian and team sports helmets. The different categories of helmet for professional use of for example, helmets for the military, law enforcement and rescue services. In 2017, MIPS supplied BPS units to 60 (45) helmet brands in the field of consumer helmets. Approximately 66 percent of the MIPS BPS units were delivered through our five biggest helmet brands.

A selection of the helmet brands to which MIPS supplied MIPS BPS units in 2017 is presented in the table on the following page.

In 2017, more than 2.3 million MIPS BPS units were supplied to 302 helmet models for consumer use in the categories bike, snow, moto and equestrian.

Operations overview

MIPS sales process can be divided up into sales to new and existing brands. MIPS operates a standardized process for the development and implementation of MIPS BPS in helmet models. The majority of the work is carried out at the MIPS global test center in Stockholm, Sweden, which serves as an important development and testing tool in the implementation of MIPS technology in specific

helmet models. The majority of MIPS employees are based in Stockholm, other staff have been taken on by the MIPS subsidiary in China.

MIPS production model is scalable in terms of growth within brand, model and volume. Production of the components for MIPS BPS is outsourced to a variety of manufacturers in China, either within the same facilities as – or in plants in the immediate vicinity of – the helmet brands' own installations. This facilitates the logistics chain, with all work to integrate MIPS BPS in the helmets being handled by the helmet brands' manufacturers. The low friction layer is produced on receipt of a purchase order, and MIPS therefore maintains only a limited stock consisting of components. The helmets manufactured are subsequently transported by the helmet brands to distributors, and from there to retailers.










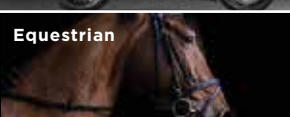





MIPS is marketed actively towards end-users by helmet brands and retailers alike, via both digital marketing initiatives and hard copy marketing material in the form of in-store communication, where the benefits of MIPS BPS are clearly highlighted in accordance with the MIPS guidelines for communication and marketing.

Strengths and competitive advantages

MIPS features a number of competitive advantages that have contributed to our positive development, for example:

Validated technology based on research which, in MIPS' judgment, is world leading, and which is protected by a global portfolio of intellectual property rights pertaining to rotational motion.

The company's technological platform is based on more than 20 years of research and development in partnership with the Royal Institute of Technology (KTH) and the Karolinska Institute in Stockholm. At least three scientific

Helmet categories	Number of helmet models	Active helmet brands*
 Bike	204 	44 
 Snow	69 	22 
 Moto	26 	12 
 Equestrian	3 	2 
 Team sports	MIPS is currently developing products intended for team sports helmets.	
 Other	One brand and one model.	
 Professional use	MIPS is currently developing products for helmets for professional use.	

*Helmet brands to which MIPS BPS has been delivered during the period.

Selection of active helmet brands, 2017

Abus	Giant	Rossignol
Back on Track	Giro	Rudy Project
Bell	Lazer	Salomon
Bern	Limar	Scott
Bliz	Mavic	Smith
Bolie	MET	Specialized
Bontrager	Oakley	Stiga
Cannondale	OKG Kabuto	Sweet Protection
Everest	Orbea	TLD
Fox	Pret	TSG

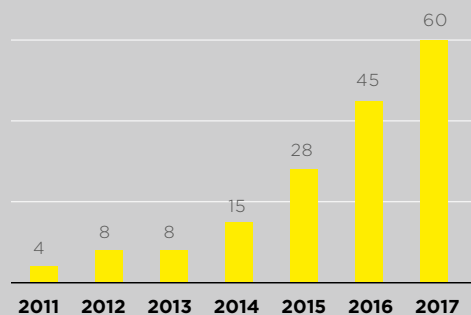
Key figures

	2017	2016	Change
Net sales, SEKm	125.6	86.6	45%
Operating profit, SEKm	20.8	18.4	13%
Operating margin, %	16.6	21.2	-
Adjusted operating profit**, SEKm	27.8	24.2	15%
Adjusted operating margin**, %	22.1	28.0	-

**Operating profit is adjusted for cost relating to the company listing at Nasdaq, Stockholm. The adjusted operating profit includes litigation cost of SEK 16.5m (3.6) relating to two patent processes.

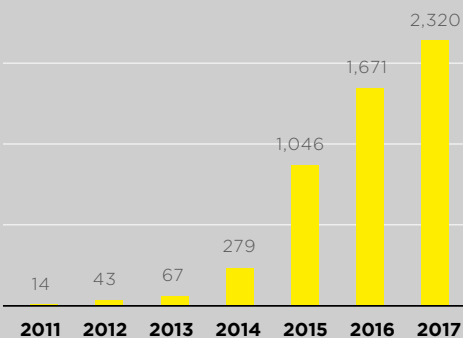
Historical development of active customers

Number of brands to which MIPS BPS has been delivered



Development in total sales of MIPS BPS units

Development in total sales of MIPS BPS units
Total volume sold (thousands)



papers have been published about rotational motion, which validate MIPS technology, and more than 17,000 tests have been conducted. Reduction of rotational motion following an angled impact as a result of the implementation of MIPS BPS in a helmet, as well as the estimated correlated reduction in risk of brain injury, has been further validated. Over the course of its 20-year history, MIPS has built up a customer base and an understanding of the dynamics of relevant parameters used to measure the risk of brain injury from angled impacts. By being a strong ingredient brand with high penetration, we help generate additional value for our customers and their helmets.

MIPS patent portfolio in the field of helmet-related innovations contributes to the strong technological position and supports continued expansion. As of 31 December 2017, MIPS had been granted 72 patents and had 71 ongoing applications in 18 patent families focused on MIPS' primary market. The MIPS strategy is to expand its patent portfolio and protect new innovations.

MIPS is drawing benefit from safety trends

MIPS is a leading supplier of technology designed to add protection against rotational motion in helmets. This makes MIPS a valuable independent partner for helmet brands as awareness of safety issues and the use of helmets both continue to rise.

Proven ingredient brand concept that has been adopted by leading helmet brands

MIPS provides a solution that adds value to helmet brands. MIPS supplies its customers with a technology designed to improve protection against rotational motion in helmets, as well as comprehensive competence in both R&D and implementation. A large number of helmet brands have begun to use MIPS BPS, including leading brands such as Bell, Fox Head, Giro, Scott, Smith and Trek. Through its

customers, MIPS has access to several helmet categories and thus enjoys exposure towards a broad base of end-users.

Recently, MIPS has experienced strong growth in the number of helmet brands to which MIPS has supplied MIPS BPS units. From four active helmet brands in 2011 to 60 active helmet brands in 2017. MIPS' global customer relations make it possible for MIPS BPS to reach a large number of end user markets and geographical areas, further reinforcing MIPS' position as an ingredient brand.

Business model that leads to operational leverage effects and efficiency

MIPS has developed a highly scalable production model through outsourced production, resulting in simplified logistics. MIPS draws benefit from the customers' distribution network at the same time as providing the helmet brands with support in the form of technological skill and experience. MIPS also provides customers with advice and guidance in the marketing of MIPS BPS so as to ensure uniform communication. MIPS' indirect marketing towards end-users and its technologically backed sales force working with the helmet brands are thus highly scalable and benefit from the well-respected customers' marketing work and capacity.

Attractive financial profile

MIPS' average annual growth rate (CAGR) with regard to net sales totaled 104 percent in the period 2015-17. The MIPS business model has made it possible to achieve a strong improvement in margin, from a negative adjusted operating margin in 2014 to 22.1 percent in 2017. MIPS' position in the value chain as a supplier to helmet brands, in combination with outsourced production, makes possible a scalable cost base while allowing MIPS to benefit from customers' capacity in the areas of distribution and marketing. MIPS' scalable business model generally requires only limited investments in non-current assets and is

expected over time to achieve an attractive operating capital dynamic in step with MIPS' growth and development MIPS is of the opinion that this scalability will pave the way to improved net sales and high cash generation.

Technology and range of products

The range of products primarily consists of three elements:

1. MIPS BPS, which is the tangible product implemented in helmets;
2. Development and implementation of MIPS BPS in new and existing helmet models;
3. Licenses to manufacture, market and sell helmets containing MIPS BPS.

For each new helmet model that requires a new low friction layer, MIPS generally debits the customer a fixed development and implementation fee. As a part of this process, MIPS handles production of the tools necessary for the commercial production of the specific low friction layer. MIPS then invoices a fee attributable to the manufacturing of the production tools.

MIPS Brain Protection System

MIPS BPS is designed to allow the addition of protection against rotational motion to helmets. Rotational motion is a combination of rotational energy (angular velocity) and rotational forces (from angular acceleration), which both have an effect on the brain and increase the risk of both mild and more severe brain injuries. MIPS BPS has proved to reduce rotational motion when implemented in helmets, by absorbing and redirecting a part of the rotational energy and forces that risk being transferred to the brain.

The development of MIPS BPS is founded on many years spent studying the biomechanical functions of the human brain. The brain is surrounded by cerebrospinal fluid which protects it by allowing the brain to move slightly when it is subjected to an angled impact. MIPS BPS

mimics this cerebrospinal fluid through the implemented low friction layer, which allows a relative movement between the head and the helmet.

The main component of the MIPS BPS is the low friction layer, which is inserted into the helmet to allow relative movement between the head and the helmet. It has been designed to provide additional protection against rotational motion in the event of angled impact.

A MIPS BPS unit produced for a specific helmet model for a given helmet manufacturer generally includes a low friction layer, a helmet-specific fastening mechanism for the low friction layer, snap baskets and sliding enablers, as well as MIPS information material plus the yellow logo which makes clear that the helmet is fitted with MIPS BPS.

MIPS BPS function

In connection with certain types of impact, MIPS BPS has proved to reduce rotational motion when the system is implemented in a helmet. Through a small movement in the low friction layer relative to the helmet (10-15 mm) during the short time an angled impact lasts (5-10 milliseconds), MIPS BPS allows the head to continue in the direction it was following instead of remaining fixed to the impact surface. The intention here is to control and absorb a part of the rotational energies and forces that risk being transferred to the brain. Absorption is achieved as a result of the friction heat, and by MIPS BPS spreading the load to a larger area of the helmet liner. MIPS BPS is designed to function irrespective of the direction from which the impact is received.

Research and development

MIPS development work is founded on science and proven experimental methods, with a clear focus on injury criteria, combined with an active strategy to protect intellectual property rights. The R&D work is divided up into four separate development categories:

1. Innovation – founded on science and research with the emphasis on new developments, and concepts for dealing with impact risks.
2. Product development – short-term perspective of 12 months into the future, with a view to improving existing solutions and previously established concepts.
3. Development of new models – founded on the customers' development where MIPS provides the customer with support as regards design and technology for new models.
4. Implementation of MIPS BPS in existing helmet models – which, since 2010, has focused on assisting helmet brands with the implementation of MIPS BPS in existing helmet models.

Since 2010, a key focus area has been the implementation of MIPS BPS in existing helmet models, but in recent years the R&D strategy has shifted towards categories 2 and 3, with the objective of focusing more efforts on category 1. A result of this development work is reflected in the fact that the MIPS patent portfolio currently comprises 18 patent families, 72 patents granted and 71 ongoing patent applications.

Intellectual property rights

Intellectual property rights plays a key role in the MIPS strategy given that they help MIPS to maintain its competitive advantage, protect R&D investments and promote credibility in relation to the company's customers. The strategy for intellectual property rights is focused on the development of new intellectual property rights and protecting the existing intellectual property portfolio. MIPS considers it essential to monitor the protection provided by MIPS' intellectual property rights. Potential infringements are considered with care and professional assistance, and strategies are developed according to the specific circumstances.





The snow helmets category comprises both alpine and snowboarding helmets for recreational and advanced use. MIPS has been supplying BPS units since 2010.

DIRECTORS' REPORT

The Board of Directors and the Chief Executive Officer of MIPS AB, Company reg. no. 556609-0162, hereby issue the annual report for the Group and the parent company for 2017.

General information

MIPS is the market leader in helmet solutions designed to protect against harmful rotational motion transferred to the brain from angled impacts to the head. The patented MIPS Brain Protection System (BPS) can be integrated in a variety of different types of helmets for both consumers (e.g. bicycle, motorcycle, equestrian as well as skiing and team sports) and professional users (e.g. military, police, search and rescue). Sales of MIPS BPS to the professional segment during 2017 were not significant relative to the company's total revenue.

MIPS employs an "ingredient brand" business model, which means that the company sells its products and licenses its technology to other companies that manufacture, market and sell helmets to end-users. As an ingredient brand, MIPS does not sell or market its own helmets and therefore does not sell its products to end consumers. Several world-leading helmet brands have launched helmets with MIPS BPS and market them to end-customers on a global basis.

The company's technology and patents are based on more than 20 years of research and development at the Royal Institute of Technology and the Karolinska Institute in Sweden, as well as on its own research and development. Several scientific articles validating the company's technology have been published and more than 17,000 helmet tests have been carried out. A number of third-party tests have also been conducted that have confirmed the efficacy of MIPS BPS.

Key events during the fiscal year

The company continued to expand its operations by increasing penetration of helmet models among existing customers, as well as by adding new customers that have launched helmets with MIPS BPS during the year. The company also launched its first Law Enforcement Armed Forces (LEAF) models in 2017, though MIPS has not yet received any orders in this category.

The company's shares were listed on Nasdaq Stockholm on March 23, 2017 and at the time of listing a total of 3,260,870 new shares were issued, corresponding to SEK 150.0 million before issuance costs.

The formation of the new wholly owned subsidiary in China, MIPS AB (Dongguan) Trading Co. Ltd., was completed in the first quarter of 2017. During the year, eight people, several of whom previously worked as consultants for MIPS in China, were hired by the Chinese subsidiary mainly to handle purchase orders, local inventories, product development, project management and to be responsible for certain aspects of quality assurance.

MIPS has an ongoing patent dispute in Canada, where MIPS has taken legal action against a former partner for patent infringement and breach of contract. Costs for this patent dispute in 2017 amounted to SEK 15.4 million (3.6). The company has also applied for an injunction against another helmet brand in Germany. See Note 27 for additional information.

Financial performance: Group operations, earnings and financial position*

Net sales and profit/loss

Net sales for the year 2017 amounted to SEK 125.6 million (86.6), up 45 percent. Adjusted for currency effects, the increase was 44 percent. The increase was primarily due to higher demand from existing customers, mainly in the Bicycle, Snow and Motorcycle categories. Gross profit rose 51 percent to SEK 93.3 million (61.7). Gross margin increased by 3 percentage points to 74.3 percent (71.3). The improvement in gross margin was mainly attributable to lower sourcing costs and a favorable sales mix.

Operating profit (EBIT) rose to SEK 20.8 million (18.4), corresponding to an operating margin of 16.6 percent (21.2). Items affecting comparability for the period amounted to SEK 7.0 million (5.8) and pertained in their entirety to expenses related to the company's IPO. Adjusted operating profit amounted to SEK 27.8 million (24.2), corresponding to an adjusted operating margin of 22.1 percent (28.0). The increase in adjusted operating profit is mainly attributable to higher sales

*For definitions and alternative performance measures, see pages 72-73

and an improved gross margin, which were partly offset by higher litigation costs relating to the company's patent disputes** of SEK 16.5 million (3.6), costs related to strengthening the organization, and costs related to being a listed company.

Liquidity and financial position

On December 31, 2017, the Group's total assets amounted to SEK 242.2 million (75.4). The significant increase was the result of higher liquidity due to the new share issue of net SEK 141.2 million (-). Current investments of SEK 162.2 million are invested in their entirety in interest-bearing funds. The equity ratio was 91 percent (76). Cash and cash equivalents, including current investments, totaled SEK 179.8 million (28.5) on December 31, 2017. Deferred tax assets amounted to SEK 8.7 million, of which SEK 9.1 million was attributable to loss carryforwards and SEK -0.4 million 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 valued at fair value and amounted to a financial asset of SEK 1.4 million (-) at December 31, 2017. Hedge accounting is applied, according to which the unrealized change in fair value for the derivatives is primarily recognized in Other comprehensive income.

Cash flow and investments

Cash flow from operating activities amounted to SEK 11.1 million (16.0). The decrease was mainly attributable to higher accounts receivables relating to higher net sales.

Cash flow from investing activities amounted to SEK -4.6 million (-3.8). Cash flow from financing activities was SEK 145.1 million (0.2). The increase of SEK 141.2 million, net after deductions for transaction costs, and payments of SEK 3.9 million 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 SEK 151.6 million (12.4).

Shares and share capital

The share capital of MIPS AB amounts to SEK 2,529,987. The number of shares outstanding amounted to 25,299,870 as of December 31, 2017. All shares are ordinary shares and carry equal voting rights. The Extraordinary General Meeting on February 1, 2017, resolved to convert all preference shares to ordinary shares and to conduct a 1,000:1 share split, see Note 17 to the consolidated financial statements. In conjunction with the listing an additional 3,260,870 shares were issued.

**For information about the company's disputes, see Note 27

Research and development

Research and development is one of the cornerstones of the company's commercial success. MIPS believes the company has market-leading expertise in developing new technologies and products as well as in processes for manufacturing and quality-assurance management. The company aims to create an innovative company culture that promotes knowledge growth within the organization to inspire employees to develop new solutions and/or concepts, based on an established and structured development method. Current and planned R&D at the company include innovation projects for products, such as development of better materials and components, as well as for processes, such as current development of more efficient testing and production processes. During the year, the company increased product development initiatives and strengthened the organization. A total of four new product solutions were launched. Research and development expenses in 2017 were SEK 9.7 million (4.6). The company did not capitalize development costs in 2017. The company expects to increase its investments in research and development during the coming year.

Information about risks and uncertainties

As a company, MIPS is exposed to both operational and financial risks.

The main operational risks for the Group and the company are:

- The risk that awareness of the effects of rotational motion will not increase, that end-users will not appreciate the benefits of MIPS' solutions or will prefer to use other technologies or products that they consider to be more suitable and that MIPS, as a result, will not be able to implement its strategy of continued expansion and increased volumes, which may adversely affect the company's business, earnings and/or financial position.
- The risk that end-users become less likely, or unable, to engage in outdoor activities and/or spend money on such activities, which may adversely affect the end market for MIPS solutions, which could adversely affect the company's business, earnings and/or financial position.
- The risk that MIPS, because of its strategy of acting as an ingredient brand, does not reach end-users because of, for example, less fruitful or impaired relationships with its customers, which could adversely affect MIPS' business, earnings and/or financial position.
- The risk that the measures taken by MIPS to protect the company's intellectual property are inadequate, or that the company's measures to protect business secrets and confidential information are insufficient

to prevent others from obtaining such information, which could adversely affect the company's business, earnings and/or financial position.

- The risk of the loss of one or more key customers, or that a key customer significantly reduces business with MIPS, could result in a substantial reduction of the company's sales and earnings, which could adversely affect the company's business, earnings and/or financial position.
- The risk that operations conducted by MIPS and its customers in China could be adversely affected by local conditions such as legal and regulatory changes, compliance with local legal requirements and standards, difficulties in claiming and defending intellectual property rights, know-how and business secrets, shutdowns and strikes, political unrest and economic instability, etc., which could make MIPS' business in China undesirable or impossible to carry out, and/or adversely affect MIPS and the company's brand recognition, which could adversely affect the company's business, earnings and/or financial position.
- The risk that MIPS' solutions could be subject to public criticism, or to tests that apparently void them, or that MIPS' reputation or general corporate profile could be harmed, and that this could cause the company to lose business and growth opportunities, which could adversely affect the company's business, earnings and/or financial position.

The company's primary financial risks are:

- The risk that MIPS' counterparties are unable to fulfill their financial obligations to the company, or fulfill them with significant delay, which would mean that MIPS would not receive payment or that payment would be delayed for products that the company delivered to its customers, which could adversely affect the company's business, earnings and/or financial position.
- The risk that currency fluctuations in the company's reporting currency, which is SEK, and in foreign currencies used in transactions with suppliers and customers outside Sweden (primarily USD), could adversely affect the company's income statement, balance sheet and cash flow, as well as the company's competitiveness or customer demand, which could result in a reduction of MIPS' market share and adversely affect the company's business, earnings and/or financial position.
- The risk that MIPS is unable to fulfill its financial commitments to suppliers or partners because of short-term or long-term lack of liquidity. This could interfere with any deliveries and adversely affect the company's business, earnings and/or financial position.

- For more information about the company's financial risks, see Note 21.

Information on non-financial performance indicators

At year-end, the Group had 32 employees. The average number of employees during the year was 29 (17), of which 69 percent men (70). The organization continued to be strengthened primarily in development and sales to cope with the increase in sales and to develop new products and solutions. The organization also strengthened its business and administration functions and 8 people were hired in China.

The company has a code of conduct and actively follows an ethically, socially and environmentally responsible business strategy, working to ensure that its products are innovative while providing a safe and healthy work environment.

The company does not engage in any operations that require a permit or notification under the Swedish Environmental Code.

Remuneration guidelines for senior management

The remuneration guidelines for senior management that the Board of Directors will propose to the 2018 Annual General Meeting are the same as the guidelines that the AGM adopted in 2017. A fee is paid to the members of the Board of Directors according to a decision reached at the Annual General Meeting. The AGM adopted the following guidelines for remuneration to senior executives. Senior executives refer to the Chief Executive Officer and other senior executives. For information about the composition of Executive Management, see pages 82–83. Remuneration to Executive Management consists of fixed salary, variable remuneration, pension, the opportunity to participate in any incentive programs and other customary benefits. The fixed salary is determined on an individual basis according to the role, performance, results and responsibility of each individual. The salary level must be competitive in the relevant market. Variable remuneration, which is based on meeting financial targets, shall not exceed an amount equal to 50 percent of the annual fixed salary. Executive Management's pension terms must be market-based and should be based on defined-contribution pension solutions or comply with general pension plans. Senior executives refer to the Chief Executive Officer and other senior executives.

To encourage long-term alignment with the company's shareholders, in addition to salary, pensions and other benefits, incentives may also be offered in the

form of share-based instruments. Primarily, the Chief Executive Officer shall have a mutual notice period of six (6) months. Other senior executives shall primarily have a notice period of three to six (3-6) months. Upon termination by the company, the CEO and other senior executives shall be entitled to severance pay up to a maximum of six (6) months fixed salary. No severance pay shall be payable upon termination by the employee. With reference to section 2 a, Chapter 6 of the Swedish Annual Accounts Act, there are no other disclosures than those stated above. The Board of Directors has the right to deviate from the above remuneration guidelines if the Board finds reason to do so in individual cases.

Corporate Governance Report

For the Corporate Governance Report, see page 74 and the company's website www.mipscorp.com.

Parent company

MIPS AB is the parent company of the Group. The accounts of the parent company are essentially consistent with the accounts of the Group, thus, the comments for the Group largely also apply to the parent company. Net sales for the parent company totaled SEK 122.2 million (86.6), and net profit was SEK 15.5 million (14.3). The parent company had cash and cash equivalents, including current investments, totaling SEK 179.0 million (28.4) on December 31, 2017.

Outlook

The company has established itself as a leader in helmet solutions for protection against harmful rotational motion that can be transmitted to the brain from angled impact to the head. Provided that external factors do not significantly change in 2018, demand for the company's products is expected to be robust.

Proposed appropriation of profit

Available for disposal at the Annual General Meeting: (SEK thousand)

Share premium reserve	235,612
Fair value reserve	373
Retained earnings	-35,423
Profit for the year	15,509
Total	216,070

The Board of Directors proposes that the available funds of SEK 216,070 thousand be carried forward, including SEK 235,612 thousand to the share premium reserve and SEK 373 thousand to the fair value reserve.

Regarding the financial performance and position in general of the Group and the parent company, please refer to the following financial statements with accompanying notes to the accounts.

CONSOLIDATED INCOME STATEMENT

SEK 000s	Note	2017	2016
Net sales	2	125,602	86,629
Cost of goods sold		-32,324	-24,902
Gross profit		93,278	61,727
Selling expenses		-22,019	-16,608
Administrative expenses		-40,861	-24,118
Research and development expenses		-9,657	-4,607
Other operating income	3	164	2,003
Other operating expenses	3	-80	-21
Operating profit/loss	4,5,6,7,23	20,825	18,376
Financial income		2	419
Financial expenses		-428	-9
Net financial items	8	-426	410
Profit/loss before tax		20,399	18,787
Tax	9	-4,584	-4,484
Net profit/loss for the year		15,815	14,303
Earnings per share basic, SEK	10	0.64	0.67
Earnings per share diluted, SEK	10	0.64	0.65

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK 000s	2017	2016
Net profit/loss for the year	15,815	14,303
Other comprehensive income		
Items that may subsequently be transferred to profit or loss		
Foreign currency translation	-5	-
Cash flow hedges	1,361	-
Changes in the fair value of cash flow hedges transferred to profit for the year	-883	-
Tax on components in other comprehensive income	-105	-
Items that cannot be transferred to profit or loss		
Other comprehensive income for the year	369	-
Comprehensive income for the year	16,184	14,303

CONSOLIDATED BALANCE SHEET

SEK 000s	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	11	7,036	3,677
Property, plant and equipment	12	2,664	2,509
Deferred tax assets	9	8,659	11,412
Long term receivables	13	561	563
Total non-current assets		18,920	18,160
Current assets			
Inventories		1,000	675
Accounts receivable	14,21	37,077	21,356
Prepaid expenses and accrued income	15	2,150	3,737
Other current receivables		3,251	2,963
Current investments	16,21	162,219	-
Cash and cash equivalents	16,21	17,555	28,507
Total current assets		223,252	57,237
TOTAL ASSETS	22	242,173	75,397
EQUITY AND LIABILITIES			
Equity			
Share capital	17	2,530	2,204
Other paid in capital		243,250	96,513
Reserves		369	-
Retained earnings including profit and loss for the period		-25,575	-41,390
Total equity attributable to Parent Company shareholders		220,574	57,327
Non-current liabilities			
Deferred tax liabilities	9	-	87
Total non-current liabilities		-	87
Current liabilities			
Current interest-bearing liabilities	18,21	-	55
Accounts payable		12,217	8,857
Other liabilities		1,300	634
Accrued expenses and deferred income	20	8,083	8,438
Provisions	19	-	-
Total current liabilities	22	21,599	17,983
TOTAL EQUITY AND LIABILITIES		242,173	75,397

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2017	Equity attributable to Parent Company shareholders					
	Share capital	Other paid-in Capital	Reserves		Profit brought forward incl. net profit/loss	Total equity
			Trans-lation reserve	Hedging reserve		
SEK 000s						
Opening equity, 1 January 2017	2,204	96,513	-	-	-41,390	57,327
Comprehensive income for the year						
Profit for the year	-	-	-	-	15,815	15,815
Other comprehensive income for the year	-	-	-5	374	-	369
Comprehensive income for the year	-	-	-5	374	15,815	16,184
Transactions with Group shareholders						
New share issue	326	149,674	-	-	-	150,000
Transaction cost for new share issue	-	-8,758	-	-	-	-8,758
Tax on transaction cost	-	1,927	-	-	-	1,927
Premium on issue of stock options	-	3,894	-	-	-	3,894
Total transactions with Group shareholders	326	146,737	-	-	-	147,063
Closing equity, 31 December 2017	2,530	243,250	-5	374	-25,575	220,574

2016	Equity attributable to Parent Company shareholders					
	Share capital	Other paid-in Capital	Reserves		Profit brought forward incl. net profit/loss	Total equity
			Trans-lation reserve	Hedging reserve		
SEK 000s						
Opening equity, January 1, 2016	1,912	96,513	-	-	-56,874	41,551
Comprehensive income for the year						
Profit for the year	-	-	-	-	14,303	14,303
Other comprehensive income for the year	-	-	-	-	-	-
Comprehensive income for the year	-	-	-	-	14,303	14,303
Transactions with Group shareholders						
New share issue	292	-	-	-	-	292
Share-based remuneration	-	-	-	-	1,181	1,181
Total transactions with Group shareholders	292	-	-	-	1,181	1,473
Closing equity, 31 December 2016	2,204	96,513	-	-	-41,390	57,327

CONSOLIDATED CASH FLOW STATEMENT

SEK 000s	Note	2017	2016
Operating activities			
Profit/loss before tax		20,399	18,787
Adjustment for non-cash items	26	1,108	-3,681
Cash flow from operating activities before changes in working capital		21,507	15,105
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventory		-325	117
Increase (-)/decrease (+) in operating receivables		-13,707	-9,855
Increase (+)/decrease (-) in operating liabilities		3,661	10,601
Cash flow from operating activities		11,137	15,969
Cash flow from investing activities			
Acquisition of intangible assets		-3,530	-1,421
Acquisition of tangible assets		-1,131	-1,801
Disposal of property, plant and equipment		23	-
Acquisition of financial fixed assets		0	-563
Cash flow from investing activities		-4,639	-3,784
Financing activities			
New share issue		150,000	292
Paid out transaction expenses		-8,758	-
Premium received from issue of warrants		3,894	-
Amortization of lease liabilities		-55	-92
Cash flow from financing activities		145,081	200
Cash flow for the year		151,580	12,385
Cash and cash equivalents at the beginning of the year	16	28,507	15,717
Exchange-rate difference, cash and cash equivalents		-313	406
Cash and cash equivalents at year-end	16	179,774	28,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures are in SEK thousand unless stated otherwise.

NOTE 1 Accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) as endorsed by the EU. In addition, the recommendation RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, has been applied.

The annual report and consolidated financial statements were approved for issuance by the Board of Directors and the Chief Executive Officer on March 28, 2018.

Valuation methods used in preparing the financial statements

Assets and liabilities are stated on a historical cost basis except for derivatives and current investments, which are stated at their fair value.

Functional currency and presentation currency

The parent company's functional currency is SEK, which is also the reporting currency of the Group. Accordingly, the financial statements are presented in SEK. All amounts are rounded to the nearest thousand, unless otherwise stated.

Judgments and estimates in the financial statements

Preparing financial reports according to IFRS requires that management makes judgements and estimates as well as assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual outcomes may differ from these judgements and estimates.

Estimates and assumptions are reviewed periodically. 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.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are further discussed in Note 28.

Significant accounting policies

Other than the exceptions explained in detail, the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

New IFRS not yet applied

A number of new or revised IFRS will not become effective until future fiscal years and were not applied in advance in the preparation of these financial statements. New items or revisions that become effective in the years ahead are not planned to be applied in advance.

IFRS 9 *Financial Instruments* will replace IAS 39 *Financial Instruments: Recognition and Measurement* commencing in 2018. IFRS 9 addresses the classification, measurement and de-recognition of financial assets, a new impairment model for financial assets based on expected credit losses instead of incurred losses, and new hedge accounting rules, in part to simplify reporting and to increase consistency with the company's risk management strategies.

An evaluation of the effects of IFRS 9 on the company's accounting was completed in 2017. The new impairment rules, based on expected credit losses, will result in a slight increase in the provision for losses on accounts receivable. Losses on accounts receivable have historically been low (see the credit risk section in Note 21) and reporting expected losses instead of incurred losses will only have a minor effect. IFRS 9 has also entailed consequential amendments to the disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*, which will affect the disclosures provided.

IFRS 15 *Revenue from contracts with customers* replaces existing IFRS related to revenue recognition, such as IAS 18 *Revenue*, IAS 11 *Construction contracts* and IFRIC 13 *Customer loyalty programmes* commencing in 2018. The assessment of the impact of the introduction of IFRS 15 is based on the recognition of revenue when the control of goods or services is transferred to the customer, which differs from the existing basis for the transfer of risks and benefits. IFRS 15 introduces new methods of determining how and when revenue should be recognized, which entails a new approach in comparison with how revenue is currently recognized.

The assessment of the impact of IFRS 15 on the financial statements was completed in 2017. Implementation of the standard will entail some changes in revenue recognition of implementation services compared with today. Implementation is expected have an effect of SEK 1 million, since revenue will be recognized earlier compared with the previous accounting policy.

As of 2019, IFRS 16 *Leases* replaces existing IFRS related to the recognition of lease agreements, such as IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease*. The company does not plan to apply IFRS 16 in advance as of 2018, but will instead wait until 2019.

IFRS 16 primarily impacts lessees and the core impact is that all leases that are currently recognized as operating leases will be recognized in a manner similar to finance leases today. It means that assets and liabilities need to be recognized for operating leases as well, with associated recognition of costs for depreciation and interest – in contrast to today when there is no recognition of a leased asset and its related liability, and when the lease payments are recognized as an expense on a straight-line basis over the term of the lease.

As an operating lessee, MIPS will be affected by the adoption of IFRS 16. Calculations of the exact effects of IFRS 16 and choices of transitional methods have not yet been made. The disclosures provided in Note 23 Operating leases give an indication of the type and scope of the leases that currently exist.

Other published standards with application commencing in 2018 or later are not judged to have any significant effect on the financial statements.

Classification

Non-current assets primarily comprise amounts that are expected to be recovered or settled more than 12 months from the reporting date while current assets primarily comprise amounts that are expected to be recovered or settled within 12 months of the reporting date. Non-current liabilities consist primarily of amounts that the company, as of the reporting period, has an unconditional right to choose to pay more than 12 months after the reporting period. If the Group does not have such a right at the end of the reporting period – or if the liability is held for trading or the liability is expected to be settled within the normal operating cycle – the liability is reported as a current liability.

Operating segment reporting

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated and assess its performance, and for which discrete financial information is available.

MIPS develops and sells the MIPS BPS comprising a low friction layer with different components that are specially designed for each unique helmet model that the company's customers decide to manufacture using a MIPS solution. The helmets are used by consumers, mainly for use in bike and snow. Products were launched in the fourth quarter in the professional sector, such as military, firefighters, police, etc., but no major sales have been started in this field. The helmet kit is sold to customers across the world and these customers largely comprise major global helmet manufacturers. The Group's operations are integrated and comprise one operating segment. This is also the basis of the Group's management structure and the internal reporting that is controlled by the Group's CEO, who has been identified as the chief operating decision maker.

The Group has determined that there is only one operating segment, based on the following assumptions:

- The chief executive decision-maker makes decisions based on the financial results for the Group as a whole.
- The current operations solely comprise sales of the component kit included in consumer products and more detailed specification of the operations would not increase transparency or improve governance.

Consolidation policies and business combinations

Subsidiaries are companies that are under MIPS AB's controlling influence. A controlling influence exists when MIPS has power over the investee, is exposed to or has rights to variable returns from its involvement and has the ability to use its power over the investee to affect the amount of the investor's returns. Shares that potentially carry voting rights and any de facto control are taken into account in assessing the existence of a controlling influence.

Subsidiaries are consolidated in accordance with the purchase method. This method entails that the acquisition of a subsidiary is considered to be a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value of the acquired identifiable assets and assumed liabilities, as well as any non-controlling interests, on the acquisition date. Transaction costs that arise, except for transaction costs attributable to the issue of equity instruments or debt instruments, are recognized directly in profit or loss.

For business combinations in which the consideration transferred, any non-controlling interests and the fair value of previously held equity interests (for step acquisitions) exceed the fair value of separately recognized acquired assets and assumed liabilities, the difference is recognized as goodwill. When the difference is negative, known as a bargain acquisition, this is recognized directly in profit or loss.

Consideration transferred in conjunction with the acquisition does not include payments pertaining to settlement of previous business relationships. This type of settlement is usually recognized in profit or loss.

Contingent consideration is measured at fair value on the acquisition date. If the contingent consideration is classified as an equity instrument, no revaluation or settlement is made in equity. Other contingent consideration is remeasured at each reporting date and the change recognized in profit or loss.

Transactions eliminated on consolidation

Intra-Group receivables and liabilities, income and expenses, and unrealized gains or losses arising from intra-Group transactions between Group companies are eliminated in their entirety when the consolidated financial statements are prepared.

Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that no impairment requirement exists.

Foreign subsidiaries' financial statements

Assets and liabilities in foreign operations are translated from the functional currency of the foreign operation using the exchange rate prevailing on the balance-sheet date. Revenues and expenses of foreign operations are translated to SEK at average rates that approximate the foreign exchange rates prevailing at each of the transaction dates. Translation differences arising from the translation of foreign operations are recognized in other comprehensive income and are accumulated in a separate component of equity, a translation reserve.

Revenue

Revenue from the sale of goods and services are recognized in the profit for the year when material risks and rewards associated with ownership of the goods have been transferred to the purchaser. Revenue is not recognized if it is probable that the economic benefits will not flow to the Group. If there is significant uncertainty concerning payment, associated costs or risk of returns and if the seller retains a commitment in the ongoing management usually associated with the ownership, no revenue is recognized. Revenue is recognized at the fair value of the consideration received, or the consideration which is expected to be received, less discounts. The Group's revenues primarily consist of sales related to components implemented in helmets including a license fee (component kit) and, to a smaller part, sales of services in connection with the production of the components (implementation), see Note 2.

Operating expenses

Operating expenses are recognized in their respective functions as below.

Cost of goods sold

Cost of goods sold corresponds to direct and indirect costs related to sold units, and the directly attributable costs for production of the input product, including goods for resale, consumables and subcontracted work. Cost of goods sold also includes costs related to personnel and contracted con-

sultants, premises and depreciation of non-current assets in the production process.

Selling expenses

Selling expenses comprise expenses incurred in sales and marketing activities including customer-specific product development. Selling expenses also include costs for employees and contracted consultants who work with sales and marketing, depreciation and amortization, travel, and marketing and PR related activities.

Administrative expenses

Administrative expenses comprise expenses that are not directly assignable to sales, production or sourcing. These costs include the CEO, finance function, IT, premises, legal affairs, and depreciations of assets that are not attributable to sales, production or sourcing.

Research and development expenses

Research and development expenses include costs for research and development of products that are not capitalizable. Costs mainly relate to personnel, but also depreciation of test equipment, consultants and consumables.

Leasing

Operating leases

Expenses attributable to operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Benefits received when a lease is signed are recognized in profit or loss as a decrease in lease payments on a straight-line basis over the term of the lease. Variable fees are expensed in the periods during which they arise.

Financial leases

Minimum lease charges are divided between interest expenses and repayment of the outstanding debt. Interest expenses are distributed over the term of the lease so that each reporting period is charged with an amount corresponding to a fixed interest rate for the debt recognized in the particular period. Variable fees are expensed in the periods during which they arise.

Financial income and expenses

Financial income comprises interest income and gains on short-term investments.

Financial expenses comprise interest expense on interest-bearing liabilities and impairment on short-term investments. Borrowing costs are recognized in profit or loss by applying the effective interest method.

Exchange gains and losses are recognized net.

The effective interest rate is the rate that discounts estimated future payments and receipts throughout the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation includes transaction costs as part of the effective interest rate.

Taxes

Income tax comprises current tax and deferred tax. Income tax is recognized in profit or loss, except when the underlying transaction is recognized in other comprehensive income or in equity in which case the associated tax effect is recognized directly in other comprehensive income or equity.

Current tax is tax that will be paid or received for the current year, applying the tax rates enacted or substantially enacted on the balance sheet date. Current tax also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated using the balance sheet method, based on temporary differences between recognized and tax-based values of assets and liabilities. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and tax rules enacted or decided in practice on the balance-sheet date.

Deferred tax assets related to deductible temporary differences and tax loss carryforwards are only recognized to the extent it is likely they will be able to be utilized. The value of deferred tax assets is reduced when it is no longer probable that they can be utilized.

Earnings per share

Calculation of earnings per share is based on consolidated profit for the year attributable to parent company shareholders and on the weighted average number of shares outstanding during the year. In calculating diluted earnings per share, diluted earnings and the average number of shares are adjusted to take into account the effects of potentially dilutive ordinary shares, which during the reported periods derive from options issued to employees. Dilution from these options is based on a calculation of the number of shares that hypothetically could have been purchased during the period at the exercise price and value of the remaining services in accordance with IFRS 2 *Share-based Payment*. The shares that could not have been purchased lead to dilution. Consideration is also given to the number of options that could have been vested as per the end of the period if the vesting conditions at the end of the vesting period had been met to the same extent as at the end of the period in question. In addition, options are only deemed to be dilutive during periods when they lead to lower profit or greater loss per share. In other words, they are not included in periods in which negative earnings are generated.

Financial instruments

Financial instruments recognized in the statement of financial position primarily include, on the assets side, accounts receivable, current investments and cash and cash equivalents, and, on the liabilities side, accounts payable, interest-bearing liabilities and accrued expenses.

Recognition and derecognition from the statement of financial position

A financial asset or financial liability is recognized in the statement of financial position when the company becomes party to this in accordance with the instrument's contractual conditions. A receivable is recognized when the company has performed and there is a contractual obligation for the other contracting party to pay, even if an invoice has not yet been issued. Accounts receivable are recognized in the statement of financial position when an invoice has been sent. A liability is recognized when the counterparty has performed and a contractual obligation for the company to pay exists, even if an invoice has not yet been received. Accounts payable are recognized when an invoice has been received.

A financial asset is derecognized from the statement of financial position when the rights in the contract are realized, expire or the company loses control of them. A financial liability is derecognized from the statement of financial position when the obligation in the contract is met or extinguished in another manner.

A financial asset and a financial liability are offset and recognized at a net amount in the statement of financial position only when a legal right exists to offset the amounts and the intention is present to settle the item in a net amount or simultaneously realize the asset and settle the liability.

Acquisitions and divestments of financial assets are recognized on the date of transaction. The date of transaction is the date on which the company undertakes to acquire or divest the asset.

Classification and measurement

Non-derivative financial instruments are initially recognized at cost, corresponding to the fair value of the instrument plus transaction costs. On initial recognition, a financial instrument is classified on the basis of the purpose for which the instrument was acquired. The classification of a financial instrument determines how it is measured after initial recognition as described below.

Derivative instruments are initially reported at fair value, meaning that transaction costs are charged to profit or loss for the period. After initial recognition, derivative instruments are recognized as described below. If derivative instruments are effectively used for hedge accounting, the changes in the value of the derivative instrument are listed on the same row in the annual report as the hedged item. Increases and decreases in the value of the derivative are recognized as income and expense, respectively, in operating profit or loss or in net financial items, based on the intended use of the derivative and whether or not its use is related to an operating item or a financial item.

Cash and cash equivalents comprise cash funds and immediately available balances at banks and equivalent institutions, as well as current liquid investments with a maturity

of less than three months from the acquisition date and that are exposed to only a minor risk of value fluctuations.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets that are not derivatives, that have fixed or fixable payments and that are not traded on any active market. These assets are measured at amortized cost. Amortized cost is determined based on the effective interest rate calculated on the acquisition date. Accounts receivable are recognized at the amounts expected to be received, that is, after deductions for doubtful receivables.

Financial assets measured at fair value through profit or loss

This category consists of other financial assets that the company initially chose to place in this category. Financial instruments are measured on a current basis at fair value, with changes in value recognized in profit or loss. The financial instruments in this category comprise current investments in shares in fixed income funds that are measured based on fair value in accordance with the Group's financial policy (to avoid negative interest rates on bank accounts).

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are measured at amortized cost.

Derivatives and hedge accounting

Derivatives are initially recognized at fair value, meaning that transaction costs are charged to profit or loss for the period. After initial recognition, derivatives are measured at fair value and changes in value are recognized as described below. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item hedged. Changes in fair value for derivatives that do not fulfill the criteria for hedge accounting are recognized as operating or financial items, based on the purpose of the use of the derivative. In order to qualify for hedge accounting the hedging relationship must be:

formally identified, expected to effectively protect the hedged item, and documented. The company assesses, evaluates, and documents the effectiveness of the hedge. Cash flow hedges: Changes in the fair value of the hedging instrument related to the effective portion of the hedge are recognized in other comprehensive income and accumulated in equity. Gains or losses relating to the ineffective part of the hedge are recognized immediately in profit or loss. The amount recognized in equity through other comprehensive income is reversed to profit or loss in the same period in which the hedged item affects profit or loss. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amount previously recognized in other comprehensive income and accumulated in equity is transferred from equity and included in the initial measurement of the cost of the

non-financial asset or liability. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. The Group uses foreign currency forwards to hedge part of the future cash flows from forecasted transactions in foreign currencies.

Transactions denominated in foreign currencies

Transactions in foreign currency are translated to the functional currency at the exchange rate on the transaction date. Functional currency is the currency of the primary economic environment in which the entity operates. Monetary assets and liabilities in foreign currency are translated into the functional currency using the exchange rate prevailing on the balance sheet date. Exchange-rate differences arising on translation are recognized in profit or loss.

Exchange-rate fluctuations regarding operating receivables and liabilities are recognized in operating profit, while exchange rate fluctuations regarding financial assets and liabilities are recognized in net financial items.

Intangible assets

Expenditure for research aimed at obtaining new scientific or technological know-how is recognized as a cost when it arises.

Expenditure for development, for which research results or other expertise is applied to achieve new or improved products or processes, is recognized as an asset in the statement of financial position if the product is technically and commercially usable and the company has sufficient resources to complete development and thereafter use or sell the intangible asset. The carrying amount includes all directly attributable expenditure, such as registration of legal rights and amortization of patents and licenses. Other expenditure for development is recognized as an expense when it arises. Expenditure for development is recognized in the statement of financial position at cost, less accumulated amortization and any impairment.

Accrued expenses for internally generated goodwill and internally generated brands are recognized in profit or loss when the cost arises.

Amortization is recognized on a straight-line basis in profit or loss over the estimated useful life of the intangible asset, unless the useful life is indefinite. Useful lives are reviewed at least once a year. Intangible assets that are not yet ready for use are tested for impairment annually and also as soon as there is an indication that the asset in question has declined in value. Intangible assets with determinable useful lives are amortized as from the date the asset is available for use. The estimated useful lives are as follows:

- Patents and brand protection 10–20 years

Property, plant and equipment

Property, plant, and equipment are recognized in the Group

at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price as well as expenses directly attributable to put the asset in place and in condition to be utilized in accordance with the purpose of the acquisition. Borrowing costs that are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to complete for their intended use or sale are included in the cost. Accounting policies relating to impairment are explained below.

Assets are depreciated on a straight-line basis over the estimated useful life of the asset. Leased assets are also depreciated over their estimated useful lives or, if this is shorter, over the agreed lease term. The Group applies component depreciation, whereby the estimate useful lives of the components form the basis of depreciation.

Estimated useful lives:

- Computers and software	3 years
- Plant and machinery	5 years
- Equipment, tools, fixtures, and fittings	5 years

Impairment

The Group's recognized assets are assessed on every balance sheet date to determine whether any impairment is required.

If there is an indication of impairment, the recoverable amount of the asset is calculated (see below). The recoverable amount of intangible assets that are not yet finished for use are also calculated annually. If it is not possible to determine essentially independent cash flows for an individual asset and its fair value less selling expenses cannot be used, for impairment testing the assets are to be grouped at the lowest level at which it is possible to identify essentially independent cash flows – this is referred to as a cash-generating unit.

Impairment is recognized when the carrying amount of an asset or cash-generating unit (group of units) exceeds the recoverable amount. Impairment is recognized as an expense in profit or loss.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In the calculation of the value in use, the future cash flows are discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset.

Impairment on assets included in the scope of IAS 36 are reversed if there is an indication that the impairment requirement no longer exists and a change has been made to the assumption that formed the basis of the calculation of the recoverable amount. A reversal is only performed to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognized, less any depreciation/amortization if applicable, if no impairment had been carried out.

Impairment of loan receivables and accounts receivable recognized at amortized cost is reversed if the previous reasons for impairment no longer exist or full payment is expected to be received from the customer.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is calculated by applying the "first-in, first-out" (FIFO) method and includes expenditures arising during the acquisition of the inventory assets and transportation thereof to their current location and state.

Employee remuneration

Current remuneration

Current remuneration of employees is calculated without discount and recognized as an expense when the related services are received.

A provision is recognized for the anticipated cost of bonus payments and when the Group has a valid legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Defined-contribution pension plans

Pension plans in which the company's commitments are limited to the contributions that the company has undertaken to pay are classified as defined-contribution pension plans. In such cases, the amount of the employee's pension depends on the contributions that the company pays to the plan or to an insurance company and the return generated by the contribution. Consequently, it is the employee who bears the actuarial risk (that remuneration can be lower than expected) and the investment risk (that the invested assets will be insufficient for the expected remuneration). The company's obligations regarding contributions to defined-contribution plans are recognized as an expense in profit or loss at the rate at which they are earned by employees performing services for the company during a period.

Defined-benefit pension plans

Defined-benefit plans are post-employment remuneration plans other than defined-contribution plans. The Group has no defined-benefit plans.

Remuneration for termination of employment

A cost for remuneration in connection with termination of employment of personnel is recognized at the earliest point in time at which the company can no longer withdraw the offer to the employees or when the company recognizes expenses for restructuring. Remuneration expected to be paid after 12 months is recognized at its present value. Remuneration not expected to be fully paid within 12 months is recognized in accordance with long-term remuneration.

Provisions

A provision differs from other liabilities since there is uncertainty regarding the date of payment and the amount for

settling the provision. A provision is recognized in the statement of financial position when there is an existing legal or informal obligation as a result of an event that has occurred and it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are established at the amount corresponding to the best estimate of the amount required to settle the existing obligation on the balance sheet date. Where the effect of when a payment is made is significant, provisions are calculated by discounting the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks related to the liability.

Contingent liabilities

Disclosures regarding contingent liabilities are recognized when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or more uncertain future events outside the Group's control or when there is a commitment that is not recognized as a liability or provision because it is not probable that an outflow of resources will be required or cannot be reliably calculated.

NOTE 2 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.

Income by nature	2017	2016
Sales of goods (component kits)	119,012	81,961
Sales of services (implementation)	6,127	4,668
Other income	463	-
Total	125,602	86,629

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

Income by region	2017	2016
North America	95,963	64,808
Europe	20,831	12,964
Sweden	5,499	6,583
Asia and Australia	3,309	2,275
Total	125,602	86,629

Revenue by customer in the table below is based on customers and sales over 10% of the company's net sales for each year. The largest customer accounted for 29% (31) of sales in 2017 and sales are primarily divided into two different brands. The five largest customers in 2017 accounted for 66% (64) of net sales.

Revenue by customer	2017	2016
Customer 1	36,163	26,633
Customer 2	16,001	12,983
Customer 3	15,729	7,509
Other customers	57,709	39,504
Total	125,602	86,629

NOTE 3 Other operating income and Other operating expenses

Other operating income	2017	2016
Exchange-rate gains on operations	-	1,874
Disposal of fixed assets	3	-
Other revenues	160	128
Total	164	2,003

Other operating expenses	2017	2016
Disposal of intangible assets	-	-21
Exchange-rate loss on operations	-80	-
Total	-80	-21

NOTE 4 Employees, personnel expenses and remuneration of senior executives

Costs for employee remuneration	2017	2016
Salaries and remuneration	19,667	12,442
Share-based remuneration	–	1,181
Pension costs, defined-contribution plans	2,415	1,347
Social security contributions	5,894	4,194
Total	27,976	19,164

Average number of employees	2017	men, %	2016	men, %
Parent company				
Sweden	24	68	17	70
Total parent company	24	68	17	70
Subsidiaries				
Sweden	–	–	–	–
China	5	72	–	–
Total subsidiaries	5	72	–	–
Group, total	29	69	17	70

Gender distribution in executive management (% men)	31 Dec 2017	31 Dec 2016
Board of Directors	86	86
Other senior executives	63	80

	2017		2016	
Salaries and other remuneration distributed among senior executives and other employees	Salaries and remuneration	Social security contributions	Salaries and remuneration	Social security contributions
Senior executives	8,656	4,270	5,169	2,798
– of which variable remuneration	745	234	833	262
– of which pension costs	–	1,550	–	912
Other employees	10,011	4,324	7,273	2,372
– of which variable remuneration	390	122	309	97
– of which pension costs	–	865	–	435
Share-based remuneration	–	–	1,181	371
Total	19,667	8,594	13,623	5,541

Benefits to senior executives**Principles for remuneration**

Board fees are resolved by the Annual General Meeting. The Chairman is tasked by the Board to reach an agreement with the Chief Executive Officer on salary and other benefits. Remuneration to senior executives who report directly to the CEO is decided by the CEO after salary consultation with the remuneration committee and the Chairman of the Board. The main principle is to offer senior executives market-based remuneration and employment agreement. Actual remuneration levels are based on such factors as skills, experience and performance. Remuneration of senior executives comprises basic salary, variable salary, in certain cases pension benefits in the form of payment of defined-contribution pension premiums, other benefits and a long-term incentive program in the form of a share option program.

Remuneration and benefits

For the parent company, Board fees totaled the amounts presented in the table on the following page. Costs were distributed over the mandate period. No other remuneration, apart from out-of-pocket expenses, was paid to the Board. Some directors invoiced fees to the company via their own company. These amounts also include social security contributions accruing on board fees.

Remuneration to CEO, Johan Thiel is shown in the table. Variable remuneration is linked to performance during the year and may not exceed 50 percent of base salary. Variable salary for 2017 was primarily based on the Group's sales and operating profit, cost targets and individual targets. The period of notice for the CEO is nine months by the employer and six months by the employee.

Other senior executives (Executive Management) are remunerated in accordance with the table. Variable salary for other senior executives was primarily based on the Group's sales and operating profit, cost targets and individual targets. Variable salary is awarded on an individual basis and for 2017 could not exceed 50 percent of base salary. The period of notice for other senior executives varies, but may not exceed six months. Senior executives are not entitled to severance pay. During the year, Executive Management was expanded by two people: Head of Innovation and Head of Marketing. At the end of the fiscal year Executive Management had 8 members (6). Senior executives at year-end comprised the CEO, Chief Financial Officer, Chief Technology Officer, Head of Sales, Head of Operations, Head of Innovation, Head of Marketing and one person in Investor Relations (consulting agreement).

The company's outstanding pension obligations to the Board of Directors and CEO total 0 (0).

Share-based remuneration

For information regarding share-based remuneration, see Note 5.

Salaries and other remuneration of the Board and senior executives	Basic salary Board fee	Variable remuneration	Share-based remuneration	Pension costs	Other** remuneration	2017 Total
Bengt Baron (Chairman)	340	–	–	–	–	340
Pär Arvidsson	190	–	–	–	–	190
Jacob Gunterberg	220	–	–	–	–	220
Terrence Lee	-100*	–	–	–	–	-100
Jonas Rahmn	185	–	–	–	–	185
Magnus Welanders	170	–	–	–	–	170
Pernilla Wiberg	150	–	–	–	–	150
Total, Board	1,155	–	–	–	–	1,155
Johan Thiel (CEO)	1,872	315	–	461	–	2,648
Group management (seven individuals)	6,039	430	–	1,089	1,245	8,803
Total senior executives	7,911	745	–	1,550	1,245	11,451
Total	9,066	745	–	1,550	1,245	12,606

* Reversed provision because no fee was paid.

Salaries and other remuneration of the Board and senior executives	Basic salary Board fee	Variable remuneration	Share-based remuneration	Pension costs	Other** remuneration	2016 Total
Bengt Baron (Chairman)	293	–	–	–	–	293
Pär Arvidsson	127	–	–	–	207	334
Jacob Gunterberg	147	–	–	–	–	147
Terrence Lee	100	–	–	–	–	100
Jonas Rahmn	123	–	–	–	–	123
Magnus Welanders	113	–	–	–	–	113
Pernilla Wiberg	100	–	–	–	–	100
Departing Board members (two individuals)	37	–	–	–	765	802
Total, Board	1,040	–	–	–	972	2,012
Johan Thiel (CEO)	1,455	360	164	375	–	2,354
Group management (five individuals)	2,881	473	662	537	780	5,333
Total senior executives	4,336	833	825	912	780	7,687
Total	5,376	833	825	912	1,752	9,699

* * Other remuneration relates to remuneration to a consultant. For more information regarding remuneration to the consultant in Executive Management, see Note 25.

NOTE 5 Share-based remuneration

MIPS AB issued three different share option programs between 2008 and 2013, with varying allotment dates for each program. These programs include directors, the CEO, other senior executives, certain employees who are not members of Executive Management and two external consultants. At the end of 2015, the MIPS Board decided that all 2,754,000 outstanding options (with consideration to exercised share split of 1000:1) would be vested on the basis of “accelerated vesting,” after which the options holders exercised their options during the first quarter of 2016. In the first and second quarter of 2016, an additional 166,000 options (with consideration to exercised share split of 1000:1) were issued, which were immediately exercised. As of December 31, 2016, the company had no outstanding options related to the three different programs.

The Extraordinary General Meeting held on February 1, 2017, resolved to issue a maximum of 1,250,000 warrants as part

of two incentive programs, one of which is directed to management and certain key personnel 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 percent. To date, 875,000 warrants in total have been issued and MIPS has received payments totaling SEK 3.9 million 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 March 1 – May 31, 2020. Upon termination of employment (other than retirement), the company has the option to buy back the warrants at market price.

The cost of share-based remuneration for the year amounted to SEK 0.0 million (1.6).

	Outstanding warrants at the start of the year	Issued warrants during the year	Issued but not sold during the year	Forfeited warrants during the year	Matured warrants during the year	Number of outstanding warrants at the end of the year
Warrants 2017						
Board (TO Series 2)						
Bengt Baron (Chairman)	-	100,000	-	-	-	100,000
Pär Arvidsson	-	50,000	-	-	-	50,000
Jonas Rahmn	-	50,000	-	-	-	50,000
Magnus Welander	-	50,000	-	-	-	50,000
Pernilla Wiberg	-	50,000	-	-	-	50,000
Unsold warrants	-	75,000	-75,000	-	-	-
Total	-	375,000	-75,000	-	-	300,000
CEO, Group (TO series 1) management and other employees						
Johan Thiel (CEO)	-	200,000	-	-	-	200,000
Group management and other employees (five individuals)	-	375,000	-	-	-	375,000
Unsold warrants	-	300,000	-300,000	-	-	-
Total	-	875,000	-300,000	-	-	575,000
Total	-	1,250,000	-375,000	-	-	875,000

Market value per Series

Warrants series 1	4.45
Warrants series 2	4.45

Conditions of valuation

Share price (130% of IPO price)	59.80
Volatility, %	27
Risk-free interest, %	-0.30
Maturity, years	3

NOTE 6 Fees and remuneration of auditors

	2017	2016
KPMG AB		
Audit assignment	406	206
Tax consultancy services	20	200
Other assignments	616	1,287
Total	1,042	1,693

Remuneration to auditors for other assignments 2017 is mainly related to the review of the company's preparations for the IPO on Nasdaq, Stockholm, where SEK 616 thousand has been recognized in profit/loss and SEK 127 thousand has been recognized in equity.

NOTE 7 Operating expenses by type of cost

	2017	2016
Goods for resale and consumables	29,209	22,421
Personnel costs	29,145	19,915
Other external costs	28,813	23,482
Legal advice costs	16,549	3,615
Depreciation/amortization and impairment	1,145	801
Other operating expenses	80	21
Total	104,941	70,255

The increase in expenses for legal advice relates to the two patent litigation cases that the company is pursuing. For more information see note 27.

NOTE 8 Net financial items

	2017	2016
Financial income		
Interest income		
– bank balances	1	9
Other financial income	–	5
Exchange gains, cash and cash equivalents	–	406
Total	1	419
Financial expenses		
Interest expenses		
– financial liabilities measured at amortized cost	-36	-9
– Change in fair value of financial investments	-107	–
Exchange loss, cash and cash equivalents	-284	–
Total	-428	-9

NOTE 9 Taxes

	2017	2016
Current tax		
Tax expenses for the period	-96	-
Deferred tax		
Deferred tax in capitalised loss carryforwards	-4,240	-4,436
Deferred tax pertaining to temporary differences	-247	-47
Total	-4,584	-4,484

	%	2017	%	2016
Reconciliation of effective tax				
Profit/loss before tax		20,399		18,787
Tax in accordance with applicable tax rate for Parent Company	22.0	-4,488	22.0	-4,133
Non-deductible expenses		-88		-351
Non-taxable income		0		0
Impact of other tax rates on foreign subsidiaries		-12		-
Activation of previously unactivated loss carryforwards		3		-
Total	22.5	-4,584	23.9	-4,484

When preparing the financial statements, an assessment is made of deferred tax assets/liabilities attributable to temporary differences and loss carryforwards. Deferred tax assets are recognized if the tax assets are expected to be utilized through the settlement of future taxable profits. As of December 31, 2017, the Group had unused tax loss carryforwards totaling SEK 41,356 thousand which have been valued in full and are expected to be recovered in the foreseeable period.

Deferred tax assets and liabilities	Deferred tax assets	Deferred liabilities	Net
31 Dec 2017			
Intangible assets	-	-138	-138
Tangible assets	-	-1	-1
Other receivables (Derivatives)	-	-300	-300
Loss carryforwards	9,098	-	9,098
Total deferred tax assets/liabilities	9,098	-439	8,659
Offsetting	-439	439	0
Total deferred tax assets/liabilities, net	8,659	0	8,659

Deferred tax assets and liabilities	Deferred tax assets	Deferred liabilities	Net
31 Dec 2016			
Intangible assets	-	-86	-86
Tangible assets	-	-11	-11
Interest-bearing liabilities	12	-	12
Loss carryforwards	11,412	-	11,412
Total deferred tax assets/liabilities	11,424	-98	11,326
Offsetting	-12	12	0
Total deferred tax assets/liabilities, net	11,412	-86	11,326

Change in deferred tax in temporary differences and loss carryforwards	1 Jan 2017	Recognized through profit or loss	Recognized in statement of comprehensive income	Recognized in equity	31 Dec 2017
Intangible assets	-86	-51	-	-	-138
Tangible assets	-11	10	-	-	-1
Other receivables (Derivatives)	-	-194	-105	-	-300
Interest-bearing liabilities	12	-12	-	-	0
Loss carryforwards	11,412	-4,240	-	1,927	9,098
Total	11,326	-4,487	-105	1,927	8,659

Change in deferred tax in temporary differences and loss carryforwards	1 Jan 2016	Recognized through profit or loss	Recognized in statement of comprehensive income	Recognized in equity	31 Dec 2016
Intangible assets	-40	-47	-	-	-86
Tangible assets	-31	20	-	-	-11
Interest-bearing liabilities	32	-20	-	-	12
Loss carryforwards	15,848	-4,436	-	-	11,412
Total	15,809	-4,484	-	-	11,326

Unrecognised deferred tax assets	31 Dec 2017	31 Dec 2016
Tax loss carryforwards	-	3
Total	-	3

NOTE 10 Earnings per share

SEK	2017	2016
Earnings per share basic	0.64	0.67
Earnings per share diluted	0.64	0.65
	2017	2016
Net profit for the year attributable to Parent Company shareholders	15,815	14,303
Average number of shares outstanding – before dilution	24,520,884	21,478,586
Impact of share option program	38,362	535,247
Average number of shares – after dilution	24,559,246	22,013,833

When calculating diluted earnings per share, the weighted average number of shares outstanding is adjusted for the dilutive effect of the potential ordinary shares outstanding.

At an Extraordinary General Meeting held on February 1, 2017, it was resolved to convert outstanding preference shares to ordinary shares as well as a 1,000:1 share split, whereby the company's shares were divided into 1,000 new shares; for more information, see Note 17. In the table above, each of the new number of shares was used in computation of earnings per share for all historical periods.

Instruments with dilutive effect

The company has two outstanding warrant programs; for more information see Note 5.

- Program 1, aimed at Board members, comprises 375,000 warrants, of which 300,000 have been allocated to date
- Program 2, aimed at senior executives and certain key personnel, comprises 875,000 warrants, of which 500,000 have been allocated to date

All warrants in the two programs carry the right to one ordinary share and have an exercise price of SEK 59.80. Maximum dilution on full exercise of the programs is 5 percent.

The average share price of the company's ordinary shares during the year exceeded the exercise price of the warrants expiring March 1 to May 31, 2020. Consequently, a dilutive effect has been taken into account when calculating the number of average outstanding shares as stated above. For 2016, the dilutive effect relates to previously issued option programs that were closed in the first half of 2016.

NOTE 11 Intangible assets

	31 Dec 2017	31 Dec 2016
Accumulated cost		
Opening balance, 1 Jan	4,023	2,602
Acquisitions	3,541	1,421
At year-end, 31 Dec	7,564	4,023
Accumulated depreciation		
Opening balance, 1 Jan	-346	-248
Amortization	-182	-98
At year-end, 31 Dec	-528	-346
Total	7,036	3,677

Intangible assets primarily pertain to expenses for patents and brand protection, which are acquired externally. Remaining economic lives at December 31, 2017 amount to 1–14 years. Impairment testing is performed annually for all cash-generating units. A cash-generating unit consists of an operating segment. Since the Group is considered as a unit, impairment testing is performed only at Group level.

	2017	2016
Amortization, by function		
Cost of goods sold	112	46
Selling expenses	71	52
Total	182	98

NOTE 12 Property, plant and equipment

	31 Dec 2017	31 Dec 2016
Accumulated cost		
Opening balance, 1 Jan	3,680	1,977
Acquisitions	1,138	1,801
Divestments and disposals	-300	-98
At year-end, 31 Dec	4,518	3,680
Accumulated depreciation		
Opening balance, 1 Jan	-1,171	-545
Depreciation	-963	-703
Divestments and disposals	280	77
At year-end, 31 Dec	-1,854	-1,171
Total	2,664	2,509

Property, plant and equipment mainly comprise office equipment, computer equipment and equipment for testing helmets. Essentially all non-current assets in the Group are in Sweden.

	31 Dec 2017	31 Dec 2016
Of which assets under financial leases	-	52

	2017	2016
Depreciation, by function		
Cost of goods sold	10	-
Selling expenses	297	327
Administrative expenses	412	255
R&D expenses	244	122
Total	963	704

NOTE 13 Financial assets

	31 Dec 2017	31 Dec 2016
Accumulated cost		
Opening balance, 1 Jan	563	-
Acquisitions	14	563
Divestments and disposals	-14	-
Exchange rate differences for the year	-3	-
At year-end, 31 Dec	561	563

NOTE 14 Accounts receivable

	31 Dec 2017	31 Dec 2016
Invoiced receivables	37,714	21,339
Currency adjustments	-377	280
Provision for doubtful receivables	-261	-263
Total	37,077	21,356
Invoiced receivables due as follows:		
Not yet due	23,504	14,845
Overdue by 1-30 days	8,152	3,759
Overdue by 31-60 days	1,737	809
Overdue by 61-90 days	1,900	560
Overdue by 91- days	2,421	1,366
Total	37,714	21,339
Change in provision for doubtful receivables		
Opening balance, 1 Jan	-263	-488
During the year		
– repaid	48	289
– provisions established	-46	-64
At year-end, 31 Dec	-261	-263

See note 21 for a description of the company's credit risks.

NOTE 15 Prepaid expenses and accrued income

	31 Dec 2017	31 Dec 2016
Prepaid rental costs	510	501
Prepaid trade fair costs	456	287
Prepaid insurance	55	692
Prepaid expenses related to share issue	–	1,835
Prepaid system costs	494	287
Other	636	135
Total	2,150	3,737

NOTE 16 Cash and cash equivalents and current investments

	31 Dec 2017	31 Dec 2016
Cash and bank balances	17,555	28,507
Total according to statement of financial position	17,555	28,507
Current investments equivalent to cash and cash equivalents	162,219	–
Total according to statement of cash flows	179,774	28,507

Cash and bank balances refer to balances of bank accounts in SEK, USD and EUR. Current investments relate to surplus liquidity invested in units of fixed income funds at highly reputable credit institutions. The company also has the option of utilizing a temporary credit facility of SEK 5 million, which can be provided on short notice.

NOTE 17 Equity

	Ordinary shares	Preference shares	Total no. Of shares
Opening balance, 1 Jan 2017	17,065	4,974	22,039
Conversion of preference shares	4,974	-4,974	0
Split 1000:1	22,016,961		22,016,961
New share issue	3,260,870	-	3,260,870
At year-end 31 Dec 2017	25,299,870	-	25,299,870
Opening balance, 1 Jan 2016	14,145	4,974	19,119
New share issue	2,920	-	2,920
At year-end 31 Dec 2016	17,065	4,974	22,039

Share capital

In 2017, the company converted preference shares to ordinary shares with forfeited right to the cumulative preferential right to dividend and completed a split of 1,000:1, a new issue of a total of 3,260,870 shares, corresponding to SEK 150.0 million before issuance costs. As of December 31, 2017, the total number of shares was then 25,299,870 (22,039,000) and share capital was SEK 2,529,987 (2,203,900). All shares are ordinary shares and carry equal voting rights. The shares have a quotient value of SEK 0.10. According to the Articles of Association, share capital shall amount to not less than SEK 2,000,000 and not more than SEK 8,000,000.

Equity instruments with dilutive effect

The company has issued warrants, which may increase the number of shares. For more information, see Note 5 Share-based remuneration and Note 10 Earnings per share.

Other paid-in capital

Refers to equity paid by owners and includes the premium paid in conjunction with issuances.

Reserves**Translation reserve**

The translation reserve includes exchange rate differences that arise when consolidating the financial statements when foreign subsidiaries report in currencies other than SEK. The parent company and the Group present their financial reports in Swedish kronor (SEK).

Hedge reserve

The hedging reserve includes the effective portion of the accumulated net change in fair value for a cash flow hedging instrument attributable to hedge transactions that have not yet occurred.

Retained earnings including profit for the year

Retained earnings including profit for the year include earnings in the parent company and its subsidiaries.

NOTE 18 Interest-bearing liabilities

	31 Dec 2017	31 Dec 2016
Non-current interest-bearing liabilities		
Financial leasing, non-current portion	-	55
Total	-	55

NOTE 19 Provisions

	31 Dec 2017	31 Dec 2016
Opening balance, 1 Jan	-	5,278
during the year		
- provisions established	-	164
- utilised provisions	-	-5,442
At year-end, 31 Dec	-	-

NOTE 20 Accrued expenses and deferred income

	31 Dec 2017	31 Dec 2016
Holiday pay liability	1,145	906
Accrued salaries and remuneration	1,569	2,273
Accrued social security contributions	853	999
Estimated payroll tax on pensions	913	537
Prepaid Implementation	347	354
Other accrued expenses	3,257	3,368
Total	8,083	8,438

NOTE 21 Financial risks and risk management

Through its operations, the Group is exposed to various types of financial risks: credit risk, liquidity risk and currency risk. Since the Group has no non-current loans or other financial derivatives, the Group's risk activities are directed to the risks arising in the business operations.

The Group's financial transactions and risks are managed centrally by the CFO and CEO and the primary target is to achieve effective liquidity management and ensure that all payment obligations are made in the correct time. The Group's principles for fundamental financial risk management are regulated in the Group's Finance Policy adopted by the Board.

Credit risk

Credit risk is the risk that the Group's counterparty in a financial instrument is unable to fulfill its obligations and this causes a financial loss for the Group. The company's standard term of payment is 30–60 days. The age analysis below shows invoices that have fallen due for payment. The provision for bad debt losses shows the provision for doubtful receivables for each year. Past bad debt losses have not totaled significant amounts. The company has a number of global helmet manufacturers as its customers and their solvency is deemed to be high. The remaining customer base is divided among a large number of customers, which is why the solvency of an individual company has no significant detrimental impact on the company. The company continuously analyses accounts receivable and takes measures to limit the credit risk. The company can terminate further deliveries in the event of non-payment. All customer agreements are approved and signed by both the CEO and CFO.

	31 Dec 2017	31 Dec 2016
Invoiced receivables	37,714	21,339
Currency adjustments	-377	280
Provision for doubtful receivables	-261	-263
Total	37,077	21,356
Invoiced receivables due as follows:		
Not yet due	23,504	14,845
Overdue by 1–30 days	8,152	3,759
Overdue by 31–60 days	1,737	809
Overdue by 61–90 days	1,900	560
Overdue by 91+ days	2,421	1,366
Total	37,714	21,339
Change in provision for doubtful receivables		
Opening balance, 1 Jan	-263	-488
During the year		
– repaid	48	289
– provisions established	-46	-64
At year-end, 31 Dec	-261	-263

Provisions for doubtful receivables are essentially attributable to receivables that mature after more than 90 days.

Liquidity risk – and interest-rate risk

Liquidity risk is the risk that the company will encounter difficulties in fulfilling its obligations. To minimize liquidity risk, the liquidity situation is continuously analyzed and forecasted to ensure that the company has sufficient cash and cash equivalents to cover operational requirements. Liquidity risk is deemed to be limited since the company does not have any loans and has a positive cash flow from operations. The Group's financial liabilities essentially mature within 3 months or a maximum of one year. The company has the option of utilizing a credit facility of SEK 5 million with Nordea Bank on short notice to cover any temporary shortages in liquidity. The company has bank accounts only with highly reputable credit institutions.

The Group's interest-rate risk stems from the company's cash and cash equivalents. The company's financial policy stipulates that investments in assets with a negative interest rate may only be made in order to match incoming and outgoing payments. The company's surplus liquidity is invested in current investments in units of fixed income funds at highly reputable credit institutions in order to avoid negative interest rates. The company's current investments can be sold within two days.

Currency risk

Currency risk refers to the risk that an exchange-rate fluctuation adversely impacts the consolidated income statement, balance sheet or cash flow. The Group's reporting currency is SEK.

The main exposure derives from the Group's sales in USD and purchases of goods in USD. This risk is known as transaction exposure.

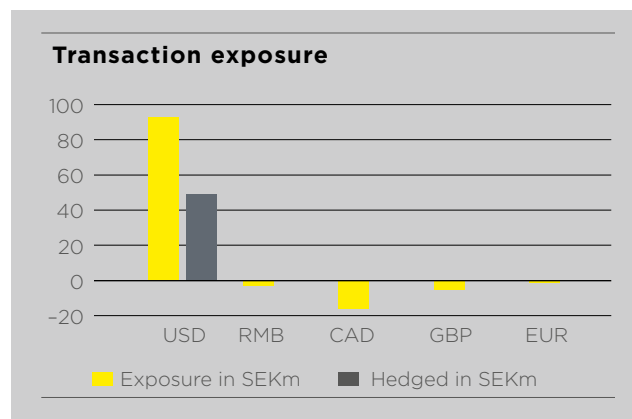
Transaction exposure, currency (%)	2017		2016	
	Income	Operating-expenses	Income	Operating-expenses
USD	97	28	100	34
RMB	3	6	-	-
SEK	0	48	-	57
CAD	-	15	-	4
GBP	-	1	-	3
EUR	-	1	-	2
Other	-	-	-	-
Total	100	100	100	100

As seen in the table above, the company's main transaction exposure is to USD. A 10 percent change in the USD vs SEK value would impact the 2017 operating profit by approximately SEK 10 million (6). Other currencies would have a limited impact on 2017 operating profit in the event of a 10 percent change.

Translation exposure primarily arises as a result of accounts receivable and accounts payable in currencies other than SEK. Translation exposure is essentially the same as the specification in the table above. There is no translation exposure on consolidation since the company does not have any subsidiaries in foreign currencies. In 2017 the impact has been limited. The company does not have external borrowings and is financed only by equity in SEK. The company's cash and cash equivalents are primarily in SEK but according to the company's Finance Policy, cash and cash equivalents may be in foreign currencies in order to match inward and outward payments.

During the year the Board updated the Financial Policy, which now states that the company intends to hedge 50 percent of the forecasted foreign exchange exposure in USD for rolling twelve-month periods. This is done with currency futures.

The table to the right shows the breakdown of MIPS AB's net inflows in various currencies and the proportion hedged in 2017. The company currently only hedges in USD.



During the year the company established a subsidiary in China. During 2017, some invoicing was gradually moved from the parent company to the Chinese subsidiary, with the consequence that some of the Group's income and expenses will be paid in CNY. To counteract exposure to CNY in the invoicing, a currency adjustment clause against USD has been introduced in sales agreements. This means that the company's exposure to USD/SEK exchange rate to a large extent remains.

NOTE 22 Fair value measurement of financial assets and liabilities and category groupings

Capital management

The company aims to maintain an effective capital structure by taking into account operational and financial risk, thus ensuring the long-term development of the company, as well as satisfactory returns for shareholders. Capital is defined as total equity, which essentially corresponds to the company's external financing. No plans are in place to raise loans in the immediate future. The amount of equity is affected by the extent of decisions made to pay dividends, as well as the level of future profits. The aspiration is to distribute approximately 50 percent of the company's annual net profit over time, beginning in 2020.

Fair value of financial instruments

The carrying amount of assets and liabilities in the statement of financial position may differ from their fair value due to such reasons as changes in market interest rates. However, MIPS does not have any deposits or loans other than its bank balances. The table below presents the Group's financial instruments and the company believes that the carrying amount is an approximation of the fair value, given, for example, the limited maturities of the items.

In order to reduce the Group's short-term currency exposure and in line with the Group's Financial 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. The Group currently only has derivative 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.

In addition to the instruments listed above, there are short term investments classified under level one in the valuation hierarchy.

31 Dec 2017	Financial assets measured at fair value In profit or loss	Hegde-instruments	Loan receivables and accounts receivable measured at amortized cost	Financial liabilities measured at fair value in profit loss,	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Financial assets (Depositions)	-	-	561	-	-	561	561
Accounts receivable	-	-	37,077	-	-	37,077	37,077
Other receivables	-	-	723	-	-	723	723
Other receivables (Derivatives)	-	1,361	-	-	-	1,361	1,361
Current investments	162,219	-	-	-	-	162,219	162,219
Cash and cash equivalents	-	-	17,555	-	-	17,555	17,555
Accounts payable	-	-	-	-	-12,217	-12,217	-12,217
Accrued expenses	-	-	-	-	-5,971	-5,971	-5,971
Total financial assets and liabilities by category	162,219	1,361	55,916	-	-18,188	201,309	201,309

31 Dec 2016	Financial assets measured at fair value In profit or loss	Hegde-instruments	Loan receivables and accounts receivable measured at amortized cost	Financial liabilities measured at fair value in profit loss,	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Financial assets (Depositions)	-	-	563	-	-	563	563
Accounts receivable	-	-	21,356	-	-	21,356	21,356
Other receivables	-	-	953	-	-	953	953
Cash and cash equivalents	-	-	28,507	-	-	28,507	28,507
Current interest-bearing liabilities	-	-	-	-	-55	-55	-55
Accounts payable	-	-	-	-	-8,857	-8,857	-8,857
Accrued expenses	-	-	-	-	-7,003	-7,003	-7,003
Total financial assets and liabilities by category	-	-	51,379	-	-15,915	35,464	35,464

NOTE 23 Operating leases

Leasing costs for operating leases primarily comprise rent for office premises. The lease for the head office in Sweden extends until January 2020. At the end of 2015, the company had a commitment to its former office premises, where the agreement extended to the end of 2019 (however, this lease has been acquired by a third party in 2016). The company has also leased office premises in Dongguan, China, since May 2017 the lease expires on 13 February 2022, but it may be terminated subject to a notice period of three months.

Future minimum lease charges	2017	2016
Within one year	1,752	1,819
Between 1 and 5 years	1,967	3,597
More than 5 years	-	-
Total	3,720	5,415
Leasing costs for the year pertaining to operational leasing fee totalled:	2,030	2,063

NOTE 24 Investment commitments

The company has no significant investment commitments as of December 31, 2017 or 2016.

NOTE 25 Related parties

For information on remuneration to the Board of Directors and senior executives see Note 4 Employees and personnel expenses, as well as Note 5 Share-based remuneration.

In 2017 there has been a consulting agreement with the Head of Investor Relations, where purchased services during the year totaled SEK 1,245 thousand (780). No other remuneration was paid. As of December 31, 2017 the liability totaled SEK 96 thousand (120). No transactions with the company's principal owner have occurred since the company's IPO in March 2017.

NOTE 26 Specification of statement of cash flows

Adjustment for non-cash items	2017	2016
Depreciation/amortization of non-current assets	1,126	801
Allocated option costs	-	1,181
Change in provision	-	-5,278
Unrealised exchange-rate differences	868	-406
Change in value of financial instruments	-883	-
Other items not affecting liquidity	-3	21
Total	1,108	-3,681

Interest income and expense	2017	2016
Interest income	1	14
Interest expense	-5	-9

Reconciliation of financial liabilities derived from financing activities – Group	Jan 1 2017	Cash flow	31 Dec 2017
Non-current financial liabilities	-	-	-
Current financial liabilities	55	-55	0
Total	55	-55	0

NOTE 27 Pledged assets and contingent liabilities

	31 Dec 2017	31 Dec 2016
Pledged asset		
Assets with retention of title	-	52
Total	-	52
Contingent liability	None	None

Assets with retention of title refers to assets under leasing agreements.

MIPS is involved in a patent dispute where the company sued a helmet brand in Canada for patent infringement. The trial started September 5 and ended October 19. The trial, 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 and if so, the case is examined by a three-judge panel. Subsequently, any potentially corrected formal judgment will be issued. The patent infringement suit

and corresponding legal action have been solidly prepared by legal and technical experts since 2014. The legal preparations intensified at the end of the summer. The company estimates that the major part of the cost related to the litigation process has been recognized. During 2017 costs for this dispute amounted to SEK 15.4 million (3.6), mainly related to costs for outside legal advice.

On November 15, 2017 MIPS initiated a legal process against another helmet brand. Cost related to legal advice in regards to the process amount to SEK 1.1 million (-).

NOTE 28 Significant estimates and judgments

Estimates and judgments that affect the parent company's and the Group's reporting have been made on the basis of what is known when the financial statements were issued. The estimates and judgments may, at a later date, be changed because of, for example, changes in factors in the business environment. The judgments that are most critical to MIPS are reported below. An Audit Committee was established in 2016 from within the Board's ranks to discuss matters relating to the Group's significant accounting policies and estimates, and the application of these policies and estimates.

Impairment testing of deferred tax assets and intangible assets

A large portion of the Group's assets are deferred tax assets related to loss carryforwards, although assets also comprise intangible assets related to patents and brand protection. Several assumptions and estimates are made concerning future conditions, which are taken into account when calculating the carrying amount and whether impairment testing is required.

Claims for damages and patent infringement

MIPS operates in an industry that, particularly in the North American market, involves lawsuits in the event of accidents and similar incidents. Instances of patent infringement also occur. Accordingly, there is a need to monitor market developments related to this, and it is difficult to estimate the effects of such developments. MIPS engages experts in the field as required and has close contact with its customers and suppliers at an early stage in order to identify potential disputes and take appropriate action. The company has and regularly reviews its product liability insurance.

NOTE 29 Events after balance-sheet date

No significant events has occurred after the balance sheet date.

NOTE 30 Information about the parent company

MIPS AB is a public limited liability company registered in Sweden (Corp. Reg. No. 556609-0162), with its registered office in Stockholm, Sweden. The address of the head office is Källtorpsvägen 2, SE-183 71 Täby, Sweden.

PARENT COMPANY INCOME STATEMENT

SEK 000s	Note*	2017	2016
Net sales	A2	122,242	86,629
Cost of goods sold		-30,041	-24,902
Gross profit		92,201	61,727
Selling expenses		-21,742	-16,608
Administrative expenses		-40,865	-24,126
Research and development expenses		-9,243	-4,607
Other operating income	A3	164	2,003
Other operating expenses	A3	-82	-21
Operating profit/loss	A4,A18,4,5,6	20,433	18,368
Financial income		0	419
Financial expenses		-423	-3
Net financial items		20,010	18,784
Appropriations		-15	-
Appropriations	A5	-15	-
Profit/loss before tax		19,995	18,784
Tax	A6	-4,487	-4,483
Net profit/loss for the year		15,509	14,301

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK 000s	2017	2016
Net profit/loss for the year	15,509	14,301
Other comprehensive income		
Items that may subsequently be transferred to profit or loss		
Cash flow hedges	1,361	-
Changes in the fair value of cash flow hedges transferred to profit for the year	-883	-
Tax on components in other comprehensive income	-105	-
Items that cannot be transferred to profit or loss		
Other comprehensive income for the year	373	-
Comprehensive income for the year	15,882	14,301

*Since the amounts for the Group and parent company are often the same, in some cases reference is made to the consolidated financial statements (Notes 1-30) and, in some cases, to the parent company's financial statements (Notes A1-A26).

PARENT COMPANY BALANCE SHEET

SEK 000s	Note*	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	A7	7,036	3,677
Property, plant and equipment	A8	2,550	2,457
Participation in Group companies	A9	585	100
Deferred tax assets	A6	8,660	11,412
Long term receivables	A10	561	563
Total non-current assets		19,392	18,208
Current assets			
Inventories		755	675
Accounts receivable	A11	34,789	21,356
Receivables from Group companies	A12	364	16
Prepaid expenses and accrued income	A13	2,132	3,737
Other current receivables		3,220	2,963
Current investments	A14	162,219	-
Cash and cash equivalents	A14	16,758	28,405
Total current assets		220,237	57,151
TOTAL ASSETS	A17	239,629	75,359
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		2,530	2,204
Other paid in capital		1,689	1,689
Non restricted equity			
Share premium reserve		235,612	88,875
Hedging reserve		373	-
Retained earnings		-35,423	-49,724
Profit for the year		15,509	14,301
Total equity	A15	220,289	57,345
Provisions			
Deferred taxes	A6	-	86
Total provisions		-	86
Current liabilities			
Accounts payable		10,071	8,857
Liabilities to Group companies	A12	395	-
Other liabilities		1,109	634
Accrued expenses and deferred income	A16	7,765	8,438
Total non-current liabilities	A17	19,340	17,928
TOTAL EQUITY AND LIABILITIES		239,629	75,359

*Since the amounts for the Group and parent company are often the same, in some cases reference is made to the consolidated financial statements (Notes 1-30) and, in some cases, to the parent company's financial statements (Notes A1-A26).

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Restricted share- holders' equity		Non-restricted equity				
				Fair value fund			
2017	Share capital	Statu- tory reserve	Share premium reserve	Hedging reserve	Earnings brought forward	Net profit/ loss for the year	Total
SEK 000s							
Opening equity, 1 January 2017	2,204	1,689	88,875	-	-49,724	14,301	57,345
Transfer of preceding year's profit/loss	-	-	-	-	14,301	-14,301	-
Profit for the year	-	-	-	-	-	15,509	15,509
Other comprehensive income for the year	-	-	-	373	-	-	373
Comprehensive income for the year	-	-	-	373	-	15,509	15,882
Transactions with shareholders							
New share issue	326	-	149,674	-	-	-	150,000
Transaction cost for new share issue	-	-	-8,758	-	-	-	-8,758
Tax on transaction cost	-	-	1,927	-	-	-	1,927
Premium on issue of stock options	-	-	3,894	-	-	-	3,894
Total transactions with shareholders	326	-	146,737	-	-	-	147,063
Closing equity, 31 December 2017	2,530	1,689	235,612	373	-35,423	15,509	220,289

	Restricted share- holders' equity		Non-restricted equity				
				Fair value fund			
2016	Share capital	Statu- tory reserve	Share premium reserve	Hedging reserve	Earnings brought forward	Net profit/ loss for the year	Total
SEK 000s							
Opening equity, January 1, 2016	1,912	1,689	88,875	-	-69,687	18,782	41,571
Transfer of preceding year's profit/loss	-	-	-	-	18,782	-18,782	-
Profit for the year	-	-	-	-	-	14,301	14,301
Other comprehensive income for the year	-	-	-	-	-	-	-
Comprehensive income for the year	-	-	-	-	-	14,301	14,301
Transactions with shareholders							
New share issue	292	-	-	-	-	-	292
Share-based remuneration	-	-	-	-	1,181	-	1,181
Total transactions with shareholders	292	-	-	-	1,181	-	1,473
Closing equity, 31 December 2016	2,204	1,689	88,875	-	-49,724	14,301	57,345

PARENT COMPANY CASH FLOW STATEMENT

SEK 000s	Note	2017	2016
Operating activities			
Profit/loss before tax		20,010	18,784
Adjustment for non-cash items	A21	1,056	-3,770
Cash flow from operating activities before changes in working capital		21,065	15,014
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventory		-81	117
Increase (-)/decrease (+) in operating receivables		-11,731	-9,855
Increase (+)/decrease (-) in operating liabilities		1,501	10,600
Cash flow from operating activities		10,754	15,877
Cash flow from investing activities			
Establishment of subsidiaries		-485	-
Acquisition of intangible assets		-3,530	-1,421
Acquisition of tangible assets		-1,015	-1,801
Disposal of property, plant and equipment		23	-
Acquisition of financial fixed assets		0	-563
Cash flow from investing activities		-5,007	-3,784
Financing activities			
New share issue		150,000	292
Paid out transaction expenses		-8,758	-
Premium received from issue of warrants		3,894	-
Cash flow from financing activities		145,136	292
Cash flow for the year		150,883	12,385
Cash and cash equivalents at the beginning of the year	A14	28,405	15,615
Exchange-rate difference, cash and cash equivalents		-311	406
Cash and cash equivalents at year-end	A14	178,977	28,405

NOTES TO THE FINANCIAL STATEMENTS – PARENT COMPANY

All figures are in SEK thousand unless stated otherwise.

NOTE A1 Accounting policies

The parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's RFR 2 *Accounting for Legal Entities*. Statements published by the Swedish Financial Reporting Board applicable for listed companies are also observed. RFR 2 recommends that the parent company in its annual accounts for legal entities must apply all EU approved IFRS regulations and statements to the greatest extent possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and with regard to the link between accounts and taxation. The recommendation states which exceptions from and additions to IFRS should be made.

Notes from the parent company's income statement and balance sheets refer in some cases to the Group's notes and, in other cases, to the parent company's notes.

Differences between Group and parent company accounting policies

The differences in accounting policies for the Group and parent company are shown below. The accounting policies of the parent company described below have been applied consistently in all periods presented in the parent company's financial statements.

Classification and presentation

The income statement and balance sheet of the parent company are prepared in accordance with the Annual Accounts Act's scheme, while the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement are based on IAS 1, *Presentation of Financial Statements* and IAS 7, *Statement of Cash Flows*. The differences between the Group's statements that arise in the parent company's income statement and balance sheet primarily consist of the statement of equity and the inclusion of provisions as a separate heading in the balance sheet.

Subsidiaries

Participations in subsidiaries are recognized in the parent company using the cost method, which means that transaction costs are included in the carrying amount for holdings in subsidiaries. In the consolidated accounts, transaction costs related to subsidiaries are recognized directly in profit or loss when they arise.

Leased assets

In the parent company, all leases are recognized in accordance with the rules for operating leases.

NOTE A2 Categories of revenue

Income by nature	2017	2016
Sales of goods (component kits)	115,652	81,961
Sales of services (implementation)	6,127	4,668
Other income	463	-
Total	122,242	86,629

NOTE A3 Other operating income and Other operating expenses

Other operating income	2017	2016
Exchange-rate gains on operations	-	1,874
Disposal of fixed assets	3	-
Other revenues	160	128
Total	164	2,003

Other operating expenses	2017	2016
Disposal of intangible assets	-	-21
Exchange-rate loss on operations	-82	-
Total	-82	-21

NOTE A4 Expenses by nature

	2017	2016
Goods for resale and consumables	26,279	22,421
Personnel costs	28,086	19,915
Other external costs	29,894	23,579
Legal advice costs	16,549	3,615
Depreciation/amortisation and impairment	1,082	712
Other operating expenses	82	21
Total	101,971	70,263

NOTE A5 Appropriations

	2017	2016
Group contributions submitted	-15	-
Totalt	-15	-

NOTE A6 Taxes

When preparing the financial statements, an assessment is made of deferred tax assets/liabilities attributable to temporary differences and loss carryforwards. Deferred tax assets are recognized to the extent that the tax assets are expected to be utilized through the settlement of future taxable profits.

	2017	2016
Current tax		
Tax expenses for the period	-	-
Deferred tax		
Deferred tax in capitalised loss carryforwards	-4,240	-4,436
Deferred tax pertaining to temporary differences	-247	-47
Total	-4,487	-4,483

	%	2017	%	2016
Reconciliation of effective tax				
Profit/loss before tax		19,995		18,784
Tax in accordance with applicable tax rate for Parent Company	22.0	-4,399	22.0	-4,133
Non-deductible expenses		-88		-351
Non-taxable income		0		0
Total	-22.4	-4,487	23.9	-4,483

Deferred tax assets and liabilities	Deferred tax assets	Deferred liabilities	Net
31 Dec 2017			
Intangible assets	-	-138	-138
Other receivables (Derivatives)	-	-300	-300
Loss carryforwards	9,098	-	9,098
Total deferred tax assets/liabilities	9,098	-438	8,660
Offsetting	-438	438	0
Total deferred tax assets/liabilities, net	8,660	0	8,660

Deferred tax assets and liabilities	Deferred tax assets	Deferred liabilities	Net
31 Dec 2016			
Intangible assets	-	-86	-86
Loss carryforwards	11,412	-	11,412
Total deferred tax assets/liabilities	11,412	-86	11,325
Offsetting	-	-	-
Total deferred tax assets/liabilities, net	11,412	-86	11,325

	1 Jan 2017	Recognized through profit or loss	Recognized in statement of comprehensive income	Recognized in equity	31 Dec 2017
Intangible assets	-86	-52	-	-	-138
Other receivables	-	-194	-105	-	-300
Loss carryforwards	11,412	-4,240	-	1,927	9,098
Total	11,326	-4,487	-105	1,927	8,660

	1 Jan 2016	Recognized through profit or loss	Recognized in statement of comprehensive income	Recognized in equity	31 Dec 2016
Intangible assets	-39	-47	-	-	-86
Loss carryforwards	15,848	-4,436	-	-	11,412
Total	15,809	-4,483	-	-	11,326

Unrecognized deferred tax assets	31 Dec 2017	31 Dec 2016
Tax loss carryforwards	-	-
Total	-	-

NOTE A7 Intangible assets

	31 Dec 2017	31 Dec 2016
Accumulated cost		
Opening balance, 1 Jan	4,023	2,602
Acquisitions	3,541	1,421
At year-end, 31 Dec	7,564	4,023
Accumulated depreciation		
Opening balance, 1 Jan	-346	-248
Amortization	-182	-98
At year-end, 31 Dec	-528	-346
Total	7,036	3,677

Intangible assets primarily pertain to expenses for patents and brand protection, which are acquired externally. Remaining economic lives at December 31, 2017 amount to 1–14 years.

	2017	2016
Amortisation, by function		
Cost of goods sold	112	46
Selling expenses	71	52
Total	182	98

NOTE A8 Property, plant and equipment

	31 Dec 2017	31 Dec 2016
Accumulated cost		
Opening balance, Jan 1	3,405	1,702
Acquisitions	1,014	1,801
Divestments and disposals	-25	-98
At year-end, 31 Dec	4,394	3,405
Accumulated depreciation		
Opening balance, Jan 1	-948	-411
Depreciation	-901	-614
Divestments and disposals	5	77
At year-end, 31 Dec	-1,844	-948
Total	2,550	2,457

Property, plant and equipment mainly comprise office equipment, computer equipment and equipment for testing helmets.

	2017	2016
Depreciation, by function		
Selling expenses	297	327
Administrative expenses	360	165
R&D expenses	244	122
Total	901	614

NOTE A9 Participations in Group companies

	31 Dec 2017	31 Dec 2016
Accumulated cost		
Opening balance, 1 Jan	100	100
Aquisitions	485	-
At year-end, 31 Dec	585	100
Total	585	100

Subsidiaries	Corporate identity number	Registered office	No. of shares	Holding %	31 Dec 2017 Carrying amount
M-PS Helmet AB	556763-8449	Stockholm	1,000	100	100
MIPS AB (Dongguan) Trading Co., Ltd	91441900MA4W2Y7T9L	Dongguan	1	100	485
Total					585

Subsidiaries	Corporate identity number	Registered office	No. of shares	Holding %	31 Dec 2016 Carrying amount
M-PS Helmet AB	556763-8449	Stockholm	1,000	100	100
Total					100

M-PS Helmet AB did not conduct any business in 2017 and 2016.

NOTE A10 Other financial assets

	31 Dec 2017	31 Dec 2016
Accumulated cost		
Opening balance, 1 Jan	563	-
Acquisitions	14	563
Divestments and disposals	-14	-
Exchange rate differences for the year	-3	-
At year-end, 31 Dec	561	563

NOTE A11 Accounts receivable

	31 Dec 2017	31 Dec 2016
Invoiced receivables	35,426	21,339
Currency adjustments	-377	280
Provision for doubtful receivables	-261	-263
Total	34,789	21,356
Invoiced receivables due as follows:		
Not yet due	21,753	14,845
Overdue by 1–30 days	7,672	3,759
Overdue by 31–60 days	1,723	809
Overdue by 61–90 days	1,858	560
Overdue by 91– days	2,421	1,366
Total	35,426	21,339
Change in provision for doubtful receivables		
Opening balance, 1 Jan	-263	-488
During the year		
– repaid	48	289
– provisions established	-46	-64
At year-end, 31 Dec	-261	-263

NOTE A12 Group transactions

	31 Dec 2017	31 Dec 2016
Receivables and liabilities to subsidiaries		
Receivables	364	16
Liabilities	-395	-
Net	-31	16
Revenues and costs from subsidiaries		
Revenues	-	-
Costs	-1,539	-
Net	-1,539	-

NOTE A13 Prepaid expenses and accrued income

	31 Dec 2017	31 Dec 2016
Prepaid rental costs	510	501
Prepaid trade fair costs	456	287
Prepaid insurance	37	692
Prepaid expenses related to share issue	-	1,835
Prepaid system costs	494	287
Other	636	135
Total	2,132	3,737

NOTE A14 Cash & cash equivalents

	31 Dec 2017	31 Dec 2016
Cash and bank balances	16,758	28,405
Total according to statement of financial position	16,758	28,405
Current investments equivalent to cash and cash equivalents	162,219	-
Total according to statement of cash flows	178,977	28,405

Cash and bank balances refer to balances of bank accounts in SEK, USD and EUR. Current investments relate to the company's surplus liquidity that is invested in fixed income funds at highly reputable credit institutions in order to avoid negative interest rates. The company's current investments can be realized within two days.

NOTE A15 Equity**Restricted reserves**

Restricted reserves may not be reduced through profit distribution.

Statutory reserve

The purpose of the statutory reserve has been to tie up part of the net profits that is not needed to cover an accumulated deficit. Amounts that were included in the share premium reserve before January 1, 2006 have been transferred to and are included in the statutory reserve.

Unrestricted equity

The following funds together with the annual profit/loss constitute unrestricted equity, that is to say the amount that is available for dividends to shareholders.

Share premium reserve

When shares are issued at a premium, i.e. a higher sum is to be paid for the shares than the quotient value, a sum corresponding to the amount above the quotient value is transferred to the share premium reserve. Amounts transferred to the share premium reserve commencing on January 1, 2006 are included in unrestricted equity.

Fair value reserve

The company uses the Annual Accounts Act rules for measurement of financial instruments at fair value according to chapter 4 section 14, paragraphs a-e. A change in value is recognized in the fair value reserve when it relates to a hedging instrument and the hedge accounting policies allow part or all of the change in value to be recognized in equity.

Retained earnings

Retained earnings comprise profit brought forward from the preceding year less any dividend paid during the year.

At the disposal of the Annual General Meeting (SEK thousand):

Share premium reserve	235,612
Reserves	373
Loss carried forward	-35,423
Profit for the year	15,509
Total	216,070

The Board of Directors proposes that the available funds of SEK 216,070 thousand be carried forward, including SEK 235,612 thousand to the share premium reserve and SEK 373 thousand to the fair value reserve.

For information about the number of shares, see Note 17 to the consolidated financial statements.

NOTE A16 Accrued expenses and deferred income

	31 Dec 2017	31 Dec 2016
Holiday pay liability	1,145	906
Accrued salaries and remuneration	1,569	2,273
Accrued social security contributions	853	999
Estimated payroll tax on pensions	913	537
Prepaid Implementation	347	354
Other accrued expenses	2,940	3,368
Total	7,765	8,438

NOTE A17 Financial instruments

31 Dec 2017	Financial assets measured at fair value in profit or loss	Hedge-instruments	Loan receivables and accounts receivable measured at amortized cost	Financial liabilities measured at fair value in profit loss,	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Other financial assets (Depositions)	-	-	561	-	-	561	561
Accounts receivable	-	-	34,789	-	-	34,789	34,789
Receivables from Group companies	-	-	364	-	-	364	364
Other receivables	-	-	723	-	-	723	723
Other receivables (Derivatives)	-	1,361	-	-	-	1,361	1,361
Current investments	162,219	-	-	-	-	162,219	162,219
Cash and cash equivalents	-	-	16,758	-	-	16,758	16,758
Accounts payable	-	-	-	-	-10,071	-10,071	-10,071
Liabilities to Group companies	-	-	-	-	-395	-395	-395
Accrued expenses	-	-	-	-	-5,653	-5,653	-5,653
Total financial assets and liabilities by category	162,219	1,361	53,194	-	-16,119	200,656	200,656

31 Dec 2016	Financial assets measured at fair value in profit or loss	Hedge-instruments	Loan receivables and accounts receivable measured at amortized cost	Financial liabilities measured at fair value in profit loss,	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Other financial assets (Depositions)	-	-	563	-	-	563	563
Accounts receivable	-	-	21,356	-	-	21,356	21,356
Other receivables	-	-	953	-	-	953	953
Cash and cash equivalents	-	-	28,406	-	-	28,406	28,406
Accounts payable	-	-	-	-	-8,857	-8,857	-8,857
Accrued expenses	-	-	-	-	-7,003	-7,003	-7,003
Total financial assets and liabilities	-	-	51,277	-	-15,860	35,418	35,418
Total financial							

NOTE A18 Operating leases

Leasing costs for operating leases primarily comprise rent for office premises. The lease for the head office in Sweden extends until January 2020.

Future minimum lease charges	2017	2016
Within one year	1,727	1,868
Between 1 and 5 years	1,871	3,597
More than 5 years	–	–
Total	3,597	5,464
Leasing costs for the year pertaining to operational leasing fee totalled:	1,817	2,161

NOTE A19 Investment commitments

The company has no significant investment commitments as of December 31, 2017 or 2016.

NOTE A20 Related parties

Refer to Note 25 in the consolidated financial statements.

NOTE A21 Specification of statement of cash flows

	2017	2016
Depreciation/amortization of non-current assets	1,072	712
Allocated option costs	–	1,181
Change in provision	–	-5,278
Unrealised exchange-rate differences	870	-406
Change in value of financial instruments	-883	–
Other items not affecting liquidity	-3	21
Total	1,056	-3,770
Interest received and paid	2017	2016
Interest received	–	14
Interest paid	-5	-3

NOTE A22 Pledged assets and contingent liabilities

	31 Dec 2017	31 Dec 2016
Assets with retention of title	None	None
Contingent liability	None	None

NOTE A23 Related party transactions

Transactions involving goods and services occur between companies in the Group. Market-based terms and pricing apply for all transactions. All intra-Group transactions are eliminated. Regarding the parent company's dealings with subsidiaries, see note A12.

NOTE A24 Significant estimates and judgments

Refer to Note 28 in the consolidated financial statements.

NOTE A25 Events after balance-sheet date

Refer to Note 29 in the consolidated financial statements.

Note A26 Information about the parent company

MIPS AB is a public limited liability company registered in Sweden (Corp. Reg. No. 556609-0162), with its registered office in Stockholm, Sweden. The address of the head office is Källtorpsvägen 2, SE-183 71 Täby, Sweden.

BOARD OF DIRECTORS ASSURANCE

The Board of Directors and the Chief Executive Officer hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden, and that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in the regulation (EU) no. 1606/2002 of the European Parliament and Council dated July 19, 2002, pertaining to the application of international financial reporting standards. The Annual Report and the

consolidated financial statements give a fair view of the parent company's and the Group's financial position and results. The administration report pertaining to the parent company and the Group gives a fair overview of the development of the parent company's and the Group's operations, financial position and results, and describes the significant risks and uncertainties facing the parent company and the companies included in the Group.

Stockholm 28 March 2018

Bengt Baron
CHAIRMAN OF THE BOARD

Pär Arvidsson

Jacob Gunterberg

Terrance G. Lee

Jonas Rahmn

Magnus Welander

Pernilla Wiberg

Johan Thiel
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Our Auditor's Report was submitted on
28 March 2018

KPMG AB

Tomas Gerhardsson
AUTHORIZED PUBLIC ACCOUNTANT

AUDITOR'S REPORT

To the general meeting of the shareholders of MIPS AB, corp. id 556609-0162

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of MIPS AB for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 26-67 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Deferred tax assets related to tax losses carried-forward. See note 9 and accounting principles on page 37 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

At December 31, 2017, the group's deferred tax asset totalled SEK 9.1 million related to tax losses carried-forward. The measurement of such assets is based on estimates regarding the amounts and timing of future taxable profits.

The forecasts of future profits require assessment of future market conditions as well as analysis and assessment of tax regulations. The recorded value of deferred tax assets may differ significantly if other assumptions were used in the forecast of future profits and the possibility to utilize the losses carried-forward.

Response in the audit

We have tested and assessed the methodology and the accuracy of the group's model for forecasting future profits.

We have also evaluated the reasonableness of the group's forecast of future profits and compared key assumptions used in the calculation to business plans as well as an assessment of the group's historic ability to prepare accurate forecasts.

Listing at a regulated market and the related equity transactions. See the administrative report, page 26, and the consolidated and parent company statements of changes in equity on pages 32 and 57 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

On March 23, 2017, MIPS AB's shares were listed on Nasdaq Stockholm and in conjunction to the listing, a new share issue of SEK 150 million was completed. Transaction expenses related to these equity transactions totalled SEK 15.8 million in 2017 and have been classified as period expense or recorded to equity depending on whether the expenses related to listing of existing shares or newly issued shares.

Response in the audit

We have assessed the accounting of the new share issue and transaction expenses based on current accounting standards.

We have reviewed invoices, calculations and assumptions used and also assessed the information and disclosures related to the new share issue in the annual accounts and consolidated accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–25, 72–73 and 85–86. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the

EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of

most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of MIPS AB for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organiza-

tion is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

KPMG AB, P.O. Box 382, SE 101 27, Stockholm, was appointed auditor of MIPS AB by the general meeting of the shareholders on May 11, 2016. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2014.

Stockholm, March 28, 2018

KPMG AB

Tomas Gerhardsson

AUTHORIZED PUBLIC ACCOUNTANT

FINANCIAL AND ALTERNATIVE PERFORMANCE MEASURES

All amounts are in SEKm unless stated otherwise.

Group	2017	2016	2015	2014
NET SALES AND PROFIT/LOSS				
Net sales	125.6	86.6	49.6	14.8
Net sales growth, %	45	75	236	
Gross profit	93.3	61.7	34.5	7.4
Gross margin, %	74.3	71.3	69.6	50.3
Operating profit (EBIT)	20.8	18.4	2.9	-13.2
Operating margin (EBIT), %	16.6	21.2	5.8	neg.
Adjusted operating profit (Adjusted EBIT)	27.8	24.2	2.9	-13.2
Adjusted operating margin (Adjusted EBIT), %	22.1	28.0	5.8	neg.
Profit/loss for the period	15.8	14.3	18.8	-13.1
Depreciation/amortization	1.1	0.8	0.4	0.2
GROUP STATEMENT OF CASH FLOWS				
Cash flow from operating activities	11.1	16.0	3.1	-13.1
Cash flow from investing activities	-4.6	-3.8	-1.9	-0.9
Cash flow from financing activities	145.1	0.2	-0.5	26.1
Average adjusted working capital	16.3	8.5	4.8	1.8
FINANCIAL STANDINGS				
Total assets	242.2	75.4	54.3	26.4
Total equity	220.6	57.3	41.6	18.3
Equity ratio,%	91	76	76	69
KEY FIGURES PER SHARE				
Earnings per share basic, SEK	0.64	0.67	0.98	-0.74
Earnings per share diluted, SEK	0.64	0.65	0.89	-0.74
Average number of shares for the period - basic	24,520,884	21,478,586	19,119,000	17,694,750
Average number of shares for the period - diluted	24,559,246	22,013,833	21,091,797	19,152,708
EMPLOYEES				
Average number of employees	29	17	13	8

ALTERNATIVE PERFORMANCE MEASURES

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 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 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 "Adjusted operating profit."
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 program).	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 program.
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.

MIPS uses certain performance measures that are not defined in the IFRS rules for financial reporting which MIPS applies. The alternative performance measures presented are a complement to the IFRS-defined measures and are used by MIPS' management to monitor and guide operations. Accordingly, these alter-

native performance measures, as they are defined, are not fully comparable with other companies' performance measures with the same name. For more information regarding purpose of each alternative performance measurement and financial derivation, please visit <http://www.mipscorp.com//investors/?lang=en>

CORPORATE GOVERNANCE REPORT

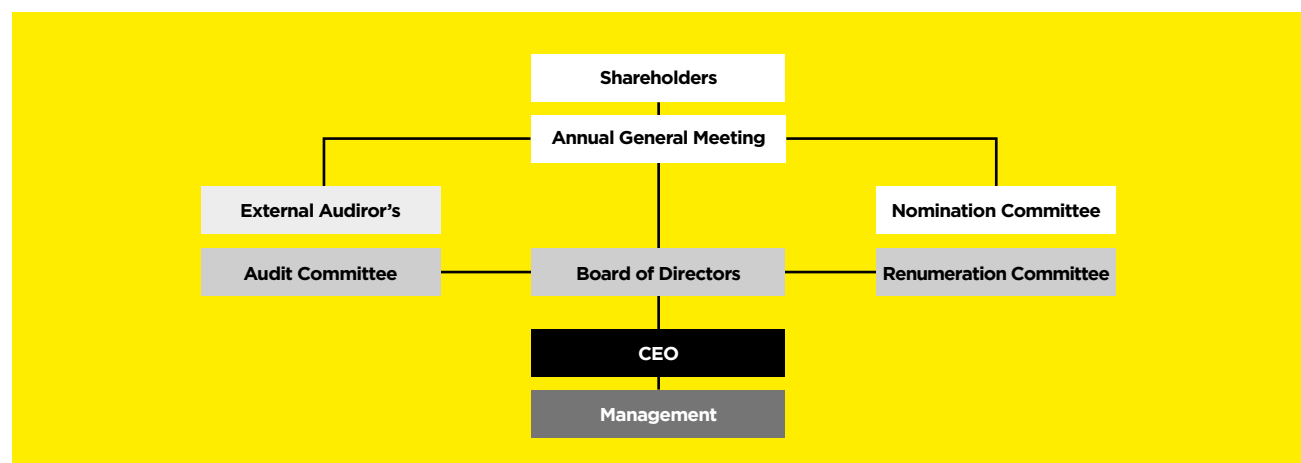
MIPS AB (publ) is a Swedish public limited liability company. The company's shares have been listed on Nasdaq Stockholm since March 23, 2017. Prior to the listing the corporate governance of MIPS was based on Swedish law and internal rules and guidelines. Beginning at the time of listing, MIPS also complies with Nasdaq Stockholm's Rule Book for Issuers and applies the Swedish Corporate Governance Code (the "Code"). The code applies to all Swedish companies whose shares are admitted to trading on a regulated market in Sweden. The Code is based on the "comply or explain" principle. No deviation from the code occurred in 2017. The corporate governance report for 2017 describes MIPS' corporate governance, management and administration, as well as its internal control and risk management in connection with financial reporting.

The company's highest decision-making body is the general meeting of shareholders, which is usually held once a year as an Annual General Meeting. It can also be held as an extraordinary general meeting under certain conditions. The 2018 Annual General Meeting will

be held at 3 p.m. on Tuesday, May 15 at Grev Turegatan 30, Stockholm. The company prepares the agenda for the Annual General Meeting, but shareholders have the right to influence and propose matters for consideration at the Annual General Meeting.

Shareholders

MIPS' shares have been listed on Nasdaq Stockholm since March 23, 2017. At the end of 2017, share capital was SEK 2,529,987 divided among 25,299,870 shares, each with a quotient value of SEK 0.10. All shares are of the same kind and all shares in the company carry equal rights in all regards. On December 31, 2017, MIPS had 3,096 shareholders. Of the total number of shares, approximately 48 percent were held by foreign shareholders. Bell Technology Acquisition (BTA) is the single largest owner, with a holding of approximately 16.5 percent of share capital and votes as of December 31, 2017. Healthcap V.LP is the next largest owner, with a holding of approximately 8.5 percent of share capital and votes as of December 31, 2017. Additional information about the share and shareholders can be found on page 85, as well as on the company's website.



General meeting of shareholders

According to the Swedish Companies Act (2005:551), the general meeting of shareholders is the highest decision-making body and the forum in which shareholders can exercise their voting rights. Shareholders who are registered in the share register on the record date and have duly notified their intent to attend within the period specified in the notice are entitled to take part in the general meeting, either in person or by proxy. Resolutions at the General Meeting are normally passed by simple majority. In some cases, however, the Companies Act stipulates a certain level of attendance to achieve a quorum or a qualified majority of votes. The Annual General Meeting shall be held within six months of the end of the company's fiscal year. In addition to the Annual General Meeting, an extraordinary general meeting may be convened as necessary. MIPS' holds its AGM in Stockholm or in Täby before the end of June each calendar year. According to the company's Articles of Association, notice to attend the Annual General Meeting must be made by advertising in Post- och Inrikes Tidningar and on the company's website. An announcement to this effect shall be made in the newspaper Svenska Dagbladet.

2018 Annual General Meeting

MIPS' first Annual General Meeting will be held at 3 p.m. on Tuesday, May 15, 2018 in Stockholm. For more information, visit www.mipscorp.com.

Nomination Committee

The Nomination Committee shall consist of four members who, in addition to the Chairman of the Board, shall consist of representatives of the three largest shareholders entered in the Euroclear register as of August 31 each year. If any of the three largest shareholders in terms of votes, who are registered in the share register, does not exercise the right to appoint a member, the right to appoint a member shall pass to the next shareholder in line that does not already have the right to appoint a member of the nomination committee. The Chairman of the nomination committee shall be the member who represents the largest shareholder in terms of votes, unless the members agree otherwise.

According to the instructions, the duties of the Nomination Committee include submitting proposals to the Annual General Meeting on:

- Chairman of the AGM;
- Number of members elected by the AGM;
- Candidates for the Board of Directors;
- Chair of the Board;
- Fees for the Board, including the Chair, and for Board members' work on Board committees;

- Election of external auditors;
- Fee to external auditors; and
- Proposals for any new instructions for instructions for appointment of the Nomination Committee and the Nomination Committee's assignment.

The formation of the Nomination Committee for the 2018 Annual General Meeting was published on November 9, 2017. The members of the Nomination Committee and corresponding appointing shareholders for the 2018 AGM are:

Committee member	Nominating shareholders
Johan Winnerblad	Bell Technology Acquisition LLC (BTA)
Staffan Lindstrand	HealthCap VL.P.
Annika Andersson	Robur fonder
Bengt Baron*	

*Chairman of the Board at MIPS AB

The Nomination Committee has held seven meetings prior to the date on which this Annual Report was presented. As noted above, one of the chief duties of the Nomination Committee is to make recommendations regarding the size and composition of the Board. Normally, the starting point for such recommendations is a survey conducted each year (see below) by the Chair of the Board to assess the Board's work, composition, qualifications, experience and efficiency, the results of which are shared and discussed with the Nomination Committee. Based on survey results and subsequent discussions and interviews, the Nomination Committee determines whether the existing Board should be strengthened with additional expertise or if there are any other reasons to make changes to the composition of the Board. In making such determinations and (if applicable) evaluating potential new candidates for the Board, the Nomination Committee takes into consideration the goal to achieve a more even gender balance in the Board. The Nomination Committee has applied rule 4.1 of the Swedish Code as its diversity policy applicable to the company's Board. In addition, the Nomination Committee also takes into consideration the need to ensure that the independence requirements of the Swedish Code are met.

For the 2018 AGM, the Nomination Committee announced its proposals along with the notice of the AGM, which will be published on the website on April 10, 2018. The Nomination Committee will then present and explain its work and proposals at the AGM.

Composition of the Board of Directors

	Elected year	Total fee, SEK thousand	Independent of the company and its management	Independent in relation to major shareholders	Board meetings	Audit committee	Remuneration committee
Chairman							
Bengt Baron	2011	340,000	Yes	Yes	13/13	5/5	
Board members							
Pär Arvidsson	2016	190,000	Yes	Yes	13/13	5/5	
Jacob Gunterberg	2008	220,000	Yes	No	13/13	5/5	
Terrance G. Lee	2016	–	Yes	No	12/13		
Jonas Rahm	2012	185,000	Yes	Yes	12/13		3/3
Magnus Welander	2016	170,000	Yes	Yes	13/13		3/3
Pernilla Wiberg	2016	150,000	Yes	Yes	12/13		

Board of Directors

The Board is regulated by the Swedish Companies Act, the company's Articles of Association and the Swedish Code of Corporate Governance. In addition, the Board of Directors' work is regulated by rules of procedure established annually by the Board. The rules of procedure govern such matters as the allocation of work and responsibilities between the members of the Board, the Chairman and the Chief Executive Officer, and contain procedures regarding financial reporting and other instructions for the CEO. The Board of Directors also establishes instructions for the Board's committees. The work of the Board of Directors follows a yearly plan which, in addition to adoption of interim reports and annual accounts, also includes strategy and business plan, budget and proposals for resolution at the Annual General Meeting (including appropriation of profit). Following the Annual General Meeting each year, Board policy documents and guidelines are adopted. The Board of Directors also monitors financial developments, ensuring the quality of financial reporting and the internal control and evaluates the operations based on the established objectives and guidelines adopted by the Board of Directors. Moreover, at least once a year the Board of Directors evaluates the performance of the company's CEO. The Board of Directors also decides on major investments and changes in the Group's organization and operations. The Chairman of the Board is to monitor MIPS' performance, in close collaboration with the CEO, and convene Board meetings. The Chairman of the Board is also responsible for ensuring that the directors annually evaluate

their work and that they continuously receive the information necessary to perform their work effectively.

According to the Articles of Association, MIPS' Board of Directors is to comprise three to eight directors. The directors are to be elected annually at the company's Annual General Meeting for the period until the end of the next AGM.

The Board currently consists of seven directors, all elected at the AGM on 9 March 2017.

Evaluation of the Board of Directors

The Board's work for the year was evaluated with the aim of further improving the Board's working methods and efficiency. The Chairman of the Board has been responsible for distributing and following up a written questionnaire to include the opinions of all directors and to receive suggestions for improvement. The survey results were compiled, presented and discussed in the Board. The Chairman also presented the results to the Nomination Committee so that the Committee can use the results as a working instrument in its work.

Remuneration to Board members

Fees to Board members, including remuneration for committee work, are determined by the shareholders at the Annual General Meeting. The AGM held on March 9, 2017, resolved that a fee of SEK 300,000 shall be paid to the Chairman of the Board and SEK 150,000 to each of the other directors. Each director serving on the Audit Committee is paid SEK 40,000 in remuneration.

neration for their work on the committee. Each director serving on the Remuneration Committee is paid SEK 20,000 for their work on the committee. The Chairman of the Audit Committee receives SEK 70,000 and the Chairman of the Remuneration Committee receives SEK 35,000.

Board meetings

During the year, the Board held 13 meetings, including six by phone and one per capsulam. All 6 physical meetings were held in Stockholm.

MIPS' Chief Executive Officer and CFO participate at Board meetings. The CFO acts as the secretary of the Board and records the minutes at Board meetings. Other members of management may also be asked to attend to report on important issues.

When relevant and at least quarterly, Group Management presents forecasts and key performance indicators, providing the Board with an overview of the financial development and expectations of the company. The company's budget is reviewed and approved once a year. The Board also reviews and monitors the company's disputes. The company's external auditors meet with the Board once a year, without participation of the members of Group Management.

Independence of the Board of Directors

In accordance with the Code, a majority of Board members elected by the AGM shall be independent in relation to the company and its management and major shareholders. The Board's assessment of this is presented in the section Facts about the Board and Group Management on pages 80–81.

Board Committees

The Board has two committees: the Audit Committee and the Remuneration Committee. The committees report on the issues addressed either verbally or in writing. The work of the respective committees is carried out pursuant to written instructions and rules of procedure from the Board. Minutes of the committees' meetings are circulated to all Board members.

Audit Committee

MIPS has an audit committee consisting of three members, Jacob Gunterberg (chairman), Pär Arvidsson and Bengt Baron. The committee's duties include monitoring the company's financial reporting and the efficiency of the company's internal control and risk management activities. The Audit Committee shall also keep itself informed of the audit of the annual accounts and the consolidated financial statements, as well as review and monitor the auditor's independence and

objectivity, paying particular attention to whether the auditors provide services to the company in addition to the audit. The Audit Committee held five meetings in 2017. The Audit Committee meets all requirements for auditing and accounting expertise as stipulated in the Swedish Companies Act.

Remuneration Committee

MIPS has a remuneration committee consisting of the two members, Jonas Rahmn (Chairman) and Magnus Welanders. The duties of the Remuneration Committee are set out in instructions adopted annually by the Board of Directors and include preparing matters regarding remuneration and other terms of employment for the CEO and other senior executives. This work also includes preparing the Board's proposals on guidelines for remuneration to senior management, including the relationship between fixed and any variable remuneration, as well as the connection between performance and remuneration, the principal terms of any bonus and incentive programs and the principal terms of non-monetary benefits, pensions, termination and severance pay. However, share-based incentive programs for Group Management are adopted by the AGM. The remuneration committee's duties also include monitoring and evaluating the outcomes of variable remuneration programs, and MIPS' compliance with the remuneration guidelines adopted by the general meeting. The Remuneration Committee held three meetings in 2017.

Auditors

The 2016 Annual General Meeting elected KPMG AB as auditors of the company from the 2016 AGM until the end of the 2020 AGM. Tomas Gerhardsson was appointed auditor in charge.

In accordance with a resolution adopted at the 2017 AGM, the auditor's fee until the 2018 AGM shall be paid on the basis of approved invoices. In addition to audit assignments, KPMG AB invoiced SEK 630,000 primarily listed to the company's listing on Nasdaq Stockholm. Such services were always, and solely, provided to the extent consistent with the regulations in the Swedish Auditors Act (2001:883) and FAR's rules of professional conduct pertaining to the objectivity and independence of auditors. For more information, see Note 6 on page 44.

CEO and Group Management

The CEO is appointed by the Board of Directors and is responsible for the daily management of the company and the Group's activities in accordance with the Board instructions and regulations. The distribution of responsibilities between the CEO and the Board of

Directors is defined in the Board's rules of procedure and the instructions for the CEO, prepared by the Board of Directors. The CEO serves as the head of the senior executives and makes decisions in consultation with other members of the Executive Management team. The CEO is also responsible for preparation of reports and compiling information for Board meetings, as well as for presenting relevant material at Board meetings.

Guidelines for remuneration, share-based incentive programs and terms of employment for the CEO and senior executives can be found in Note 4 (on page 41) as well as on the company's website.

Internal control and risk management

The Board of Directors' responsibility for internal control is governed by the Swedish Companies Act, the Swedish Annual Accounts Act (1995:1554), and the Code. The responsibilities and liability of the Board of Directors cannot be assigned to a third party. The duties of the Board include ensuring that there is an effective follow-up and control system for the company's operations. The Board shall also stay informed about the company's internal control procedures and ensure that internal control is evaluated.

MIPS' CEO is responsible for ensuring that internal control is implemented as necessary to manage significant risks in the day-to-day activities of the company. The company's CEO has overall responsibility for maintaining sound internal control over the financial reporting environment.

To develop a structured approach to working with internal control, MIPS uses the COSO framework (published by the Committee of Sponsoring Organisations of the Treadway Commission). MIPS' process for internal control has been designed to ensure appropriate risk management, including reliable and accurate financial reporting in accordance with IFRS, applicable laws and regulations, as well as other requirements applicable to companies listed on Nasdaq Stockholm.

Control Environment

The control environment is the foundation for all other components of the internal control, and includes factors such as organizational culture, integrity, ethical values, expertise, management philosophy, organizational structure, responsibilities and authorities, as well as policies and procedures.

The Board of Directors has adopted a number of governing documents and instructions to communicate a clearly defined internal control environment, also aimed at defining roles and allocation of responsi-

bilities between the CEO and the Board of Directors. These governing documents and instructions include the Board Of Directors' rules of procedure, instructions for the CEO and financial reporting, authorization framework and instructions for the Board committees.

The control environment within MIPS thus comprises both individual responsibilities and governing documents, together with applicable laws and regulations.

Risk assessment

A risk assessment includes the identification and assessment of risks that may prevent the company from achieving its objectives. MIPS has an annual risk process in place where risks are identified from a Group perspective to give an overall view of the key risks to which MIPS is exposed. Each identified key risk is assigned to a member of the senior executives and documented with a potential action plan to mitigate the risk to the greatest extent possible. The senior executives should review and update the risk matrix at least quarterly.

In addition, the Audit Committee shall annually discuss significant financial risk exposures and measures taken, or intended to be taken, by the senior executives to mitigate, limit or control the exposures with the external auditors and the senior executives. The risk assessment, including documentation, should be presented to the Board of Directors annually, usually in conjunction with the budget presentation at the end of the year.

Control activities

The design of control activities is of particular importance in the company's work to manage risks and safeguard the internal control. In order to prevent, detect and correct errors and deviations, control activities are established in relation to control targets, which help to ensure that necessary actions are taken to address risks that could prevent the company from achieving its objectives. Such control activities include MIPS' governance structure with a number of forums and activities constantly monitoring the operations, such as the Board of Directors' review and reconciliation of decisions taken. Well-defined business processes, segregation of duties and appropriate delegation of authority are also activities that support good corporate governance and internal control within the company. MIPS' internal control program focuses on four key processes:

- Order to Cash
- Procure to Pay
- Record to Report
- Salary Process

These four processes are analyzed in detail, and the steps of the processes are defined, in internal documents to ensure that there is a sufficient segregation of duties and that the right control mechanisms are in place. The strength of these implemented control mechanisms shall be evaluated annually to ensure compliance with the established processes and that the safety measures remain in place. All test records should be kept and documented. If any of the processes should change during the year, an immediate review of the process will be carried out to ensure that no new risks arise.

Information and communication

MIPS' communication channels and the limited size of the company enable written information relating to internal control to be quickly and easily communicated to relevant employees. In addition to written information, news, risk management and control results are communicated and discussed at physical meetings. All relevant internal policies and instructions are available to all concerned employees on the designated server location. Regarding external communication, guidelines have been developed to ensure that the company meets applicable information requirements, as well as to guarantee correctness and good quality of the communicated information.

Monitoring

The internal control systems need to be monitored and any deficiencies should be reported upstream, with serious matters reported to MIPS' Executive Management and the Board of Directors. The internal control systems also need to be evaluated annually. MIPS' CFO is responsible for ensuring that the appropriate processes for monitoring are in place and that a specific process for monitoring and assessing reported deficiencies is implemented. The results of the annual evaluation shall be reported to the Audit Committee for detailed review, after which a summary including identified suggestions for improvements shall be presented to the Board of Directors.

The Board of Directors continually assesses the information and reports provided by Executive Management, and ensures that identified risks are adequately handled.

Internal audit

In accordance with Section 7.3 of the Swedish Corporate Governance Code, the Board shall evaluate the need for a special audit function during the year to ensure compliance with established principles, standards and other applicable laws relating to financial reporting. Given the internal control initiatives that are in place, the Board

has assessed that there is no need to introduce a special audit function (internal audit function).

The matter of an internal audit function will be reassessed in 2018.

BOARD OF DIRECTORS



BENGT BARON

Chairman of the Board since 2011. Member of the Audit Committee. Born 1962. MA and MBA from University of California, Berkeley.

CURRENT ASSIGNMENTS:

Board member for Thule Group AB (publ.) and AAK AB. Chairman of the Board of Enzymatica AB. Chairman of the Board of 5653 Sweden AB.

SELECTED PAST ASSIGNMENTS

CEO of Cloetta, CEO of V&S Vin & Sprit AB, consultant for McKinsey & Co. Board member Nordnet.

HOLDINGS IN THE COMPANY

316,000 shares
100,000 warrants
relate to holdings December 31, 2017.

Independent in relation to the company and its management, independent in relation to the company's major shareholders.



PÄR ARVIDSSON

Director since 2016. Member of the Audit Committee. Born 1960. MA from University of California, Berkeley. MBA from Harvard Business School.

CURRENT ASSIGNMENTS:

Chairman of the Board and CEO of Wcities International, Inc. MD of Snowshoe Capital LLC.

SELECTED PAST ASSIGNMENTS

Partner in Strategic Decisions Group, consultant at McKinsey & Co. Founder and Managing Partner of Gamechange Ventures.

HOLDINGS IN THE COMPANY

189,000 shares through company
50,000 warrants
relate to holdings December 31, 2017.

Independent in relation to the company and its management, independent in relation to the company's major shareholders.



JACOB GUNTERBERG

Director since 2008. Chairman of the Audit Committee. Born 1967. MSc in Business Administration and Economics from Lund University.

CURRENT ASSIGNMENTS:

Partner at HealthCap Advisor AB. Chairman of the Board of JUSG AB. Director of HealthCap Holdings GP AB, HealthCap Annex Fund I-II Bis GP AB, EliAug AB, Tova Skrenen Stockholm AB, HealthCap Aero Holdings GP AB, Ancilla AB, HealthCapo orx Holdings GP AB and Trimb Holding AB.

SELECTED PAST ASSIGNMENTS

Corporate finance experience from ABB Aros Fondkommission and Hjalmarsson & Gunterberg Corporate Finance AB.

HOLDINGS IN THE COMPANY

None

Independent in relation to the company and its management, not independent in relation to the company's major shareholders.



TERRANCE G. LEE

Director since 2016. Born 1949. Non-matriculated studies, Weber State University, Ogden, Utah, USA.

CURRENT ASSIGNMENTS:

Chairman of the Board of BRG Sports and Bell Technology Acquisition, LLC. Director for Hayden Capital Investments LLC and Mission Capital Investments LLC. Member and director, Lee Capital Investments LLC. CEO Lee Family Foundation Inc.

SELECTED PAST ASSIGNMENTS

CEO Easton Bell Sports and CEO BRG Sports.

HOLDINGS IN THE COMPANY

None

Independent in relation to the company and its management, not independent in relation to the company's major shareholders.

**JONAS RAHMN**

Director since 2010.
Chairman of the Remuneration Committee.
Born 1967. MSc in Civil Engineering, Chalmers University of Technology.

CURRENT ASSIGNMENTS:

Investment Manager at KTH Seed Capital KB. Chairman of the Board of Apica AB. Director of Norröna Sport AS.

SELECTED PAST ASSIGNMENTS

Partner KTH Chalmers Capital.

HOLDINGS IN THE COMPANY

50,000 warrants
relate to holdings December 31, 2017.

Independent in relation to the company and its management, independent in relation to the company's major shareholders.

**MAGNUS WELANDER**

Director since 2016.
Member of the Remuneration Committee.
Born 1966. MSc in Civil Engineering, Institute of Technology at Linköping University.

CURRENT ASSIGNMENTS:

CEO of Thule Group.

SELECTED PAST ASSIGNMENTS

CEO of Envirotainer, various management positions within Tetra Pak in Italy and Australia.

HOLDINGS IN THE COMPANY

50,000 warrants
relate to holdings December 31, 2017.

Independent in relation to the company and its management, independent in relation to the company's major shareholders.

**PERNILLA WIBERG**

Director since 2016.
Born 1970. Social science secondary education (three years). Studies in economics, Högskolan in Borlänge.

CURRENT ASSIGNMENTS:

Owner of Pernilla Wiberg Sport Promotion. Minority ownership in Hotell Idre Sweden. Director of World Olympians Association (WOA).
Chairman of a working group of the International Ski Federation.

SELECTED PAST ASSIGNMENTS

Winner of two Olympic gold medals, four world championship gold medals and 24 world cup competitions in alpine skiing.

HOLDINGS IN THE COMPANY

50,000 warrants
relate to holdings December 31, 2017.

Independent in relation to the company and its management, independent in relation to the company's major shareholders.

MANAGEMENT



JOHAN THIEL

Born 1964 and CEO since 2013.

EDUCATION AND PROFESSIONAL EXPERIENCE
Economics secondary education (three years). Business and Product Development Manager at Miscea B.V. Business & Client Development and partner/owner of CoreComp AB.

CURRENT ASSIGNMENTS:
Director of Double T Capital AB.

SELECTED PAST ASSIGNMENTS
None

HOLDINGS IN THE COMPANY
347,000 shares
200,000 warrants
relate to holdings December 31, 2017.



PETER HALLDIN

Born 1968 and CTO since 2008.

EDUCATION AND PROFESSIONAL EXPERIENCE
PhD, Royal Institute of Technology, Stockholm, and co-founder of MIPS.

CURRENT ASSIGNMENTS:
Part time post-doc at the Royal Institute of Technology, Stockholm.

SELECTED PAST ASSIGNMENTS
Director of MIPS AB

HOLDINGS IN THE COMPANY
494,000 shares
relate to holdings December 31, 2017.



SHUYI ISAKSSON

Born 1978 and Head of Operations since 2016.

EDUCATION AND PROFESSIONAL EXPERIENCE
BA English Education, Guangzhou College of Education, China. Entrepreneurship and business development, Stockholm International School of Trading. Previously Account Manager at OSM Group AB.

CURRENT ASSIGNMENTS:
Director of MI Engineering AB.

SELECTED PAST ASSIGNMENTS
None

HOLDINGS IN THE COMPANY
21,000 shares
50,000 warrants
relate to holdings December 31, 2017.



JOSEFIN L. YTTERBORN

Born 1983 Head of Marketing since 2017.

EDUCATION AND PROFESSIONAL EXPERIENCE
Studied Business, technology and design program at Södertörn, Konstfack (School of Arts, Crafts and Design) and the Royal Institute of Technology (KTH). Previously Branding and retail director at POC.

CURRENT ASSIGNMENTS:
None

SELECTED PAST ASSIGNMENTS
None

HOLDINGS IN THE COMPANY
None


**CHRISTOPHER
PIETRZAK**

Born 1974 and Head of Innovation since 2017.

**EDUCATION AND
PROFESSIONAL EXPERIENCE**

Criminal Justice – Delta College, Michigan, USA Director of R&D: Bell Powersports at Vista Outdoor Director: Advanced Concepts Group (ACG) Easton Bell Sports/BRG (Bell, Giro, Riddell, Easton) Product Manager Easton Mountain Products: Easton Technical Products.

CURRENT ASSIGNMENTS:

None

SELECTED PAST ASSIGNMENTS

None

HOLDINGS IN THE COMPANY

None


MAX STRANDWITZ

Born 1975 and CFO since 2016.

**EDUCATION AND
PROFESSIONAL EXPERIENCE**

Education in Economics, Borås Högskola. Previously CFO Operations at Cloetta AB and Finance Director at Unilever Supply Chain Company and Unilever Nordic.

CURRENT ASSIGNMENTS:

None

SELECTED PAST ASSIGNMENTS

None

HOLDINGS IN THE COMPANY

70,000 shares
150,000 warrants
relate to holdings December 31, 2017.


BOEL SUNDVALL

Born 1959 and Head of IR since 2016.

**EDUCATION AND
PROFESSIONAL EXPERIENCE**

MSc in Business and Economics, Stockholm School of Economics. Communication and IR Manager at Bufab AB (publ). Senior Vice President of Communication and IR at Husqvarna Group AB (publ).

CURRENT ASSIGNMENTS:

Director of EBS Invest AB and Bostadsrättsföreningen Vedbäraren 19.

SELECTED PAST ASSIGNMENTS

Director of Briggen Tre Kronor AB. Owner of IR-Konsult Boel Sundvall.

HOLDINGS IN THE COMPANY

None


PATRIK EGERVALL

Born 1962 and Head of Sales since 2016.

**EDUCATION AND
PROFESSIONAL EXPERIENCE**

MSc in Civil Engineering, Uppsala University. Management Program, Tuck Warton Business School. Management Program, IMD. Previously Executive Vice President at Nasdaq OMX.

CURRENT ASSIGNMENTS:

Owner of and director for PAAN Affärsutveckling AB.

SELECTED PAST ASSIGNMENTS

CEO of Brady Energy AS.

HOLDINGS IN THE COMPANY

23,625 shares
75,000 warrants
relate to holdings December 31, 2017.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in MIPS AB, corporate identity number 556609-0162

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2017 on pages 74–83 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with

International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 28, 2018

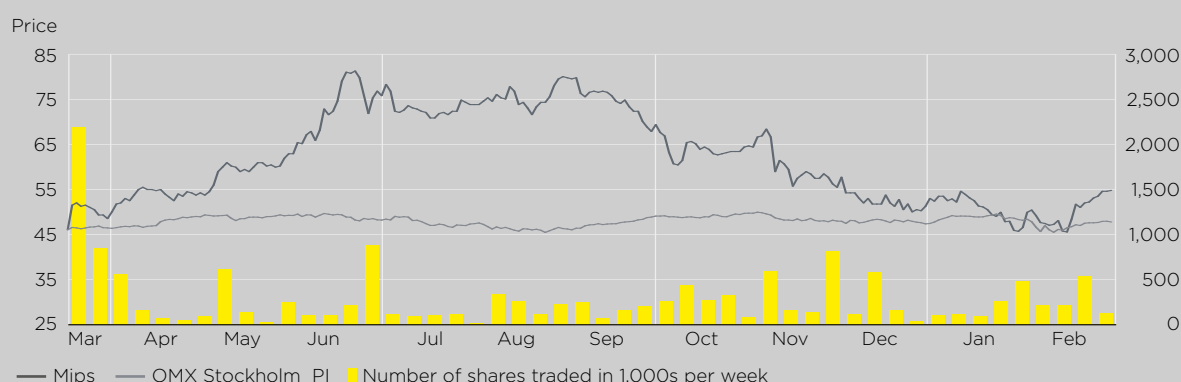
KPMG AB

Tomas Gerhardsson
AUTHORIZED PUBLIC ACCOUNTANT

SHARE INFORMATION

OMX Stockholm

Index, number of shares traded from March 23, 2017 (first day of trading) to February 28, 2018



MIPS' shares have been listed on Nasdaq Stockholm, small cap, since March 23, 2017. On December 31, 2017 MIPS had 3,096 shareholders.

Foreign owners accounted for 48 percent of the votes and capital. The ten largest shareholders accounted for 57.3 percent of the votes and the capital. The highest price paid during the period March 23 to December 31, 2017 was SEK 84.50 and the lowest price paid was SEK 47.50. The share price rose 11.4 percent from the price prior to listing of SEK 46 to the price on December 31, 2017.

The share capital of MIPS AB was SEK 2,529,987 on December 31, 2017. The number of shares is 25,299,870 ordinary shares. According to the company's Articles of Association, the share capital shall amount to not less than SEK 2,000,000 and not more than SEK 8,000,000, divided among no less than 20,000,000 and not more than 80,000,000 shares. MIPS' Articles of Association contain a central securities depository clause and the company's shares are registered with Euroclear Sweden AB, which means that Euroclear Sweden AB administers the company's share register and registers

the shares for individuals. All shares carry equal rights to the company's profits and shares of surpluses in the event of liquidation.

10 largest owners	Share of capital and votes, %
Bell Technology Acquisition	16.5
HealthCap V.L.P.	8.5
Third National Swedish Pension Fund	7.3
Robur	5.5
JP Morgan Bank Lux	4.7
NTC Various	3.7
Lannebo Fonder	3.0
SSB Client	2.9
Robur Microcap	2.6
Handelsbanken Fonder	2.6
Total 10 largest shareholders	57.3
Others	42.7

SHARE INFORMATION

Annual General Meeting

The Annual General Meeting of MIPS AB will be held at 3 p.m. on Tuesday, May 15 at Grev Turegatan 30, Stockholm.

Right to attend

Shareholders who wish to attend the AGM must:

- Be recorded in the share register kept by Euroclear Sweden AB (the Swedish Central Securities Depository) on Tuesday 8 May 2018.
- Notify the company of their intention to attend the AGM Tuesday 8 May, 2018. Shareholders who have trustee-registered their shares must temporarily re-register the shares in their own name to be entitled to participate in the Meeting. Such registration must be completed by Tuesday 8 May, 2018. Accordingly, shareholders must inform the trustee of this request in ample time prior to this date.

Notice of attendance

Notice to attend the meeting shall be made either in writing to MIPS AB, c/o Euroclear AB, Box 191, SE-10123, Stockholm, Sweden or, by phone +46(0)8-4029058 or on the company's website, www.mipscorp.com. The notice of attendance shall state the name, personal or corporate identity number, shareholding, telephone number and name of advisor, if any. Shareholders represented by proxy should submit a power of attorney to the company prior to the AGM. A proxy form is available at the company and on the company's website. Representatives of a legal entity shall present a copy of the certificate of registration or similar document of authorization.

Financial calendar

Interim report January – March 2018:	May 9
2018 Annual General Meeting	May 15
Interim report January – June 2018	August 16
Interim report January – September 2018	November 7
Year-end report 2018	February 2019



MIPS AB
KÄLLTORPSVÄGEN 2, SE-183 71 TÄBY, SWEDEN
[MIPSPROTECTION.COM](https://mipsprotection.com)