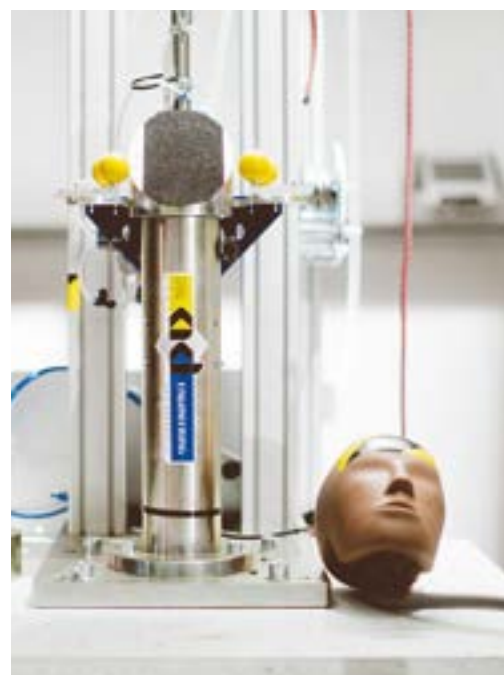




INVITATION TO ACQUIRE SHARES IN MIPS AB (PUBL)



IMPORTANT INFORMATION

Information to investors

This prospectus (the “**Prospectus**”) has been prepared in connection with the offer to the public in Sweden of shares in MIPS AB (publ), reg. no. 556609-0162 (“**MIPS**” or the “**Company**”) (the “**Offer**”) and the application for admission to trading of the shares in MIPS on Nasdaq Stockholm. For definitions of certain expressions used in the Prospectus, see the sections “*Certain key definitions*” and “*Definitions*”.

The Offer and the Prospectus are governed by Swedish law. Disputes arising out of the contents of the Offer, the Prospectus and related legal matters shall be settled exclusively by Swedish courts. This is a translation of the Swedish Prospectus. In the event of any conflict between the versions, the Swedish version shall prevail. The Swedish Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) in accordance with Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980) [Sw. *lagen (1991:980) om handel med finansiella instrument*]. The approval and registration do not imply that the Swedish Financial Supervisory Authority guarantees that the information in the Prospectus is accurate or complete. This translation does not contain the section “*Terms and conditions*” [Sw. “*Villkor och anvisningar*”] which is included only in the Swedish Prospectus.

Please note that the Offer is conditional upon the Company, the Main Shareholders and the Joint Global Coordinators entering into a placing agreement, which is intended to occur on or around 22 March 2017, that certain terms in the placing agreement are fulfilled and that the placing agreement is not terminated.

In certain jurisdictions, distribution of the Prospectus and participation in the Offer under the Prospectus is subject to restrictions under law and other regulations. No actions have been taken, and will not be taken, to allow a public offering in any jurisdiction other than Sweden. The Offer is not made to persons resident in the United States, Canada, Australia, Japan or any other jurisdiction where participation would require additional prospectuses, registrations or measures beside those required by Swedish law. Consequently, the Prospectus or any other documents in respect of the Offer may not be distributed in or into the mentioned countries or any other country or jurisdiction in which distribution or the Offer in accordance with the Prospectus require such measures or otherwise would be in conflict with applicable regulations. Acquisition of shares in MIPS in violation of the restrictions described above may be void. Recipients of the Prospectus are required to inform themselves about, and comply with, such restrictions. Any failure to comply with the restrictions described may result in a violation of applicable securities regulations. Until the expiration of 40 days after the commencement of this Offer, an offer or sale of shares in MIPS within the United States by a broker/dealer (whether or not participating in this Offer) may violate the registration requirements of the Securities Act (as defined below) if such offer or sale is made otherwise than pursuant to an exemption from registration under the Securities Act.

Certain risks apply when investments in shares are made (see the section “*Risk factors*”). When an investor makes an investment decision, he or she must rely on his or her own analysis of MIPS and the Offer, including applicable facts and risks. Potential investors should, before making an investment decision, engage their own professional advisers and carefully evaluate and consider their investment decision. Investors may only rely on the information in the Prospectus and any possible supplements to the Prospectus. No person is authorised to provide any information or make any statements other than those made in the Prospectus. Should such information or statement nevertheless be provided or made, it should not be considered to have been approved by MIPS or the Joint Global Coordinators, and none of them are responsible for such information or statements. Neither the publication or distribution of the Prospectus nor any transaction made in respect of the Offer shall be deemed to imply that the information in the Prospectus is accurate or applicable at any time other than on the date of the publication of the Prospectus or that there have been no changes in MIPS’ business since this date. If significant changes in the information in the Prospectus occur, such changes will be announced in accordance with the provisions on supplements to a prospectus under the Swedish Financial Instruments Trading Act.

The shares in MIPS have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or the securities legislation of any state or other jurisdiction in the United States and may not be offered, sold or otherwise transferred, directly or indirectly, in or into the United States except in compliance with Regulation S (“**Regulation S**”) under the Securities Act or pursuant to another available exemption from, or transaction not subject to, the registration requirements under the Securities Act and in compliance with the securities legislation in the relevant state or any other jurisdiction of the United States. The shares are being offered outside the United States in compliance with Regulation S under the Securities Act. The shares in MIPS have neither been approved nor rejected by the United States Securities and Exchange Commission (SEC), any state securities authority or any other authority in the United States. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Prospectus. To assert the contrary is a criminal offence in the United States.

No public offering of shares in MIPS is made within any country within the European Economic Area (“**EEA**”) other than Sweden. In other member states of the EEA which have implemented European Parliament and Council Directive 2003/71/EC (the “**Prospectus Directive**”), such offering may be made only under the exemption in the Prospectus Directive as well as every relevant implementation measure (including measures to implement European Parliament and Council Directive 2010/73/EU).

The Prospectus is only being distributed to and is only directed at (i) persons who are outside of the United Kingdom, or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) (the “**Order**”) or (iii) high networth entities falling within Articles 49(2)(a) to (d) of the Order, and other persons to whom it may lawfully be communicated (all such persons together being referred to as “**relevant persons**”). The Prospectus is only directed at relevant persons and must not be acted or relied upon by persons who are not relevant persons. Any investments or investment activity to which the Prospectus relates is available only to relevant persons and will only be directed at relevant persons.

Forward-looking information and risk factors

The Prospectus contains forward-looking information that reflects MIPS’ present view of future events as well as financial and operational development. Words such as “intend”, “assess”, “expect”, “may”, “plan”, “believe”, “estimate” and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. Forward-looking information is not a guarantee of future results or development and actual outcomes may differ materially from the statements set forth in the forward-looking information.

Factors that may result in any difference in MIPS’ future results and development from those set forth in the forward-looking information statements include, but are not limited to, those described in the section “*Risk factors*”. Neither MIPS, the Selling Shareholders or the Joint Global Coordinators undertake to announce any update or change in the forward-looking information as a result of new information, future events or similar circumstances other than as required by applicable laws and regulation.

Stabilisation

In connection with the Offer, ABG Sundal Collier AB and Svenska Handelsbanken AB (publ) may carry out transactions in order to keep the market price on the shares in MIPS at a higher level than which might otherwise prevail in the open market. Such stabilising transactions may be carried out anytime during the period that starts on the first day of trading in the MIPS shares on Nasdaq Stockholm and be concluded at the latest 30 calendar days thereafter. However, ABG Sundal Collier AB and Svenska Handelsbanken AB (publ) have no obligation to carry out any stabilisation and there is no guarantee that any stabilisation will occur. Stabilisation, if initiated, may furthermore be discontinued at any time without prior notice.

Business and market data

The Prospectus includes industry and market data pertaining to the Company’s business and market on which the Company operates. Such information is based on the Company’s analysis of multiple sources, including industry publications and reports. Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of industry and market data contained in the Prospectus that were extracted or derived from such industry publications or reports. Business and market data are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such data is based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of services and transactions should be included in the relevant market. Information provided by third parties has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Presentation of financial information

Certain financial and other information that is presented in the Prospectus has been rounded off in order to make the information more accessible for the reader. Consequently, in certain columns the numbers do not exactly correspond to the stated total amount.

IMPORTANT INFORMATION ABOUT THE SELLING OF SHARES

Note that notifications about allotment to the public in Sweden will be made through distribution of contract notes, expected to be distributed on 23 March 2017. Institutional investors are expected to receive notification of allotment on or about 23 March 2017 in particular order, whereupon contract notes are dispatched. After payments for the allocated shares have been processed, the duly paid shares will be transferred to the securities depository account or the securities account specified by the acquirer. The time required to transfer payments and transfer duly paid shares to the acquirers of shares in the Company means that these acquirers will not have shares available in the specified securities depository account or the securities account until 27 March 2017, at the earliest. Trading in the Company’s shares on Nasdaq Stockholm is expected to commence on or around 23 March 2017. Accordingly, if shares are not available in an acquirer’s securities account or securities depository account until 27 March 2017 at the earliest, the acquirer may not be able to sell these shares on the stock exchange as from the time trading in the shares commences, but first when the shares are available in the securities account or the securities depository account.

Content

Summary	2	Corporate governance	80
Risk factors	14	Share capital and ownership structure	85
Offer to acquire shares	23	Articles of association	88
Background and reasons	24	Legal considerations and supplementary information	89
Market overview	25	Certain tax issues in Sweden	93
Business description	34	Historical financial information	96
Selected financial information	59	Auditor's report on financial statements for historical financial information	119
Operational and financial review	66	Definitions	120
Capital structure and other financial information	74	Addresses	121
Board of directors, senior executives and auditors	75		

Summary of the offer

OFFER PRICE

SEK 46 per share.

APPLICATION PERIOD FOR THE GENERAL PUBLIC

14–21 March 2017

APPLICATION PERIOD FOR INSTITUTIONAL INVESTORS

14–22 March 2017

FIRST DAY OF TRADING ON NASDAQ STOCKHOLM

23 March 2017

SETTLEMENT DATE

27 March 2017

OTHER

Ticker: MIPS
ISIN code: SE0009216278

FINANCIAL CALENDAR

Interim report for the period 1 January – 31 March 2017	11 May 2017
Interim report for the period 1 January – 30 June 2017	17 August 2017
Interim report for the period 1 January – 30 September 2017	9 November 2017
Year-end report 2017	15 February 2018

Certain key definitions

For a full list of definitions, please refer to the section "Definitions".

ABGSC

ABG Sundal Collier AB.

BTA

Bell Technology Acquisition, LLC.¹⁾

Cornerstone Investors

Swedbank Robur Fonder AB ("Swedbank Robur"), Third Swedish National Pension Fund, Handelsbanken Fonder AB ("Handelsbanken Fonder"), C WorldWide Asset Management ("C WorldWide"), Lannebo Fonder AB ("Lannebo Fonder") and LMK Venture Partners AB ("LMK Venture").

Euroclear

Euroclear Sweden AB (Box 191, SE-106 23 Stockholm, Sweden).

Handelsbanken

Depending on the context, Svenska Handelsbanken AB (publ) or Handelsbanken Capital Markets (a part of Svenska Handelsbanken AB (publ)).

Joint Global Coordinators

ABGSC and Handelsbanken.

Main Shareholders

BTA, HealthCap V L.P., KTH-Chalmers Capital KB and ALMI Invest Stockholm AB.

MIPS, the Company or the Group

MIPS AB (publ), org. nr 556609-0162, or the group in which MIPS AB (publ) is the parent company, as the context may require.

Nasdaq Stockholm

The regulated market operated by Nasdaq Stockholm Aktiebolag.

Offer

The offer to the general public in Sweden and to institutional investors in Sweden and abroad to acquire shares in MIPS.

Prospectus

This prospectus.

Selling Shareholders

The Main Shareholders and 15 additional shareholders in the Company.

¹⁾ The shares in the Company were transferred from BRG Sports, Inc. to BTA through an intra-group transfer on 28 February 2017.

Summary

This summary contains specific disclosure requirements arranged in key “elements”. The elements are numbered under the Sections A–E (A.1–E.7). This summary contains the elements required for a prospectus summary for this type of issuer and securities offer. As some elements are not required to be addressed, there may be gaps in the numbering sequence of the elements. Even though information relating to a specific element may be required to be included in the summary because of the type of security and issuer, it is possible that no relevant information is available. In such cases, the summary includes a short description of the information required, along with the specification “not applicable”.

Section A – Introduction and warnings		
A.1	<i>Introduction and warnings</i>	<ul style="list-style-type: none"> ● This summary should be read as an introduction to the Prospectus. ● Any decision to invest in the securities offered should be based on an assessment of the Prospectus in its entirety by the investor. ● Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor may, under the national legislation of the member states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. ● Civil liability can be imposed on those persons who have composed the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or if it does not provide, when read together with the other parts of the Prospectus, key information designed to aid investors when considering whether or not to invest in the securities offered.
A.2	<i>Consent and financial intermediaries</i>	Not applicable. Financial intermediaries are not entitled to use the Prospectus for subsequent resale or final placement of securities.

Section B – Issuer and any guarantor		
B.1	<i>Legal and trade name</i>	The Company’s legal and trade name is MIPS AB (publ), with reg. no. 556609-0162. The Company’s shares will be traded on Nasdaq Stockholm under the ticker MIPS.
B.2	<i>Registered office and legal form, etc.</i>	The board of directors has its registered office in Stockholm, Stockholm County, Sweden. The Company was incorporated in Sweden and is a Swedish public limited liability company governed by the Swedish Companies Act (2005:551).
B.3	<i>Nature of the operations and principal activities</i>	<p>MIPS is a Swedish company which specialises in helmet safety and brain protection. MIPS offers its MIPS Brain Protection System (BPS), which is based on patent protected solutions, marketed under the ingredient brand MIPS on the global market for helmet solutions protecting against rotational motion transferred to the brain from angled impacts to the head (hereinafter referred to as “rotational motion”). MIPS considers itself to be a leader in this market.</p> <p>The MIPS BPS is designed to add protection in helmets against rotational motion. The main component of the MIPS BPS is the MIPS low friction layer, which enables a relative movement between the head and the helmet, mimicking the brain’s own protection system. MIPS’ technology platform is based on more than 20 years of research and development in collaboration with the Royal Institute of Technology (KTH) and the Karolinska Institute.</p> <p>The MIPS BPS is easily implemented into new and existing helmet models, without affecting existing safety properties or design. Adopting the Company’s technology and the ingredient brand MIPS enables helmet brands to offer value-added, differentiated products with premium pricing. Helmets with the MIPS BPS have to the date of the Prospectus been sold within the helmet categories bicycle, snow, moto and equestrian. The Company estimates the combined annual volume of the consumer and professional helmet markets to exceed 70 million helmets.</p>

B.3	<i>Nature of the operations and principal activities, cont.</i>	During 2016, 45 helmet brands purchased the MIPS BPS, including brands such as Bell, Fox Head, Giro, Scott, Smith and Trek, to 212 helmet models. Between 2011–2016, MIPS delivered more than three million MIPS BPS units, mainly within the helmet categories bicycle and snow.
B.4a	<i>Trends</i>	<p>The demand for MIPS' product offering is affected by several factors and trends in the Company's end-markets. It is MIPS opinion that a growing sport and outdoor trend, together with sport practitioners becoming more passionate, is likely to increase the demand for mid- to high-end sport and outdoor products and shorten replacement cycles. The Company believes that this should contribute to the long-term growth in the demand for helmets and for MIPS' product offering.</p> <p>Other factors and trends that MIPS believes will contribute to the demand for the Company's solutions include increased safety awareness and increased cultural acceptance of helmet usage in general, increased safety awareness among professionals, and an overall growing awareness of the importance of protection against rotational motion.</p>
B.5	<i>Description of the Group</i>	MIPS AB (publ) is the parent company of the Group which, in addition to MIPS AB (publ), comprises the wholly-owned subsidiaries M-PS Helmet AB and, since 2017, MIPS Dong-guan Trading Co. Ltd.
B.6	<i>Major share-holders, control over the Company and notifiable individuals</i>	<p>The Company currently has 44 shareholders, of which BTA, HealthCap V L.P. and KTH-Chalmers Capital KB are the major shareholders representing approximately 49.0, 18.6 and 6.7 per cent of the shares and votes in the Company, respectively.</p> <p>Following completion of the Offer, assuming that the Offer is fully subscribed and that the over-allotment option is fully exercised, BTA, HealthCap V L.P. and KTH-Chalmers Capital KB will hold 16.5, 8.5 and 2.3 per cent of the shares and votes in the Company, respectively.</p>

B.7 *Selected financial information in summary*

In the following tables, selected consolidated financial information for the financial years 2014–2016 is presented. The selected financial information for the financial years 2014–2016 has been derived from MIPS' consolidated financial statements prepared according to International Financial Reporting Standards ("IFRS") as adopted by the EU. The consolidated financial statements for the financial years 2014–2016 have been audited by MIPS' auditors as set out in the report included in the Prospectus.

The Prospectus contains certain financial and operational measures that are non-IFRS measures. The alternative measures presented complements the IFRS-defined measures and are used by the Company's management to monitor and manage the operation. The non-IFRS measures have not been audited unless otherwise stated and are not to be considered independently or to replace IFRS measures.

CONSOLIDATED INCOME STATEMENT

TSEK	Audited		
	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Net sales	86,629	49,558	14,765
Cost of goods sold	-24,902	-15,044	-7,340
Gross profit	61,727	34,514	7,425
Selling expenses	-16,608	-10,901	-8,652
Administrative expenses	-24,118	-17,957	-10,034
Research and development expenses	-4,607	-3,145	-2,975
Other operating income	2,003	363	993
Other operating expenses	-21	-	-
Operating profit/loss	18,376	2,875	-13,243
Financial income	419	94	204
Financial expenses	-9	-23	-87
Net financial items	410	71	117
Profit/loss before tax	18,787	2,945	-13,127
Income tax	-4,484	15,835	-2
Net profit/loss for the year	14,303	18,780	-13,129

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	Audited		
	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Net profit/loss for the year	14,303	18,780	-13,129
Other comprehensive income for the year	-	-	-
Comprehensive income for the year	14,303	18,780	-13,129

B.7

Selected financial information in summary, cont.

CONSOLIDATED BALANCE SHEET

TSEK	Audited		
	31 Dec 2016	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Intangible assets	3,677	2,354	1,456
Tangible assets	2,509	1,432	846
Deferred tax assets	11,412	15,848	–
Financial assets	563	–	–
Total non-current assets	18,160	19,635	2,302
Current assets			
Inventories	675	792	575
Accounts receivable	21,356	15,876	7,690
Prepaid expenses and accrued income	3,737	990	332
Other receivables	2,963	1,335	547
Current investments	–	7,000	7,000
Cash and cash equivalents	28,507	8,717	7,970
Total current assets	57,237	34,710	24,115
TOTAL ASSETS	75,397	54,345	26,417
EQUITY AND LIABILITIES			
Equity			
Share capital	2,204	1,912	1,912
Other paid-in capital	96,513	96,513	96,513
Retained earnings incl. net profit for the year	–41,390	–56,874	–80,076
Total equity attributable to owners of the parent company	57,327	41,551	18,349
Non-current liabilities			
Non-current interest-bearing liabilities	–	55	147
Deferred tax liabilities	87	40	26
Provisions	–	–	1,595
Total non-current liabilities	87	95	1,768
Current liabilities			
Current interest-bearing liabilities	55	92	527
Accounts payable	8,857	3,086	1,791
Other liabilities	634	544	350
Accrued expenses and deferred income	8,438	3,699	3,631
Provisions	–	5,278	–
Total current liabilities	17,983	12,699	6,300
TOTAL EQUITY AND LIABILITIES	75,397	54,345	26,417

B.7	Selected financial information in summary, cont.	CONSOLIDATED STATEMENT OF CASH FLOWS			
		TSEK	Jan-Dec 2016	Audited Jan-Dec 2015	Jan-Dec 2014
		<i>Operating activities</i>			
		Profit/loss before tax	18,787	2,945	-13,127
		Adjustment for non-cash items	-3,681	8,413	3,124
		Income tax paid	-	-	-
		Cash flow from operating activities before changes in working capital	15,105	11,358	-10,003
		<i>Cash flow from changes in working capital</i>			
		Increase (-)/decrease (+) in inventories	117	-217	-380
		Increase (-)/decrease (+) in operating receivables	-9,855	-9,632	-5,566
		Increase (+)/decrease (-) in operating liabilities	10,601	1,557	2,863
		Change in working capital	864	-8,293	-3,083
		Cash flow from operating activities	15,969	3,065	-13,086
		<i>Investing activities</i>			
		Acquisition of intangible assets	-1,421	-986	-265
		Acquisition of tangible assets	-1,801	-890	-661
		Acquisition of financial assets	-563	-	-
		Divestment of financial assets	-	-	53
		Cash flow from investing activities	-3,784	-1,876	-873
		<i>Financing activities</i>			
		New share issue	292	-	26,997
		Amortisation of borrowings	-	-450	-900
		Amortisation of lease liabilities	-92	-87	-42
		Cash flow from financing activities	200	-537	26,055
		Cash flow for the year	12,385	652	12,096
		Cash and cash equivalents at the beginning of year	15,717	14,970	2,684
		Exchange rate difference, cash and cash equivalents	406	94	191
		Cash and cash equivalents at year-end	28,507	15,717	14,970

B.7

Selected financial information in summary, cont.

KEY FIGURES AND DATA PER SHARE

IFRS measures

Audited information for the financial years 2014–2016.

TSEK unless otherwise stated	Audited		
	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Net sales	86,629	49,558	14,765
Average number of shares ¹⁾	21,478,586	19,119,000	17,694,750
Earnings per share, basic (SEK) ¹⁾	0.67	0.98	-0.74
Earnings per share, diluted (SEK) ¹⁾	0.65	0.89	-0.74

Non-IFRS measures

TSEK unless otherwise stated	Unaudited ²⁾		
	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Gross profit ³⁾	61,727	34,514	7,425
Gross margin (%)	71.3	69.6	50.3
Operating profit ³⁾	18,376	2,875	-13,243
Operating margin (%)	21.2	5.8	neg.
Adjusted operating profit ⁴⁾	24,223	2,875	-13,243
Adjusted operating margin (%) ⁴⁾	28.0	5.8	neg.
Average adjusted working capital ⁵⁾	8,520	4,789	1,788
Dividend per share (SEK)	-	-	-
Equity ratio (%)	76	76	69
Cash flow from operating activities ³⁾	15,969	3,065	-13,086
Average number of employees ³⁾	17	13	8

1) Adjusted for a share split 1,000:1 resolved after 31 december 2016.

2) The non-IFRS measures have not been audited unless otherwise stated.

3) Audited information.

4) Adjusted for items affecting comparability regarding costs related to preparations for the listing of the Company's shares on Nasdaq Stockholm.

5) Includes current provisions related to the Company's share option program during Q4 2015 and Q1 2016.

Use of non-IFRS measures

In the Prospectus, MIPS has included certain non-IFRS measures that are not required by, or presented in accordance with, IFRS. Non-IFRS measures are presented because they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of MIPS' operating result as reported under IFRS. Non-IFRS measures are not considered as measurements of performance or liquidity under IFRS. Accordingly, they should neither be considered as alternatives to any other performance measures derived in accordance with IFRS, nor as any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

B.7	Selected financial information in summary, cont.	<p>DEFINITIONS OF NON-IFRS PERFORMANCE MEASURES</p> <table> <tr> <th data-bbox="475 465 746 528">Non-IFRS performance measure</th><th data-bbox="756 465 1038 528">Definition</th><th data-bbox="1048 465 1434 528">Reason for use of the measure</th></tr> <tr> <td data-bbox="475 542 746 573">Gross profit</td><td data-bbox="756 542 1038 595">Net sales less cost of goods sold.</td><td data-bbox="1048 542 1434 640">Gross profit is the profit measure used by the senior management to monitor the profitability directly related to net sales.</td></tr> <tr> <td data-bbox="475 654 746 685">Gross margin (%)</td><td data-bbox="756 654 1038 707">Gross profit as a percentage of net sales during the period.</td><td data-bbox="1048 654 1434 775">The measure is a material complement to the gross profit which only states the change in absolute numbers, and provides an understanding of the value creation over time.</td></tr> <tr> <td data-bbox="475 788 746 819">Operating profit</td><td data-bbox="756 788 1038 842">Profit before financial items and taxes.</td><td data-bbox="1048 788 1434 864">The measure is used to measure the profit generated by the operating activities.</td></tr> <tr> <td data-bbox="475 878 746 909">Operating margin (%)</td><td data-bbox="756 878 1038 954">Operating profit as a percentage of net sales during the period.</td><td data-bbox="1048 878 1434 976">The measure is used to measure the level of profitability of the operating activities and provides an understanding of the value creation over time.</td></tr> <tr> <td data-bbox="475 990 746 1021">Adjusted operating profit</td><td data-bbox="756 990 1038 1043">Operating profit excluding items affecting comparability.</td><td data-bbox="1048 990 1434 1088">The measure is used by MIPS to provide increased comparability over accounting periods and to show a result of the operating activities.</td></tr> <tr> <td data-bbox="475 1102 746 1178">Adjusted operating margin (%)</td><td data-bbox="756 1102 1038 1200">Adjusted operating profit as a percentage of net sales during the period.</td><td data-bbox="1048 1102 1434 1178">See explanation under the description for "Adjusted operating profit".</td></tr> <tr> <td data-bbox="475 1191 746 1223">Average working capital</td><td data-bbox="756 1191 1038 1447">Corresponds to inventories, current tax receivable, accounts receivable, prepaid expenses, accrued income and other receivables less accounts payable, current tax debts, other current payables, current interest-bearing lease liabilities, accrued expenses and deferred income.</td><td data-bbox="1048 1191 1434 1335">The measure is used to describe the amount of capital employed in the operating activities. The calculation is made by dividing opening balance with closing balance for the period by two.</td></tr> <tr> <td data-bbox="475 1460 746 1514">Average adjusted working capital</td><td data-bbox="756 1460 1038 1805">Corresponds to inventories, current tax receivable, accounts receivable, prepaid expenses, accrued income and other receivables less accounts payable, current tax debts, other current payables, current interest-bearing lease liabilities, accrued expenses and deferred income as well as current provisions (related to social security contributions for the share option program).</td><td data-bbox="1048 1460 1434 1603">The reason for using this measure is the same as in average working capital. However, the measure also includes the impact of current provisions related to social security contributions for the share option program.</td></tr> <tr> <td data-bbox="475 1818 746 1850">Dividend per share (SEK)</td><td data-bbox="756 1818 1038 1850">Dividend per share in SEK.</td><td data-bbox="1048 1818 1434 1917">The measure states dividend per share. If the number of shares has changed during the financial period, a recalculation is made to maintain comparability.</td></tr> <tr> <td data-bbox="475 1930 746 1962">Equity ratio (%)</td><td data-bbox="756 1930 1038 1984">Equity in relation to total assets.</td><td data-bbox="1048 1930 1434 2051">The measure states the proportion of total assets composed by equity and contributes to the increased understanding of the Company's capital structure.</td></tr> </table>	Non-IFRS performance measure	Definition	Reason for use of the measure	Gross profit	Net sales less cost of goods sold.	Gross profit is the profit measure used by the 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 numbers, and provides an understanding of the value creation over time.	Operating profit	Profit before financial items and taxes.	The measure is used to measure the profit generated by the operating activities.	Operating margin (%)	Operating profit as a percentage of net sales during the period.	The measure is used to measure the level of profitability of the operating activities and provides an understanding of the value creation over time.	Adjusted operating profit	Operating profit excluding items affecting comparability.	The measure is used by MIPS to provide increased comparability over accounting periods and to show a result of the 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 receivable, accounts receivable, prepaid expenses, accrued income and other receivables less accounts payable, current tax debts, other current payables, 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 opening balance with closing balance for the period by two.	Average adjusted working capital	Corresponds to inventories, current tax receivable, accounts receivable, prepaid expenses, accrued income and other receivables less accounts payable, current tax debts, other current payables, current interest-bearing lease liabilities, accrued expenses and deferred income as well as current provisions (related to social security contributions for the share option program).	The reason for using this measure is the same as in average working capital. However, the measure also includes the impact of current provisions related to social security contributions for the share option program.	Dividend per share (SEK)	Dividend per share in SEK.	The measure states dividend per share. If the number of shares has changed during the financial period, a recalculation is made to maintain comparability.	Equity ratio (%)	Equity in relation to total assets.	The measure states the proportion of total assets composed by equity and contributes to the increased understanding of the Company's capital structure.
Non-IFRS performance measure	Definition	Reason for use of the measure																																	
Gross profit	Net sales less cost of goods sold.	Gross profit is the profit measure used by the 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 numbers, and provides an understanding of the value creation over time.																																	
Operating profit	Profit before financial items and taxes.	The measure is used to measure the profit generated by the operating activities.																																	
Operating margin (%)	Operating profit as a percentage of net sales during the period.	The measure is used to measure the level of profitability of the operating activities and provides an understanding of the value creation over time.																																	
Adjusted operating profit	Operating profit excluding items affecting comparability.	The measure is used by MIPS to provide increased comparability over accounting periods and to show a result of the 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 receivable, accounts receivable, prepaid expenses, accrued income and other receivables less accounts payable, current tax debts, other current payables, 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 opening balance with closing balance for the period by two.																																	
Average adjusted working capital	Corresponds to inventories, current tax receivable, accounts receivable, prepaid expenses, accrued income and other receivables less accounts payable, current tax debts, other current payables, current interest-bearing lease liabilities, accrued expenses and deferred income as well as current provisions (related to social security contributions for the share option program).	The reason for using this measure is the same as in average working capital. However, the measure also includes the impact of current provisions related to social security contributions for the share option program.																																	
Dividend per share (SEK)	Dividend per share in SEK.	The measure states dividend per share. If the number of shares has changed during the financial period, a recalculation is made to maintain comparability.																																	
Equity ratio (%)	Equity in relation to total assets.	The measure states the proportion of total assets composed by equity and contributes to the increased understanding of the Company's capital structure.																																	

B.7	<i>Selected financial information in summary, cont.</i>	Cash flow from operating activities	The cash flow from the operating activities.	The cash flow measure is used by senior management to monitor the cash flow generated by the operating activities.
		CAGR	CAGR is an abbreviation for Compound Annual Growth Rate, which is the average annual growth rate over a certain period.	The measure is relevant as it provides a picture of the Company's sustainable growth rate since individual periods may vary materially in relation to the Company's sustainable growth rate. The calculation is made by dividing the value at the end of the period in question by the value at the beginning of that period, raise the fraction to the power of one divided by the period length, and subtract one from the subsequent power.
		Average number of employees	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.
		Material changes after 31 December 2016 On 1 February 2017, an extraordinary general meeting was held in the Company. The meeting resolved, among other things, to: <ul style="list-style-type: none"> ● Change the articles of association so that there is only one class of shares. Each share was divided into 1,000 new shares and the share capital shall amount to a minimum of SEK 2,000,000 and maximum of SEK 8,000,000. ● Change the Company from a private limited liability company to a public limited liability company. ● Authorise the board of directors to issue new shares in connection with the Offer. ● Implement two different incentive programs based on newly issued warrants, one to the management and key employees and one to the board of directors. The offer to participate in the incentive program is conditional upon a listing on Nasdaq Stockholm. On 3 February 2017, MIPS announced that Troy Lee Designs, a helmet manufacturer selling and manufacturing helmets for bicycling as well as motocross, had resolved that MIPS' products over time were to be implemented in their entire product range. Upon request from the former owners of preference shares of series A, the Company resolved to convert all preference shares of series A in the Company into ordinary shares (1:1). This conversion was registered with the Swedish Companies Registration Office on 10 February 2017. On 9 March 2017, the 2017 annual general meeting was held in the Company. The meeting resolved, among other things, to re-elect all directors for the period until the end of the annual general meeting that will be held in 2018.		
B.8	<i>Selected pro forma financial information</i>	Not applicable. The Prospectus does not contain any pro forma financial information.		
B.9	<i>Earnings forecast</i>	Not applicable. The Prospectus does not contain any profit/loss forecast or calculation of expected earnings.		
B.10	<i>Audit remarks</i>	Not applicable. There are no remarks in the audit reports.		
B.11	<i>Insufficient net working capital</i>	In the opinion of the board of directors of MIPS, the Group's net working capital is sufficient to meet the Group's current needs for the next twelve month period.		

Section C – Securities		
C.1	<i>Securities offered</i>	Shares in MIPS AB (publ), reg. no. 556609-0162. ISIN number SE0009216278.
C.2	<i>Denomination</i>	The shares are denominated in SEK.
C.3	<i>Total number of shares</i>	<p>As per the date of the Prospectus, there are a total of 22,039,000 shares in the Company. The share capital amounts to SEK 2,203,900. The quota value of each share is SEK 0.1. All shares have been fully paid.</p> <p>The Offer comprises 3,260,870 newly issued shares. Following completion of the Offer, assuming that the Offer is fully subscribed, the total number of shares and votes in the Company will amount to 25,299,870.</p>
C.4	<i>Rights attached to the securities</i>	Each share in the Company entitles the holder to one vote at shareholders' meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company. All shares in the Company carry equal rights to dividends and the Company's assets and potential surpluses in the event of liquidation. Shareholders who on the record date, which is determined by the shareholders' meeting, are registered in the share register, maintained by Euroclear, are entitled to dividends.
C.5	<i>Restrictions on the free transferability</i>	With the exception of the undertaking not to sell shares in the Company under a certain period following commencement of trading on Nasdaq Stockholm by the Selling Shareholders, certain shareholding board members and senior executives, the shares are not subject to any restrictions on the right to be transferred.
C.6	<i>Admission to trading</i>	On 1 March 2017, Nasdaq Stockholm's Listing Committee resolved to admit the Company's shares to trading on Nasdaq Stockholm subject to certain customary conditions, such as that the dispersion requirement in respect of the Company's shares is met no later than on the first day of trading. Trading in the Company's shares is expected to commence on 23 March 2017.
C.7	<i>Dividend policy</i>	The target is to distribute approximately 50 per cent 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.

Section D – Risks		
D.1	<i>Main risks related to the issuer or its industry</i>	<p>An investor should carefully consider the risk factors described in the Prospectus before making a decision to invest in MIPS. There are a number of factors that affect, or could affect, MIPS and which may cause the price of the Company's shares to fall significantly and investors may lose all or part of their investment. The main risks, which could have a material adverse effect on MIPS' operations, earnings and/or financial position, relating to MIPS' operations and the industry, include:</p> <ul style="list-style-type: none"> ● the risk that awareness of the effects of rotational motion will not increase, that end-users may not appreciate the benefits of MIPS' solutions or may prefer to use other technologies or products which they consider more suitable and that MIPS, as a result, will fail to implement its strategy to continue its expansion and increase volumes, which could have an adverse impact on the Company's operations, earnings and/or financial position; ● the risk that end-users become less willing or unable to engage in and/or spend money on outdoor activities which would have a negative effect on the end-market demand for MIPS' solutions, which could have an adverse impact on the Company's operations, earnings and/or financial position; ● the risk that MIPS, as a result of its way of operating as an ingredient brand, does not reach the end-users due to amongst other things less fruitful or deteriorated relationships with its customers, which could adversely affect MIPS' operations, earnings and/or financial position; ● the risk that a loss of one or more key customers, or that a key customer significantly decreases its business with MIPS, could result in a material decrease in the Company's sales and net profit, which could have an adverse impact on the Company's operations, earnings and/or financial position; ● the risk that MIPS' and its customers' operations in China are adversely affected by local conditions such as legal and regulatory changes, the costs and burden of compliance with local laws and standards, difficulties of upholding and protecting intellectual property rights, know-how and business secrets, work stoppages, labour strikes and other factors related to working conditions, political unrest and economic instability etc., which could render the conduct of MIPS' business in China undesirable or impractical and/or adversely impact MIPS and its brand recognition, which could have an adverse impact on the Company's operations, earnings and/or financial position; ● the risk of public criticism against or tests seemingly invalidating MIPS' solutions or damage to MIPS' reputation or general corporate profile, resulting in the Company losing business and growth opportunities, which could adversely affect the Company's operations, earnings and/or financial position; ● the risk that the steps taken by MIPS to protect the Company's intellectual property and products are not sufficient and/or that measures for preserving the confidentiality of trade secrets and confidential information are insufficient to prevent others from obtaining such information, which could have an adverse impact on the Company's operations, earnings and/or financial position; ● the risk that MIPS' counterparties cannot fulfil their financial obligations towards the Company or fulfil their financial obligations with a significant delay, with the effect that MIPS does not receive payment or receives delayed payment for the products which the Company has delivered to its customers, which could have an adverse impact on the Company's operations, earnings and/or financial position; and

D.1	<i>Main risks related to the issuer or its industry, cont.</i>	<ul style="list-style-type: none"> the risk of exchange rates fluctuations in the Company's accounting currency, which is SEK, and foreign currencies used in transactions with suppliers and customers outside Sweden (primarily USD), negatively affecting the Company's income statement, balance sheet and cash flow, as well as the Company's competitiveness or customer demand, which could lead to a reduction in MIPS' market shares and adversely impact MIPS' operations, earnings and/or financial position.
D.3	<i>Main risks related to the securities</i>	<p>Main risks relating to the Offer and MIPS' shares include:</p> <ul style="list-style-type: none"> the risk of the stock market experiencing significant fluctuations regarding prices and volumes which need not be related to the Company's operations and the risk of an active and liquid market not developing for the MIPS share; the risk that BTA's interests, following the Offer, may differ from, or compete with, MIPS' and/or other shareholders' interests; and the risk that future sales of large shareholdings and new share issues, as well as a general market expectation that such sales or issues will be made, or a sale of large quantities of shares by shareholders comprised by lock-up agreements when the lock-up period expires, these risks may affect MIPS' share price negatively and dilute shareholding.

Section E – The Offer

E.1	<i>Issue amount and expenses</i>	<p>The gross issue proceeds from the Offer will amount to approximately SEK 150 million, provided that the Offer is fully subscribed.</p> <p>The Company's costs associated with the Offer and the listing on Nasdaq Stockholm are expected to amount to approximately SEK 22-24 million. In addition to the fees to the Joint Global Coordinators, these costs primarily consist of costs for auditors, legal advice and printing and distribution of the Prospectus.</p>
E.2a	<i>Reasons and use of the issue proceeds</i>	<p>The board of directors of MIPS believes that now is the optimal time to strengthen MIPS' market position and profile through a listing of the Company's shares on Nasdaq Stockholm. A listing on Nasdaq Stockholm will further increase the recognition and awareness of not only the Company, but its operations and its brands. MIPS' management also believes that a listing will strengthen the Company's ability to attract customers and helmet brands, end-users and investors.</p> <p>MIPS seeks to raise about SEK 150 million in primary gross proceeds as part of the Offer. MIPS believes this will provide a strong financial position that will ensure that the Company has the flexibility to continue to invest in marketing, research and development as well as to, if and when deemed of benefit to the overall business, acquire complementary technologies and intellectual property.</p> <p>The Offer will broaden MIPS' ownership and give MIPS access to the Swedish and international capital markets. A listing on Nasdaq Stockholm also provides additional evidence of the Company's operational standards and integrity, which is deemed positive for current and future business relations.</p>
E.3	<i>Terms and conditions of the Offer</i>	Not applicable. ¹⁾

1) The section "Terms and conditions" [Sw. "Villkor och anvisningar"] is included only in the Swedish Prospectus.

E.4	<i>Interests material to the Offer</i>	<p>The Joint Global Coordinators provide financial advisory to the Company and the Main Shareholders in connection with the Offer and admission of MIPS's shares to trading on Nasdaq Stockholm. The total compensation received by the Joint Global Coordinators is dependent on the success of the Offer. The Joint Global Coordinators (as well as companies to which they are related) have provided, and may in the future provide, services within the scope of ordinary operations and in connection with other transactions to MIPS, for which they have received, or may receive, compensation.</p> <p>The board member Terrance G. Lee is the executive chairman of BTA. Furthermore, the board member Jacob Gunterberg holds a minor economic interest in HealthCap V GP SA, the latter acting as general partner of one of the major shareholders HealthCap V L.P.</p>
E.5	<i>Selling share-holders and lock-up agreements</i>	<p>The Selling Shareholders will, with certain exceptions, undertake not to without the Joint Global Coordinators' consent sell or otherwise dispose of their respective shareholdings for 180 days following commencement of trading on Nasdaq Stockholm. These exceptions concern the transfer to certain persons and entities, which have entered into similar lock-up agreements as the Selling Shareholder, transfer due to a public takeover offer directed to all or almost all shareholders in the Company, transfer as a result of repurchase of own shares or similar procedures, transfer that occurs with preferential rights for the Company's shareholders, transfers due to legal requirements and transfer of shares, which the Selling Shareholder has acquired after the first day of trade in the Company's shares on Nasdaq Stockholm. The Company's shareholding senior executives and board members will enter into similar undertakings for a period of 365 days following commencement of trading in the Company's shares on Nasdaq Stockholm.</p>
E.6	<i>Dilution effect</i>	<p>Assuming full subscription the Offer will result in an increase in the number of shares in the Company of 3,260,870 shares, corresponding to a dilution of approximately 13 per cent.</p>
E.7	<i>Expenses charged to investors</i>	<p>Not applicable. Brokerage commission will not be charged.</p>

Risk factors

A number of factors could affect MIPS' operations. There are risks involving circumstances pertaining to MIPS and risks that have no specific connection with MIPS, but that impact the industry served by MIPS. It is therefore important to carefully analyse the risk factors that are considered to be material for the future performance of the Company and its shares. A description of the material risk factors to which MIPS is exposed is provided in this section, in no particular order. The following description below does not claim to be exhaustive and it is not possible to foresee and in detail describe all potential risk factors. In addition to this section, readers should also take into consideration the other information contained in the Prospectus in its entirety. The risks and uncertainties presented in this section could, individually or collectively, have a material adverse effect on MIPS' operations, earnings and/or financial position. They could also result in a decrease in the value of MIPS' shares, which could lead to MIPS' shareholders losing all or part of their invested capital. Additional factors of which MIPS is currently unaware, or which the Company currently deems immaterial, could also have corresponding negative effects.

RISKS RELATED TO THE INDUSTRY AND COMPANY

MIPS' future growth depends on market acceptance and awareness of the effects of rotational motion in general and MIPS Brain Protection System (BPS) in particular. MIPS has developed a technology which is designed to improve helmet safety by reducing rotational motion transferred to the brain from angled impacts to the head (referred to below as "rotational motion"). Since technologies designed to offer such protection only recently have been made available to helmet brands, and thus to consumers, the market is relatively new. It is therefore difficult to predict to what extent end-users and helmet brands will acknowledge and adopt the MIPS BPS. This is particularly true for helmet categories in which MIPS currently has no or low penetration such as certain consumer helmet categories (moto, team sports and equestrian) and professional helmet categories (military, law enforcement, and search and rescue). MIPS' business strategy involves further expansion into such categories. There is a risk that awareness of the effects of rotational motion will not increase, that helmet brands and end-users may not appreciate the benefits of MIPS BPS or may prefer to use other technologies or products which they consider more suitable and that MIPS will as a result fail to implement its strategy to continue its expansion and increase its sales. This could have an adverse impact on the Company's operations, earnings and/or financial position.

MIPS BPS may face intense competition and MIPS may not be able to compete successfully

Competition in the market for helmet solutions addressing rotational motion may increase as a consequence of increased awareness and growing demand for rotational

motion protection features in helmets. There is a risk that competitors will become better and/or faster than MIPS at creating and/or incorporating new helmet technologies to protect the brain from rotational motion. If these competitors were to be ingredient brands like MIPS, they could potentially reach out to MIPS' entire customer base and pose a threat to MIPS' market position. Competitors may use other parameters, test methods or measurements than MIPS to prove the benefits of alternative products or solutions. They could also develop alternative technologies that receive wider recognition than MIPS' solutions. Furthermore, competitors may benefit from large, well-established and well-financed organisations with larger selling and marketing resources than MIPS. Increased competition may force MIPS to reduce its prices to customers, which would cause MIPS' gross margin to decline if MIPS would not be able to offset price reductions with comparable reductions in the cost of goods sold. If the gross margin declines, MIPS' profitability could decline and operational losses could be incurred, which MIPS could be unable to fund or sustain for extended periods of time. This could have an adverse impact on the Company's operations, earnings and/or financial position.

The demand for MIPS' products is dependent on general economic conditions

Turmoil and other economic conditions in the financial markets could adversely affect economic activity in the regions in which helmets with the MIPS BPS are sold. Helmets equipped with the MIPS BPS are discretionary items and there is a risk that the purchase of these items may be deferred by end-users should their financial wherewithal not justify such purchases or end-users may elect to purchase cheaper helmets without the MIPS BPS.

The demand for MIPS' solutions could be affected by, among other things, general macroeconomic trends, including recession, inflation, deflation, general weakness in retail markets, and changes in end-users' purchasing power. Uncertainty about global economic conditions could pose a risk as some end-users and businesses could decrease or postpone spending in response to tighter credit, negative financial news and/or declines in income or asset values, which could have a material negative effect on the demand for the Company's solutions which in turn could have an adverse impact on the Company's operations, earnings and/or financial position.

End-users may become less willing or unable to engage in and/or spend money on outdoor activities

Historically, a large part of MIPS' sales has been related to the consumer helmet market, particularly in the bicycle and snow helmet categories. Other types of helmets assignable to outdoor activities are also offered with the MIPS BPS, such as helmets for equestrian, moto and team sports. If the number of practitioners of these activities should stop growing, or decrease, it could have an adverse impact on the end-market demand for a significant part of MIPS' solutions. A number of factors may cause interest in, and spending on, outdoor activities to be reduced, such as if these activities were to become more expensive or difficult to take part in or be considered to be dangerous or unhealthy. If end-users become less willing or unable to engage in and/or spend money on outdoor activities, this could have an adverse impact on the Company's operations, earnings and/or financial position.

As an ingredient brand, MIPS is dependent upon its customers to reach end-users

MIPS operates as an ingredient brand, selling and licensing its technology to helmet brands across different helmet categories as opposed to marketing own helmets. This model of operation entails that MIPS does not approach end-users directly with its products and MIPS therefore relies on its customers' market positions to reach end-markets. When used in the Prospectus, the term "customers" refers to the legal entity or the company group which owns the relevant helmet brand(s). MIPS does not have full control of the communication with end-users and the penetration of end-markets will therefore be partly dependent on the actions taken by MIPS' customers and their helmet brands. MIPS' customers may have incentives to promote other helmets than those which are equipped with the MIPS BPS. Such priorities would reduce MIPS' ability to sell its solutions. MIPS' R&D is partly tailored to

the needs of its customers and the ability of MIPS to stay at the forefront of technological development thus requires that its customers are able to predict future end-users' preferences. If customer relationships were to deteriorate or become less fruitful for MIPS, this could adversely affect MIPS' operations, earnings and/or financial position.

The loss of one key customer or more, or if such a customer significantly decreases its business with the Company, could result in a material loss of net sales and consequently reduce MIPS' profitability

A large portion of the Company's net sales is currently derived from a limited number of customers. The Company's top five customers accounted for 64 per cent of the net sales in 2016 and the top two customers accounted for 46 per cent of the net sales during the same period. MIPS' customers do not have any contractual obligations to place purchase orders for certain volumes in the future. The Company faces the risk that one or more of these key customers may significantly decrease their business with the Company, may negotiate lower prices or may terminate their relationship with MIPS altogether. The Company may lack the ability to replace lost business or profits from its key customers with business from other customers. The failure to maintain or increase the Company's sales to key customers could have a negative impact on MIPS' growth prospects and any decrease or loss of these key customers' business could result in a material decrease in the Company's sales and net profit. Adverse conditions in industries where MIPS' products are sold (for instance the sporting goods retail industry and professional goods industry) can adversely impact the ability of customers to purchase MIPS' solutions. If a key customer terminates its relationship or significantly decreases its business with MIPS this could have an adverse impact on the Company's operations, earnings and/or financial position.

Increases in the prices of plastics and the cost of labour may increase MIPS' cost of goods sold

MIPS is exposed to fluctuation in the market price of certain commodities, particularly plastics (for example due to increase in oil prices) which are used to produce its low friction layer and certain components. Any increase in the prices for plastics may increase MIPS' cost of manufacturing its products (that is its cost of goods sold). This could in turn negatively affect MIPS' gross profit margin and its competitiveness. In addition, an increase in the labour cost in China (see further under the heading "*The Company's and its customers' outsourced production in China exposes MIPS to additional risks*") may also increase MIPS' cost of

goods sold. MIPS may not be able to compensate for increased production costs through timely price increases. These factors could adversely affect MIPS' operations, earnings and/or financial position.

The Company's and its customers' outsourced production in China exposes MIPS to additional risks

The outsourced production of MIPS' low friction layer and other components is concentrated to mainland China (Canton and Zhejiang provinces). A substantial part of the production takes place in factories in which MIPS' customers produce helmets. MIPS and many of its customers are, as a result, exposed to business conditions in China, which they may not be able to predict or control. MIPS is engaged in a process to establish local presence in China through a wholly foreign-owned enterprise ("WFOE"). MIPS WFOE will operate as a wholly-owned legal entity and will therefore be subject directly to the Chinese legal and regulatory regime. Factors which could affect MIPS' and its customers' operations in China are for instance legal and regulatory changes, the costs and burden of compliance with local laws and standards, difficulties of upholding and protecting intellectual property rights, know-how and business secrets, work stoppages, labour strikes and other factors related to working conditions, as well as political unrest and economic instability, fluctuation of exchange rates, repatriation of any earnings to Sweden and corruption risks. These factors may render the conduct of MIPS' business in China undesirable or impractical and could reduce MIPS' ability to source its products in time at a reasonable price. If MIPS needs to restructure the manufacturing set-up of its products it may cause transitional problems and require further quality control measures etc.

During visits at the production facilities, MIPS representatives may fail to discover for example deficiencies in the production procedures, quality standards or poor working conditions, which could adversely impact MIPS and its brand recognition in the view of its customers and end-users. If any of these risks would materialise, it could have an adverse impact on the Company's operations, earnings and/or financial position.

An inability to recruit and retain qualified staff and senior executives could have an adverse impact on the Company's operations

The Company and its operations are dependent on certain key personnel, including senior executives and employees with experience and competencies in areas such as R&D and production, as well as know-how related to trading

practices in China. MIPS' solutions are complex and these key employees have generally built up knowledge of rotational motion protection (including testing know-how) through their research and experience as well as relationships with decision-makers, persons employed by customers and other actors in the industry. This group of key employees is important to the successful development of the Company's operations and if the Company fails to recruit and/or retain such personnel, it could have an adverse impact on the Company's operations, earnings and/or financial position.

Public criticism against, or tests invalidating, MIPS' solutions may result in the Company losing business

As with innovations in general, MIPS' solutions may be contested, criticised and questioned. There may be other tests or other research that suggest that other technologies achieve better results than MIPS' solutions or that MIPS' solutions are for other reasons not relevant. If MIPS' solutions are publicly criticised, contested, questioned or invalidated, this may, regardless of the merits of such claims or MIPS' response thereto, lead to negative reactions from MIPS' customers and end-users which could negatively impact MIPS' business prospects. There are also other circumstances that may adversely affect MIPS' brand recognition. Such circumstances include criticism against the materials used in the products (for instance discussions regarding Bisphenol A (BPA)) and unsuccessful communication activities, for instance that the Company's customers failing to adhere to MIPS' communication strategy and general corporate profile. Further, quality and product liability and safety issues may result in MIPS' reputation being harmed. Any public criticism against, or other tests seemingly invalidating, MIPS' solutions or damage to MIPS' reputation may result in the Company losing business and growth opportunities which could adversely affect its operations, earnings and/or financial position.

A material disruption affecting MIPS' testing facilities could temporarily make it difficult for MIPS to develop new products and meet customer demands on time

In order to develop and test its products, MIPS uses special test rigs for angled impact testing which are located at MIPS' premises in Stockholm, Sweden. The Company considers its testing facilities to be crucial to verify whether prototypes developed for customers have the desired effects before implementing the MIPS BPS in a helmet model for larger scale manufacturing. The testing facilities could unexpectedly cease to operate due to a

number of events, such as equipment failure, maintenance outages and damages caused by persons or nature such as fires. There may be other testing facilities available, these may however not be of the same quality, offer the same capacity or raise other concerns and therefore replacement of the testing facilities in Stockholm, may be difficult, burdensome and/or time-consuming. Any down-time or testing facility damage could thus prevent MIPS ability to developing new products for customers and meeting customer demands. Such failure to satisfy customer requirements could result in lower sales and adversely affect MIPS' operations, earnings and/or financial position.

The market for professional helmets is subject to regulation and political risk

Potential end-customers in the market for professional helmets, which MIPS intends to target over time, include governments and authorities. R&D and product offerings will therefore need to be aligned with such end-customers' requirements in terms of standards and compliance with regulatory requirements and other specifications. Designing new products to meet regulatory requirements can be expensive and time consuming. In connection with MIPS' customers' sales to end-customers, contracts by governments and authorities may in certain cases require that these customers are successful in public procurement procedures. Sales to governments and authorities can also be affected by political decisions. Failure to meet regulatory requirements as well as unfavourable political decisions in relation to professional helmets could adversely affect MIPS' operations, earnings and/or financial position.

MIPS may be subject to product liability and warranty claims and its insurance coverage may not cover such claims

Helmets with MIPS BPS are sold to end-users in several countries and the applicable product liability regime may vary from one country to another. As a general rule, parties in the chain of manufacture and distribution, including component manufacturers and assembling manufacturers, are potentially subject to liability for damage or physical harm caused by a defect in a component or material that makes the end-product unsafe. Liability could also arise due to erroneous or insufficient guidelines to customer factories on the integration of the components or material in the customers' helmets. It is generally not possible to eliminate or avoid potential liability by way of contract with a customer. A component manufacturer

could however generally only be liable for what is within its control. Hence, it is inherent in MIPS' business that the Company could be liable for damages caused by a design or manufacturing defect in MIPS BPS-components. The negative publicity surrounding any assertion that MIPS' solutions failed to perform as expected could significantly damage the brand identity and the Company's reputation. Design or manufacturing defects or product liability claims, whether they result in liability or not, could have an adverse impact on the Company's operations, earnings and/or financial position.

There is a risk that the Company's insurance coverage for warranty claims and claims for product liability will not remain available in the future, that its insurers will not be financially viable when payment of any claim is required, that the cost of such insurance will increase, and that such insurance will ultimately prove not to be adequate or sufficient. Furthermore, future rate increases might make desirable insurance solutions cost-prohibitive for MIPS to maintain. These potential insurance problems or any adverse outcome in any liability lawsuit could create increased expenses which could harm MIPS' business and reputation and adversely affect MIPS' operations, earnings and/or financial position.

Because MIPS' customers operate in a global environment, MIPS is affected by political uncertainties and local business risks as well as laws, rules and regulations in multiple countries

MIPS' customers operate in a global environment and the Company is consequently exposed to various risks such as implementation of new or changed legislation, rules or regulations (including regarding taxation) and trade restrictions affecting the business environment of MIPS' customers or the relationship between MIPS and its customers. MIPS cannot predict the effect of various factors in the countries in which the Company's customers operate, including, among others, recessionary trends on international markets, longer payment terms for debtors with respect to products and services delivered and difficulties in collecting accounts receivables, foreign exchange controls, uncertainty as to the governing law and jurisdiction and other risks inherent in operating in a global environment. If MIPS' customers are affected by one or several of these factors that may also affect MIPS. The materialisation of any of these risks could therefore have an adverse impact on the Company's operations, earnings and/or financial position.

Changes in weather patterns and seasonal variations could affect the Company's sales

Sales of certain categories of helmets in which MIPS' solutions can be implemented are sensitive to weather conditions, for instance snow helmets. MIPS' sales may therefore be subject to seasonal variations. Unforeseen or unusual weather conditions in some areas or regions could therefore have an adverse impact on the sales of the MIPS BPS, which in turn could have an adverse impact on the Company's operations, earnings and/or financial position.

MIPS is dependent on well-functioning IT systems

The Company's operations, including R&D, production, assembly and sales as well as invoicing, internal control and financial reporting are dependent on the reliability, functionality, maintenance, operation and continuing development of the Company's IT systems. Disruptions, for example as a consequence of upgrading existing IT systems, or low functionality of the Company's IT systems, could reduce MIPS' ability to successfully conduct its business, which could have a material adverse impact on the Company's operations, earnings and/or financial position.

The integrity of the Company's IT systems is vulnerable to disruption due to forces beyond MIPS' control. There is a risk that the steps taken to protect MIPS' IT systems from a variety of threats, including computer viruses, malware, phishing and unauthorised access (internal and external) and human error, will not be sufficient. Any disruption to, or infiltration of, the Company's IT systems could have an impact on the Company's ability to service customers' needs, or result in negative publicity, which could have an adverse impact on the Company's operations, earnings and/or financial position.

Legal risks

The Company is dependent on intellectual property rights and the Company's methods for protecting these rights may be inadequate

As of the date of the publication of the Prospectus, MIPS holds 78 granted patents or filed patent applications in various jurisdictions. The Company's success depends in part on its ability to protect its patents from unauthorised use by others. If substantial unauthorised use of MIPS' intellectual property rights occurs, the Company may incur significant financial costs in prosecuting actions for infringement of its rights, as well as the loss of efforts by employees who must devote attention to these matters. There is a risk that MIPS' patents, or other protections such as confidentiality, prove not to be adequate to prevent

imitation of MIPS' solutions by others, or that MIPS' choice of countries to seek patent protection in eventually turns out to not provide sufficient or relevant territorial coverage. MIPS may further be unable to prevent third parties from using its intellectual property without MIPS' authorisation, particularly in countries where the Company has not perfected its proprietary rights, where the laws or law enforcement practices do not protect MIPS' proprietary rights as fully as in for example the EU, or where intellectual property protection is otherwise limited or unavailable. In some countries where the intellectual property protection is limited or unavailable, third-party manufacturers may be able to manufacture and sell imitation products and thus diminish the value of MIPS' brand. If MIPS fails to obtain new patent protection, maintain its existing patent rights, or prevent substantial unauthorised use of the Company's solutions, there is a risk that MIPS' intellectual property protection and competitive advantages developed by the Company are adversely impacted, causing the Company to lose sales and harming its business. There is a risk that any of MIPS' pending applications will not be approved by the applicable governmental authorities. Moreover, third parties may seek to oppose or otherwise challenge approved applications.

There is a risk that MIPS' actions taken to establish and protect its technology will be inadequate to prevent others from seeking to block sales of MIPS' products or to obtain monetary damages, based on alleged violation of their patents or other proprietary rights. Moreover, third parties may independently develop technology or other intellectual property that is comparable with or similar to MIPS', and the Company may not be able to prevent their use of it.

Consequently, there is a risk that the steps taken by the Company will not be sufficient to protect its intellectual property or products. There is also a risk that the Company's measures for preserving the confidentiality of trade secrets and confidential information are insufficient to prevent others from obtaining such information. If any of the risks stated above were to materialise, it could have an adverse impact on the Company's operations, earnings and/or financial position.

MIPS is exposed to risks relating to the absence of written non-disclosure agreements with some of its customers' contracted manufacturers

Prior to commencement of any collaboration with manufacturers, MIPS requests the potential manufacturer to enter into a non-disclosure agreement and/or a non-circumvention agreement. However, in accordance with local practice in China, some of MIPS' customers' manu-

facturers have been reluctant to enter into such agreements. Therefore, MIPS has no direct or indirect formal rights in these respects that can be enforced in the local legal system but relies, amongst other things, on the commercial interests of these manufacturers not to reveal confidential information and damage the relationship with MIPS and its customers. The absence of legally binding agreements in relation to confidential information and know-how increases the risk of unauthorised use of MIPS' solutions and intellectual property rights. Any such use could lead to a deterioration in the value of the intellectual property rights of MIPS and disputes or conflicts which could have an adverse effect on the Company's operations, earnings and/or financial position.

The Company is exposed to tax related risks

The Company conducts business, and may also in the future conduct business, in other countries than Sweden, such as in China, with different tax regulations. The Company is engaged in a process to establish MIPS WFOE in China, which can involve additional costs for the Company. MIPS WFOE will operate as a separate legal entity and will therefore be subject directly to the Chinese tax regime. There is a risk that the Company's interpretation of applicable laws, tax treaties and regulations, including regulations relating to transfer pricing and withholding tax on remittance and other payments by or to subsidiaries, case law and the tax authorities' practices is not correct or that such laws, treaties and regulations change, potentially with a retroactive effect. As an effect of relevant authorities' decisions, the Company's tax situation may change which could have an adverse impact on the Company's earnings and/or financial position.

In addition, MIPS has Swedish tax loss carry-forwards from previous years. The possibility to activate the tax loss carry-forwards is dependent on, among other factors, the Company's future Swedish taxable earnings.

The Company is, and may also in the future be, involved in disputes and legal proceedings with third parties or regulatory or administrative authorities

MIPS is currently involved in proceedings with Bauer Hockey Corp. and Bauer Hockey, Inc., ("Bauer") in federal court in Canada and at the European Patent Office ("EPO") opposition division. In brief, MIPS has filed a lawsuit against Bauer in Canada for infringement by Bauer of MIPS' Canadian patent no. 2,798,542 and seeks to invalidate or in the alternative obtain ownership or co-ownership in four Bauer patents. In its defence, Bauer refutes infringement and has counterclaimed that the MIPS patent

in question shall be declared invalid and maintains that the Bauer patents shall remain valid. A final finding for invalidity of the MIPS patent may, among others, potentially weaken MIPS' patent portfolio in Canada and may also result in certain loss of MIPS' competitive advantage in Canada and potentially also in other jurisdictions as an indirect consequence. If the Bauer patents claimed by MIPS to be declared invalid would finally be upheld and wholly-owned by Bauer, this may expose MIPS to infringement claims. A final finding for Bauer, in whole or in part, could also result in liability for MIPS to compensate Bauer for litigation costs. The proceedings at the EPO involves an opposition made by MIPS against the granting by the EPO of a Bauer patent the subject matter of which corresponds to one of the Bauer patents at issue in the dispute in Canada.

The Company may also, in the future, be involved in disputes relating to the Company's ongoing operations. Such disputes may involve product liability claims, alleged intellectual property infringements, the validity of certain patents and other commercial disputes. Disputes and claims can be time consuming, disrupt operations, involve considerable amounts or fundamentally important issues and result in significant costs and badwill which could have a material adverse impact on the Company's operations, earnings and/or financial position.

Financial risks

The Company is exposed to the risk that its counterparties cannot fulfil their financial obligations towards the Company or fulfil their financial obligations with a significant delay

MIPS is exposed to the risk of not receiving payment, or receiving delayed payment, for the products which the Company has delivered to its customers. For instance, adverse conditions in end-markets for MIPS' products could lead customers to request credit terms that would adversely affect MIPS' cash flow and liquidity and/or could lead to a reduced collection rate. If MIPS is forced to write off uncollectable accounts as a result, its profitability and financial position would be adversely affected. As per 31 December 2016, the accounts receivable held by the Company amounted to TSEK 21,619, whereof TSEK 6,494 were due for payment. The Company is also exposed to credit risks in relation to banks in which the Company places its cash and cash equivalents or in relation to other counterparties to which it has claims. If these counterparties cannot fulfil their obligations towards MIPS, this could have an adverse impact on the Company's operations, earnings and/or financial position.

Exposure to exchange rate risk could impact the Company's cash flow, income statement and balance sheet

Exchange rate risk pertains to the risk of fluctuations in exchange rates having an adverse impact on MIPS' income statement, balance sheet and cash flow. MIPS is exposed to exchange rate risk when fluctuations arise between the Company's accounting currency, which is SEK, and foreign currencies used in transactions with suppliers and customers outside Sweden (known as transaction risk). In 2016, 100 per cent of MIPS' net sales were in USD while approximately 80 per cent of the cost of goods sold were in USD.

Currently, principally all of MIPS' license fees are generated in USD while sales of MIPS BPS components will generally be generated in CNY once MIPS WFOE has been established. The Company's intention is that the CNY pricing of the components shall be set in relation to a predetermined USD rate and that the CNY prices shall be adjusted in accordance with the fixed USD rate in case of significant exchange rate fluctuations. This entails that MIPS still has an exposure towards USD, despite its sales in CNY. Once MIPS WFOE has been established, cost of goods sold will primarily be sourced in CNY whereas MIPS' operating expenses are primarily in SEK.

Generally, a weakened USD in relation to CNY and SEK is negative to MIPS as a large portion of its revenues are generated in USD. Exchange rate fluctuations could also affect MIPS' competitiveness or customer demand and thus lead to a reduction in MIPS' market shares and adversely impact MIPS' operations, earnings and/or financial position.

MIPS may fail to meet its payment obligations due to insufficient liquidity

Liquidity risk is the risk that the Company is unable to meet its payment obligations when they are due without a significant increase in the cost of obtaining the funds. As per 31 December 2016, MIPS' cash and cash equivalents amounted to TSEK 28,507 in the form of bank balances, which were invested in accordance with the Company's placement policy. Since MIPS' finances its business by way of its cash flow, it is critical for MIPS to be able to forecast its cash flow and to receive payments as expected from its customers. Should the Company sources of liquidity prove to be insufficient, this could have an adverse impact on the Company's operations, earnings and/or financial position.

The value of certain of the Company's assets may be subject to impairment write downs if the underlying conditions and assumptions for the valuation of these assets need to be adjusted

MIPS' consolidated balance sheet includes assets consisting of, among other things, a deferred tax asset amounting to TSEK 11,412 as per 31 December 2016, related to tax loss carry-forwards, and of intangible assets amounting to TSEK 3,677 as per the same date, assignable to the Company's patents and trademarks. MIPS makes assessments and assumptions about future conditions which constitute the basis for the valuation of these assets. Accordingly, there is a risk that future valuations are estimated to have a lower value than the reported value. Such tests for determining the need for any impairment write downs are made on an annual basis. If future impairment tests of these balance sheet items lead to impairment write downs this could have an adverse impact on the Company's operations, earnings and/or financial position.

RISKS RELATED TO THE OFFER AND THE COMPANY'S SHARES

An active, liquid and orderly trading in MIPS' shares may not develop, the price of the shares may be volatile, and potential investors could lose a portion or all of their investment

Share ownership is inevitably associated with risk and risk taking. Since an investment in shares could increase or decrease in value, there is a risk that investors will not recover their investment. The share price trend will depend on a number of factors, some of which are company specific and others linked to the stock market as a whole. These factors could increase share price volatility. It is not possible for MIPS to control all of the factors that could impact its share price, therefore every decision to invest should be preceded by a thorough analysis.

Prior to the admission of the Company's shares to trading on Nasdaq Stockholm, no public market exists for the Company's shares. Accordingly, there is a risk that an active market for trading in the shares will not develop or that, even if developed, it will not be maintained following the admission of the shares to trading on Nasdaq Stockholm. It is possible that the Offer price does not correspond to the shares' market price after the shares are admitted to trading on Nasdaq Stockholm. In addition, there is a risk that the liquidity and price of the shares are subject to large fluctuations in response to general economic conditions or fluctuations in the stock market in general. Such fluctuations can occur regardless of how MIPS actually performs or the conditions in its main market, and may adversely affect the liquidity and price of the shares.

Further, the trading market for the shares in MIPS will be influenced by the research and reports, if any, that securities or industry analysts may publish about the Company. If one or more of the analysts who cover the Company (if any), or the industry in which it operates, downgrades the Company's shares, the market price of the shares may decline. If one or more of these analysts ceases coverage of the Company or fails to regularly publish reports on the Company, the Company could lose visibility in the financial market, which could cause the market price or trading volume of the Company's shares to decline.

Future dividends from the Company may vary or not be paid at all, depending on numerous factors

Shares in MIPS entitle to dividends (assuming dividends are approved) as of the date on which the holders of shares in MIPS are included in the share register maintained by Euroclear. The shares held on the record date for dividends resolved by the general meeting or the board of directors entitle to dividends. Any future dividends and the extent of any such dividends depend on, inter alia, the Company's future earnings, capital expenditure, liquidity, development opportunities, financial position, cash flows and working capital requirements as well as other factors such as general economic and business conditions. There are also many other risks that could adversely impact the Group's operations (see above in this section), which could entail that MIPS' future earnings do not permit dividends.

The Company has not yet paid any dividends to its shareholders. MIPS' target is however to distribute approximately 50 per cent of the annual net profit over time as dividend at such point in time when the board of directors deems that the Company has achieved further significant growth with regards to its net sales and profitability. There is a risk that no future dividend will be paid, which would entail that an investor's potential return will depend solely on the future share price development.

Following the Offer, BTA will have a significant influence over MIPS and may exercise this in a manner that is not in the interest of other shareholders

Following the Offer, BTA will own approximately 17 per cent of the shares in the Company (provided that the over-allotment option is fully exercised). Consequently, it is likely that BTA will continue to have a significant influence over the outcome of matters referred to MIPS' shareholders for approval, such as the election of board members, any mergers, changes in the Company's articles of association, share issues and the appropriation of profit. BTA's

interests may diverge considerably from or compete with the interests of the Company and those of other shareholders.

Future sales of large shareholdings or new share issues could adversely affect the price of the shares and may dilute shareholding

Substantial sales of shares by major shareholders, as well as a general market expectation that additional sales will be made, may affect MIPS' share price negatively. Moreover, new share issues would lead to a dilution of the ownership of shareholders who, for some reason, are unable to participate in such a new issue or do not choose to exercise their right to subscribe for shares. The same applies in the event that new share issues are directed at others than existing shareholders.

The Selling Shareholders and senior executives within MIPS have committed not to sell their shares in the Company for a period of time from the first day of trading. The lock-up period will be 180 days for the Selling Shareholders and 365 days for shareholding senior executives and board members. The lock-up commitments limit the possibility for concerned shareholders to sell their shares, the Joint Global Coordinators may however decide to lift the restrictions on the sale of shares during the respective lock-up period. After the respective lock-up period expires, these shareholders are also free to sell their shares in MIPS. The sale of large quantities of shares by the concerned shareholders, along with the perception that such sales could occur, may cause the price of the shares in MIPS to drop.

Foreign shareholders may not be able to participate in any potential future offering

MIPS' shares will only be quoted in SEK and any dividends will be paid in SEK. This means that shareholders outside Sweden may incur a negative effect on the value of holdings and any dividends when these are translated into other currencies if the SEK decreases in value against the currency concerned.

If, in the future, MIPS issues new shares with preferential rights for existing shareholders, shareholders in certain countries may be subject to limitations preventing them from participating in such new share issues or otherwise impeding or limiting their participation. For example, shareholders in the U.S. may be prevented from exercising such preferential rights unless an exemption from the registration requirements of the Securities Act is applicable. Shareholders in other jurisdictions outside Sweden may also be affected in a corresponding manner. To the

extent that shareholders in jurisdictions other than Sweden are unable to subscribe for new shares in any right issues, their proportionate ownership in MIPS will decrease.

Subscription undertakings are not secured and there is a risk that these are therefore not fulfilled

Swedbank Robur, Third National Swedish Pension Fund, Handelsbanken Fonder, C WorldWide, Lannebo Fonder and LMK Venture (the "Cornerstone Investors") have agreed to acquire in total 7,500,000 shares at the Offer price equivalent to 29.6 per cent of the total number of shares in the Company following completion of the Offer as set out below:

	Subscription undertaking (MSEK)	Number of shares	Per cent in the Offer*
Swedbank Robur	85	1,850,000	13.0%
Third National Swedish Pension Fund	70	1,525,000	10.7%
Handelsbanken Fonder	60	1,300,000	9.1%
C WorldWide	50	1,085,000	7.6%
Lannebo Fonder	40	870,000	6.1%
LMK Venture	40	870,000	6.1%
Total	345	7,500,000	52.6%

* Based on full subscription in the Offer and that the over-allotment option is fully exercised.

The Cornerstone Investors' undertakings are however not secured through a bank guarantee, blocked funds or pledge of collateral or similar arrangement. Hence, there is a risk that the Cornerstone Investors' undertakings are not fulfilled and that these undertakings cannot be enforced by the Company. Furthermore, the Cornerstone Investors' undertakings are subject to certain conditions. In the event that any of these conditions are not fulfilled, there is a risk that the Cornerstone Investors do not fulfil their undertakings, which could have an adverse effect on the completion of the Offer.

Offer to **acquire shares**

In order to create a long-term stable basis for the continued development and growth of the Company, the board of directors of the Company and the Main Shareholders¹⁾ have resolved on the Offer. In connection therewith, the board of directors of the Company has applied for admission of the Company's shares to trading on Nasdaq Stockholm. Nasdaq Stockholm's listing committee has decided to admit the Company's shares to trading, subject to, among other things, that customary conditions such as the dispersion requirement is met no later than on the first day of trading, which is expected to occur on 23 March 2017.

The Offer is made to the general public in Sweden as well as to institutional investors in Sweden and abroad. The Offer comprises 3,260,870 new shares in the Company corresponding to gross issue proceeds of approximately SEK 150 million. The resolution to issue new shares will be passed at a board meeting on or around 22 March 2017, based on an authorisation for the board of directors to resolve on share issues granted at the annual general meeting held on 9 March 2017. Through the new share issue, MIPS' share capital will increase by SEK 326,087, from SEK 2,203,900 to SEK 2,529,987. Furthermore, the Selling Shareholders have decided to offer the general public in Sweden as well as institutional investors in Sweden and abroad to acquire 9,138,502 existing shares in the Company. The Offer corresponds to approximately 49 per cent of the total number of shares and votes in the Company upon completion of the Offer, if the Offer is fully subscribed. The Offer price is SEK 46 per share and has been established by the Company's board of directors and the Main Shareholders in consultation with the Joint Global Coordinators based on the discussions that preceded the undertakings of the Cornerstone Investors, contacts with other institutional investors as well as current market conditions.

In order to cover any over-allotment in the Offer, the Main Shareholders have undertaken to sell an additional 1,859,905 existing shares in the Company, upon request from the Joint Global Coordinators (in this section the "**Over-allotment option**"). If the Over-allotment option is fully exercised and the Offer is fully subscribed, the Offer will comprise 14,259,277 shares in MIPS, corresponding to approximately 56 per cent of the total number of shares in the Company following completion of the Offer.

Swedbank Robur, Third Swedish National Pension Fund, Handelsbanken Fonder, C WorldWide, Lannebo Fonder and LMK Venture have undertaken to, subject to certain conditions, acquire in total 7,500,000 shares in the Offer, corresponding to approximately 29.6 per cent of the total number of shares in the Company following the Offer and to 52.6 per cent of the total number of shares in the Offer assuming that the Over-allotment option is fully exercised.

The total value of the Offer amounts to approximately SEK 656 million, if the Over-allotment option is fully exercised.

Pursuant to the terms and conditions set forth in the Prospectus²⁾, investors are hereby invited to acquire shares in MIPS AB (publ).

Stockholm, 10 March 2017
MIPS AB (publ)
The board of directors

Stockholm, Rosemont and Delaware, 10 March 2017
The Main Shareholders

1) Bell Technology Acquisition, LLC, corporate registration number 5352176, 9801 W. Higgins Rd. Suite 800, Rosemont, IL 60018, HealthCap V L.P., corporate registration number 4024678, Corporation Trust Center, 1209 Orange Street Wilmington Newcastle County, 19801 Delaware, KTH-Chalmers Capital KB, corporate registration number 969716-9408, Riddargatan 18, 114 51 Stockholm and ALMI Invest Stockholm AB, corporate registration number 556764-9354, Box 70407, 107 25 Stockholm.

2) The section "*Terms and conditions*" (Sw. "*Villkor och anvisningar*") is included only in the Swedish Prospectus.

Background and reasons

The ideas forming the basis for the underlying concept around the MIPS technology were first developed in 1996 at the Royal Institute of Technology (KTH) in Stockholm in close collaboration with the Karolinska Institute. In the 20 years since its inception, MIPS has been committed to research and development and, as a result, the Company's assessment is that MIPS has become a leading company within helmet safety and brain protection. The Company offers its MIPS Brain Protection System (BPS) in the market for helmet solutions, enabling improved protection against rotational motion transferred to the brain from angled impacts to the head.

MIPS is acting as an ingredient brand and leading helmet brands have integrated the MIPS technology into their helmets and are actively marketing its safety features and the MIPS brand to end-users around the globe. MIPS BPS has been implemented into new and existing helmet models and is, as of the date of the Prospectus, available for end-users in the bicycle, snow, moto and equestrian helmet categories. Since its inception, MIPS has delivered more than three million units and in 2016, 45 helmet brands purchased the MIPS BPS, including brands such as Bell, Fox Head, Giro, Scott, Smith and Trek, for 212 different helmet models.

A significant milestone in the Company's development was the collaboration with BRG Sports, Inc. ("BRG"), which resulted in BTA, an affiliate of BRG, becoming a shareholder in the Company in 2014. As an industry leader in helmet design and manufacturing, BRG has a long history of innovation and delivering market-leading protective headgear and equipment to the various sports its brands serve. BRG's longstanding commitment to safety and its ownership, at the time, of two of the world's major helmet brands Bell and Giro, made BRG an ideal partner for MIPS. Since BTA became a shareholder in MIPS, MIPS has taken significant strides to accelerate the commercialization of MIPS BPS. BRG remains convinced that the Company can provide significant additional protection to helmet users regarding protection against rotational motion. Since 2014, BRG has sold certain portfolio companies, including the Easton brands during 2014 and its Action Sports division (including the brands Bell and Giro) during 2016. In 2016, BRG also made an additional investment in MIPS as a further indication of its belief in MIPS and its technology. It is the view of BRG that MIPS should operate as an independent company without significant influence by one shareholder in the industry.

The board of directors of MIPS believes that now is a suitable time to strengthen MIPS' profile through a listing of the Company's shares on Nasdaq Stockholm. The Company believes that doing so will further increase the recognition and awareness of not only the Company, but its operations and its brands. It also believes that it will strengthen the Company's ability to attract customers and helmet brands, end-users and investors.

Before the Offer, BTA holds 49 per cent of the shares in the Company and is now looking to divest 5,399,500 shares, together with the Selling Shareholders a total of 9,138,502 shares, in the Offer in order to create a meaningful free float in the Company's shares. If the over-allotment option is fully exercised BTA will sell an additional 1,221,277 shares, together with the other Main Shareholders a total of 1,859,905 shares. MIPS seeks to raise SEK 150 million in primary proceeds as part of the Offer. MIPS believes this will provide a strong financial position that will ensure that the Company has the flexibility to continue to invest in marketing, research and development as well as to, if and when deemed of benefit to the overall business, acquire complementary technologies and intellectual property.

The Offer will broaden MIPS' ownership and give MIPS access to the Swedish and international capital markets. A listing on Nasdaq Stockholm also provides additional evidence of the Company's operational standards and integrity, which is deemed as positive for current and future business relations.

In other respects, reference is made to the full particulars of the Prospectus, which has been prepared by the board of directors of MIPS in connection with the application for admission to trading of the Company's shares on Nasdaq Stockholm and the Offer made in connection with the admission to trading.

The board of directors of MIPS is responsible for the contents of the Prospectus. It is hereby assured that all reasonable precautionary measures have been taken to ensure that the information contained in the Prospectus, as far as the board of directors is aware, corresponds to the factual circumstances and that nothing has been omitted that could affect its import.

Stockholm, 10 March 2017

MIPS AB (publ)
The board of directors

Market overview

This section contains certain information concerning MIPS' markets and industry. However, MIPS operates in an industry in which it is difficult to obtain precise industry and market information.

Certain market and industry information in the Prospectus is based on data from third parties, including, among other, statistics and information from industry publications and other publicly available information. Such information has been accurately reproduced and as far as the Company is aware and can ascertain by comparison with other information published by such sources, no facts have been omitted that would render the reproduced information inaccurate or misleading. In addition, in many cases in this section MIPS has made estimates regarding its industry and its competitive position in the industry based on its experience and its own investigation of market conditions. Such estimates have generally not been verified by independent sources, and there may be other estimates or opinions regarding industry-related information which differ from MIPS' estimates.

INTRODUCTION

Operating as an ingredient brand, the Company offers its MIPS Brain Protection System (BPS) in the global market for helmet solutions designed to protect against rotational motion transferred to the brain from angled impacts to the head (referred to below as "rotational motion"). MIPS considers itself to be a leader in this market and has contributed to increasing the helmet market's awareness of the benefits of adding protection against rotational motion in helmets. Since technologies designed to offer such protection only recently have been made available to helmet brands and thus to consumers, the market is relatively new. MIPS BPS is designed to add protection against rotational motion and can be integrated both in helmets for the consumer market such as bicycle, snow, moto and equestrian helmets and in helmets for the professional market such as military, law enforcement, and search and rescue helmets. The Company estimates that these markets represent a total annual volume of more than 70 million helmets. The underlying helmet categories show a varying degree of penetration of this type of protection, largely correlated to MIPS' historical focus and the Company's penetration of each helmet category. MIPS operates as an ingredient brand and offers the MIPS BPS to helmet brands worldwide, enabling a wide geographical reach.

Driven by the increased awareness of the risks associated with rotational motion, MIPS expects the market for helmet solutions offering relevant protection to continue to grow.

Rotational motion

Historically, helmets have been designed to address energies and forces stemming from radial impacts with the primary aim to protect against skull fractures. This radial impact approach is accordingly reflected in current helmet regulatory certification standards which do not address rotational motion. The human brain is however more sensitive to rotational motion than to radial motion, and bicycle, motorcycle, and equestrian accident statistics from Germany, Canada, Belgium and Finland have found the most common accident situation to be an angled impact.^{1),2),3)}

Rotational motion is the result of an angled impact to the head and is a combination of rotational energy (angular velocity) and rotational forces (from angular acceleration). This rotational motion could result in shearing, stretching and tearing of brain tissue, which can increase the risk for both minor and severe brain injuries.⁴⁾ Research has shown that the most common severe brain injuries such as Diffuse Axonal Injury and Subdural Hematoma are more easily caused when the head is subjected to rotational motion.⁵⁾ Similarly, research has shown that rotational

- 1) Harrison T. I., Mills N. J., Turner M. S. (1996). "Jockeys head injuries and skull cap performance," in Proceedings of the IRCOBI Conference, Dublin. Richter et al. "Head injury mechanisms in helmet-protected motorcyclists: prospective multicenter study". J Trauma. 2001 Nov. Verschueren P. (2009). "Biomechanical Analysis of Head Injuries Related to Bicycle Accidents and a New Bicycle Helmet Concept". Doctoral thesis, Katholieke Universiteit Leuven. COST 327. Motorcycle safety helmets. European Co-operation in the field of Scientific and Technical research (COST) project, 2001, European Commission, Brussels Belgium.
- 2) Why Most Traumatic Brain Injuries are Not Caused by Linear Acceleration but Skull Fractures are. (NB: The author is a shareholder of MIPS), ncbi.nlm.nih.gov/pmc/articles/PMC4090913/.
- 3) Holbourn A. H. S. (1943). Mechanics of head injury. Gennarelli T. A., Thibault L. E., Tomei G., Wiser R., Graham D. I., Adams J. (1987). "Directional dependence of axonal brain injury due to centroidal and non-centroidal acceleration," in Proceedings of the 31st Stapp Car Crash Conference (Warrendale, PA: Society of Automotive Engineers).
- 4) McElhaney J. H., Roberts V. L., Hilyard J. F. (1976). "Properties of human tissues and components: nervous tissues," in Handbook of Human Tolerance (Tokyo: Automobile Research Institute Inc).
- 5) Gennarelli T. A., Thibault L. E., Tomei G., Wiser R., Graham D. I., Adams J. (1987). "Directional dependence of axonal brain injury due to centroidal and non-centroidal acceleration," in Proceedings of the 31st Stapp Car Crash Conference (Warrendale, PA: Society of Automotive Engineers).

motion was more likely to cause concussions or mild Traumatic Brain Injuries (TBI) than radial impacts.¹⁾ Concussion is the most commonly occurring head injury accounting for around 75 per cent of yearly traumatic brain injuries in the U.S. and has seen a 160 per cent increase in incidence in the U.S. from 2007 to 2014.²⁾ The Center for Disease Control and Preventions in the U.S. estimates that the total cost of emergency department visits, hospitalisations, and deaths related to TBIs exceeds USD 82 billion annually.³⁾

HELMET MARKET

Overview of the helmet market

Helmets are used in connection with a variety of activities with the common purpose to protect the head against different forms of external trauma. There is limited publicly available data regarding the size of the total helmet market. Based on its exposure to the industry through a large number of helmet brands operating in different helmet categories, MIPS estimates that the global helmet market consists of at least 70 million helmets sold every year. This number has not been independently verified but the Company assesses that it represents the best available appreciation of the size of the global helmet market. MIPS considers solutions designed to reduce the harmful effects of rotational motion to be relevant for most helmet categories. Out of the total helmet market, MIPS assesses that a small fraction of helmets sold in 2016 included features specifically aimed at adding protection against rotational motion. This low penetration represents a strong potential for continued growth.

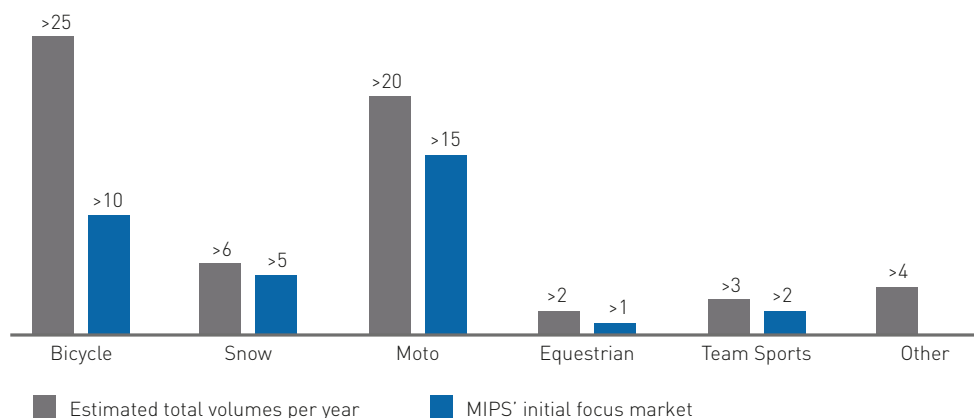
Consumer helmet market

The consumer helmet market consists of a number of helmet categories used for different types of sports and/or transportation. The Company estimates that this market amounts to an annual volume in excess of 60 million helmets sold. The Company considers its initial focus market within this market to be helmets in the mid- to high-end price range (approximate retail price of USD 40 and above), representing an estimated total annual volume in excess of 33 million helmets sold. MIPS has over the last decade witnessed a trend towards shortened replacement cycles for helmets in the consumer helmet market. It is the Company's view that this has been driven by an increased safety awareness and by an increased interest for new designs and technologies.

The key helmet categories for MIPS within the consumer helmet market are the following (Company annual volume estimates):

- **Bicycle:** Estimated annual volume in excess of 25 million helmets, whereof the Company estimates that its initial focus market accounts for in excess of 10 million helmets. The bicycle helmet category can be divided into two major categories: commute (child / urban) and race (race / sport enthusiasts, including road and mountain bike helmets). MIPS delivered its first MIPS BPS unit for bicycle helmets in 2010, and delivered MIPS BPS units to 30 bicycle helmet brands during 2016.

Estimated annual volumes in the consumer market (million helmets sold)



1) Gennarelli T. A., Thibault L. E., Ommaya A. K. (1972). "Pathophysiological responses to rotational and translational accelerations of the head," in Proceedings of the 16th Stapp Car Crash Conference, 1972 (Warrendale, PA: Society of Automotive Engineers).

2) Report to Congress on Mild Traumatic Brain Injury in the United States: Steps to Prevent a Serious Public Health Problem. Atlanta (GA): Center for Disease Control and Preventions, National Center for Injury Prevention and Control; 2003. Alan L. Zhang, MD et al. "The Rise of Concussions in the Adolescent Population". American Orthopaedic Society for Sports Medicine, Annual meeting 2016.

3) Center for Disease Control and Preventions. This includes medical and work loss costs.

- **Snow:** Estimated annual volume in excess of 6 million helmets, whereof the Company estimates that its initial focus market accounts for in excess of 5 million helmets. The snow helmet category consists of both alpine ski and snowboard helmets and can be divided into two major categories: recreational use (child / family / beginner and intermediate levels) and advanced use (park, back-country and free skiing as well as alpine racing). MIPS delivered its first MIPS BPS unit for snow helmets in 2010, and delivered MIPS BPS units to 15 snow helmet brands during 2016.
- **Moto:** Estimated annual volume in excess of 20 million helmets, whereof the Company estimates that its initial focus market accounts for in excess of 15 million helmets. The moto helmet category can be divided into the two major categories: motorcycle (consisting of commuting / recreational helmets and racing helmets) and motocross. MIPS delivered its first MIPS BPS unit for moto helmets in 2013, and delivered MIPS BPS units to nine moto helmet brands during 2016.
- **Equestrian:** Estimated annual volume in excess of 2 million helmets, whereof the Company estimates that its initial focus market accounts for in excess of 1 million helmets. MIPS delivered its first MIPS BPS unit for equestrian helmets in 2009, and delivered MIPS BPS units to one equestrian helmet brand during 2016.
- **Team sports:** Estimated annual volume in excess of 3 million helmets, whereof the Company estimates that its initial focus market accounts for in excess of 2 million helmets. The team sports category encompasses team sports such as American football, ice hockey and lacrosse. American football helmets are characterised by a particular refurbishment cycle where the interior liner of the helmet can get replaced each year while the exterior shell follows general replacement cycles, which could drive additional demand for the MIPS BPS. As of 31 December 2016, MIPS had not delivered any MIPS BPS units to team sport helmet brands. The Company is however currently developing products for this helmet category.
- **Other:** There exists a number of other helmet categories which the Company expects to target over time on an opportunistic basis and for which MIPS estimates an annual volume in excess of 4 million helmets. These include for instance helmets for auto sport, baseball, climbing, snowmobile, wake / kite board, and white-water kayak and rafting. As of 31 December 2016, MIPS had not delivered any MIPS BPS units to helmet brands within these categories.

Professional helmet market

The professional helmet market consists of a number of different helmet categories which the Company intends to target over time. The Company estimates that its initial focus market within the professional helmet market accounts for an annual volume in excess of 10 million helmets. As of 31 December 2016, MIPS had not delivered any MIPS BPS units to helmet brands in the professional helmet market. The key helmet categories for MIPS within this market are the following:

- **Military:** The military helmet market can be divided into two main categories: ground forces and air forces helmets. Ground forces helmets are used by special forces and regular forces and air force helmets can be further divided into rotary wing and fixed wing helmets. MIPS' initial focus lies on special forces helmets with the long-term ambition to also provide its helmet technology for helmets used by regular forces and air forces. The Company has had a dialogue with military helmet companies for a number of years and saw in 2016 an increased interest for the implementation of rotational motion protection in military helmets. A key characteristic of ballistic helmets, which represent a major part of all helmets in the military, is that the exterior shell of the helmets has a life span of several years while the interior liner is usually replaced more often, which could drive additional demand for the MIPS BPS. The Company is currently developing products for this helmet category.
- **Law enforcement:** The law enforcement helmet market includes antiriot helmets and ballistic helmets, which are often similar to the helmets used for military special forces and therefore often have the same characteristics regarding refurbishment and replacement cycles.
- **Search and rescue:** The search and rescue helmet market includes fire helmets used for smoke diving as well as helmets used for search and rescue missions including road accidents, forest fires, paramedic rescue, and search and rescue at high heights and water.

END-MARKETS DYNAMICS AND TRENDS

Introduction

The demand for MIPS' product offering is affected by several factors and trends in its end-markets. MIPS believes that the fundamental factors and trends set out in this section should contribute to the long-term growth in the demand for MIPS' product offering. Due to limited comparable statistics regarding these factors and trends across all the Company's end-markets, U.S. statistics have foremost been used in the following section for illustrative purposes.

Growing sport and outdoor trend

Increasing interest in sports and outdoor activities

MIPS has seen a global trend of an increased interest in sports and outdoor activities coupled with a general trend for healthy living. The U.S. outdoor recreation economy grew approximately 5 per cent annually between 2005 and 2011, while several other industries contracted.¹⁾ Outdoor recreation has received an increased focus from end-users, employers and decision-makers recognising the economic, social and health benefits of such activities.²⁾ An increased participation in sports can thus be seen as an objective for both government and sporting organisations.

The emergence of new sports and the increased popularity of certain sports and outdoor activities have also contributed to an increasing interest in sports and outdoor activities in general. For example, the number of triathlon participants in the U.S. increased by a Compound Annual Growth Rate (CAGR) of 19 per cent between 2011 and 2015, and the number of participants in adventure racing increased by a Compound Annual Growth Rate (CAGR) of 28 per cent under the same period.³⁾

MIPS believes that an increased interest in sports and outdoor activities will contribute to an increased demand for sports equipment. Due to a growth in disposable income⁴⁾ and participation in multiple activities, including emerging sports such as free skiing, an increase in the supply and demand of specific gear and more advanced protection is expected.

Sports practitioners becoming more passionate, increasing the demand for mid to high-end outdoor products and shortening replacement cycles

MIPS estimates that an increasingly active lifestyle is likely to lead to an increased spending on health, fitness and sports products. The sports and outdoor retail market has seen an increased spending on sports equipment with U.S. retail sales in snow equipment accessories (including helmets) growing at 9.5 per cent per year between 2011/12 and 2015/16 compared to a 0.5 per cent decrease per year in the number of snow sports participants in the U.S. during the same period.⁵⁾ Further, estimated sales value of bicycle helmets in the U.S. grew with 24 per cent from 2010 to 2015 while the estimated number of bicycle helmet units sold in the U.S. grew with 17 per cent, suggesting an increased average price of bicycle helmets over the period.⁶⁾

As sports practitioners have become more passionate, the Company has seen a trend of end-users increasingly seeking out trustworthy brands that they can relate to and that offer products and solutions with heightened performance and safety features often in the mid and high-end price range. MIPS believes that the increased spending on sports equipment may also create opportunities for premium brands to shorten end-users' replacement behaviour by offering new products, improved quality and design features and by introducing new validated technologies based on scientific advancements.

1) Outdoor Industry Association, asla.org/uploadedFiles/CMS/Government_Affairs/Federal_Government_Affairs/OIA_OutdoorRecEconomyReport2012.pdf.

2) Outdoor Industry Association.

3) Participation Topline report 2016, <https://outdoorfoundation.org/pdf/ResearchParticipation2016Topline.pdf>. For a definition of CAGR, please see the section "Selected financial information" under the heading "Definitions of non-IFRS performance measures".

4) 2015. OECD. Organisation for Economic Co-operation and Development.

5) SIA Snow Retail Data, snowsports.org/research-surveys/snow-sports-fact-sheet/.

6) National Sporting Goods Association, "The Sporting Goods Market: 2015 Edition".

Cycling becoming an increasingly common mean of transportation

Urbanisation and improvements in cities' infrastructures, such as investments in the construction of modern protected biking lanes and the development of bike sharing programs, have contributed to making cycling an increasingly attractive mean of transportation. European cities have long served as examples for bike commuting, such as Copenhagen with 50 per cent of all citizens commuting by bike every day and the city hosting more bikes than inhabitants.¹⁾ Other nations worldwide are also seeing an increased interest for this mean of transportation, as exemplified by a 60 per cent increase over a ten year period in the number of people in the U.S. who travelled to work by bike, from about 488,000 in 2000 to about 786,000 during the 2008–2012 period as illustrated in the graph below. The principal reasons for using bikes rather than other transportation means are the shortened commuting time, increased convenience, lower costs, health and to some extent environmental concern.²⁾

Increased helmet adoption driven by safety awareness, cultural acceptance and changes in regulations *Increased safety awareness and cultural acceptance of helmet usage*

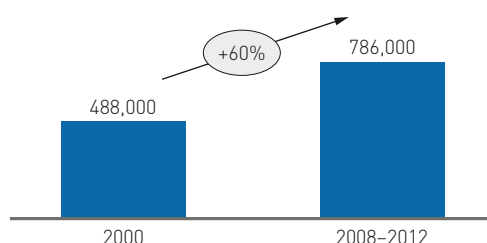
There is an increased safety awareness and cultural acceptance of helmet usage in connection with outdoor activities among practitioners. This cultural shift is particularly noticeable for ski helmets, where usage at U.S. ski areas increased for ten consecutive years, from

38 per cent in 2005/06 to 80 per cent in 2015/16 as illustrated in the figure below. Studies at U.S. ski areas also indicate that the helmet usage trend is particularly strong among the younger population, where 89 per cent of skiers and snowboarders aged 17 and under wore helmets during the 2015/16 season. The age group least likely to wear a helmet were 18 to 24 year olds. However, this age group still had a relatively high usage rate of 73 per cent during the 2015/16 season especially compared to a usage rate of only 18 per cent during the 2002/03 season.³⁾

It is the Company's view that helmets are not only viewed as safety equipment but also as accessories to show awareness, dedication and professionalism. Helmet producers have adapted to this trend and designed helmets intended to reflect the end-user's active lifestyle. Professional athletes being early adopters of new technologies and designs are further leading the way and contributing to an increased demand by the broad consumer market for new and better products.

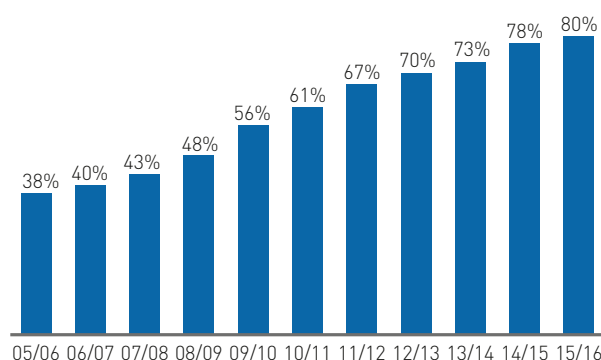
As the cultural acceptance of helmet usage and safety awareness increase, the Company expects end-users to increase spending on helmets, in particular helmets with better safety features and design. Moreover, in the U.S. and in Canada, injuries within popular sports such as ice hockey and American football have received media attention due to a series of injuries within these sports where high-profile athletes suffered from head impacts and concussions. This has led to an increased public awareness of the risks and implications of brain damage.

Number of people who travelled to work by bike in the U.S.*



* Modes Less Traveled—Bicycling and Walking to Work in the United States: 2008–2012. census.gov/prod/2014pubs/acs-25.pdf.

Ski helmet usage rates, by season (the U.S.)**



** National Ski Areas Association, nsaa.org/media/255109/Helmet_Fact_Sheet_10_15_2015.pdf and nsaa.org/media/275601/Helmet_Fact_Sheet_9_1_16.pdf.

1) Ministry of Foreign Affairs of Denmark [2011].

2) Cycleguard, 2009 - in "Health and fitness converting more cyclists," M. Sutton, Bike Biz, June 4, 2009.

3) National Ski Areas Association, nsaa.org/media/255109/Helmet_Fact_Sheet_10_15_2015.pdf. National Ski Areas Association, nsaa.org/media/275601/Helmet_Fact_Sheet_9_1_16.pdf.

Regulations

Using helmets has been compulsory for motorcyclists in many countries for decades. Various regulations to wear helmets when cycling have been introduced during the last decades in countries such as Australia, certain parts of Canada, Japan, New Zealand, Spain and Sweden. Moreover, there exist initiatives such as "Healthy People 2020" in the U.S. aimed at increasing the number of states with laws requiring bicycle helmets for bicycle riders under the age of 15 years as well as increasing the proportion of motorcycle operators and passengers wearing helmets. In the U.S., states that have enacted laws regarding motorcycle helmet use show a significantly higher usage rate compared to the other states. In the states that require all motorcyclists to be helmeted, approximately 95 per cent of all practitioners used helmets in 2015, while the corresponding figure was approximately 50 per cent in the states that had no such requirement.¹⁾

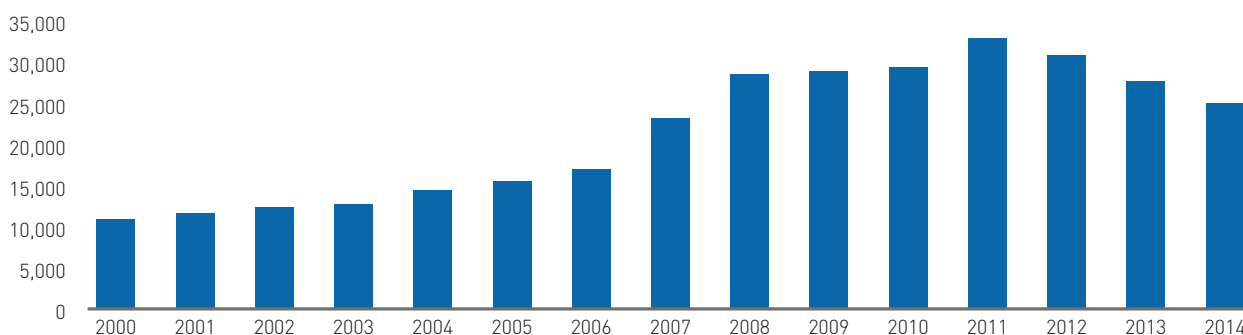
Requirements to wear helmets when exercising sports are also imposed or driven forward by professional organisations in certain sports, such as FIS (International Ski Federation) for athletes competing in FIS arranged alpine skiing competitions. In 2011, New Jersey (which has two ski areas) became the first state in the U.S. to require those under the age of 18 to wear a helmet while skiing or snowboarding.²⁾

Increased safety awareness among professionals

Standards for workplace health and safety are constantly developing³⁾ and often require employers to keep their workplace free of serious recognised hazards. As emphasis is being placed on reducing the number of workplace accidents, a demand is created for protective gear among professionals exposed to hazardous or violent environments. In the military, the inflation adjusted cost of outfitting a U.S. soldier for battle with body armour and other protection gear is estimated to have increased about hundred times between World War II and the mid 2000s.⁴⁾

The professional market has seen an increased awareness and knowledge about the occurrence and consequences of brain injuries. A review of the U.S. Department of Defence Test Protocols for Combat Helmets published in 2014 estimated that non-battle causes, including blunt traumatic injuries, produced nearly half of the hospitalisations for TBIs among military personnel in Iraq and Afghanistan.⁵⁾ The number of reported cases of TBIs among U.S. military personnel have also increased in the last years as shown by the figure below. This has created incentives to invest in research and new technologies to better protect professions exposed to high risks of TBIs. Regarding the military, this led to inter alia the creation of a Brain Tissue Repository by the Department of Defence with the purpose of better understanding the cause and consequences of TBIs. The Company consequently expects an increased focus on advancing additional helmet safety features in military helmets.

Traumatic brain injuries among U.S. military, 2000–2014*



* Traumatic Brain Injury Incidents by Classification, Deployed and Non-Deployed Combined, 2000–2015 Q1; Congressional Research Service, A Guide to U.S. Military Casualty Statistics: Operation Freedom's Sentinel, Operation Inherent Resolve, Operation New Dawn, Operation Iraqi Freedom, and Operation Enduring Freedom, 2015

1) National Highway Traffic Safety Administration; Motorcycle Helmet Use in 2015 - Overall Result.

2) National Ski Areas Association, nsaa.org/media/255109/Helmet_Fact_Sheet_10_15_2015.pdf.

3) UK Health and Safety Executive, hse.gov.uk/aboutus/timeline/.

4) US Department of Defence.

5) National Research Council of the National Academies; Review of Department of Defence Test Protocols for Combat Helmets.

Growing awareness of the importance of protection against rotational motion to the brain

MIPS has seen a growing awareness of the importance of protection against rotational motion. During 2016, 45 helmet brands worldwide purchased the MIPS BPS, supporting an increased brand and consumer awareness of protection against rotational motion.

The growing awareness can also be exemplified by an increased focus from organisations' and regulatory bodies' working groups on helmet standards. Several of these working groups, associated with organisations and regulatory bodies that are influencing helmets standards in different ways, are increasingly discussing the effects of rotational motion and ways to incorporate protection against rotational motion in helmet standards. Examples of working groups are:

- CEN TC158 - WG11¹⁾
- NOCSAE new test method for American football helmets²⁾
- FIM Helmet Certification Program (FHCP)³⁾

This increased focus on the subject has especially been apparent during the recent years.

Another testament to the growing awareness of protection against rotational motion is the fact that some consumer tests have begun to include protection against angled impacts in their helmet rating methodology. Folksam, a Swedish insurance company, conducting an annual bike helmet test, started to include protection against angled impacts in their evaluation in 2012. Furthermore, Consumer Report, a U.S. based non-profit organisation that conducts product testing and ratings, started to include angled impacts in their bike helmet test in 2016. These consumer benchmark studies have been complemented by scientific publications with the example of a research team from the Vehicle Safety Institute at Graz University of Technology, Austria, that benchmarked six bike helmets (one with the MIPS BPS) and conducted tests including measurements of rotational motion transferred to the brain.⁴⁾ In addition, the MIPS BPS has in numerous cases been addressed in different external helmet reviews.

During 2016, 45 helmet brands purchased the MIPS BPS for 212 bicycle, snow, moto and equestrian helmet models. The Company views this development as a testament of the growing commercial demand for protection against rotational motion.



1) sis.se/Nyheter-och-press/Nyheter/Ny-provningsmetod-for-hjalmar/.

2) NOCSAE DOC (ND)002-16, http://nocsae.org/wp-content/files_mf/1451499468ND00216MfrdFBHelmetsStandardPerformance.pdf.

3) fim-live.com/en/article/fim-helmet-certification-programme.

4) Klug C, Feist F, Tomasch E, Testing of bicycle helmets for preadolescents, Proceeding of IRCOBI Conference 2015.

COMPETITIVE LANDSCAPE

MIPS considers itself to be a leader in providing helmet-based products for the protection against rotational motion. Existing competitors are primarily companies offering protective helmet safety technologies to a limited number of helmet categories and do not cover the full range of helmet categories in which the MIPS BPS can be implemented. With an increased awareness of the relation between rotational motion and the risk for brain injury, and consequently an increased demand for relevant products, competition is likely to intensify. Among the currently marketed products claiming to improve helmets' ability to protect against rotational motion, a distinction can be made between companies operating as ingredient brands, such as MIPS, and helmet brands which do not offer their own helmet safety technologies to other brands. MIPS considers competition from helmet brands with proprietary technologies to be less likely to significantly impact MIPS due to a lower customer overlap with MIPS' potential customers. Competition from other ingredient brands offering products that improve helmets by protecting against rotational motion is currently limited as there are few companies operating through that specific business model as far as the Company is aware.

The table below summarises the competitors that MIPS has identified as offerors of other helmet solutions or materials that are designed to protect against rotational motion. The table also provides information about which helmet categories these companies, as far as the Company understands, target through their current offerings. The Company does not guarantee that this list is exhaustive or complete or that no other new technology will be launched in the near future.

Company	Helmet categories	Own helmets
6D Helmets LLC	Bicycle, Moto	Yes
Bauer Hockey, Inc.	Ice hockey	Yes
Kali Protectives LLC	Bicycle, Moto	Yes
Leatt Corporation	Bicycle, Moto	Yes
POC	Bicycle, Snow	Yes
Reebok-CCM Hockey, Inc.	Ice hockey	Yes
Shred Optics	Bicycle, Snow	Yes
VICIS, Inc.	American Football	Yes
Armourgel Limited	Bicycle, Moto	No
Fluid Brain Science	Bicycle, Snow	No

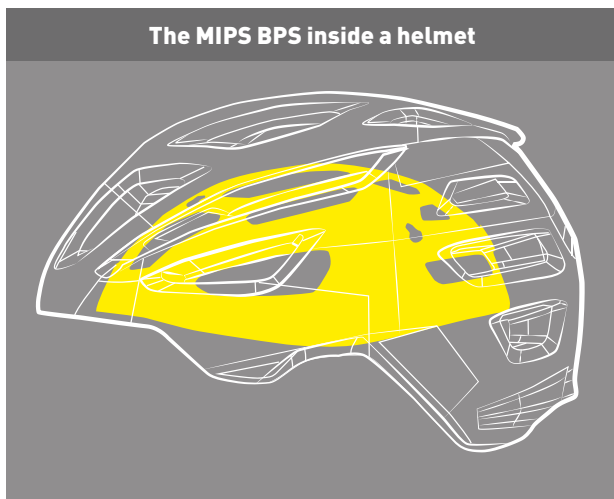
MIPS considers that the barriers to entry for new technology providers on the market in which the Company operates are high. The Company believes that one key factor that makes it difficult for other actors to enter the market and reach a relevant market share is the high level of testing results, data, understanding and experience that is needed in order to be credible towards customers and to demonstrate the protective effects of the solution that is being offered. MIPS has during its 20-year history built up a knowledge base and understanding around the dynamics of relevant parameters in, as well as testing equipment for, measuring the risk of brain injury from angled impacts. It is the Company's view that, for example, it is necessary to measure both the rotational acceleration and rotational velocity to determine the level of potential protection.

These barriers to entry are further strengthened by the fact that MIPS' customer base consists of a number of well-reputed helmet brands with requirements that are both costly and technically challenging to meet for new technology providers.



Business description

The MIPS BPS inside a helmet



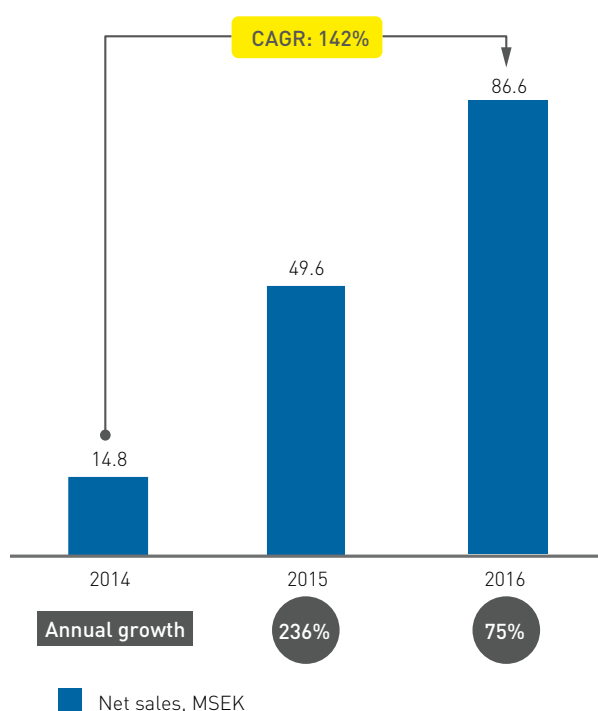
MIPS IN BRIEF

Overview

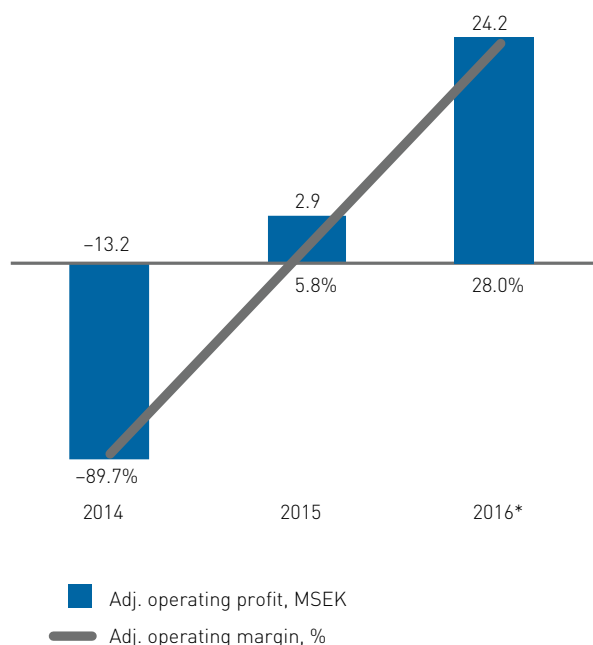
MIPS is a Swedish company which specialises in helmet safety and brain protection. The Company offers its MIPS Brain Protection System (BPS), which is based on patent protected solutions, marketed under the ingredient brand MIPS in the market for helmet solutions protecting against rotational motion transferred to the brain from angled impacts to the head (hereinafter referred to as "rotational motion"). MIPS considers itself to be a leader in this market. Helmet brands have integrated the MIPS BPS into their helmets and actively market its safety features and the MIPS ingredient brand to end-users on a global basis.

Rotational motion is a combination of rotational energy (angular velocity) and rotational forces (from angular acceleration). This rotational motion could result in

Net sales¹⁾



Adjusted operating profit²⁾



* Note: Adjusted for items affecting comparability regarding costs related to preparations for the listing of the Company's shares on Nasdaq Stockholm.

- Information regarding the Compound Annual Growth Rate (CAGR) and annual growth is unaudited information derived from the Company's accounting systems. For a definition of CAGR, please see the section "Selected financial information" under the heading "Definitions of non-IFRS performance measures". Information regarding sales is derived from MIPS' audited consolidated financial statements.
- Information regarding adjusted operating profit and adjusted operating margin is unaudited information derived from the Company's accounting systems. For a definition of adjusted operating profit and adjusted operating margin, please see the section "Selected financial information" under the heading "Definitions of non-IFRS performance measures". Information regarding sales is derived from MIPS' audited consolidated financial statements.

shearing, stretching and tearing of brain tissue, which can increase the risk for both minor and severe brain injuries.¹⁾

The MIPS BPS is designed to add protection in helmets against rotational motion. The main component of the MIPS BPS is a low friction layer, which enables a relative movement between the head and the helmet, mimicking the brain's own protection system. MIPS' technology platform is based on more than 20 years of research and development in collaboration with the Royal Institute of Technology (KTH) and the Karolinska Institute. The improved protection against rotational motion by implementing the MIPS BPS in helmets has been demonstrated in both internal and external experimental tests.²⁾ MIPS is an abbreviation for Multi-directional Impact Protection System and the MIPS BPS is designed to work in any impact direction.

The MIPS BPS is easily implemented into new and existing helmet models, without affecting existing safety properties or design. Adopting the Company's technology enables helmet brands to offer value-added, differentiated products with premium pricing to end-users. Helmets with the MIPS BPS have to the date of the Prospectus been sold within the categories bicycle, snow, moto and equestrian.

The Company is headquartered in Stockholm, Sweden, where MIPS' state-of-the-art testing facilities (Global Test Center) also are located. MIPS is engaged in a process to establish a subsidiary in China where the MIPS BPS components are manufactured through outsourced production, generally in close proximity to where the MIPS BPS is assembled into customers' helmets.

During 2016, 45 helmet brands purchased the MIPS BPS, including brands such as Bell, Fox Head, Giro, Scott, Smith and Trek, to 212 helmet models. Between 2011–2016, MIPS delivered more than three million MIPS BPS units, mainly within the helmet categories bicycle and snow.

HISTORY OF MIPS

The start of 20 years of rotational motion research

In 1995, the Swedish brain surgeon Hans von Holst from the Karolinska Institute in Stockholm began to explore how helmets in general were constructed based on the belief that helmets did not offer users adequate protection against head trauma. Hans von Holst contacted KTH in Stockholm in order to initiate biomechanical research on head and neck injury prevention. As a result, student Peter

Halldin initiated his PhD research on head and neck injury biomechanics. In 1996, Hans von Holst and Peter Halldin together came up with the idea of a MIPS BPS solution, mimicking the brain's own protection system. In the same period, Svein Kleiven, who then was a PhD candidate, started the development of what became a state-of-the-art Finite Element (FE) model of the human brain. The model described in Kleiven 2006, which the Company exclusively has been granted to use, is an important research tool for MIPS to visualise and measure the effects of the MIPS BPS (please see the section "*Legal considerations and supplementary information*" under the heading "*Intellectual property rights*").

The early MIPS history in brief

Research phase

- **1996–1998:** Starting in 1996, the idea of a MIPS BPS solution was developed after initial tests were carried out using a simplified test machine. Initial seed funding was received to cover experimental test set-up and patent filing cost.

Start-up phase

- **1998–2001:** MIPS started as a trading company (Sw. *handelsbolag*), initially seed funded by Innovationscentrum and NUTEK. The first prototype of a MIPS equipped helmet was tested at the University of Birmingham in 2000, and resulted in the first scientific publication in 2001.
- **2001–2004:** In 2001, the trading company was converted into a Swedish limited liability company (Sw. *aktiebolag*) and changed its name to MIPS AB. The fundamental research was intensified with funding from Länsförsäkringsbolagens Forskningsfond.
- **2004–2007:** A proprietary equestrian helmet with a MIPS BPS solution was developed and launched on the Swedish market. The helmet was well received in the market place but experienced quality issues with the neck retention system and the helmet was withdrawn from the market.
- **2008–2009:** The first institutional investors (HealthCap V L.P., KTH-Chalmers Capital KB and ALMI Invest Stockholm AB) invested in the Company and the first customer agreement was signed (Swedish ski and bicycle focused helmet brand POC).

1) McElhaney J. H., Roberts V. L., Hilyard J. F. (1976). "Properties of human tissues and components: nervous tissues," in Handbook of Human Tolerance (Tokyo: Automobile Research Institute Inc).

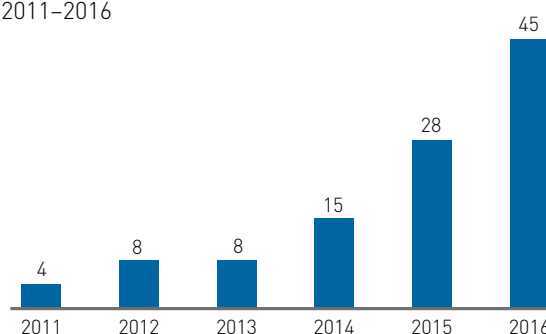
2) See for example Biokinetics test lab in Canada, Report R12-22, Impact Testing of Bicycle and Snowsports Helmets to Determine the Effects of the MIPS System on Head Response, 2012, Benchmark study by FOLKSAM Insurance company in Sweden (folksam.se/media/folksam-bicycle-helmet-test-2015_tcm5-24933.pdf) and Klug C, Feist F, Tomasch E, Testing of bicycle helmets for preadolescents, Proceeding of IRCOBI Conference 2015.

Growth / Ingredient brand strategy phase

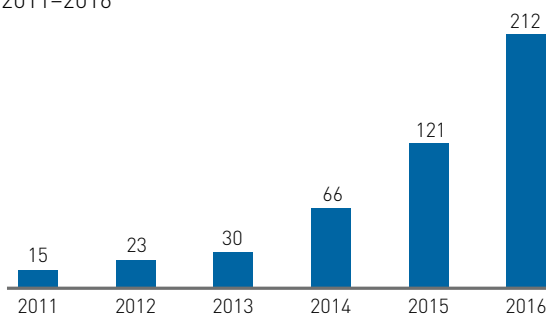
- **2010–2011:** In 2010, the strategic decision was taken to entirely focus on becoming a leading ingredient brand based company selling and licensing the Company's technology across different helmet categories rather than marketing own helmets. A slow but steady growth in new customers started, with initial traction in the bicycle and snow helmet categories.
- **2012:** In 2012, an increased awareness of the risks associated with rotational motion could be seen, particularly in the U.S. following debates concerning sport-related concussions. In December 2012, the Company was featured in an in-depth article in the U.S. magazine *Popular Science*.¹⁾
- **2013–2014:** In 2013, discussions with one of the world's largest helmet companies BRG Sports, Inc., at the time owners of the brands Giro and Bell, intensified. In 2014, the discussions resulted in both commercial launches of helmets with the MIPS BPS by both Giro and Bell and an investment in the Company by BTA as an additional show of belief in the Company's technology.
- **2015:** The year 2015 represented a breakthrough in MIPS' history, when the Company sold more than one million MIPS BPS units to 28 helmet brands, representing 275 per cent year-on-year volume growth.
- **2016:** Having previously been implemented in moto-cross helmets, the first street motorcycle helmet with MIPS BPS was launched in 2016 and MIPS experienced continued volume growth, with more than 1,670 thousand MIPS BPS units sold during the year.

Historical development of active customers²⁾

No. of helmet brands to which MIPS BPS has been delivered
2011–2016

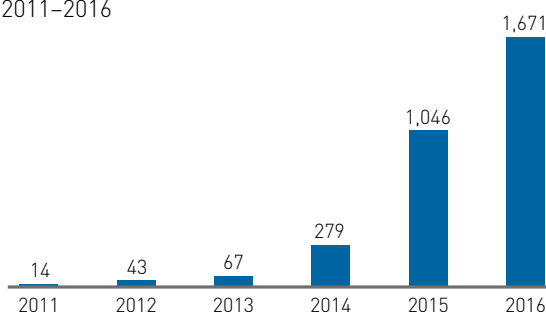


No. of models for which MIPS BPS has been delivered³⁾ 2011–2016



Development of total MIPS BPS unit sales⁴⁾

Total volume sold ('000)
2011–2016

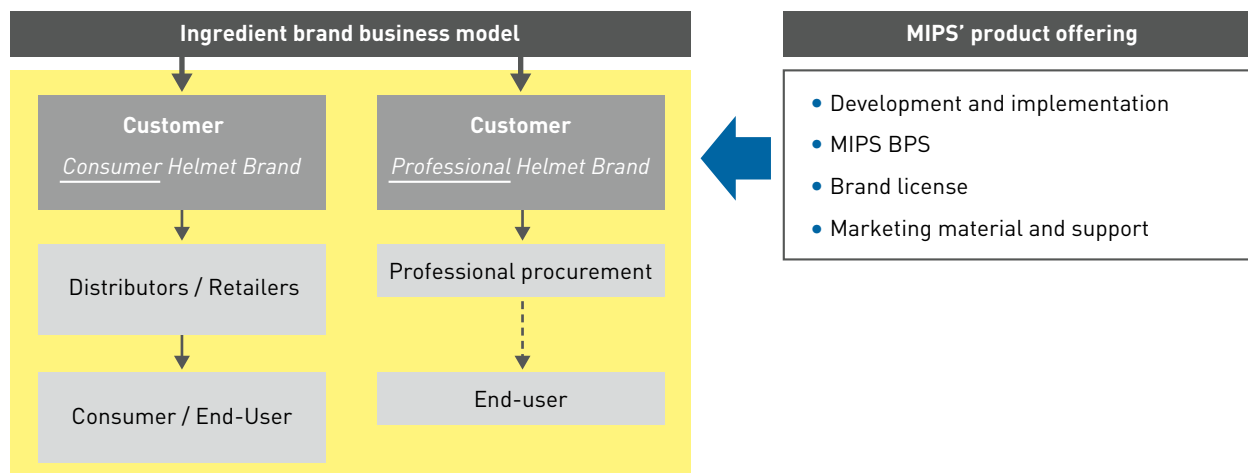


1) Popular Science, 18 December 2012 [popsci.com/science/article/2013-08/helmet-wars-and-new-helmet-could-protect-us-all].

2) LTM Q3 2016: 41.

3) LTM Q3 2016: 194.

4) LTM Q3 2016: 1,507 thousand.

BUSINESS MODEL**Ingredient Brand**

MIPS operates as an ingredient brand with a technology designed to improve helmet safety by reducing rotational motion.

Most helmets can be equipped with the MIPS BPS and the technology has been implemented in bicycle, snow, moto and equestrian helmets. Improved protection against rotational motion has been shown in both internal and external experimental tests. Implementing the MIPS BPS does not interfere with the helmet's existing protective properties or with existing helmet standards. Tests with helmets equipped with the MIPS BPS have successfully been conducted for international bicycle, snow, moto and equestrian helmets test standards.

The MIPS BPS can be implemented into existing helmet models, which historically has been the main volume driver as the corresponding entry barrier has been lower. A helmet model with the MIPS BPS can then be marketed alongside the same model without the MIPS BPS, generally at a higher price. This premium pricing has historically amounted to approximately USD 20 and above. The MIPS BPS can also be included in the initial design of a new helmet model and will as such become an integrated part of that helmet model program.

As more and more helmets equipped with the MIPS BPS become visible in the consumer helmet market, this is likely to lead to an increased brand recognition and demand for MIPS' products.

Helmets equipped with the MIPS BPS have a yellow logo-type on the outside of the helmet in accordance with MIPS' license agreement requiring clearly visible and consistent branding.

**Marketing through helmet brands**

Operating as an ingredient brand, MIPS does not directly market its products to end-users. Instead, the Company's marketing and communication strategy aims to get significant end-user exposure with limited marketing expenditure by leveraging helmet brands' broad and global marketing and communication resources. MIPS sees it as integral to drive a unified and controlled marketing message to end-users and media about the MIPS BPS via customers' sales channels. This is achieved through close collaboration with helmet brands regarding MIPS' marketing language, illustrations, animations, videos and explanations. This also includes MIPS' provision of required expertise, resources and marketing material to customers' sales personnel and distributors, for instance through participation in sales and distributor meetings.

Indirect end-user marketing by educating media and retail personnel

MIPS also works actively with strategic and cost-efficient end-user marketing. This strategy entails targeting media and retail personnel in collaboration with its customers to educate about the MIPS BPS, for instance through different promotions and educational material. The Company has further dedicated external resources directly educating and communicating with for instance media representatives.

MISSION AND VISION

Mission

MIPS' mission is to be at the forefront of science and technology for the protection against rotational motion, and to continue to be the leading provider of helmet solutions designed to protect against rotational motion.

Vision

MIPS' vision is to offer safety solutions significantly improving the ability to add protection to active people in an outdoor or professional environment by reducing rotational motion, as well as to establish a position as industry leader in combining innovation and safety within protective gear.

FINANCIAL TARGETS AND DIVIDEND POLICY

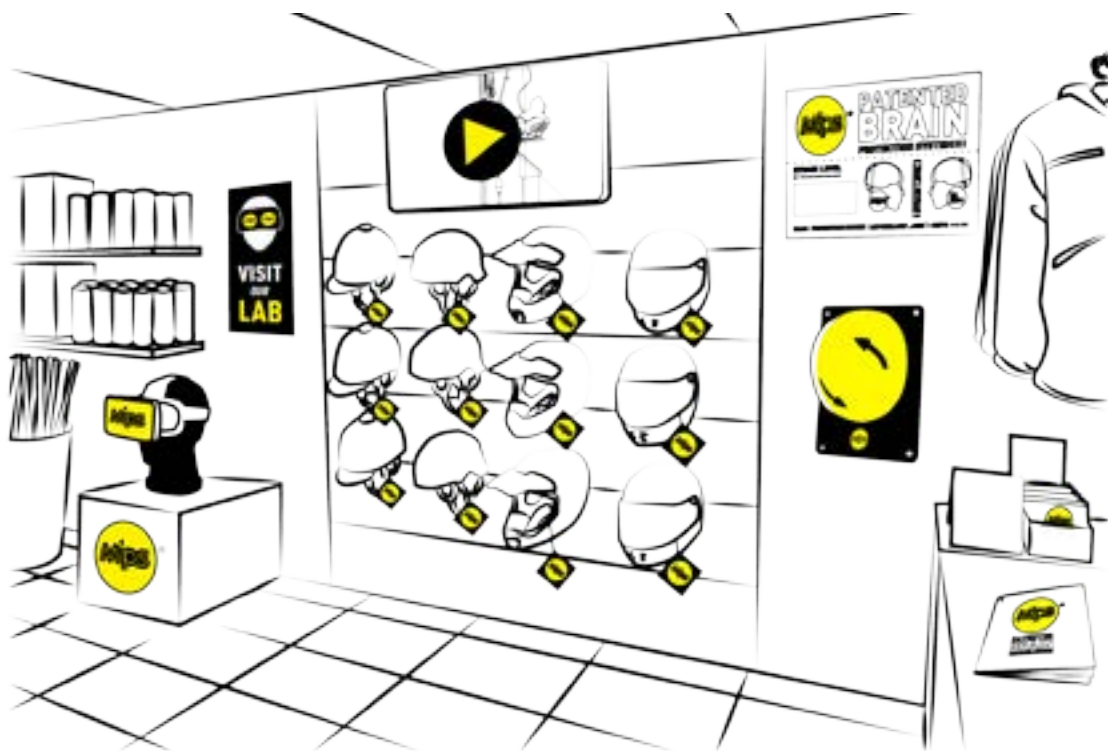
Financial targets

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 per cent by 2020.

Dividend policy

The target is to distribute approximately 50 per cent 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.



COMPETITIVE STRENGTHS

MIPS believes that the Company has several competitive strengths that have contributed to its positive development and will continue to contribute to MIPS' development going forward. MIPS' competitive strengths include the following.

Proven technology based on science which according to the Company's assessment is world-leading and which is protected by a global IP portfolio within rotational motion

The Company's technology platform is based on more than 20 years of research and development in collaboration with KTH and the Karolinska Institute in Sweden. There have been at least three scientific papers published on rotational motion validating the Company's technology,¹⁾ and more than 12,000 tests have been conducted. Moreover, the effects on reducing rotational motion seen from implementing the MIPS BPS in helmets, and estimated correlated effect on reducing the risk of brain injuries, has been further validated through third-party testing on multiple occasions.²⁾ In addition, MIPS has during its 20-year history built up a knowledge base and understanding of the dynamics of relevant parameters used when measuring the risk of brain injury from angled impacts. It is the Company's view that, for example, it is necessary to measure both the rotational acceleration and rotational velocity in order to determine the level of potential protection against rotational motion.

MIPS' patent portfolio within helmet-related innovations contributes to the Company's strong technical position, and supports continued expansion. As per the date of the Prospectus, the Company holds 47 granted patents and 31 pending applications across 15 patent families with a focus on the Company's main market. The Company foresees a continued focus on increasing its IP portfolio. MIPS considers its broad and lasting customer relationships a strong testament to the quality of its IP portfolio.

Moreover, MIPS' testing know-how and capabilities coupled with an adaptable product enables the Company to tailor products to customer requirements. This flexibility allows for collaborations within research and development (R&D) with customers and may create future commercial opportunities. The collaborations with the helmet brands that have adopted the MIPS BPS in their helmet models during the last years has contributed to the creation of a robust technology platform for further growth.

MIPS is in a strong position to take advantage of safety and sport and outdoor trends

As previously detailed in the section "*Market overview*", the global helmet market is expected to be positively impacted by a growing sports and outdoor trend with an increased interest in such activities driving end-product sales, as well as by increased helmet adoption driven by safety awareness, cultural acceptance and changes in regulations. Helmet brands and end-users are also increasingly aware of the importance of protection against rotational motion.

MIPS believes that it is in a strong position to take advantage of these trends. MIPS considers itself to be a leading supplier of technology designed to add rotational motion protection in helmets thanks to a proven and commercially validated technology which is used by leading helmet brands across multiple helmet categories.

The MIPS BPS has been proven, both in internal and external tests, to reduce rotational motion when implemented in a helmet by absorbing and redirecting energies and motion transferred to the brain from angled impacts to the head. The Company's proprietary technology is, in addition, easily integrated in existing and new helmet models and provides an increased value proposition for helmet brands. Altogether, this makes MIPS a valuable independent partner to helmet brands as helmet adoption and safety awareness increases.

MIPS believes that close relationships with helmet brands and recognised technical competence are important factors to successfully take advantage of outdoor and safety trends. MIPS has historically targeted different helmet categories with a focus on outdoor sports (such as the bicycle and snow helmet categories), building close relationships with helmet brands. MIPS' strong scientific base, extensive knowledge of rotational motion and, according to the Company's assessment, leading technology have resulted in a strong increase in the number of helmet brands using the MIPS BPS within the consumer helmet market.

1) See for example Klug C, Feist F, Tomasch E, Testing of bicycle helmets for preadolescents, Proceeding of IRCOBI Conference 2015 and Aare M and Halldin P, A New Laboratory Rig for Evaluating Helmets subject to Oblique, Traffic Injury Prevention, Vol. 4, Issue 3, 2003 (please note that the authors of the latter are shareholders in MIPS).

2) See for example Biokinetics test lab in Canada, Report R12-22, Impact Testing of Bicycle and Snowsports Helmets to Determine the Effects of the MIPS System on Head Response, 2012 and Benchmark study by FOLKSAM Insurance company in Sweden (folksam.se/media/folksam-bicycle-helmet-test-2015_tcm5-24933.pdf).

Proven ingredient brand concept adopted by leading helmet brands

MIPS provides a value-adding technology to helmet brands with clear and differentiated branding of end-products. The Company supplies customers with a technology designed to increase the protection in helmets against rotational motion, and also offers strong R&D and implementation capabilities. The MIPS BPS has been adopted by a significant number of helmet brands, including leading brands such as Bell, Fox Head, Giro, Scott, Smith and Trek. Through its customers, the Company gains access to several helmet categories and can thus gain exposure to a broad end-user base, further increasing the awareness for the MIPS BPS and for the protection against rotational motion.

MIPS has seen a strong growth in the number of helmet brands to which the Company has delivered MIPS BPS units in recent years, from four active helmet brands in 2011 to 45 active helmet brands in 2016. During the same period, numerous relationships with established helmet brands have been strengthened and broadened to include for example additional models, increased volumes in existing models and further R&D collaborations. The Company's global customer relationships enable the MIPS BPS to reach a number of end-markets and geographies, further strengthening MIPS' ingredient brand.

MIPS believes that the following benefits are the main drivers of adoption of the MIPS BPS among helmet brands:

- Scientifically proven technology designed to increase protection against rotational motion.
- Affordable added safety solutions for both helmet brands and end-users.
- High flexibility of integration in new and existing helmet models, without any significant impact on existing safety properties or design.
- Commercially attractive value proposition as the MIPS BPS allows for product differentiation and premium pricing.

In addition, the helmet brands can leverage MIPS' expertise and marketing experience as an established ingredient brand to support product launches and marketing strategies regarding protection against rotational motion.

Highly scalable business model provides operating leverage and asset efficiency

MIPS' close relationship with helmet brands enables the Company to leverage its customers' capabilities, marketing and distribution networks, while providing value-adding products and services. MIPS' solutions can be integrated in its customers' existing helmet models or be incorporated in the early stages of customers' product development. This flexibility facilitates collaborations while enabling MIPS to provide expertise in the development phase. Moreover, MIPS' Global Test Center represents an important tool in the implementation of the Company's technology in specific helmet models, with ample capacity to support additional R&D projects.

The Company has developed a highly scalable production set-up by an outsourced production either in the same facilities as the customers use or in facilities close to its customers' production facilities, simplifying logistics. MIPS' relationships with suppliers in China allow the Company to ensure high quality production and control of the production processes. Since the Company has the low friction layer, the main component of the MIPS BPS, produced upon (but not until) receipt of purchase orders from its customers, MIPS foresees that over time this will lead to attractive working capital dynamics. This production set-up enables MIPS to minimise production risks, investments in capital equipment, and costs, while securing production capacity to support growth.

MIPS is thus leveraging customers' distribution networks while supporting helmet brands with technical competence and experience. The Company advises customers in marketing efforts regarding MIPS BPS to ensure uniform communication. MIPS' indirect marketing towards end-users and its technically driven sales force working with the helmet brands are therefore highly scalable and benefit from well-renowned customers' marketing efforts and capabilities.

Attractive financial profile

MIPS has experienced strong revenue growth in recent years and in 2015, the Company reached profitability. The Company's sales CAGR was 142 per cent for the period between 2014 and 2016, driven by growth in the number of new helmet brands purchasing the MIPS BPS as well as increased helmet model range penetration and increasing volumes from existing helmet brands. For the financial year 2016, MIPS recorded total revenues of TSEK 86,629 with MIPS BPS units delivered to a total of 45 helmet

1) For a definition, see the section "Selected financial information" under the heading "Definitions of non-IFRS performance measures".

2) Operating profit amounted to TSEK -13,243 in 2014 and TSEK 18,376 in 2016.

brands, corresponding to a net sales growth of 75 per cent and helmet brand growth of 61 per cent compared to 2015. MIPS believes there is an attractive potential to further penetrate existing helmet brands' model ranges as well as to attract new customers in both existing and new helmet categories.

MIPS' business model has allowed the Company to achieve a strong margin improvement from a negative operating margin¹⁾ in 2014 to 21.2 per cent in 2016.²⁾ MIPS' position in the value chain as a supplier to the helmet brands coupled with outsourced production enables a scalable cost base while leveraging customers' distribution and marketing capabilities. The Company invoices its customers for its products upon delivery of the MIPS BPS to the helmet factories and thus the payment is not dependent on the sale of the helmets to the end-user. MIPS' scalable business model generally requires limited capital expenditures and is expected to over time, as the Company grows, achieve attractive working capital dynamics. The Company believes that this scalability will enable MIPS to increase sales with a high cash conversion.

STRATEGY

MIPS sees multiple opportunities for further growth. It will seek to sign new customers in both existing and new helmet categories, and for each customer, existing and new, drive penetration across model ranges and increase volumes per helmet model. MIPS believes the Company will be able to further secure its position as the leader in the market providing helmet solutions for the protection against rotational motion. The key elements of the Company's strategy are as set out below.

Defend MIPS' position as the partner of choice for helmet brands globally and across helmet categories

By leveraging its technology and expertise within rotational motion and its helmet industry relationships, MIPS aims to grow and expand its position as the, according to the Company, market leading supplier of helmet technology designed to add protection against rotational motion.

Providing rotational motion protection expertise from development and implementation to marketing, MIPS intends to continue to develop its relationships with both existing and new helmet brands, assisting them in developing future products with end-users' safety in mind. The Company will continue to develop its product offering and aims to further establish its technology as an important safety feature for helmets across helmet categories, among helmet brands as well as end-users.

Strengthen position with existing customer base

MIPS has established strong relationships with brands in multiple helmet categories and has successfully developed these relationships over recent years with the number of helmet brands purchasing the MIPS BPS increasing from four in 2011 to 45 in 2016.

MIPS believes that the Company's customer relationships constitute a strong opportunity to further increase penetration of existing brands' helmet ranges. During 2016, the Company delivered 1,671 thousand MIPS BPS units to 212 helmet models compared with 15 models in 2011 and the Company believes this illustrates both its strong track record in expanding the application of MIPS' solutions throughout its customers' helmet ranges and the potential for further growth. MIPS intends to pursue this potential by leveraging helmet brand interactions on different organisational levels, from sales to implementation and product development.

Through involvement with its customers during product development, implementation and ongoing sales initiatives, the Company has the opportunity to build relationships at multiple levels in its customers' organisations. Together with the Company's internal cooperation between R&D, production and sales, this allows for identification of customers' current and future needs, giving rise to opportunities of new product development projects based on MIPS' solutions and expertise. MIPS believes that a continued focus on building such multi-level customer relationships and a structured internal cooperation approach will continue to contribute to the continued delivery of efficient and value creative solutions for its customers.

Grow customer base in existing consumer helmet categories and enter new consumer helmet categories

MIPS has a strong foothold in the bicycle and snow helmet categories. MIPS aims to further grow the number of customers in existing helmet categories by building on its established technical expertise and production and marketing knowledge. The Company also considers the growing awareness for the risks of brain injuries related to rotational motion in general and MIPS' solutions in particular to be drivers of continued adoption of the MIPS BPS among helmet brands.

MIPS expects to leverage the flexibility and ease of integration of the MIPS BPS to accelerate for instance the penetration in the moto and equestrian helmet categories and to efficiently develop solutions to enter new consumer helmet categories, such as American football helmets.

Enter the professional helmet market

MIPS considers the professional helmet market to represent an interesting opportunity for growth within additional helmet categories and to further develop its technology and product offering. MIPS believes that the professional helmet market is likely to be less price sensitive than, for instance, the consumer helmet market regarding new product solutions.

The Company estimates that its initial targeted professional helmet market, including the military, law enforcement and search and rescue helmet categories, amounts to in excess of 10 million helmets sold per year. Awareness about rotational motion is increasing in these end-markets, driving decision makers to support further research and initiatives to better protect servicemen and employees. The Company has initiated product development and testing projects with military helmet suppliers. The professional market has seen an increased awareness of the importance of such protection and MIPS considers that the Company's leading expertise in this field represents a strong base to successfully penetrate this market.

Continue leveraging existing ingredient brand business model and operational set-up

MIPS has over the last years established its position as a, according to the Company's assessment, leading ingredient brand with well-functioning operations and infrastructure evidenced both by the Company's financial development in recent years, with high growth rates and significant margin expansion, as well as the high level of customer retention. The Company sees large potential in continuing to build on the current operational set-up.

MIPS' will maintain its position in the value chain as a supplier to helmet brands coupled with outsourced production, which enables a scalable cost base and leveraging of customers' distribution and marketing capabilities. The Company also aims to leverage its close relationship with helmet brands to drive further sales with focused sales efforts. MIPS will also continue to outsource its production and will nurture its established relationships with suppliers in China to ensure continued high quality production and control of the production processes.

Secure long-term competitive advantages through continuous development and strengthening of IP portfolio and technology

MIPS has since its inception developed expertise which, according to the Company's assessment, is leading within solutions for the protection against rotational motion and has protected important knowledge through its IP strategy, which has resulted among other in a global patent portfolio for the protection of MIPS' interests within technical solutions that address rotational motion.

The Company aims to continue to develop and secure this competitive advantage. MIPS intends to further broaden collaborations with customers supported by its highly scalable business model, strong technical knowledge and experienced team. These collaborations provide an important platform for the emergence of new know-how, ideas and additional product collaborations. Coupled with continuous in-house development, customer collaborations are expected to contribute to the development of next generation products and to strengthening MIPS' position as a, according to the Company's assessment, leading supplier of protection against rotational motion. The Company also intends to continue to protect its development and innovations through securing adequate IP rights. Regarding MIPS' R&D, see below under the heading "*Research and development (R&D)*".



TECHNOLOGY AND PRODUCT OFFERING

MIPS' product offering mainly comprises three elements: the MIPS BPS, which is the actual product implemented into the helmets; development and implementation of the MIPS BPS into existing or new helmet models and; the license to produce, market and sell helmets with the MIPS BPS.

Development and implementation

The development and implementation of the MIPS BPS into helmet models for new and existing brands is controlled by MIPS. The Company has a structured process, where the majority of the development and quality controls are conducted in its Global Test Center in Stockholm, Sweden (please see the heading "*Development and implementation*" for further reading).

For each new helmet model requiring a new low friction layer, MIPS generally charges the customer a fixed development and implementation fee. As part of this process, the Company is managing the production of the tooling necessary for commercial production of the specific low friction layer. The customer is thereafter charged a fee associated with the production of the tooling, handled by MIPS.

The MIPS Brain Protection System

The MIPS BPS is designed to be able to add protection in helmets against the rotational motion. The rotational motion is a combination of rotational energy (angular velocity) and rotational forces (from angular acceleration) that both affects the brain and increases the risk for minor

and severe brain injuries. MIPS BPS has been proven to reduce rotational motion when implemented in a helmet by absorbing and redirecting parts of rotational energies and forces which otherwise risk to be transferred to the brain.

The development of the MIPS BPS is based on years of studying the biomechanical properties of the human brain. The brain is surrounded by cerebrospinal fluid that protects it by allowing it to slide slightly when exposed to an angled impact. Mimicking the cerebrospinal fluid, the MIPS BPS adds a low friction layer that enables a relative movement between the head and the helmet.

The main component of the MIPS BPS is the low friction layer that allows a relative movement between the head and the helmet, designed to add protection against rotational motion from angled impacts. The low friction layer is 0.5–0.7 mm thick and is a replica of the inside of the helmet's liner (which is the inner, thicker, layer of a helmet) and is equipped with ventilation holes according to normal ventilation systems in the helmet. As such, comfort or ventilation of the helmet design is not affected. The MIPS BPS generally adds an additional 30–40 grams of weight to the helmet.

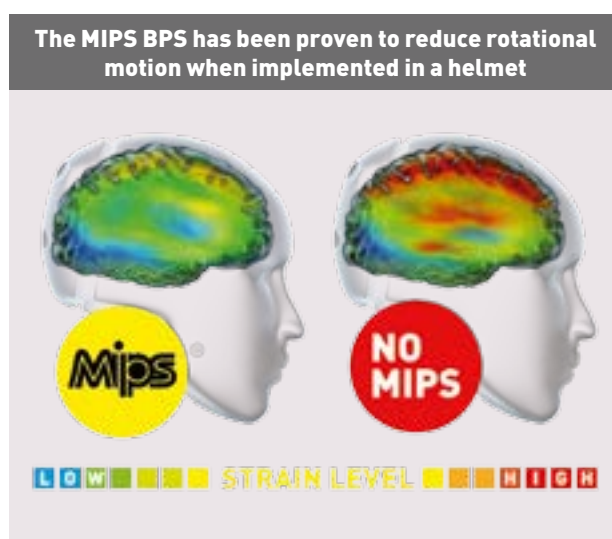
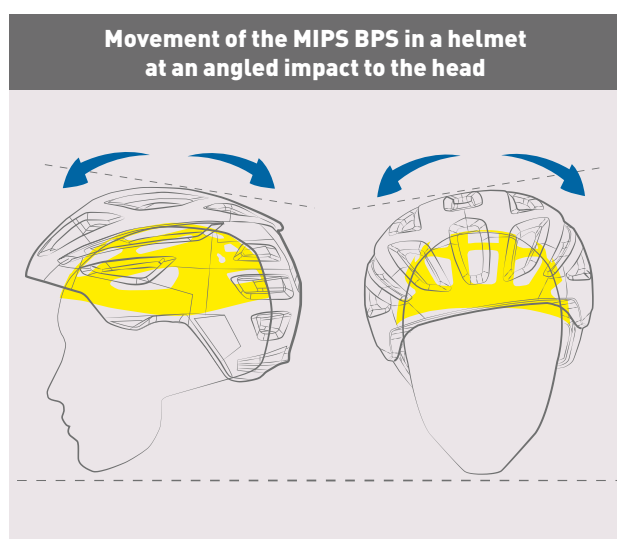
A MIPS BPS unit delivered for a specific helmet model includes most commonly: the MIPS low friction layer, a helmet adapted fixation mechanism for the MIPS low friction layer, snap-baskets and sliding enablers, MIPS information materials and a yellow MIPS logotype that displays that the helmet is equipped with MIPS BPS. The composition of the MIPS BPS unit can differ slightly dependent on the helmet model.

MIPS Brain Protection System



The function of the MIPS BPS

The MIPS BPS has, in connection with certain types of angled impacts, been proven to reduce rotational motion when implemented in a helmet. By a small movement in the low friction layer relative to the helmet (10–15 mm) at the brief moment of an angled impact (5–10 milliseconds), the MIPS BPS lets the head continue in the direction it was heading to, not grabbing into the impact surface, with the intention of redirecting and absorbing a portion of the rotational energies and forces risking to be transferred to the brain. The absorption is due to friction heat and the MIPS BPS spreading the load to a larger area of the helmet liner. The MIPS BPS is designed to work independently of impact direction.



Revenues from MIPS BPS components

When MIPS' Chinese wholly foreign-owned enterprise (WFOE) is established, it will deliver the components of the MIPS BPS to the customers' helmet factories and charge a cost for this. As per the date of the Prospectus, invoicing is managed by the Company. While some of MIPS' larger customers have opted to have a part of the component production integrated into their helmet production lines, this has to the date of the Prospectus been limited to the production of the low friction layer. In these cases, MIPS' WFOE will still deliver all other necessary parts of the MIPS BPS following purchase orders from the customers, charging a cost.

MIPS license

As part of the product offering, MIPS also grants a license which comprises four key element giving the helmet brand the right to: (i) use the MIPS BPS for the particular helmet model; (ii) assemble and manufacture the helmets of the model using the MIPS BPS components purchased from MIPS; (iii) use certain of MIPS' trademarks and other intellectual property (such as logotypes, labels, product names etc.), subject to compliance with MIPS' brand guidelines as applicable from time to time; and (iv) and distribute, market and sell helmets with the MIPS BPS.

MIPS applies a standardised license fee structure based on a customer's expected annual purchase of MIPS BPS units. At the time of delivery of the MIPS BPS components following a purchase order, the license fee is invoiced to the customer by MIPS in Sweden. The invoiced fee is based on the number of underlying MIPS BPS units purchased.

CUSTOMERS AND HELMET BRANDS

The Company's customer base has a global reach and is made up of helmet brands active within different helmet categories.








The MIPS BPS can be integrated in a multitude of different types of helmets in both the consumer helmet market and the professional helmet market. The consumer helmet market consists of a number of helmet categories, such as the bicycle, snow, moto, equestrian and team sports helmet categories. The different categories within the professional helmet market include for instance military, law enforcement and search and rescue helmet categories. The Company has to date primarily been focused on the consumer helmet market.

In 2016, the Company delivered MIPS BPS units to 45 helmet brands on a global basis. Approximately 67 per cent of the delivered MIPS BPS units was generated from the five largest helmet brands.

A selection of the helmet brands to which the Company delivered MIPS BPS units during 2016 are set out in the table to the right.

During the same period, more than 1,671 thousand MIPS BPS units were delivered for 212 helmet models in the helmet categories bicycle, snow, moto and equestrian. The two helmet brands that historically has paused their collaboration with the Company are per the date of the Prospectus again marketing helmets with the MIPS BPS.

Selection of active helmet brands (2016)		
Back on Track	Lazer Sport	Smith
Bell	Louis Garneau	Stadium
Bern	MSC Bikes	Stiga
Cycleurope	MSR	Sweet Protection
Fly Racing	Oakley	(Bontrager) Trek
Fox Head	POC Sports	Triple 8
Giant	Pret	Troy Lee Design
Giro	Rossignol	Urge
Kellys	Scott Sports	

Helmet categories	Number of models to which the MIPS BPS was delivered in 2016	Active ¹⁾ MIPS brands per category 2016
BIKE²⁾ 	146	30
SNOW³⁾ 	50	15
MOTO⁴⁾ 	15	9
EQUESTRIAN⁵⁾ 	1	1
TEAM SPORTS 	MIPS is currently developing products for team sport helmets.	
OTHER 	MIPS has no active customers within this category as of 2016.	
PROFESSIONAL 	MIPS is currently developing products for the professional helmet category.	

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

2) LTM Q3 2016: MIPS BPS was delivered to a total of 135 helmet models and the Company had a total of 28 active helmet brands.

3) LTM Q3 2016: MIPS BPS was delivered to a total of 47 helmet models and the Company had a total of 15 active helmet brands.

4) LTM Q3 2016: MIPS BPS was delivered to a total of 11 helmet models and the Company had a total of 7 active helmet brands.

5) LTM Q3 2016: MIPS BPS was delivered to 1 helmet model and the Company had 1 active helmet brand.

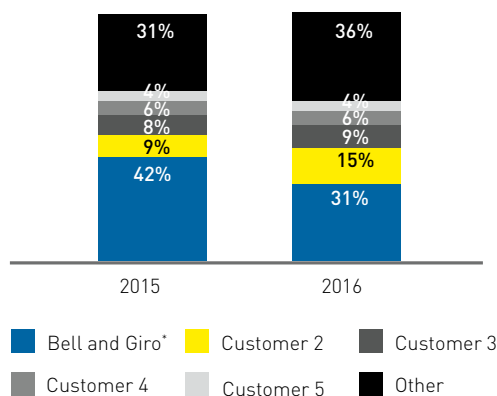
Customer concentration

When used in the Prospectus, the term “customers” refers to the legal entity or the company group which owns the relevant helmet brand or helmet brands. As per the date of the Prospectus, the Company’s largest customer is Bell Sports, Inc. (currently owned by Vista Outdoor, Inc., and previously owned by BRG Sports, Inc.), with the brands Bell and Giro, mainly operating in the bicycling and motorcycle helmet categories (Bell) and the snow helmet category (Giro, which is also active in the bicycling helmet category). Bell Sports, Inc. represented 31 per cent* of the Company’s business (measured by net sales) during 2016. Other key customers active in the bicycling, snow and/or moto helmet categories are Scott Sports SA, Smith Optics, Inc., Fox Head, Inc. and Trek Bicycle Corporation.

The key customers’ relative share of the Company’s net sales is expected to decrease over time as MIPS’ customer base increases.

MIPS’ five largest customers and others as per cent of net sales¹⁾

Historically, a significant portion of the Company’s sales have been concentrated to a limited number of customers, as set out below.



*] Owned by BRG Sports, Inc. in 2015, now owned by Vista Outdoor, Inc. Until 4 April 2016, sales to Bell and Giro was made to a different legal entity than during the remainder of 2016, including these 2.7 per cent of net sales Bell and Giro accounted for 33 per cent of net sales in 2016.

Building customer relationships

Even though the adoption of the MIPS BPS differs from helmet brand to helmet brand, MIPS has identified the following three general stages for helmet brands’ adoption of the MIPS BPS:

● **Initial collaboration**

The helmet brand starts with implementing the MIPS BPS into a selected number of existing helmet models (for instance between 1–6 models depending on, inter alia, the size of the customer) and with relatively low order volumes in order to test the market.

● **Further collaboration**

Following positive feedback from the market, the helmet brand usually extends the models with the MIPS BPS, still mainly in existing models but the helmet brand may also choose to launch a limited number of new models only launched with the MIPS BPS. In addition, purchase order volumes for existing and new helmet models with the MIPS BPS tend to increase. At this stage, helmets equipped and branded with the MIPS BPS often become a more defined part of the helmet brand’s product portfolio.

● **Full-scale collaboration**

The helmet brand decides that the MIPS BPS should become an integral part of its helmet offering. The MIPS BPS is implemented throughout all relevant existing helmet models and new helmet models are launched with the MIPS BPS as the only option. Volumes from existing helmets with the MIPS BPS still represent a significant portion of total volumes.

With an increasing market presence and end-user acceptance, MIPS has recently started to see a trend of helmet brands limiting the “Initial collaboration stage”, and more rapidly launching multiple models with the MIPS BPS and at higher volumes. It is the Company’s view that the relevant life cycle of a consumer helmet model is generally between five to eight years.

The Company actively works to get involved earlier in its customers’ product development cycles with the aim of having the MIPS BPS included as an integral part in helmet model designs.

1) Information regarding MIPS’ net sales divided among customers is derived from the Company’s financial system. Note that customer 2 is not necessarily the same customer in 2015 as in 2016, as it only reflects the largest customers for each year.

OPERATIONS OVERVIEW

Overview of MIPS' operations

MIPS' sales process can be split into new brand sales and existing brand sales, see further under the heading "Sales".

MIPS has a standardised process for the development and implementation of the MIPS BPS in helmet models. The majority of the work is conducted in the Company's Global Test Center in Stockholm, Sweden, which represent important development and test tools in the implementation of the Company's technology in specific helmet models. Most of MIPS' employees are based in Stockholm, Sweden, except for MIPS' personnel who will be employed by MIPS WFOE and will therefore be based in China (for further reading see below under the heading "Wholly foreign-owned enterprise (WFOE) in China").

MIPS' production set-up is scalable in terms of brand, model and volume growth as the production of the MIPS BPS components are outsourced to different manufacturers in China, either in the same facilities or in facilities close to the helmet brands' own production facilities, simplifying logistics as all assembly of the MIPS BPS into helmets is handled by the helmet brands' manufacturers. The low friction layer is produced upon (but not until) receipt of purchase orders, consequently MIPS has limited inventory consisting of MIPS BPS components. The helmets produced are then distributed, generally by the helmet brands, to distributors and thereafter to resellers.

MIPS is actively marketed to end-users by helmet brands and resellers, in digital marketing and printed marketing materials as well as through in-store communication, where the advantages of the MIPS BPS are to be clearly communicated and aligned with MIPS' communication and marketing guidelines.

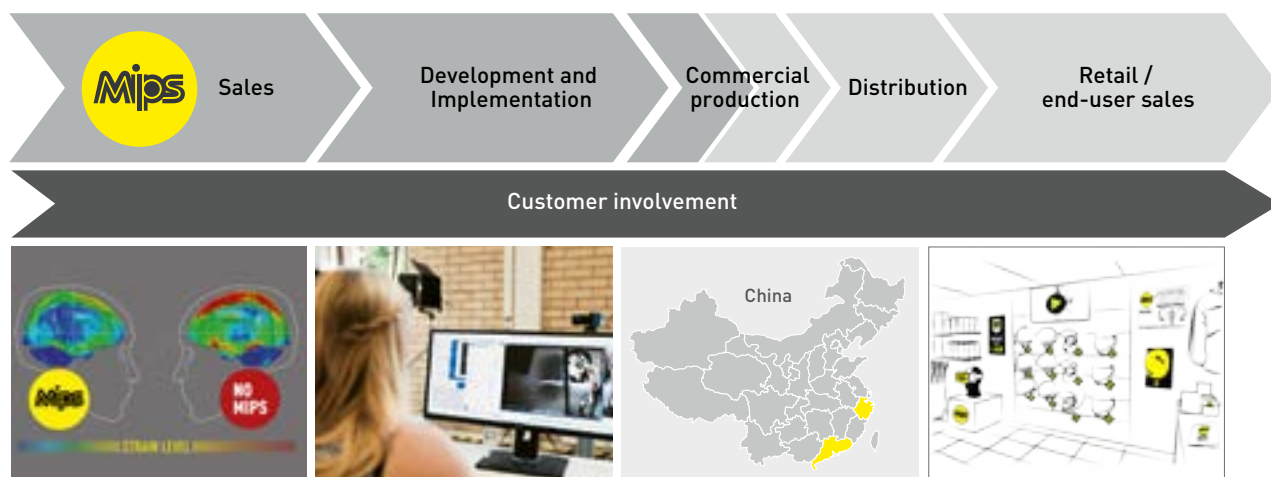
Sales

MIPS' sales team consists of five people. As the sales team focuses on both sales to new and existing brands, the sales process can be split into different processes: new brand sales is targeted on converting brands into using MIPS BPS and existing brand sales is focused on further penetrating existing brands' helmet ranges and increase volumes. The sales team is also responsible for the education of brands, distributors and resellers about the benefits of MIPS BPS, as well as strategic marketing.

New brand sales

As the potential customer base of helmet brands is relatively concentrated in terms of players and many large helmet brands already are customers, MIPS believes it will be able to acquire new potential customers with focused sales efforts.

One of the sales activities is participation at trade shows, which represents a cost-efficient way to identify and engage new helmet brands. The industry-specific trade shows also enable MIPS to build brand awareness through own booths staffed with MIPS representatives, as well as customers exhibiting helmets with the MIPS BPS. The Company's historical priorities have been directed to the trade shows Eurobike (bicycling) and ISPO (snow). With the introduction and launch of motorcycle helmets with the MIPS BPS, the Company plans to extend its priority to the main motorcycle specific trade show EICMA. Other more local trade shows are covered through participation by MIPS' sales representatives focused on meeting existing and potential new helmet brands.



The process of acquiring a new customer can generally be divided into the following stages:

- **Leads** – The functionality of the MIPS BPS is explained and a description of the process to implement the MIPS BPS into the potential customer's helmet model(s) is given. A non-disclosure agreement is signed if the brand decides to move forward with the cooperation.
- **Formalisation and start-up of project** – Encompasses a more in depth discussion regarding pricing, trade terms, timing and potential launch dates, and the potential customer's model range. MIPS' development and supply agreement is signed and a start-up meeting together with MIPS' implementation personnel is held.
- **Development and implementation** – The responsible MIPS sales representative is involved during project meetings with the customer until the point in time when the helmet with the MIPS BPS passes the approval test.
- **Volume ramp-up / follow-up phase** – Following the approval test until the point in time when the customer places its first purchase order. This can go quickly or, due to timing of the customer's internal sales meetings or helmet launch plans, take between two to six months. The role of the sales team in this stage is to shorten this time period by assisting and driving the customer.

Existing brand sales

After the first purchase order is placed, a brand is considered an existing brand. The sales activities towards existing brands are focused on customer account management by up-selling and cross-selling and securing a good contact with the customers' R&D and marketing teams with the goal to increase penetration in the brands' helmet ranges. MIPS sales organisation is focused on increasing

helmet range penetration and driving further volume growth, which generally requires less sales resources than signing new helmet brands. Further, MIPS' development and implementation staff generally develops close customer relationships, which the Company aims to leverage over time.

Development and implementation

State of the art test facilities with technical assets and know-how

In order to approve a helmet model or to develop a new helmet concept, MIPS uses a combination of experimental and numerical tools.

Since 2000, MIPS has together with KTH developed a test method based on real accident data. The first scientific article on the effects of the MIPS BPS was published in 2001 and these have further been confirmed by third party testing.¹⁾ During 2016, the Company moved to its new premises in Täby, Sweden, where MIPS' sales team and executive management are located in direct connection with MIPS' state-of-the-art testing facilities (Global Test Center).

The experimental tools

- **Impact test machines:**
 - sled test machine
 - vertical drop test machine for different types of impact angles and velocities
 - radial impact test machine for football and ice hockey helmets
- **Machines for prototyping new concepts:**
 - to be able to produce advanced prototypes in-house, MIPS has invested in both a rapid prototyping machine, a computer numeric control (CNC) milling machine, a vacuum forming machine and a 3D printer.

Test machines for vertical drops



MIPS' Global Test Center



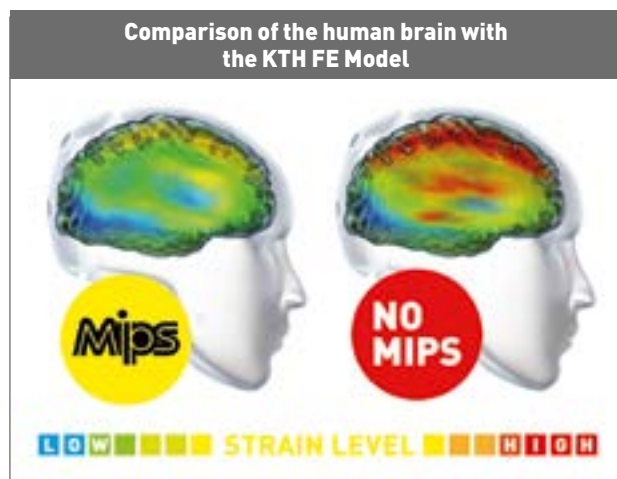
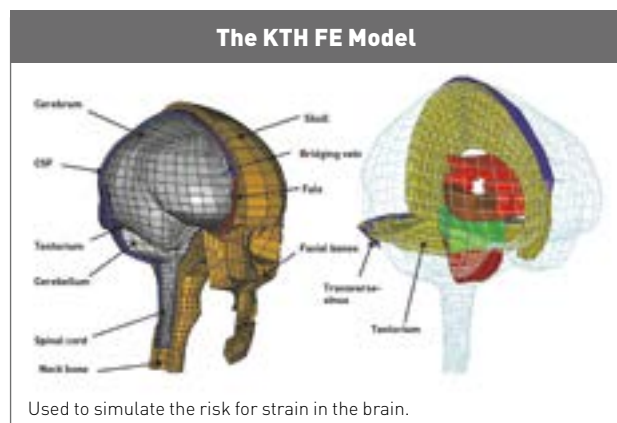
1) Klug C, Feist F, Tomasch E, Testing of bicycle helmets for preadolescents, Proceeding of IRCOBI Conference 2015. Benchmark studies by FOLKSAM insurance company in Sweden (folksam.se/media/folksam-bicycle-helmet-test-2015_tcm5-24933.pdf).

KTH developed research tool for numerical testing

The KTH FE model of the human head (the “KTH FE Model”) is a Finite Element (FE) model of the human head, developed at KTH. The KTH FE Model is a numerical tool and the primary tool MIPS uses to evaluate the level of protection against rotational motion of different helmet models with and without the MIPS BPS implemented.

The Company has been granted an exclusive right to use the KTH FE Model described in Kleiven 2006 and testing equipment within the field of research, development, production, marketing, sales and/or licensing of helmets and/or technology relating to such helmets and other protective features which may be applied in helmets and/or other protective gear (please see the section “*Legal considerations and supplementary information*” under the heading “*Intellectual property rights*”).

In addition to the KTH FE Model, the Company also uses other software for its numerical testing. In addition to the KTH FE Model, the Company believes that there are at least five other reputable and similar FE models in the world.¹⁾



Development and implementation process

MIPS has a close collaboration with many of its customers, where MIPS gets involved in early stages of product development cycles. In consultation and collaboration with the customers’ helmet designers, engineers and other senior manufacturing personnel, MIPS provides an initial customised design, development, testing and prototyping process with respect to the potential integration of the MIPS BPS in the specific helmet model.

A general overview of the development and implementation process is described below.

Development

The first step in MIPS’ development and implementation process is generally that one of MIPS’ customers initiate a project with respect to a certain helmet model whereafter the customer reaches out to MIPS’ sales representatives to discuss the project details. A project manager at MIPS is assigned to the project who sets the timeline for completion and staffs a CAD engineer as responsible for the technical implementation. After receiving the CAD files from the customer, the MIPS team starts looking into how to best tailor the MIPS BPS into the specific helmet model.

Following an agreement with a customer with regards to implementing the MIPS BPS in a new helmet model, the Company charges a fixed implementation fee for the first development and implementation work conducted.

CAD & 3D low friction layer prototype

The next step in the process is to produce a CAD drawing of how the MIPS BPS is to be implemented into the helmet model. This includes for instance the shape of the low friction layer and positioning of fixation mechanisms and sliding enablers. A 3D printed prototype of the low friction layer is produced and implemented into the helmet to make sure that it fits and that it is functional. MIPS also informs the customer of any modifications required to the helmet model to successfully integrate the MIPS BPS.

1) For instance “Wayne State University Brain Injury Model (WSUBIM)”, “SIMon 2008”, “Strasbourg University Finite Element Head Model (SUFHEM)”, “University College Dublin Brain Trauma Model (UCDBTM)” and “THUMS model”.

Vacuum tooling and fit test

The finalised low friction layer CAD gets approved by the customer and is sent to MIPS representatives in China together with an overview on the placing of other MIPS components. A manufacturer is then chosen for the production of the specific low friction layer and the CAD is sent to enable the production of the required vacuum forming tool. In connection herewith, the customer sends the helmet liner CAD, with the modifications required by MIPS, to the customer's helmet factory for tool modification in order to make the helmet liner ready for the implementation of the MIPS BPS.

When both the low friction layer samples and the modified helmet liner are ready, MIPS' representatives in China perform a fit test by assembling the low friction layer to the modified helmet liner to check functionality and identify any further improvement or modification required. When the test is passed, the helmet manufacturer is instructed to prepare helmet samples for MIPS' function test. MIPS' representatives in China run a workshop with every new manufacturer about how to correctly assemble the MIPS BPS into the helmets.

MIPS facilitates the design and production of necessary tooling for production of the low friction layer for which the Company charges a fee.

Function test and quality control

When the function test samples have been received, MIPS' representatives in China check them before they are sent to MIPS' office in Sweden for function testing. Before the testing is initiated, the function test samples are again checked at MIPS' office in Sweden and MIPS representatives in China are informed if any further improvements are needed. Thereafter, the helmet model is put through MIPS' testing procedure to identify any need for further modification to the design. After the function test is passed, an updated product assembly specification is sent to the helmet manufacturer (with information about any modification required) alongside with instructions for preparation of test samples.

Sample production

With the design of the MIPS BPS finalised, a test production batch is run in the helmet factory whereafter the finished test samples are checked by MIPS representatives in China, in accordance with the Company's quality standards, to make sure that any required modifications have been implemented correctly before the test samples are sent to Sweden for the final approval test.

Development and implementation process



MIPS approval and quality control

Prior to commercial production, MIPS performs a final approval test for all sizes of the helmet model with the integrated MIPS BPS. Each helmet size is also tested in three different impact angles, each at different impact areas of the helmet. This is to make sure that the functionality of the MIPS BPS fulfils the internal requirements relating to the reduction of rotational motion resulting from the angled impacts. No commercial production is allowed without MIPS' written approval, which is given through a final approval test report. After the approval test is passed, the final product assembly specification is sent to the helmet factory (with information about any required modifications).

Commercial production

After MIPS' final quality control and approval, the helmet model with the MIPS BPS enters into commercial production for sales to end-users.

Ordering of the MIPS BPS

When a purchase order is received, a control is performed to confirm that the helmet model has passed the MIPS approval test. A production order for the specific low friction layer is thereafter sent to MIPS' manufacturer (which on occasion is the same factory as where MIPS' customers' helmets are produced) and after confirmation an order confirmation is sent back to the customer. Some of MIPS' larger customers / helmet brands have opted to have a part of the component production integrated into their helmet production lines. As of the date of the Prospectus, this has been limited to the production of the low friction layer. In these cases, MIPS still delivers all other necessary parts of the MIPS BPS following purchase orders from the customers.

Production and delivery of the MIPS BPS to customers

The low friction layer is produced upon registration of a customer purchase order, while the other components are generally available in stock.

As per the date of the Prospectus, almost all helmets which have the MIPS BPS implemented have been produced in factories in the Canton and Zhejiang provinces in mainland China. To facilitate production and logistics, as well as to enable a close integration with its customers' production, all MIPS BPS components are produced in helmet factories in proximity to customer factories where the helmet assembly is carried out.

The MIPS BPS components are produced by manufacturers engaged by the Company either directly or through agreements entered into between the Company's customers and the manufacturer. As per the date of the Prospectus, the MIPS BPS is produced at a total of 14 factories, of which eight factories produce low friction layers, five factories produce other components comprising the MIPS BPS and one factory produces both low friction layers and other components. All manufacturing facilities are located in the Canton and Zhejiang provinces in China. During 2016, 62 per cent of all low friction layers sold were produced by manufacturers contracted by the Company's customers.

All manufacturers engaged directly by the Company have entered into supply agreements and codes of conduct. The manufacturing of the low friction layers that are produced through MIPS' customers is based on the contractual relationship between the customer and the manufacturer, where the customer is also responsible for its manufacturers' compliance with the customer's code of conduct. The Company's intention is to over time enter into codes of conduct directly also with these manufacturers of the MIPS BPS components.

MIPS has developed two test methods to validate protection against rotational motion

The helmet is dropped onto a sliding sledge that simulates hitting the ground at an angle



The helmet is dropped onto an angled anvil to simulate hitting the ground at an angle



The Company deems the risk of manufacturers selling the MIPS BPS or copies of the MIPS BPS to third parties as low since more or less every individual helmet model requires separate tooling for production of the low friction layer and the low friction layer is also generally adapted to each specific helmet model and size. This limits the risk of unauthorised sale of the MIPS BPS to third parties. In addition, MIPS is looking into putting in place further measures to decrease this risk, for instance the placement of a MIPS hologram sticker on each low friction layer to prove its authenticity.

The Company's view is that its current supplier and production set-up is scalable and that MIPS should be able to utilise current suppliers and manufacturers for significantly higher production volumes than in 2016. Should the requirement of additional suppliers and/or manufacturers arise, it is the Company's view that it should be able to arrange this without any material disruption to planned production.

The Company's representatives in China routinely perform incoming goods quality control on the MIPS BPS components before delivery to customer factories. Required components (including the low friction layer when manufactured at a different site than the helmet factory) are being delivered to the customer's helmet factory. A delivery report is entered into MIPS' business system, activating the invoice process.

When shipping the MIPS components to the customers' factories for assembly, the Company engages local shipping companies. The production lead time for the low friction layer is up to 45 days and for component parts up to 14 days.

Following delivery, MIPS representatives in China issues a sales invoice for the MIPS BPS components delivered while MIPS in Sweden issues an invoice for the license fees based on the underlying number of MIPS BPS unit. The Company receives an invoice from its manufacturer once the production run is finalised.

The Company does not have its own distribution network to end-users, but leverages its customers' capabilities and networks in this regard through sale of helmets with the MIPS BPS.

Commercial production quality control

As the MIPS assembly protocol is integrated into the manufacturers' internal inspection protocols, the final quality control is handled on site by the helmet manufacturer. When customers have own local quality control teams active at the helmet factories, the MIPS assembly protocol is incorporated into their quality control protocols in addition to the manufacturers'. This is also the case when the low friction layer is produced by manufacturers contracted by MIPS' customers.

Wholly foreign-owned enterprise (WFOE) in China

In line with an anticipated scale-up in production the coming years, MIPS is engaged in a process to establish its own presence in China through a wholly foreign-owned enterprise (WFOE). The MIPS WFOE, MIPS Dongguan Trading Co. Ltd., will be a wholly-owned fully operating legal entity carrying out various business activities in China, including to enter into contracts with Chinese suppliers. MIPS has five representatives who are currently engaged via a Chinese human resource company which, after the establishment, will be employed by MIPS WFOE. As described above under the heading "*Development and implementation*", their responsibilities include for instance to handle purchase orders, local storage, product development and quality supervision activities locally in China.

Overview of location of manufacturers' production facilities in China



RESEARCH AND DEVELOPMENT (R&D)

MIPS' R&D efforts represent one of the cornerstones of the Company's commercial success and MIPS considers itself to have market-leading development expertise and processes within its product field. The Company aims to create a learning and creative organisational climate in order to inspire its employees to develop new solutions and/or concepts, using an established and structured development approach.

The Company's R&D project pipeline includes innovation projects both regarding its products, such as the development of improved materials and components, and its processes, such as the development of more efficient testing and production processes.

MIPS' R&D organisation comprises a total of ten personnel: the Chief Technology Officer (CTO), Head of Innovation, Product Development Management and a project coordinator / product development manager, together with six technical engineers with development skills.

The R&D work is divided into four separate development categories:

- **1. Innovation** - based on science and research focusing on new innovative steps and concepts for handling impact risks.
- **2. Concept improvement** - short term perspective with a twelve-month outlook, looking to improve existing solutions and already established concepts.
- **3. New model development** - based on customers' development, where MIPS supports the customer with design and engineering for new models.

- **4. Implement MIPS BPS into existing helmet models** - the category that, since 2010, has been focused on assisting helmet brands with implementation of MIPS BPS into existing helmet models.

Since 2010, a key focus has thus been to assist helmet brands with implementing the MIPS BPS into existing helmet models but during the last years the R&D strategy has started to shift towards categories 2 and 3 with the aim to spend more efforts on category 1. As a result of this development work, the Company has filed 59 patent applications during the period 2011 to 2016.

In line with this strategy, MIPS has recruited a Head of Innovation, with a background of being responsible for the Advanced Concepts Group and all new technology development at BRG Sports, Inc., formerly one of the world's largest helmet companies, prior to BRG Sports, Inc.'s divestment of the Action Sports division (including the brands Bell and Giro) in 2016.

The Company's development work will continue to be based on science and proven experimentally with a clear focus on injury criteria together with an active intellectual property right strategy.

Product development strategy

With its product development strategy, MIPS has the ambition to achieve constant concept improvement, product innovation and differentiation. The table below illustrates on a conceptual level an example on how the Company's product offering could expand over time. It is envisaged that there will be different pricing as well as cost of goods sold (COGS) for differentiated product offerings.

Conceptual MIPS product matrix

Mass-market				High-end solutions	
Professional					
Consumer					Product versions
MIPS A1	MIPS B1	MIPS C1	MIPS D1	MIPS E1	
		MIPS C2	MIPS D2	MIPS E2	
		MIPS C3	MIPS D3	MIPS E3	
				MIPS E4	

Legend:

Market presence

Possible product development

Legend:

Market presence
Possible product development

R&D expenses

The table below sets out the Company's R&D expenses for the financial years 2014–2016. All costs related to the R&D activities of the Company's projects have been expensed as incurred. As per the date of the Prospectus, no R&D activities have been capitalised. The Company will over time activate certain expenses relating to these activities.¹⁾

(TSEK)	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2014
Research and development expenses*	–4,607	–3,145	–2,975
Total	–4,607	–3,145	–2,975

* Information regarding R&D expenses is derived from MIPS' audited consolidated financial statements.

INTELLECTUAL PROPERTY RIGHTS (IPR)**IPR strategy**

Intellectual property rights are central to MIPS' strategy as they help the Company to sustain its competitive advantage, protect R&D investments and foster credibility with its customers. The strategy within intellectual property rights centers around (i) the development of new intellectual property and (ii) the protection of the existing intellectual property portfolio.

- (i) The Company has a proactive approach within R&D activities in respect to intellectual property and in particular patents. Consideration is routinely given to whether new developments are covered by existing rights or whether new rights can be applied for. Decisions about which new prospective rights to have a patent applied for are taken with a worldwide and strategic outlook. From a branding and trademark perspective, the Company has a solid portfolio in place which is kept under review to ensure that relevant protection is secured as the Company's business grows, both geographically and across product categories. Operating an ingredient brand strategy, the Company also looks at ways in which it can utilise trademarks to further strengthen its position. Overall, the strategy with respect to intellectual property rights is intended to give the Company a broad IP portfolio and avoid over-reliance on any single right.

- (ii) The Company recognises that it is important to police the protection that its own intellectual property provides. Potential infringements are considered with care and professional assistance, and strategies are developed according to the specific circumstance. MIPS also recognises that it is important to be aware of third party intellectual property and to consider the relevance of such intellectual property to its own business. Due consideration is given to any newly identified third party intellectual property of potential relevance, and decisions are taken by MIPS as to how to handle such intellectual property on a case-by-case basis. The Company has in the past been active in challenging third party rights, and will continue to do so when deemed beneficial to the Company.

The Company's strategy is supported by regular discussions and meetings with its primary intellectual property advisor JA Kemp (based in the UK and having a worldwide network of associates), as well as Dimock & Stratton (merged with DLA Piper and based in Canada).

Description of patent portfolio

MIPS is the holder of patent protection granted for a number of helmet related innovations in the U.S. and several countries in Europe, as well as in other markets. In addition to the patents granted, MIPS also holds several pending patent applications. The majority of the Company's sales during the financial year 2016 was related to the product family called "MIPS C1" which is based on patents in the patent family "Helmet with a sliding facilitator", while a fraction of the sales during the same year was related to products based on patents in the patent family "Protective helmet" (the product family "MIPS D1"). MIPS is of the opinion that the Company's patent protection provides adequate protection for MIPS' commercial position.

1) Due to revenue recognition purposes, the cost associated with customer implementation work has been allocated to the expense item *selling expenses*, and a significant part of the costs related to payment of salaries attributable to the Company's R&D organisation is excluded from this expense item, please refer to the section "Historical financial information".

OVERVIEW OF EXISTING PATENTS

Protective helmet (product family “MIPS D1”)

Country	Filing date	Grant date	Expiration date
United States	1999-12-21	2003-12-09	2019-12-21
Japan	1999-12-21	2008-02-15	2019-12-21
European Patent Office ¹⁾	1999-12-21	2004-07-21	2019-12-21
Sweden	2000-11-14	2002-09-10	2018-06-23

1) Designated countries: France, Great Britain, Germany, Netherlands, Spain, Belgium and Italy.

Helmet with a sliding facilitator (product family “MIPS C1”)²⁾

Country	Filing date	Grant date	Expiration date
United States	2011-05-03	2013-11-12	2031-05-03
Canada	2011-05-03	2015-07-28	2031-05-03
European Patent Office ³⁾	2011-05-03	2015-03-25	2031-05-03
Australia	2011-05-03	2015-02-20	2031-05-03
China	2011-05-03	2016-03-16	2031-05-03
Indonesia	2011-05-03	2015-05-25	2031-05-03
Mexico	2011-05-03	2015-07-21	2031-05-03
New Zealand	2011-05-03	2013-10-01	2031-05-03
Russia	2011-05-03	2015-09-07	2031-05-03
South Africa	2011-05-03	2013-08-28	2031-05-03
Sweden	2010-05-07	2012-01-24	2030-05-07
Philippines	2011-05-03	2015-12-14	2031-05-03

2) MIPS holds furthermore protection in China for an Utility Model, related to MIPS C1, the protection expires in 2020-10-28.

3) Designated countries: Great Britain, Switzerland, Germany, Austria, Spain, Netherlands, Sweden, Finland, Portugal, Belgium, Norway, Poland, France, Italy and Turkey.

Intermediate layer of friction decreasing material

Country	Filing date	Grant date	Expiration date
China	2011-01-11	2016-04-20	2031-01-11
Sweden	2010-09-03	2013-07-16	2030-09-03

Apparatus at a protective helmet

Country	Filing date	Grant date	Expiration date
United States	2008-02-20	2012-11-27	2028-02-20
European Patent Office ⁴⁾	2008-02-20	2013-11-13	2028-02-20

4) Designated countries: Great Britain, France, Germany and Sweden.

Protective headgear and protective armour and a method of modifying protective headgear and protective armour

Country	Filing date	Grant date	Expiration date
United States	2002-07-09	2013-12-31	2022-07-09
Canada	2002-07-09	2012-03-20	2022-07-09
France	2002-07-09	2012-03-20	2022-07-09
Germany	2002-07-09	2012-03-20	2022-07-09

Trademarks and other IPR

The Company is the registered holder of, amongst other, the trademarks MIPS (word mark) and MIPS (logotype) in countries such as Australia, Brazil, Canada, China, Japan, Norway, Russia, South Africa, South Korea, Switzerland and the U.S. and the trademarks are also registered as EU trademarks.

MIPS is further the registered holder of certain domain names such as mipshelmet.se, mipshelmet.com, mipsinside.se, mipsinside.com, mipsoutdoor.se, mipsoutdoor.com, mipsprotection.com and mipscorp.com.

PRODUCT LIABILITY

Helmets in which the MIPS BPS is incorporated are sold to end-users in several countries and the applicable product liability regime may vary from one country to another. As a general rule, parties in the chain of manufacture and distribution, including component manufacturers and assembling manufacturers, are potentially subject to liability for damage or physical harm caused by a defect in a component that makes the end-product unsafe. It is not possible for MIPS to eliminate or avoid potential liability by way of contract with a customer. However, MIPS (in its capacity as component manufacturer) could in general only be liable for what is within MIPS' control. In order to reduce the exposure of product liability claims from end-users, particularly in the U.S., MIPS has in its agreements with its customers included a MIPS disclaimer language to be included in packaging materials for helmets with the MIPS BPS, upon sale to end-users. In addition, MIPS BPS components routinely undergo quality control inspections prior to delivery to ensure compliance with MIPS' quality control standards. MIPS considers the risk of being subject to a product liability lawsuit is somewhat higher in the U.S. than in Sweden and the rest of Europe (regardless if MIPS may be held liable or not) due to the more litigious culture in the U.S. However, whilst MIPS' customers operating in the U.S. have been subject to product liability claims in various cases, MIPS has as per the date of the Prospectus never been involved in or been subject to any claims related to a defect in the MIPS BPS or its components.

SUSTAINABILITY

Overview

MIPS strives to implement its business strategy in an ethically, socially and environmentally responsible manner and to ensure that its products are innovative while providing a safe and healthy work environment. MIPS also seeks to contribute to a better society by actively engaging in and supporting initiatives that help people to live an active everyday life, specifically to enjoy sports and the outdoors and improve their safety. MIPS is committed to continuously improving and developing its efforts within this field.

Code of conduct

MIPS deploys a code of conduct in relation to its contracted manufacturers. The Company's code of conduct states that the Company's mission is to operate in compliance with all laws, rules and regulations relating to various licenses, labour, wages, worker health and safety, environmental and other relevant laws. The Company, including its contracted manufacturers, shall according to the code of conduct treat all workers with respect, dignity and fairness and operate in such a way so as to minimise the impact of its processes on the environment. Each of the Company's manufacturers shall be committed to comply with the Company's code of conduct. With respect to the manufacturers contracted by the Company's customers, these manufacturers are generally subject to the codes of conduct implemented by the Company's customers. The Company is in the process of establishing procedures for local audits of the manufacturers' compliance with the codes of conduct, which is intended to be handled by the Company's local personnel employed by MIPS WFOE once it is established.

Environmental matters

The Company has its contracted manufacturers continuously sending samples of all raw materials used for production of the MIPS BPS for analysis in order to make sure that such materials comply with applicable regulations and standards, such as the RoHS Directive 2011/65/EU (which stands for Restriction of Hazardous Substances in electrical and electronic equipment) and the REACH Regulation EC1907/2006 (which stands for Registration, Evaluation, Authorisation and restriction of Chemicals).

Since all manufacturing is outsourced, no production with the risk of contaminating the environment is carried out by the Company. Nevertheless, the Company always strives to ensure that its contracted manufacturers comply with applicable environmental rules, standards and regulations.

ORGANISATION

Employees

As per 31 December 2016, the total number of employees in the Group amounted to 20.

The table below shows the average number of employees in Sweden and abroad, respectively, during the financial years 2014–2016. In addition, the Company had as per 31 December 2016 five representatives in China, who will be employed by MIPS WFOE once it is established.

Average number of employees (FTE)*

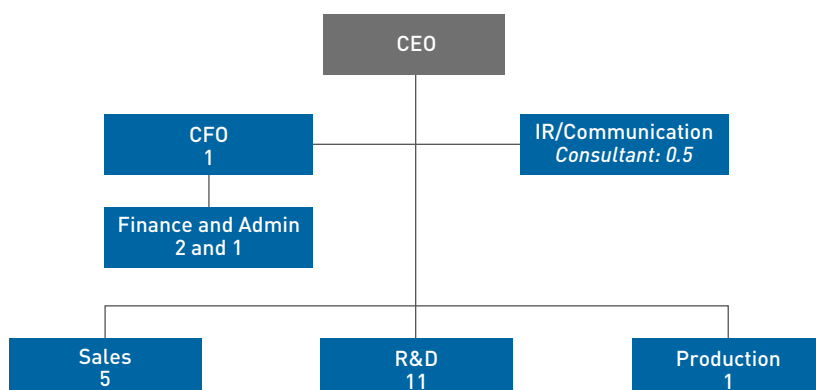
Region	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Sweden	17	13	8
Abroad	0	0	0
Total	17	13	8

* Information regarding average number of employees is derived from MIPS' audited consolidated financial statements.

During the financial year 2016, the proportion of women and men employed was 30 per cent and 70 per cent, respectively. During the same year, the proportion of women and men on the board of directors was 14 per cent and 86 per cent, respectively, and among senior executives the proportion was 20 per cent and 80 per cent, respectively.

Organisation chart

The following chart presents an overview of MIPS' organisation, including the number of employees within each function, as per 31 January 2017.¹⁾



1) The Company has employed two additional persons since 31 December 2016.

IT overview

MIPS' IT systems support all critical facets of the Company's business. The IT systems comprise ERP systems, R&D environments, document management systems, CRM systems, financial reporting tools, project management systems, and several other systems such as lab tools (for instance LSDNYA FEM program) and graphic tools. A majority of MIPS' IT systems are provided by third parties through external hosting, such as the ERP systems and project management systems.



Selected **financial** information

In the following tables, selected consolidated financial information for the financial years 2014–2016 (included in their entirety in the section “Historical financial information”) is presented. The selected financial information for the financial years 2014–2016 has been derived from MIPS’ consolidated financial statements prepared according to International Financial Reporting Standards (“IFRS”) as adopted by the EU. The consolidated financial statements for the financial years 2014–2016 have been audited by MIPS’ auditors as set out in the report included in the Prospectus in the section “Auditor’s report on financial statements for historical financial information”.

The Prospectus contains certain financial and operational measures that are non-IFRS measures. The alternative measures presented complements the IFRS-defined measures and are used by the Company’s management to monitor and manage the operation. The non-IFRS measures have not been audited unless otherwise stated and are not to be considered independently or to replace IFRS measures. For definitions of financial and operational measures, please see the headings “Definitions of financial IFRS measures” and “Definitions of non-IFRS performance measures” in this section.

This section “Selected financial information” should be read together with the section “Operational and financial review” and MIPS’ consolidated financial statements, along with their associated notes, which are included elsewhere in the Prospectus. Rounding-off differences may arise in all tables.

CONSOLIDATED INCOME STATEMENT

TSEK	Audited		
	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Net sales	86,629	49,558	14,765
Cost of goods sold	-24,902	-15,044	-7,340
Gross profit	61,727	34,514	7,425
Selling expenses	-16,608	-10,901	-8,652
Administrative expenses	-24,118	-17,957	-10,034
Research and development expenses	-4,607	-3,145	-2,975
Other operating income	2,003	363	993
Other operating expenses	-21	-	-
Operating profit/loss	18,376	2,875	-13,243
Financial income	419	94	204
Financial expenses	-9	-23	-87
Net financial items	410	71	117
Profit/loss before tax	18,787	2,945	-13,127
Income tax	-4,484	15,835	-2
Net profit/loss for the year	14,303	18,780	-13,129

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	Audited		
	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Net profit/loss for the year	14,303	18,780	-13,129
Other comprehensive income for the year	-	-	-
Comprehensive income for the year	14,303	18,780	-13,129

CONSOLIDATED BALANCE SHEET

TSEK	Audited		
	31 Dec 2016	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Intangible assets	3,677	2,354	1,456
Tangible assets	2,509	1,432	846
Deferred tax assets	11,412	15,848	–
Financial assets	563	–	–
Total non-current assets	18,160	19,635	2,302
Current assets			
Inventories	675	792	575
Accounts receivable	21,356	15,876	7,690
Prepaid expenses and accrued income	3,737	990	332
Other receivables	2,963	1,335	547
Current investments	–	7,000	7,000
Cash and cash equivalents	28,507	8,717	7,970
Total current assets	57,237	34,710	24,115
TOTAL ASSETS	75,397	54,345	26,417
EQUITY AND LIABILITIES			
Equity			
Share capital	2,204	1,912	1,912
Other paid-in capital	96,513	96,513	96,513
Retained earnings incl. net profit for the year	–41,390	–56,874	–80,076
Total equity attributable to owners of the parent company	57,327	41,551	18,349
Non-current liabilities			
Non-current interest-bearing liabilities	–	55	147
Deferred tax liabilities	87	40	26
Provisions	–	–	1,595
Total non-current liabilities	87	95	1,768
Current liabilities			
Current interest-bearing liabilities	55	92	527
Accounts payable	8,857	3,086	1,791
Other liabilities	634	544	350
Accrued expenses and deferred income	8,438	3,699	3,631
Provisions	–	5,278	–
Total current liabilities	17,983	12,699	6,300
TOTAL EQUITY AND LIABILITIES	75,397	54,345	26,417

CONSOLIDATED STATEMENT OF CASH FLOWS

TSEK	Audited		
	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
<i>Operating activities</i>			
Profit/loss before tax	18,787	2,945	-13,127
Adjustment for non-cash items	-3,681	8,413	3,124
Income tax paid	-	-	-
Cash flow from operating activities before changes in working capital	15,105	11,358	-10,003
<i>Cash flow from changes in working capital</i>			
Increase (-)/decrease (+) in inventories	117	-217	-380
Increase (-)/decrease (+) in operating receivables	-9,855	-9,632	-5,566
Increase (+)/decrease (-) in operating liabilities	10,601	1,557	2,863
Change in working capital	864	-8,293	-3,083
Cash flow from operating activities	15,969	3,065	-13,086
<i>Investing activities</i>			
Acquisition of intangible assets	-1,421	-986	-265
Acquisition of tangible assets	-1,801	-890	-661
Acquisition of financial assets	-563	-	-
Divestment of financial assets	-	-	53
Cash flow from investing activities	-3,784	-1,876	-873
<i>Financing activities</i>			
New share issue	292	-	26,997
Amortisation of borrowings	-	-450	-900
Amortisation of lease liabilities	-92	-87	-42
Cash flow from financing activities	200	-537	26,055
Cash flow for the year	12,385	652	12,096
Cash and cash equivalents at beginning of the year	15,717	14,970	2,684
Exchange rate difference, cash and cash equivalents	406	94	191
Cash and cash equivalents at year-end	28,507	15,717	14,970

KEY FIGURES AND DATA PER SHARE

IFRS measures

TSEK unless otherwise stated	Audited		
	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Net sales	86,629	49,558	14,765
Average number of shares ¹⁾	21,478,586	19,119,000	17,694,750
Earnings per share, basic (SEK) ¹⁾	0.67	0.98	-0.74
Earnings per share, diluted (SEK) ¹⁾	0.65	0.89	-0.74

Non-IFRS measures

TSEK unless otherwise stated	Unaudited ²⁾		
	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Gross profit ³⁾	61,727	34,514	7,425
Gross margin (%)	71.3	69.6	50.3
Operating profit ³⁾	18,376	2,875	-13,243
Operating margin (%)	21.2	5.8	neg.
Adjusted operating profit ⁴⁾	24,223	2,875	-13,243
Adjusted operating margin (%) ⁴⁾	28.0	5.8	neg.
Average adjusted working capital ⁵⁾	8,520	4,789	1,788
Dividend per share (SEK)	-	-	-
Equity ratio (%)	76	76	69
Cash flow from operating activities ³⁾	15,969	3,065	-13,086
Average number of employees ³⁾	17	13	8

1) Adjusted for a share split 1,000:1 resolved after 31 December 2016.

2) The non-IFRS measures have not been audited unless otherwise stated.

3) Audited information.

4) Adjusted for items affecting comparability regarding costs related to preparations for the listing of the Company's shares on Nasdaq Stockholm.

5) Includes current provisions related to the Company's share option program during Q4 2015 and Q1 2016.

Use of non-IFRS measures

In the Prospectus, MIPS has included certain non-IFRS measures that are not required by, or presented in accordance with, IFRS. Non-IFRS measures are presented because they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of MIPS' operating result as reported under IFRS. Non-IFRS measures are not considered as measurements of performance or liquidity under IFRS. Accordingly, they should neither be considered as alternatives to any other performance measures derived in accordance with IFRS, nor as any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities. For a description of the non-IFRS performance measures that are used as a complement to the financial information that is reported in accordance with IFRS, please see the heading "Definitions of non-IFRS performance measures".

The tables to the right reflect the calculation of "Average adjusted working capital" and "Adjusted operating profit". The tables and the calculations have not been audited unless otherwise stated.

Derivation of the non-IFRS based performance measure Average adjusted working capital

(TSEK)	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Inventories	675	792	575	195
Accounts receivable	21,356	15,876	7,690	1,808
Other operating receivables ¹⁾	6,700	2,325	879	1,195
Accounts payable	-8,857	-3,086	-1,791	-812
Other operating liabilities ²⁾	-9,127	-4,335	-4,068	-2,097
Total working capital	10,747	11,572	3,285	289
Adjustment ³⁾	-	-5,278	-	-
Adjusted working capital	10,747	6,294	3,285	289

1) Current tax receivables, prepaid expenses, accrued income and other receivables.

2) Current tax liabilities, other operating liabilities, current interest-bearing lease liabilities, accrued expenses and deferred income.

3) Concerns current provisions related to the Company's share option program.

(TSEK)	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Average inventories	733	683	385
Average accounts receivable	18,616	11,783	4,749
Average other operating receivables	4,512	1,602	1,037
Average accounts payable	-5,971	-2,439	-1,301
Average other operating liabilities ¹⁾	-6,731	-4,202	-3,083
Total average working capital	11,159	7,428	1,788
Average adjustment	-2,639	-2,639	-
Average adjusted working capital	8,520	4,789	1,788

1) Concerns current provisions related to the Company's share option program.

Derivation of the non-IFRS based performance measure Adjusted operating profit

(TSEK)	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Operating profit	18,376	2,875	-13,243
Items affecting comparability ¹⁾	5,847	-	-
Adjusted operating profit	24,223	2,875	-13,243

1) Costs related to preparations for the listing of the Company's shares on Nasdaq Stockholm.

DEFINITIONS OF NON-IFRS PERFORMANCE MEASURES

Non-IFRS performance measure	Definition	Reason for use of the measure
Gross profit	Net sales less cost of goods sold.	Gross profit is the profit measure used by the 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 numbers, and provides an understanding of the value creation over time.
Operating profit	Profit before financial items and taxes.	The measure is used to measure the profit generated by the operating activities.
Operating margin (%)	Operating profit as a percentage of net sales during the period.	The measure is used to measure the level of profitability of the operating activities and provides an understanding of the value creation over time.
Adjusted operating profit	Operating profit excluding items affecting comparability.	This measure is intended to provide increased comparability over accounting periods and to show a result of the 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 receivable, accounts receivable, prepaid expenses and accrued income and other receivables less accounts payable, current tax debts, other current payables, 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 opening balance with closing balance for the period by two.
Average adjusted working capital	Corresponds to inventories, current tax receivable, accounts receivable, prepaid expenses and accrued income and other receivables less accounts payable, current tax debts, other current payables, current interest-bearing lease liabilities, accrued expenses and deferred income as well as current provisions (related to social security contributions for the share option program).	The reason for using this measure is the same as in average working capital. However, the measure also include the impact of current provisions related to social security contributions for the share option program.
Dividend per share (SEK)	Dividend per share in SEK.	The measure states dividend per share. If the number of shares has changed during the financial period, a recalculation is made to maintain comparability.
Equity ratio (%)	Equity in relation to total assets.	The measure states the proportion of total assets composed by equity and contributes to the increased understanding of the Company's capital structure.
Cash flow from operating activities	The cash flow from the operating activities.	The cash flow measure is used by senior management to monitor the cash flow generated by the operating activities.
CAGR	CAGR is an abbreviation for Compound Annual Growth Rate, which is the average annual growth rate over a certain period.	The measure is relevant as it provides a picture of the Company's sustainable growth rate since individual periods may vary materially in relation to the Company's sustainable growth rate. The calculation is made by dividing the value at the end of the period in question by the value at the beginning of that period, raise the fraction to the power of one divided by the period length, and subtract one from the subsequent power.
Average number of employees	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.

DEFINITIONS OF FINANCIAL IFRS MEASURES**Earnings per share, basic (SEK)**

Profit/loss for the period divided with average number of shares during the period, adjusted for a share split 1,000:1 resolved after 31 December 2016.

Earnings per share, diluted (SEK)

Profit/loss for the period divided with average number of shares after dilution during the period, adjusted for a share split 1,000:1 resolved after 31 December 2016.

Average number of shares

The calculation of average number of shares for the period based on a weighted average during the period, adjusted for a share split 1,000:1 resolved after 31 December 2016.

Operational and financial review

The operational and financial review in this section is intended to facilitate the understanding and evaluation of trends and factors affecting the results of MIPS' operations and financial position. The information in this section should be read together with the section "*Selected financial information*" and the historical financial information prepared in accordance with IFRS as adopted by the EU and presented elsewhere in the Prospectus. For information about the Company's accounting principles, please see the section "*Historical financial information*" under the heading "*Note 1 Accounting policies*". This section contains forward-looking information. Such information is based on estimates and assumptions and is subject to risks, uncertainties and other factors, including those stated in the section "*Risk factors*". These factors could cause the Company's future earnings, financial position or cash flows to deviate significantly from the information stated or indicated in such forward-looking statements. Please see the section "*Important information*" under the heading "*Forward-looking information and risk factors*" for a description of the risks associated with relying on forward-looking information.

OVERVIEW

MIPS is a Swedish company which specialises in helmet safety and brain protection. MIPS offers its MIPS Brain Protection System (BPS), which is based on patent protected solutions, marketed under the ingredient brand MIPS in the global market for helmet solutions protecting against rotational motion transferred to the brain from angled impacts to the head (hereinafter referred to as "rotational motion"). MIPS considers itself to be a leader in this market.

The MIPS BPS is designed to add protection in helmets against rotational motion. The main component of the MIPS BPS is a low friction layer, which enables a relative movement between the head and the helmet, mimicking the brain's own protection system. MIPS' technology platform is based on more than 20 years of research and development in collaboration with the Royal Institute of Technology (KTH) and the Karolinska Institute.

The MIPS BPS is easily implemented into new and existing helmet models, without affecting existing safety properties or design. Adopting the Company's technology and the ingredient brand MIPS enables helmet brands to offer value-added, differentiated products with premium pricing. Helmets with the MIPS BPS have to the date of the Prospectus been sold within the helmet categories bicycle, snow, moto and equestrian. The Company estimates the combined annual volume of the consumer and professional helmet markets to exceed 70 million helmets.

During 2016, 45 helmet brands purchased the MIPS BPS, including brands such as Bell, Fox Head, Giro, Scott, Smith and Trek, to 212 helmet models. Between 2011–2016, MIPS delivered more than three million MIPS BPS units, mainly within the helmet categories bicycle and snow.

FACTORS AFFECTING THE COMPANY'S NET SALES, EARNINGS AND CASH FLOW

The financial performance of the Company has been affected, and is likely to be affected, by a number of factors, some of which are outside of the Company's control, both now and in the future. This section contains the key factors that MIPS considers to have affected the Company's operational and financial results over the period covered by the financial information contained in the Prospectus and the factors that may continue to do so in the future. These factors particularly include:

- Demand for MIPS' products
- Component production by MIPS or by MIPS' customers
- Fluctuations in the value of foreign currencies
- Scalability of MIPS' business
- Intellectual property rights
- Variations in customer demand between different quarters
- Payments from customers and to suppliers

Demand for MIPS' products

MIPS' sales are dependent on the number of customers that MIPS collaborates with as well as the ability and willingness of MIPS' customers to purchase the MIPS BPS which, in turn, depend on a number of factors. These factors include acceptance and awareness of MIPS' solutions among end-users, certain demographic and market factors, competition, as well as general helmet inventory levels. The demand for MIPS' solutions has increased substantially during the last few years, which has contributed to the Company's positive earnings trend. MIPS attributes the increased demand for its products to several factors, one of which is successful collaborations with a number of key customers such as Bell Sports, Inc., jointly

owned subsidiary to Vista Group and owner of the helmet brands Giro and Bell. In addition, in 2016 MIPS has been successful in delivering MIPS BPS units to 45 helmet brands that market helmets in several categories such as bicycle, snow, moto and equestrian. MIPS views this as a testament to the commercial potential of protection against rotational motion. The growing demand for MIPS' products will also be a key factor for MIPS' ability to achieve its sales target during its current strategic period, please see the section "*Business description*" under the heading "*Financial targets*".

Certain of MIPS' key end-markets are driven by a growing interest in sports and outdoor activities combined with an active lifestyle. Increase in average life expectancy and improved health create a growing base of end-users who have the means, time and interest to carry out more activities. Modern outdoor enthusiasts are likely to participate in various types of sports activities (for example biking, skiing and motorcycling) and try more extreme sports (such as triathlons), thus increasing the demand for additional gear, including helmets with the MIPS BPS. In addition, increased urbanisation drives the demand for bicycle related products, such as helmets, as people increasingly use bicycles to commute. Further, MIPS view is that end-users are becoming increasingly aware of brands, products and product features. With information readily available on a global basis through various communities, end-users usually make purchases based either on price, brand and/or product features. MIPS has seen an increased willingness among end-users to spend on premium products with superior safety features, technology gadgets and design, which has positively affected the demand for helmets with the MIPS BPS. Improvements of helmets in terms of safety, technology and design have also, in the Company's view, resulted in shortened consumer replacement cycles.

The Company competes among other on the basis of its brand. Accordingly, the demand for MIPS' solutions among end-users is likely to depend on the strength of the Company's brand, the strength of MIPS' customers' brands, MIPS' customers' willingness to incorporate MIPS' solutions in their helmet offerings, and MIPS' ability to compete with other similar current or future product offerings. Competition from other ingredient brands offering solutions or material designed to protect against rotational motion is currently limited as there are only a few companies operating with such a business model in MIPS' market. However, with an increased awareness of the relation between rotational motion and the risk for brain injury, and consequently an increased end-user demand and willingness to pay for relevant products, competition is likely to intensify.

Component production by MIPS or by MIPS' customers

The revenue model of a sold MIPS BPS unit is generally based on a license fee for the right to use and market helmets with MIPS' brand and technology. The license fee is invoiced to the customer by MIPS in Sweden while the MIPS BPS components such as the low friction layer, components for implementation of the low friction layer and marketing material will be invoiced by MIPS WFOE once established, and are generally delivered to the appointed customer factory. Some of MIPS' larger customers have opted to have the production of some of the components integrated into their helmet production lines. As of the date of the Prospectus, this has been limited to the production of the low friction layer with MIPS producing and delivering all other necessary parts following a purchase order from the customer. The Company's revenues and cost of goods sold for each unit are thus dependent on the extent to which customers source components from MIPS rather than receiving the approval to integrate component production into their own helmet production lines. If a customer for instance receives approval to integrate the production of low friction layers into its own helmet production line, MIPS' revenue per unit decreases while gross margin (in percentage) increases since component production outsourced to the customer results in decreased cost of goods sold per MIPS BPS unit for MIPS.

Fluctuations in the value of foreign currencies

MIPS' functional currency is SEK but a significant portion of its revenues and expenses are generated in other currencies. Historically, MIPS' sales have almost exclusively been generated in USD, and a majority of MIPS' cost of goods sold has been sourced in USD, please see the section "*Historical financial information*" under the heading "*Note 21 Financial risks and risk management*". Going forward, MIPS' intention is to include a clause in the Company's sales terms for the MIPS BPS components that all sales prices stated in CNY shall relate to a pre-determined USD exchange rate. In case of exchange rate fluctuations of more than five per cent during a quarter, the price in CNY shall be adjusted according to the new USD exchange rate. This leads to that a majority of the Company's exchange rate exposure is towards USD. Once MIPS WFOE has been established, cost of goods sold will be sourced in CNY whereas MIPS' operating expenses are primarily in SEK.

Since January 2017 and in accordance with MIPS' financial policy, the Company intends to hedge 50 per cent of the Company's forecasted USD currency exposure during rolling twelve month periods. As per the date of the Prospectus, the Company has hedged 50 per cent of the

Company's forecasted currency flow for the upcoming twelve month period. Generally, a strengthening of the USD relative to CNY and SEK is beneficial to MIPS as a large portion of its revenues are generated in USD.

Scalability of MIPS' business

MIPS has invested significant amounts in its current organisation, product development, testing facilities, IPR and in its current customer relationships. MIPS believes that its current operational platform and outsourced production make it possible for the Company to handle considerably higher sales and volumes without having to invest at the same rate as it has done historically. Further, operating as an ingredient brand, a part of MIPS' cost base is relatively constant as the Company leverages on its customers' marketing and distribution networks. Increased demand for the MIPS BPS will increase MIPS' production costs but the Company expects other costs, such as selling expenses and administrative expenses, not to grow at the same rate, allowing MIPS to quickly upscale or downscale its production costs according to customer demands. The establishment of the Company's Chinese subsidiary (MIPS WFOE) will however entail certain increases in the Company's administrative expenses as well as of local taxes directly attributable to the Chinese operations. These expenses will be accounted as cost of goods sold in the income statement. The current business model also enables MIPS to continue to expand its business across various helmet categories with limited investments.

- **Selling expenses:** MIPS has a streamlined sales organisation mainly focusing on new brand sales and developing existing customer relationships with a focus on increasing model range penetration and volumes. The sales organisation, which comprised five personnel as of 31 December 2016, has the capacity to handle higher sales and volumes than today, therefore MIPS sees limited need to expand the sales organisation in the near-term. As MIPS operates as an ingredient brand, direct marketing and sales activities towards retailers and end-users is performed by MIPS' customers. However, MIPS' strategic marketing expenses, including promotion, educational material and marketing communication, are expected to increase as sales increase, and the Company assesses that these costs will amount to approximately 5–7 per cent of the total net sales in the future. In 2016, approximately a quarter of the total selling expenses were related to strategic marketing.

- **Administrative expenses:** After having invested in building up its administrative organisation in terms of management and different functions, such as finance, IT and premises, the Company considers itself to have an administrative organisation in place with the capacity to handle considerably higher sales and volumes without increasing costs at the same rate. Additional costs relating to being a listed company will affect Company's administrative expenses post listing. Administrative expenses also includes costs related to preparations for the listing of the Company's shares on Nasdaq Stockholm. The Company's costs related to being a listed company are expected to amount to SEK 5 million per year.
- **R&D expenses:** To meet an increased competition, MIPS invests in product development to be at the forefront of technological innovation and thereby continue to strengthen relationships with customers and keep its strong market position through improved and new products. However, R&D expenses have historically been relatively constant and not directly related to volume sold. In January 2017, MIPS new Head of Innovation assumed his position as a part of the Company's intention to increase its investments in R&D. This may result in an increase in R&D expenses during the forthcoming years.

Intellectual property rights

MIPS' solutions are based on a number of patents in a number of jurisdictions, which provide a competitive advantage and serve to protect the value of MIPS' investments in its technology. As an ingredient brand, awareness and positive recognition of the MIPS brand among end-users increases the value of the business. It is therefore critical for the Company to retain and protect the patents and other intellectual property rights it currently holds and may hold in the future. The Company's key patent families are protected by patents already issued in the U.S. and the EU, as well as other major markets. MIPS' ability to maintain proper protection for its products is crucial for the Company's long-term success. Failure to maintain efficient protection for its products could have adverse effects on the Company's ability to generate revenue and shareholder returns. The Company is exposed to claims of infringement of third parties' intellectual property rights, which could adversely affect the Company's financial position and earnings capabilities (please see the section "*Legal considerations and supplementary information*" under the heading "*Disputes*"). For more information on MIPS' intellectual property rights in general please see the section "*Business description*" under the heading "*Intellectual Property Rights (IPR)*".

Variations in customer demand between different quarters
MIPS' quarterly sales and results have historically varied, and may in the future vary. MIPS considers this to be an effect of several causes. Customers' purchasing patterns coupled with the strong growth in the number of customers and helmet models offered to these customers during the last few years has been one of the causes. During 2016, the Company's top five customers accounted for 64 per cent of the net sales entailing that the purchasing pattern of these customers, that is when purchase orders are received, may have a significant effect on MIPS' sales and results for a certain period. Customer demand is also affected by general helmet inventory levels.

In addition, MIPS' pricing towards customers is volume-based and can thus be affected by customers' purchasing behaviour which may vary between different helmet categories. Further, MIPS operates as an ingredient brand and does not market own helmets to end-users. This means that, whilst demand for helmets may be subject to limited swings among end-users, forecast accuracy can decrease further up in the value chain and thus expose retailers, distributors, helmet brands and MIPS to accentuated variations. For more information, please see under the heading "*Additional financial information*".

Payments from customers and to suppliers

The Company has had high sales growth historically, which has tied-up capital in accounts receivable. Depending on when sales growth is distributed quarterly and annually it has had, and will have, an impact on the Company's cash flow. The Company is actively working to reduce due accounts receivable from its customers and to improve payment terms to its suppliers to reduce working capital. As of 31 December 2016, TSEK 6,494 of the Company's accounts receivable was due for payment.

CERTAIN ENTRIES IN THE INCOME STATEMENT

Net sales

Revenues from the sale of goods and services are recognised in the profit for the year when material risks and rewards associated with ownership of the goods have been transferred to the purchaser. Revenues are not recognised if it is probable that the economic benefits will not be descended 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 recognised. The revenue is recognised 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).

Cost of goods sold

Cost of goods sold corresponds to direct and indirect costs related to sold units, including raw materials, commodities and subcontracted work. Cost of goods sold also includes costs related to direct labour and contracted consultants, premises and depreciation of tangible and intangible assets related to the production function. Part of cost of goods sold are fixed and relate to the Company's operations in China including Head of Operations.

Selling expenses

Selling expenses are comprised of 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, and expenses related to premises, depreciations, travels as well as marketing and PR related activities.

Administrative expenses

Administrative expenses are comprised of expenses that are not directly assignable to sales, production, sourcing and research and development. These costs include the CEO, finance function, IT, premises, legal and depreciations of assets that are not connected to sales, production, sourcing and development.

Research and development expenses

Research and development expenses include costs for research and development activities that are not capitalisable. Costs mainly relate to personnel but also depreciation of test equipment, consultants and testing supplies.

Other operating income and expenses

Other operating income and expenses relate to expenses and incomes not directly attributable to the ordinary business and currency impact relating to the operating activities.

Financial expenses

Financial income consist of interest income on funds invested. Lending expenses are recognised in the income statement using the effective interest rate method.

Exchange rate profits and losses are recognised net. The effective interest rate is the rate that discounts estimated future cash receipts and disbursements during a financial instrument's expected term of the financial asset's or liability's net worth. The calculation includes all fees paid or received from the contracting parties as part of the effective interest rate, transaction costs and all other premiums and discounts.

Income tax

Income tax consist of current and deferred taxes. Income tax are recognised in the income statement except when the underlying transactions are recognised as other comprehensive income or equity, whereby the associated tax effect is recognised in other comprehensive income or equity.

Current tax is the tax payable or receivable for the year, applying the tax rates enacted or practically enacted at the accounting date. Current tax also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance sheet method based on temporary differences between recognised and tax based values on assets and liabilities. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules enacted or practically enacted at the accounting date.

Deferred tax claims for deductible temporary differences and loss carry-forwards are only recognised to the extent it is probable that they will be utilised. The value of deferred tax claims is reduced when it is no longer considered likely that they can be utilised.

KEY ENTRIES IN THE BALANCE SHEET**Non-current assets**

Intangible and tangible assets are recognised in the Group to the acquisition value less accumulated depreciation and any impairments. The acquisition value includes the purchase price as well as expenses directly attributable to put the asset in place and in condition to be utilised 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 its intended use or sale are included in the acquisition value.

COMPARISON BETWEEN PERIODS**Full-year 2016 compared with full-year 2015****Net sales**

Net sales in 2016 increased by 75 per cent to TSEK 86,629 (TSEK 49,558 in 2015), with a marginal positive effect of currency. The increase is the result of that units sold increased by 60 per cent to 1,671 thousand MIPS BPS-units, (1,046 thousand units during 2015), as well as an beneficial mix of customers. The major increase in volume was mostly driven by an increased demand among existing customers of which the growth within the bicycle category is still the most dominant.

Gross profit

During 2016, gross profit increased to TSEK 61,727 (TSEK 34,514 during 2015). The gross margin increased with 1,7 per cent to 71.3 per cent during 2016 (69,6 per cent during

2015). The increase is mainly attributable to the effect of higher net sales.

Selling expenses

Selling expenses increased with TSEK 5,707 to TSEK 16,608 during the 2016 financial year (TSEK 10,901 during the 2015 financial year). The increase was mainly attributable to the Company's expansion of the sales organisation.

Administrative expenses

Administrative expenses increased with TSEK 6,161 to TSEK 24,118 during the 2016 financial year (TSEK 17,957 during the 2015 financial year). A majority of the cost increase is directly attributable to legal costs, the establishment of new premises and reinforcement of the organisation. The Company has during the year had expenses in the form of items affecting comparability, which amounted to TSEK 5,847 (0 during the financial year 2015) and referred to costs related to the preparation of an eventual listing on Nasdaq Stockholm. Administrative expenses have historically been impacted by costs related to the Company's share option program. The option costs for the 2016 financial year amounted to TSEK 1,181 compared with TSEK 4,422 in 2015. The social security contributions related to the share option program amounted to TSEK 371 in 2016 compared with TSEK 3,684 in 2015.

Research and development expenses

The research and development expenses increased with TSEK 1,462 to TSEK 4,607 during the 2016 financial year (TSEK 3,145 during the 2015 financial year). The increase was mainly attributable to higher personnel costs and expenses for external advisors due to increased investments within research and development.

Operating profit

Operating profit amounted to TSEK 18,376 in 2016 compared to TSEK 2,875 in 2015, corresponding to an operating margin of 21.2 per cent in 2016 (5.8 per cent in 2015). The increased operating profit was mainly a result of increased net sales.

Profit for the period and earnings per share

Net profit in 2016 amounted to TSEK 14,303 compared with TSEK 18,780 in 2015. The recorded deferred income tax amounted to TSEK -4,484 in 2016. During 2015 MIPS capitalised prior year's tax losses and accounted for an net tax income of TSEK 15,835. Earnings per share basic, adjusted for a share split 1,000:1 resolved after 31 December 2016, was SEK 0.67 in 2016 (SEK 0.98 in 2015) and diluted SEK 0.65 (SEK 0.89 in 2015).

Cash flow

During 2016, cash flow from operating activities was TSEK 15,969 (TSEK 3,065 in 2015). The improved cash flow was primarily attributable to an improved operating profit. The cash flow for 2016 has been affected with a payment due to prior year's provisions for social security costs relating to the company's terminated share option programs. The investments during 2016 related mainly to test equipment and patents. Cash flow from investing activities was TSEK -3,784 during the 2016 financial year (TSEK -1,876 during 2015). Cash flow related to financing activities amounted to TSEK 200 during the 2016 financial year (TSEK -537 during 2015), mainly due to the issuance of new shares by the Company's redemption of the share option program. Cash flow for the period amounted to TSEK 12,385 during 2016 (TSEK 652 during 2015).

Full-year 2015 compared with full-year 2014**Net sales**

Net sales in 2015 increased by 236 per cent and amounted to TSEK 49,558 compared to TSEK 14,765 in 2014. Units sold increased by approximately 275 per cent to 1,046 thousand units, compared to 279 thousand units for the 2014 financial year. A significant part of the growth is derived from a customer which launched several models with the MIPS BPS under two different brands during the year, but the Company also saw growth from current customers as well as an influx of new customers. The majority of the growth in 2015 originated from customers based in North America and within the bicycle helmet category.

Gross profit

The gross profit for 2015 increased to TSEK 34,514 (TSEK 7,425 in 2014), mainly driven by the increase in sales. Gross margin improved to 69.6 per cent (50.3 per cent during the 2014 financial year). The improvement of the gross profit margin was mainly due to the mix in sales, effects of increased volumes and higher sales price relating to the strengthening of the USD. The effects of the strengthened USD were partly offset since a part of the cost of goods sold was in USD.

Selling expenses

Selling expenses increased with TSEK 2,249 to TSEK 10,901 in 2015 (TSEK 8,652 during the 2014 financial year). The increase was mainly attributable to increased marketing expenses and increased costs for personnel.

Administrative expenses

Administrative expenses increased with TSEK 7,922 to TSEK 17,957 in 2015 (TSEK 10,034 in 2014). A majority of the cost increase is directly attributable to accelerated

earnings under the Company's share option program, increased costs for personnel and increased external costs. The costs related to the Company's share option program amounted to TSEK 4,422 in 2015 compared with TSEK 2,346 in 2014. The social security contributions related to the share option program amounted to TSEK 3,684 in 2015 compared with TSEK 695 in 2014.

Research and development expenses

The research and development expenses increased with TSEK 170 to TSEK 3,145 in 2015 (TSEK 2,975 during the 2014 financial year). The increase was mainly attributable to increased costs for personnel and advisors.

Operating profit/loss

Operating profit for 2015 amounted to TSEK 2,875 compared with TSEK -13,243 in 2014 and the operating margin rose from a negative margin in 2014 to 5.8 per cent in 2015. The main reason for the higher operating margin in 2015 was positive currency effects and the higher sales and the following impact on gross margin. The indirect operating expenses, comprising selling expenses, administrative expenses, research and development expenses and other operating income and expenses, increased with TSEK 10,972 and amounted to TSEK 31,640 in 2015 (TSEK 20,668 in 2014), mainly driven by higher salary costs relating to the expansion of the organisation, costs relating to the vesting of the share option program and higher marketing costs.

Profit/loss for the period and earnings/loss per share

Profit for the full year 2015 amounted to TSEK 18,780 compared with TSEK -13,129 in 2014. During the 2015 financial year, MIPS started to generate taxable profit and after a review and assessment of the future taxable profit of the Company, it was decided to capitalise previous year's tax losses. Therefore, a net tax income was reported in 2015 of TSEK 15,835. In 2015, earnings per share basic, adjusted for a share split 1,000:1 resolved after 31 December 2016, was SEK 0.98 (SEK -0.74 in 2014), and diluted SEK 0.89 (SEK -0.74 in 2014).

Cash flow

For the full year 2015, cash flow from operating activities was TSEK 3,065 (TSEK -13,086 in 2014). The improvement in cash flow was mainly attributable to the improvement in profitability and payables partly offset by higher account receivables following the increase in sales. Cash flow from investing activities was TSEK -1,876 during the 2015 financial year (TSEK -873 during 2014) and TSEK -537 related to financing activities (TSEK 26,055 during 2014). Cash flow for the financial year 2015 amounted to TSEK 652 (TSEK 12,096 in 2014).

FINANCIAL RISK MANAGEMENT

Through its operations the Company is exposed to different types of financial risks. Financial risks refer to variations in the Company's earnings and financial position as a result of changes in exchange rates, liquidity and credit risks. Risk management in the Company is carried out in accordance with policies established by the board of directors. The board of directors has adopted a financial policy, which was last revised in February 2017, that covers the overall financial risk management for specific areas such as currency risk, placement of liquidity and credit risk. Please see the section "*Historical financial information*" under the heading "*Note 21 Financial risks and risk management*" for an account of MIPS' risk management activities as well as further information about the impact of different currencies on MIPS' operating profit.

Following 2016, fluctuations in the value of the USD relative to the CNY will have a greater impact on MIPS' profitability than before, since MIPS's cost of goods sold will be sourced in CNY once the MIPS WFOE has been established while a large portion of MIPS' revenues are generated in USD. In accordance with MIPS' financial policy, the Company intends to currency hedge 50 per cent of its forecasted exposure against fluctuations in foreign currency rates over a twelve month period. The Company continuously evaluates the need for entering into hedging contracts and engages external advisors in order to assess the Company's potential risk exposure.

INVESTMENTS

MIPS' investments during the financial years 2014, 2015 and 2016 have been limited (please see the section "*Historical financial information*" under the headings "*Note 11 Intangible assets*" and "*Note 12 Tangible assets*"). Investments are primarily related to expenses for protection of intellectual property rights and acquisitions of test rigs. As of the date of the Prospectus, the Company does not have any pending material investments and has made no commitments with regard to any future material investments in tangible or intangible assets.

MATERIAL CHANGES AFTER 31 DECEMBER 2016

On 1 February 2017, an extraordinary general meeting was held in the Company. The meeting resolved, among other things, to:

- Change the articles of association so that there is only one class of shares. Each share was divided into 1,000 new shares and the share capital shall amount to a minimum of SEK 2,000,000 and a maximum of SEK 8,000,000.
- Change the Company from a private limited liability company to a public limited liability company.
- Authorise the board of directors to issue new shares in connection with the Offer.
- Implement two different incentive programs based on newly issued warrants, one to the management and key employees and one to the board of directors. The offer to participate in the incentive program is conditional upon a listing on Nasdaq Stockholm.

On 3 February 2017, MIPS announced that Troy Lee Designs, a helmet manufacturer selling and manufacturing helmets for bicycling as well as motocross, had resolved that MIPS' products over time were to be implemented in their entire product range.

Upon request from the former owners of preference shares of series A, the Company resolved to convert all preference shares of series A in the Company into ordinary shares (1:1). This conversion was registered with the Swedish Companies Registration Office on 10 February 2017.

On 9 March 2017, the 2017 annual general meeting was held in the Company. The meeting resolved, among other things, to re-elect all directors for the period until the end of the annual general meeting that will be held in 2018.

Apart from what is set out above, no material events related to the Company's financial position or position in the market have occurred since 31 December 2016.

ADDITIONAL FINANCIAL INFORMATION

Quarterly results

The Company's sales and operating profit have historically been weaker in the first quarter and stronger in the fourth quarter, with the fourth quarter accounting for a significant part of sales and operating profit for the year. These variations are partly driven by MIPS being in a strong growth phase with a large number of new customers and partly by seasonal variations in helmet end-markets, especially in the bicycle and snow helmet categories. Historically, MIPS' sales within the bicycle helmet category have been particularly strong during the fourth quarter while sales within the snow helmet category have been particularly strong during the second quarter. These seasonal patterns are more evident among smaller customers than larger customers, who tend to have a more regular placement of orders throughout the year. As the Company enters new helmet categories, seasonal variation could change over time.

The Company believes that the quarterly information set out in the following, covering the period from the first quarter of 2015 to the fourth quarter of 2016, is of significant value to investors, since it enables a better evaluation of MIPS' quarterly development and seasonal variations. Please note that the table is based on information derived from MIPS' internal accounts, which are not included in the audit reports submitted by the auditor.

Quarterly information

TSEK unless otherwise stated (unaudited)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net sales	31,518	21,199	23,628	10,284	20,378	12,567	13,863	2,751
Gross profit	23,385	15,221	16,909	6,212	15,451	8,877	8,907	1,278
Gross margin (%)	74.2	71.8	71.6	60.4	75.8	70.6	64.3	46.5
Operating profit	13,772	2,260	5,611	-3,267	3,843	1,599	1,547	-4,114
Operating margin (%)	43.7	10.7	23.7	-31.8	18.9	12.7	11.2	-149.6
Adjusted operating profit ¹⁾	13,701	6,422	7,368	-3,267	3,843	1,599	1,547	-4,114
Adjusted operating margin (%) ¹⁾	43.5	30.3	31.2	-31.8	18.9	12.7	11.2	-149.6
Depreciation/Amortisation	281	188	182	151	120	98	93	83
Earnings per share, basic (SEK) ²⁾	0.49	0.08	0.20	-0.14	1.03	0.09	0.08	-0.21
Earnings per share, diluted (SEK) ²⁾	0.49	0.08	0.20	-0.14	0.90	0.08	0.07	-0.21
Equity ratio (%)	76	76	82	74	76	72	68	67
Cash flow from operating activities	9,844	11,821	-8,828	3,132	726	7,365	-1,608	-3,418
Average adjusted working capital ³⁾	8,623	11,266	8,299	3,429	4,888	5,690	5,648	3,341
Average number of employees	20	18	16	15	15	13	12	12

1) Adjusted for items affecting comparability regarding costs related to preparations for the listing of the Company's shares on Nasdaq Stockholm.

2) Adjusted for a share split 1,000:1 resolved after 31 December 2016.

3) Includes current provisions related to the Company's share option program during Q4 2015 and Q1 2016.

Quarterly information – breakdown of operating expenses

TSEK (unaudited)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Breakdown of operating expenses								
Selling expenses	-4,517	-4,632	-3,818	-3,639	-3,529	-2,517	-2,255	-2,599
Administrative expenses	-4,130	-7,510	-7,221	-5,256	-7,857	-3,818	-3,627	-2,655
R&D expenses	-2,073	-994	-1,025	-515	-240	-1,071	-1,125	-708
Other operating income and expenses	1,107	176	767	-68	17	128	-352	570

Quarterly information – breakdown of adjusted working capital¹⁾

TSEK (unaudited)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Breakdown of adjusted working capital									
Inventories	675	784	1,030	1,221	792	638	540	585	575
Accounts receivable	21,356	16,567	22,637	10,402	15,876	6,421	11,852	6,596	7,690
Other operating receivables ²⁾	6,700	3,477	2,110	2,823	2,325	1,493	1,449	1,576	879
Accounts payable	-8,857	-5,762	-3,846	-4,218	-3,086	-1,952	-2,537	-1,901	-1,791
Other operating liabilities ³⁾	-9,127	-8,567	-5,897	-4,223	-4,335	-3,118	-3,406	-3,458	-4,068
Total working capital	10,747	6,498	16,034	6,006	11,572	3,482	7,897	3,398	3,285
Adjustment ⁴⁾	-	-	-	-5,442	-5,278	-	-	-	-
Adjusted working capital	10,747	6,498	16,034	564	6,294	3,482	7,897	3,398	3,285

1) Concerns balances at the end of the period.

2) Current tax receivables, prepaid expenses, accrued income and other receivables.

3) Current tax liabilities, other operating liabilities, current interest-bearing lease liabilities, accrued expenses and deferred income.

4) Concerns current provisions related to the Company's share option program.

Average working capital

TSEK (unaudited)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Average inventories	729	907	1,126	1,007	715	589	562	580
Average accounts receivable	18,961	19,602	16,519	13,139	11,149	9,137	9,224	7,143
Average other operating receivables	5,088	2,794	2,467	2,574	1,909	1,471	1,513	1,228
Average accounts payable	-7,310	-4,804	-4,032	-3,652	-2,519	-2,244	-2,219	-1,846
Average other operating liabilities	-8,847	-7,232	-5,060	-4,279	-3,727	-3,262	-3,432	-3,763
Total adjusted working capital	8,623	11,266	11,020	8,789	7,527	5,690	5,648	3,341
Average adjustment	-	-	-2,721	-5,360	-2,639	-	-	-
Average adjusted working capital	8,623	11,266	8,299	3,429	4,888	5,690	5,648	3,341

Capital structure and other financial information

SHAREHOLDERS' EQUITY AND LIABILITIES

The tables below present MIPS' consolidated capital structure as per 31 December 2016. The tables in this section should be read together with the information in the section "Operational and financial review" and the financial statements, with associated notes, which are found in the section "Historical financial information". For information about the Company's share capital and shares, please see the section "Share capital and ownership structure".

Capitalisation

The table below presents MIPS' capital structure as per 31 December 2016.

Amounts in TSEK	31 December 2016
Total current debt	55
Guaranteed	–
Secured	55
Unguaranteed/Unsecured	–
Total non-current debt	–
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	–
Shareholders' equity	57,327
Share capital	2,204
Other paid in capital	96,513
Other reserves	–41,390
Total capitalisation	57,382

Net debt

The table below presents MIPS' net debt as per 31 December 2016.

Amounts in TSEK	31 December 2016
(A) Cash	28,507
(B) Cash equivalents	–
(C) Trading securities	–
(D) Liquidity (A) + (B) + (C)	28,507
(E) Current financial receivables	483
(F) Current bank debt	–
(G) Current portion of non-current debt	55
(H) Other current financial debt	–
(I) Current financial debt (F) + (G) + (H)	55
(J) Net current financial indebtedness (I) – (E) – (D)	–28,935
(K) Non-current bank loans	–
(L) Bonds issued	–
(M) Other non-current loans	–
(N) Non-current financial indebtedness (K) + (L) + (M)	–
(O) Net financial indebtedness (J) + (N)	–28,935

FINANCING

MIPS finances its business through cash flow from operating activities. The Company has currently no external debt financing. As per 31 December 2016, MIPS' cash and cash equivalents amounted to TSEK 28,507 in the form of bank balances. The gross issue proceeds from the Offer will amount to approximately SEK 150 million, provided that the Offer is fully subscribed.

CAPITAL RESOURCES

Report on working capital and capital requirement

As of the date of the Prospectus, MIPS' assessment is that existing working capital is sufficient to meet the needs of the ongoing business over the next twelve months. The Company's cash and other liquid assets to fund its operating activities (that is the access to liquid assets in order to meet its payment obligations) are primarily in SEK and USD.

TANGIBLE AND INTANGIBLE ASSETS

MIPS' tangible assets amounted to TSEK 2,509 as per 31 December 2016 and consist of inventory, computer equipment and testing equipment. No material tangible assets have been financed by way of leasing. As per 31 December 2016, assets under retention of title amounted to TSEK 52 and related to assets under lease contracts.

MIPS' intangible assets amounted to TSEK 3 677 as per 31 December 2016 and consist of patent costs and trade-mark protection, which are acquired externally.

Board of directors, senior executives and auditors

BOARD OF DIRECTORS

The board of directors of MIPS currently comprises seven directors, all elected by the general meeting. All directors are elected for the period until the end of the annual general meeting that will be held in 2018. The table below presents the directors, their position, when they were first elected to the board of directors and whether they are considered to be independent in relation to the Company and its management, as well as in relation to the

Company's major shareholders. In accordance with the Swedish Corporate Governance Code, more than half of the directors elected by the general meeting shall be independent in relation to the Company and its management. At least two of the directors elected by the general meeting shall also be independent in relation to the Company and its management, as well as to the major shareholders of the Company.

Name	Position	Director since	Independent in relation to the Company and its management	Independent in relation to major shareholders
Bengt Baron	Chairman of the board	2011	Yes	Yes
Pär Arvidsson	Director	2016	No	Yes
Jacob Gunterberg	Director	2008	Yes	No
Terrance G. Lee	Director	2016	No	No
Jonas Rahmn	Director	2012	Yes	Yes
Magnus Welanders	Director	2016	Yes	Yes
Pernilla Wiberg	Director	2016	Yes	Yes

In the following, more detailed information is provided about the directors, including education, experience, ongoing and completed assignments, and holdings in the Company.



BENGT BARON, b. 1962
Chairman of the board of directors
Education and professional experience: BSc in Business Administration, University of California at Berkeley. MBA, University of California at Berkeley. Previously CEO and President of V&S Vin &

Sprit, CEO of V&S Absolut Spirits, Nordic President for Stepstone, CEO of Consumer Imaging Kodak Nordic, President of Frionor Sweden, Business Manager for Coca-Cola Sweden and consultant with McKinsey & Co.

Other ongoing assignments: Owner, chairman of the board and CEO of 5653 Sweden AB. Chairman of the board of Enzymatica AB. Director of Thule Group AB and Aligro Management AB. Minority ownership in Beta Team Performance AB.

Previous assignments completed in the past five years:

CEO of Cloetta AB and directorship in other companies within the Cloetta group. Chairman of the board of Leaf Finance AB and ifoodbag AB. CEO of Leaf International B.V. Director of Nordnet AB and directorship in other companies within the Nordnet group. Director of EQ Oy and Sverige Amerika Stiftelsen.

Holding in the Company: 316,000 shares.

Independent in relation to the Company and its management, independent in relation to major shareholders.



PÄR ARVIDSSON, b. 1960

Director

Education and professional experience: BSc in Economics, University of California at Berkeley. MBA, Harvard Business School. Previously Partner at Strategic Decisions Group and consultant with McKinsey & Co. Founder

and Managing Partner of Gamechange Ventures.

Other ongoing assignments: Chairman of the board and CEO of Wcities International, Inc. Chairman of the board of Wcities.com, Inc. Managing director of Snowshoe Capital LLC.

Previous assignments completed in the past five years: Chairman of the board of Private Brands, Inc. Director of Spirits of Gold AB.

Holding in the Company: 189,000 shares held through company.

Not independent in relation to the Company and its management, independent in relation to major shareholders.



JACOB GUNTERBERG,

b. 1967

Director

Education and professional experience: MSc in Business Administration and Economics, Lund University. Corporate finance experience from ABB Aros Fondkommission and Hjalmarsson &

Gunterberg Corporate Finance AB. Partner at HealthCap Advisor AB.

Other ongoing assignments: Chairman of the board of JUSG Aktiebolag. Director of EllAug AB, Tova Skrenen Stockholm AB, Ancilla AB, HealthCap Orx Holdings GP AB, Trimb Holding AB, ReVent Medical, Inc. and Skipjack AB.

Previous assignments completed in the past five years: Chairman of the board and director of Wilson Therapeutics AB. Director of OxThera AB, OxThera Intellectual Property AB, Cenova AB, Newron Sweden AB, Trimb Healthcare AB, ITS Immune Targeting Systems Ltd, Lumavita AG, HealthCap Holdings GP Aktiebolag, HealthCap Annex Fund I-II Bis GP Aktiebolag and HealthCap Aero Holdings GP AB.

Holding in the Company: None.

Independent in relation to the Company and its management, not independent in relation to major shareholders.



TERRANCE G. LEE,

b. 1949

Director

Education and professional experience:

Non-matriculated studies, Weber State University, Ogden, Utah. Various management and executive management roles at Wilson Sporting Goods

over a 14 year time frame when it was a division of Pepsi Co. Inc. Mr. Lee's last position at Wilson in 1983 was as Senior Vice President of Sales, Distribution and Service. He was Co-owner and President of Bell Sports from 1984 to 1989. Mr. Lee was the President and CEO of Bell Sports from 1990 to 1999 including seven years when Bell was a Nasdaq listed public company. Mr. Lee has also been a former USA Cycle board member and Finance Chairman, and he has over a decade of experience in Private Equity markets. Mr. Lee has further been a member of the board of directors of a major modern furniture retailer, Designs Within Reach, Inc., from 2003 to 2009.

Other ongoing assignments: Executive chairman of Bell Technology Acquisition, LLC and BRG Sports, Inc. Managing member of Hayden Capital Investments, LLC and Mission Capital Investments, LLC. Member and director of Lee Capital Investments, LLC. President of Lee Family Foundation, Inc.

Previous assignments completed in the past five years: Executive chairman, director and CEO of Easton-Bell Sports Inc, and its successor company, Bell, Riddell, Giro Sports (BRG). Chairman of Bell Automotive Products, Inc. and Easton Hockey, Inc. Director of Jurlique International Pty Ltd and Pure Athletics, Inc. Senior operating partner of JH Partners, LLC.

Holding in the Company: None.

Not independent in relation to the Company and its management or in relation to major shareholders.



JONAS RAHMN, b. 1967
Director
Education and professional experience: MSc in Civil Engineering, Chalmers University of Technology. Investment manager of KTH Seed Capital KB. Previously Investment Manager of KTH-Chalmers Capital KB.

Other ongoing assignments: Chairman of the board of Apica AB. Director of Norröna Sport AS and Rafn Advice AB. Minority ownership in KTH Seed Capital Holding AB and KTH Chalmers Capital Management AB.

Previous assignments completed in the past five years: Director of myFC Holding AB (publ), myFC AB, myFC Option och Kapital AB, Whitelines AB, Enreach Solutions AB, Proxio AB, Apica AB and Saltisbarnens Montessori-förskola, ekonomisk förening.

Holding in the Company: None.

Independent in relation to the Company and its management, independent in relation to major shareholders.



MAGNUS WELANDER, b. 1966
Director
Education and professional experience: MSc in Civil Engineering, the Institute of Technology at Linköping University. Previously BA President Vehicle Accessories of Thule Group, CEO of

Envirotainer AB, Technical Director at Tetra Pak Australia and various management positions at Tetra Pak Italy.

Other ongoing assignments: CEO of Thule Group AB and CEO and directorship in other companies within the Thule Group.

Previous assignments completed in the past five years: Director of Brink International AB, Britax Group Ltd, CC (2011) Ltd, Brenderup Group AB, Brenderup AB, Brink International II AB and König IP AB.

Holding in the Company: None.

Independent in relation to the Company and its management, independent in relation to major shareholders.



PERNILLA WIBERG, b. 1970
Director
Education and professional experience: Social science secondary education (three years). Studies in economics, Högskolan in Borlänge. Winner of two Olympic gold medals, four world championship gold

medals and 24 world cup competitions in alpine skiing.

Other ongoing assignments: Beneficial owner of Pernilla Wiberg Sport Promotion Ltd. Minority ownership in Hotell Idre Sweden. Director of World Olympians Association. Chairman of a working group of the International Ski Federation. Alpine expert commentator for Sveriges Television.

Previous assignments completed in the past five years: None.

Holding in the Company: None.

Independent in relation to the Company and its management, independent in relation to major shareholders.

SENIOR EXECUTIVES



JOHAN THIEL, b. 1964
CEO since 2013.
Education and professional experience: Economics secondary education (three years). Business and Product development Manager at Miscea B.V. Business and Client development and partner/owner of CoreComp AB.

Other ongoing assignments: None.

Previous assignments completed in the past five years: Director of Double T Capital AB.

Holding in the Company: 387,000 shares.



PATRIK EGERVALL, b. 1962
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 OMX.

Other ongoing assignments: Owner and director of PAAN Affärsutveckling AB. Director of Abborrkrokens Villaförening, ekonomisk förening.

Previous assignments completed in the past five years: CEO of Brady Energy AS.

Holding in the Company: 23,000 shares.



PETER HALLDIN, b. 1968
Chief Technology Officer (CTO) since 2008.
Education and professional experience: PhD, the Royal Institute of Technology, Stockholm, and co-founder of MIPS.
Other ongoing assignments: Part time Assistant professor at the Royal Institute of Technology,

Stockholm. Convener for CEN/TC 158/WG11 – Rotational test methods. Peter has since 2012 been convener for this working group that focuses on a new helmet test method that shall be included in future helmet test standards within the EU.

Previous assignments completed in the past five years: Director of MIPS AB.

Holding in the Company: 494,000 shares.



SHUYI ISAKSSON, b. 1978
Head of Operations since 2016.
Education and professional experience: BA in English Education, Guangzhou College of Education, China. Entrepreneurship and business development, Stockholm International School of Trading.

Previously Account Manager at OSM Group AB.

Other ongoing assignments: CEO and director of VOC Consulting AB. Director of MI Engineering AB.

Previous assignments completed in the past five years: None.

Holding in the Company: 21,000 shares.



MAX STRANDWITZ, b. 1975
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.

Other ongoing assignments: None.

Previous assignments completed in the past five years: None.

Holding in the Company: 70,000 shares.



BOEL SUNDVALL, b. 1959
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).

Other ongoing assignments: Director of EBS Invest AB and Bostadsrättsföreningen Vedbäraren 19.

Previous assignments completed in the past five years: Director of Briggen Tre Kronor AB. Holder of private firm IR-Konsult Boel Sundvall.

Holding in the Company: None.

OTHER INFORMATION ABOUT THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

There are no family ties between the individuals of MIPS' board of directors or the senior executives. The brother of the CEO of the Company, Marcus Thiel, is employed by MIPS as a sales representative, and is not part of MIPS' board of directors or senior executives.

In the view of the Company, the board of directors of MIPS fulfils the requirements of the Swedish Corporate Governance Code with respect to independence in relation to the Company, senior executives and the Company's major shareholders.

Except for what is stated below, none of the directors of MIPS' board or the senior executives has been charged in fraud-related cases, been a director or member of management of a company that has been declared bankrupt, been subject to involuntary liquidation or involved in any other bankruptcy administration, been the object of charges and/or sanctions by authorities (including authorised professional societies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the past five years. Jonas Rahmn was a member of the board of directors of Proxio AB, a company which filed for bankruptcy in December 2013 which ended in July 2015.

Other than what is stated in the following paragraph, there are no conflicts of interest or potential conflicts of interest between the obligations to the Company of members of the board of directors and senior executives of the Company and their private interests and/or other undertakings (but several of the members of the board of directors and executive management have financial interests in the Company due to their shareholding in the Company). Shareholding senior executives within MIPS

will undertake with certain exceptions not to sell their respective holdings for a certain period after trading on Nasdaq Stockholm has commenced, see the section "*Share capital and ownership structure*" under the heading "*Lock-up agreements*". The Company has not entered into any agreement that would entitle directors or senior executives to post-employment benefits, except for certain senior executives who are entitled to severance pay during a period of three to six months and, under certain conditions, remuneration for competition restrictions that may be paid after employment is terminated (up to 60 per cent of basic salary). Remuneration to the directors of the board and the senior executives is presented in the section "*Corporate governance*".

The board member Terrance G. Lee is the executive chairman of BTA. The board member Jacob Gunterberg holds a minor economic interest in HealthCap V GP SA, acting as general partner of the major shareholder HealthCap V L.P.

All members of the board of directors and the senior executives can be contacted via the Company's address, Källtorpsvägen 2, SE-183 71 Täby, Sweden.

AUDITORS

On 11 May 2016, the annual general meeting of the Company resolved to re-elect KPMG AB as auditors until the end of the fourth annual general meeting held after the election. The authorised public accountant Tomas Gerhardsson is auditor in charge. Tomas Gerhardsson, born in 1969, is a member of FAR (professional institute for authorised public accountants).

KPMG AB (or the auditor employed by KPMG AB) has been the Company's auditor for the period covered by the historical financial information.

Corporate governance

Prior to the admission of the Company's shares to trading on Nasdaq Stockholm, the corporate governance of MIPS has been based on Swedish law and internal rules and guidelines. Once the shares in the Company are admitted to trading on Nasdaq Stockholm, MIPS will also comply with Nasdaq Stockholm's Rule Book for Issuers and apply the Swedish Corporate Governance Code (the "Code"). The Code is based on the "comply or explain" principle. This means that a company that applies the Code may choose to deviate from certain rules, but must then describe its alternative solution and explain the reason for the deviation in its annual corporate governance report. Any deviations from the Code will be reported in the Company's corporate governance report, which will be prepared for the first time for the 2017 financial year. The Company does not intend to deviate from any of the Code's rules.

GENERAL MEETING OF SHAREHOLDERS

Pursuant to the Swedish Companies Act (2005:551) (the "Swedish Companies Act"), the general meeting is the Company's highest decision-making body, at which the shareholders exercise their voting rights. In addition to the annual general meeting, extraordinary general meetings may be convened. The Company's annual general meetings are held in Stockholm or in Täby, Sweden, every calendar year before the end of June. Extraordinary general meetings can be convened when required. Pursuant to the Company's articles of association, notices convening general meetings are to be issued through an announcement in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. Confirmation that the notice has been issued shall be published in Svenska Dagbladet. Once the shares of MIPS have been admitted to trading on Nasdaq Stockholm, a press release in Swedish and English containing the notice in its entirety will be issued prior to every general meeting.

Right to participation in general meetings

All shareholders who are registered in the share register maintained by Euroclear five weekdays (including Saturdays) prior to the general meeting (known as the record date), and who have notified the Company of their intention to participate in the general meeting not later than the date indicated in the notice of the general meeting, are entitled to participate in the general meeting and vote for the number of shares held in the Company. In addition to notifying the Company of their intention to participate in the general meeting, shareholders whose shares are registered in the name of a nominee, through a bank or other nominee, must request that their shares be tempo-

rarily registered in their own names in the share register maintained by Euroclear in order to be entitled to participate in the general meeting. Shareholders should inform their nominees well in advance of the record date. Shareholders may participate in general meetings in person or by proxy and may be accompanied by a maximum of two advisors.

Shareholders initiatives

Shareholders who wish to have a matter brought before a general meeting must submit a request in writing to the board of directors. Normally, the request must reach the board of directors not later than seven weeks prior to the general meeting.

NOMINATION COMMITTEE

Companies that apply the Code must have a nomination committee. The extraordinary general meeting of MIPS on 1 February 2017 adopted instructions for the nomination committee's composition and work within the Company. According to these, the nomination committee shall prior to the annual general meeting be composed of representatives of the three largest shareholders of the Company in terms of votes, who are registered in the share register maintained by Euroclear as of 31 August each year and the Chairman of the board of directors. 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 assignments of the nomination committee include to present proposals to the annual general meeting concerning the number of directors elected by the general meeting and the composition of the board of directors, including the Chairman of the board, as well as proposals concerning the remuneration to the directors divided among the Chairman and other directors as well as any remuneration for committee work. The nomination committee is also responsible for presenting proposals concerning the Chairman of the annual general meeting and the election of auditors and their remuneration, as well as proposals concerning any new instructions for the appointment of the nomination committee and its work. All shareholders are entitled to submit proposals concerning appointment of directors of the board to the nomination committee. The nomination

committee's proposal concerning the appointment of directors and remuneration to the directors and auditors is presented in the notice to the annual general meeting. A statement from the nomination committee on the composition of the board of directors is to be published on the Company's website in connection to when the notice to attend the annual general meeting is published.

BOARD OF DIRECTORS

Work of the board of directors

The duties of the board of directors are regulated by the Swedish Companies Act, the Company's articles of association and the Code. In addition, the work of the board of directors is regulated by the rules of procedure that are adopted annually. The rules of procedure regulate the distribution of work and responsibilities between the directors, the Chairman of the board and the CEO, and contain procedures for financial reporting and other instructions for the CEO. The board of directors also adopts 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, cover among other strategy and business plan, budget and proposals for resolution at the annual general meeting (inter alia appropriation of profit). Following the annual general meeting each year, board policy documents and guidelines are adopted. The board of directors also monitors the financial development, ensuring the quality of financial reporting and the internal control and evaluate 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 organisation 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. During 2016, the board of directors held seven meetings where the material areas of discussion primarily have been preparations for the listing of the Company's shares on Nasdaq Stockholm and the Company's business plan, among others.

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 annual general meeting.

The board's committees

The board of directors currently has two committees, the audit committee and the remuneration committee.

Audit committee

MIPS has an audit committee consisting of the three members Jacob Gunterberg (Chairman), Pär Arvidsson and Bengt Baron. The duties of the audit committee are set out in an instruction adopted annually by the board of directors. The committee's assignment encompasses, amongst others, 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 and to review and monitor the auditor's independence and objectivity, paying particular attention to whether the auditors provides services to the Company in addition to its audit. During 2016, the audit committee held four meetings where the material areas of discussion primarily have been the Company's internal control and the conversion of the Company's accounts to IFRS standard, among others.

Remuneration committee

MIPS has a remuneration committee consisting of the two members Jonas Rahmn (Chairman) and Magnus Welander. The duties of the remuneration committee are set out in an instruction 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 of director's proposals on guidelines for remuneration to the senior management, including inter alia 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 program for the senior executives are adopted by the general meeting. The remuneration committee's duties also include monitoring and evaluating the outcomes of variable remuneration program, and MIPS' compliance with the remuneration guidelines adopted by the general meeting. During 2016, the remuneration committee held three meetings where the material areas of discussion primarily have been share-related incentive plans and terms of employment for senior executives, among others.

Remuneration of the board of directors

At the annual general meeting held on 9 March 2017, it was resolved that the board of directors would receive remuneration with a total of SEK 1,200,000, of which SEK 300,000 shall be paid to the Chairman of the board and SEK 150,000 to each of the other directors. At the annual general meeting, it was also resolved that for work within the audit committee, the Chairman of the committee would receive an annual remuneration of SEK 70,000 and that each of the other audit committee members would receive an annual remuneration of SEK 40,000. It was further resolved that for work within the remuneration committee, the Chairman of the committee would receive an annual remuneration of SEK 35,000 and that each of the other remuneration committee members would receive an annual remuneration of SEK 20,000.

CEO AND EXECUTIVE 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 of director's instructions and regulations. The distribution of responsibilities between the CEO and the board of directors is defined in the board of director'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 senior management. The CEO is also

responsible for the preparation of reports as well as board meetings and for presenting relevant material at board meetings. For further information about the CEO and the other senior executives, see the section "*Board of directors, senior executives and auditors*".

Guidelines for remuneration to senior executives

In accordance with the Swedish Companies Act, the board of directors of a listed company is to present proposals for resolution regarding guidelines for remuneration to the CEO and other senior executives at the annual general meeting. Such guidelines, as resolved by the annual general meeting, are applicable to new employment contracts between the Company and the respective senior executive, which means that there may be employment contracts that do not fully comply with the currently applicable guidelines. In accordance with the guidelines adopted at the Company's annual general meeting on 9 March 2017, remuneration to the senior executives is to include fixed salary, possible variable remuneration (maximum 50 per cent of the fixed annual salary), pension and other benefits, such as any company car and company healthcare etc. The total remuneration package should be based on market terms, be competitive and reflect the individuals' performance and responsibilities as well as, with respect to any share based incentive program, the value growth of the Company's share which is to the benefit of the shareholders.

TSEK	Remuneration for 2016			Remuneration for 2015			Remuneration for 2014		
	Fixed salary	Variable salary	Pension costs*	Fixed salary	Variable salary	Pension costs*	Fixed salary	Variable salary	Pension costs*
CEO	1,455	360	375	1,265	315	300	1,213	300	271
Other members of executive management	2,881	473	537	1,444	120	203	1,115	69	71
Total	4,336	833	912	2,710	435	504	2,328	369	342

* The Company has no accrued or prepaid pension costs.

1) During 2016, the executive management has grown from three members (in 2015) to six members. The new members are Patrik Egervall, Shuyi Isaksson and Boel Sundvall (in addition, Max Strandwitz has replaced the previous CFO). During 2014, the Company had two other members of the executive management. For further information, see the section "*Historical financial information*" under the heading "*Note 4 Employees, personnel costs and remuneration to senior executives*".

Members of the executive management whose employment is terminated by the Company are normally entitled to severance pay amounting to not more than six months' fixed salary. The period of notice is normally three–six months if employment is terminated on the initiative of the employee.

The board of directors shall have a right to deviate from the guidelines for remuneration to senior executives resolved by the general meeting if, in an individual case, there are special reasons for this.

Remuneration paid by the Company to the CEO and senior executives¹¹

The table above sets forth the remuneration to the CEO and other senior executives for the financial years 2014–2016.

AUDITORS

The external audit of the accounts of MIPS, including of the management by the board of directors and senior executives, is conducted in accordance with generally accepted auditing standards in Sweden. The external auditors attend at least one board meeting per year, which generally occurs at the board meeting at which the year-end report is reviewed and approved by the board. At this occasion, the auditors are to discuss the audit with the directors without the presence of the CEO or any other member of the senior management. The auditors are appointed by the annual general meeting to serve until the end of the fourth annual general meeting held after the election. At the annual general meeting on 11 May 2016, the registered public accounting firm KPMG AB was elected as auditors of the Company until the end of the fourth annual general meeting held after the election. The authorised public accountant Tomas Gerhardsson was appointed auditor in charge.

In addition to the audit assignment, KPMG AB was engaged for additional services in 2016, primarily tax and accounting matters, but also listing-related matters. 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.

INTERNAL CONTROL

The board of directors' responsibility for the internal control is governed by the Swedish Companies Act, the Swedish Annual Accounts Act (1995:1554), and the Code. The responsibility and liability of the board of directors cannot be assigned to any other part. The duties of the board include to ensure that there is an effective system

for follow-up and control of the Company's operations. The board shall also keep itself informed about the Company's internal control routines and secure that the 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 is overall responsible for maintaining a sound internal control over the financial reporting environment.

In order to develop and work with internal control in a structured way, 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 an adequate risk management including, among other, 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.

Information regarding the Company's systems for internal control and risk management, and the board of directors' measures to follow up that the internal control is working, are to be included in the Company's corporate governance report each year.

Control environment

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

The board of directors has adopted a number of governing documents and instructions to communicate a clearly defined internal control environment, also aimed to define the roles and allocation of responsibility 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, authorisation 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 hinder the Company to reach its objectives. MIPS has a yearly risk process in place where risks are identified from a group perspective to give an overall view of the key risks which MIPS is exposed to.

Each identified key risk is owned by a certain member of the senior executives, as appointed, and should be documented with a potential action plan to mitigate the risk to the 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, normally 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 to the achievement of the Company's objectives. Such control activities include MIPS' governance structure with a number of forums and activities constantly monitoring the operations, such as the board of director's 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 is focused on three key processes:

- Order to Cash (the Head of Sales is the owner of this process)
- Procure to Pay (the Head of Operation is the owner of this process)
- Record to Report (the CFO is the owner of this process)

These three processes are mapped out in detail, and the steps of the processes are defined, in internal documents to make sure that there is a sufficient segregation of duties and that the right control mechanisms are in place. The strength of these implemented control mechanisms should be evaluated annually to make sure that the established processes are complied with as well as that the safety measures remain in place. All test records should be kept and documented. If any of these processes are changed during the year, an immediate review of such processes should be performed to make sure that no new risks originates.

Information and communication

MIPS' communication channels and the Company's limited size 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 orally communicated and discussed at physical meetings. All relevant internal policies and instructions are available to all concerned employees on the designated server location. As regards external communication, guidelines have been developed in order to ensure that the Company meets applicable information requirements as well as to guarantee correctness and good quality of the communicated information. The Company's website is updated on a continuous basis and complies with the requirements that apply to companies listed on Nasdaq Stockholm.

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 yearly. MIPS' CFO is responsible for ensuring that the appropriate processes for monitoring are in place and that a specific process regarding monitoring and measuring of reported deficiencies is implemented. The results of the annual evaluation shall be reported to the audit committee for a detailed review whereafter a summary including identified suggestions for improvements shall be presented to the board of directors.

The board of directors assesses the information and reports provided by the executive management on a continuous basis, and continuously follow-up that the identified risks are handled in an adequate manner.

Internal audit

The board of directors has resolved to not put in place a separate internal audit function given the size of the Company and as the Company believes that the implemented internal control procedures ensure the required level of control as well as that follow-up is carried out. However, the board of directors is annually considering the need for an internal audit function.

Share capital and ownership structure

SHARE INFORMATION

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. As per the publication date of the Prospectus, the Company's share capital amounted to SEK 2,203,900, represented by 22,039,000 shares. The quota value per share is SEK 0.1. The Company's shares have been issued in accordance with Swedish law, have been fully paid and are freely transferable. The Company's shares are denominated in SEK. The shares are not subject to offers submitted due to mandatory bids, redemption rights or redeem obligations. No public takeover offer has been made for the shares in MIPS during the current or preceding financial year.

The Offer will, if fully subscribed, result in an increase in the number of shares in the Company of 3,260,870, corresponding to a dilution of approximately 13 per cent.

Certain rights associated with the shares

The rights associated with the shares issued by the Company, including rights under the Company's articles of association, may only be amended in accordance with the procedures set out in the Swedish Companies Act.

Voting rights

Each share in the Company entitles the holder to one vote at shareholders' meetings. Each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company.

Share conversion

Following a request from the previous owners of preference shares of series A, the Company resolved to convert all preference shares of series A into ordinary (1:1). This conversion was registered with the Swedish Companies Registration Office on 10 February 2017.

The Company's share capital development

Date	Event	Change in share capital, SEK	Change in number of shares ¹⁾	Share capital after the change	Number of shares after the change
24 April 2001	Formation	100,000	1,000	100,000	1,000
3 September 2003	New share issue	15,000	150	115,000	1,150
27 June 2005	New share issue	10,000	100	125,000	1,250
12 September 2006	New share issue	9,300	93	134,300	1,343
12 December 2007	New share issue by set-off	9,400	94	143,700	1,437
16 September 2008	New share issue	30,000	300	173,700	1,737
24 September 2008	New share issue	30,000	300	203,700	2,037
12 November 2008	New share issue	101,800	1,018 ²⁾	305,500	3,055
3 November 2009	New share issue by set-off	60,000	600 ³⁾	365,500	3,655
3 November 2009	New share issue	117,700	1,177 ⁴⁾	483,200	4,832
28 January 2011	New share issue	141,300	1,413 ⁵⁾	624,500	6,245
28 January 2011	Exercise of call option	6,000	60	630,500	6,305
28 February 2012	New share issue	101,000	1,010 ⁶⁾	731,500	7,315
15 May 2012	New share issue	50,000	500 ⁷⁾	781,500	7,815
9 August 2013	New share issue partly by set-off	362,200	3,622 ⁸⁾	1,143,700	11,437
26 November 2013	New share issue	135,200	1,352 ⁹⁾	1,278,900	12,789
1 April 2014	New share issue	633,000	6,330	1,911,900	19,119
17 March 2016	Exercise of call option	282,700	2,827	2,194,600	21,946
29 July 2016	Exercise of call option	9,300	93	2,203,900	22,039
13 February 2017	Share split (1,000:1)	–	22,016,961	2,203,900	22,039,000
22 March 2017	The Offer ¹⁰⁾	326,087	3,260,870	2,529,987	25,299,870

1) Ordinary shares unless otherwise stated.

2) All preference shares of series 1 (the class of shares has expired).

3) All preference shares of series 1 (the class of shares has expired).

4) All preference shares of series 1 (the class of shares has expired).

5) All preference shares of series 1 (the class of shares has expired).

6) All preference shares of series 2 (the class of shares has expired).

7) All preference shares of series 1 (the class of shares has expired).

8) All preference shares of series A (the class of shares has expired).

9) All preference shares of series A (preceding class of shares).

10) Assuming that the Offer is fully subscribed.

Preferential rights to new shares, etc.

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, the shareholders have preferential rights to subscribe for such securities in proportion to the number of shares held prior to the issue. MIPS' articles of association do not restrict the Company's ability to issue new shares, warrants or convertibles deviating from the shareholders' preferential rights as provided for in the Swedish Companies Act.

Rights to dividends and surplus in the event of liquidation

All shares in the Company entitle to equal rights to dividends and the Company's assets and any surpluses in the event of the Company's liquidation. Any decision on distribution of profit is to be made by the general meeting. All shareholders who are registered in the share register maintained by Euroclear on the record date determined by the general meeting are entitled to receive dividends. The dividends are normally paid to shareholders through Euroclear as a cash amount per share, but may also comprise forms other than cash dividends (distribution in kind). If a shareholder cannot be paid through Euroclear, the shareholder's claim on the Company in respect of the dividend amount remains and is subject to a statutory limitation period of ten years. Should the claim become barred by the limitation period, the dividend amount is forfeited to the Company. Subject to the existence of possible restrictions imposed by banks or clearing systems in the relevant jurisdiction, there are no restrictions on entitlement to dividends for shareholders resident outside Sweden. However, shareholders with limited tax liability in Sweden are normally subject to Swedish withholding tax. See also the section "*Certain tax considerations in Sweden*".

Central Securities Depository

The shares of the Company are registered in a CSD register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479). The register is maintained by Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden. No share certificates are issued for the Company's shares. The ISIN code for the Company's shares is SE0009216278.

Share-related incentive plans

At an extraordinary general meeting on 1 February 2017, it was resolved to issue warrants as a part of two incentive programs, one which includes the management and certain key employees and the other includes the board members who are independent in relation to the major shareholders of the Company. Identical conditions apply to

both the incentive programs. The incentive programs are currently covering 14 individuals in total and a maximum of 1,250,000 warrants. The incentive program for the management and certain key employees covers a maximum of 875,000 warrants and the program for certain board members covers a maximum of 375,000 warrants. Warrants have been issued to and subscribed by MIPS wholly-owned subsidiary M-PS Helmet AB and the participants will be offered to acquire warrants from the subsidiary to the market value over a period of three weeks from the day after the Company's shares have been admitted to trading on Nasdaq Stockholm. The market value will be established following admission to trading of the Company's shares on Nasdaq Stockholm and taking into account the Offer price. The maximum number of warrants to be acquired by the participants shall not cause a dilutive effect of more than a maximum of five per cent of the share capital in MIPS after the Offer has been completed. Warrants can be exercised to subscribe for newly issued shares during the period 1 March 2020 – 31 May 2020. The exercise price is corresponding to 130 per cent of the Offer price. The warrants are freely transferable but a prerequisite for allotment is that the individual has signed a special pre-emption agreement with MIPS.

SELLING SHAREHOLDERS

In addition to the Main Shareholders, other existing shareholders in the Company have been given the opportunity to sell shares in the Offer. Certain employees in the Company are included among the Selling Shareholders, however, no senior executives in the Company are included except for Johan Thiel who will sell 40,000 shares (corresponding to approximately ten per cent of Johan Thiel's total shareholding) and Peter Halldin who will sell 7,000 shares (corresponding to approximately one per cent of Peter Halldin's total shareholding) to cover tax effects which have arisen in conjunction with the exercise of previously issued employee stock options in the Company (see also the section "*Historical financial information*" under the heading "*Note 5 Share-based payments*"). All the Selling Shareholders may be reached at the Company's business address.

SHAREHOLDERS' AGREEMENTS

The existing shareholders in the Company have entered into a shareholders' agreement regulating, among other things, corporate governance and share transfers in the Company. The shareholders' agreement will terminate upon the admission of the Company's shares to trading on Nasdaq Stockholm.

OWNERSHIP STRUCTURE

Shareholders	Shareholding immediately before completion of the Offer		Shares for sale in the Offer	Shareholding following completion of the Offer (provided that the Offer is exercised in full and that the over-allotment option is not exercised)		Shareholding following completion of the Offer (provided that the Offer is exercised in full and that the over-allotment option is exercised in full)	
	Number of shares and votes	Percentage of shares and votes		Number of shares and votes	Percentage of shares and votes	Number of shares and votes	Percentage of shares and votes
BTA	10,799,000	49.0%	5,399,500	5,399,500	21.3%	4,178,223	16.5%
HealthCap V L.P.	4,108,000	18.6%	1,600,000	2,508,000	9.9%	2,146,107	8.5%
KTH-Chalmers Capital KB	1,485,000	6.7%	742,500	742,500	2.9%	574,559	2.3%
Almi Invest Stockholm AB	962,000	4.4%	481,000	481,000	1.9%	372,206	1.5%
Östra Sundsbo Invest AB	631,000	2.9%	210,333	420,667	1.7%	420,667	1.7%
Peter Halldin	494,000	2.2%	7,000	487,000	1.9%	487,000	1.9%
Kusin Jacob AB	421,000	1.9%	421,000	–	–	–	–
Johan Thiel	387,000	1.8%	40,000	347,000	1.4%	347,000	1.4%
Bengt Baron	316,000	1.4%	–	316,000	1.2%	316,000	1.2%
Hans von Holst	250,000	1.1%	–	250,000	1.0%	250,000	1.0%
Other shareholders	2,186,000	9.9%	237,169	1,948,831	7.7%	1,948,831	7.7%
New shareholders	–	–	–	12,399,372	49.0%	14,259,277	56.4%
Total	22,039,000	100%	9,138,502	25,299,870	100%	25,299,870	100%

Note: Based on the assumption that the Offer is fully subscribed.

LOCK-UP AGREEMENTS

Pursuant to a placing agreement, which is expected to be entered into on or around 22 March 2017, between the Company, the Main Shareholders and the Joint Global Coordinators (the "Placing agreement"), and certain lock-up agreements entered into in connection with the Placing Agreement, the Selling Shareholders will undertake, with certain exceptions, not to sell their respective shareholdings for a period of 180 days following commencement of trading on Nasdaq Stockholm (the "Lock-up period"). These exceptions concern the transfer to certain persons and entities, which have entered into similar lock-up agreements as the Selling Shareholder, transfer due to a public takeover offer directed to all or almost all shareholders in the Company, transfer as a result of repurchase of own shares or similar procedures, transfer that occurs with preferential rights for the Company's shareholders, transfers due to legal requirements and transfer of shares, which the Selling Shareholder has acquired after the first day of trading in the Company's shares on Nasdaq Stockholm. The undertakings do however not apply to any such shares subscribed

for by the Selling Shareholders in the Offer. The Company's shareholding senior executives and board members will enter into similar undertakings, for a period of 365 days following commencement of trading in the Company's shares on Nasdaq Stockholm. Under the Placing agreement, the Company will also undertake, with certain exceptions, not to (i) issue, offer, pledge, sell, contract to sell or otherwise dispose of any securities in the Company that are substantially similar to the shares, including but not limited to securities that are convertible into or exchanged for, or that represent the right to receive, such shares or any such substantially similar securities, or (ii) purchase or sell options or other securities or enter into swap, hedge or other agreements that would have similar economic consequences to the foregoing prior to 180 days following the first day of trading on Nasdaq Stockholm. The Joint Global Coordinators may, however, grant exceptions from these undertakings. For further information regarding the Placing agreement, see the section "Legal considerations and supplementary information" under the heading "Placing agreement".

Articles of association

The following articles of association was adopted at the extraordinary general meeting of the Company held on 1 February 2017.

§ 1 Company name

The company name is MIPS AB. The company is a public (publ) company.

§ 2 Registered office

The registered office of the company's board of directors is in Stockholm.

§ 3 Objects of the company

The company shall, directly or indirectly, further develop, customize, license, manufacture or outsource manufacturing of, and market, solutions to prevent rotational motion and other types of forces that occur in connection with different types of external impacts, as well as engage in other activities compatible therewith.

§ 4 Share capital

The share capital shall be not less than SEK 2,000,000 and not more than SEK 8,000,000.

§ 5 Number of shares

The number of shares in the company shall be not less than 20,000,000 and not more than 80,000,000.

§ 6 Board of directors

The board of directors shall consist of not less than three (3) and not more than eight (8) directors. The directors of the board are elected annually at the annual general meeting for the period until the end of the next annual general meeting.

§ 7 Auditors

One or two auditors or a registered auditing company shall be elected at the annual general meeting. The appointment as auditor shall apply until the close of the annual general meeting that is held during the first, second, third or fourth financial year after the election of the auditor.

§ 8 Convening of general meeting

Notice of a general meeting shall be published in the Swedish Official Gazette and on the company's website. It shall be announced in Svenska Dagbladet that notice of a general meeting has been made.

§ 9 Notification of attendance and right to attend the general meeting

Shareholders wishing to participate at a general meeting must be registered in a transcript or other presentation of the entire share register relating to the circumstances five weekdays prior to the meeting and must notify the

company not later than the day stipulated in the notice convening the general meeting. This day may not be a Sunday, any other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not be earlier than five weekdays prior to the meeting.

§ 10 General meeting

The general meeting of shareholders shall be held in the municipality where the board of directors has its registered office or in Täby.

The following items shall be addressed at the annual general meeting.

1. Election of chairman of the general meeting.
2. Drawing up and approval of the voting list.
3. Election of two persons to check and verify the minutes.
4. Determination of whether the general meeting has been duly convened.
5. Approval of the agenda.
6. Presentation of the annual report and the auditors' report and the consolidated financial statements and the auditor's report for the group.
7. Resolutions regarding
 - (a) adoption of the income statement and balance sheet and the consolidated income statement and consolidated balance sheet;
 - (b) disposition of the company's profit or loss in accordance with the adopted balance sheet; and
 - (c) discharge from liability of the directors of the board and the CEO.
8. Determination of the number of directors of the board and the number of auditors.
9. Determination of the remuneration to the board of directors and the auditors.
10. Election of the directors of the board and, where applicable, auditors.
11. Other matters to be addressed by the general meeting in accordance with the Swedish Companies Act or the articles of association.

§ 11 Financial year

The company's financial year shall be 1 January – 31 December.

§ 12 CSD clause

The company's shares shall be registered in a central securities depository (CSD) register pursuant to the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479).

Legal considerations and supplementary information

CORPORATE INFORMATION AND LEGAL STRUCTURE

The Company's registered name (and its trade name) is MIPS AB. MIPS' corporate identification number is 556609-0162 and the registered office of the board of directors is in Stockholm, Stockholm County, Sweden. The Company was incorporated in Sweden on 1 March 2001 and registered with the Swedish Companies Registration Office on 24 April 2001. The founders were Peter Halldin and Hans von Holst (Svampvägen 132, 122 63 Stockholm, Sweden and Kårevägen 12, 182 66 Djursholm, Sweden). The current business name was registered on 22 August 2003.

The Company's form of association is a public limited liability company and its operations are regulated by the Swedish Companies Act. The object of the Company's operations is to, directly or indirectly, further develop, customize, license, manufacture or outsource manufacturing of, and market, solutions to prevent rotational motion and other types of forces that occur in connection with different types of external impacts, as well as engage in other activities compatible therewith. The current articles of association were adopted on 1 February 2017. MIPS is the parent company of the Group which, in addition to the Company, comprises the wholly-owned subsidiaries M-PS Helmet AB, also incorporated in Sweden, and, since 2017, MIPS Dongguan Trading Co. Ltd., incorporated in China.

SIGNIFICANT AGREEMENTS

During the past two years the Group has not entered into any material agreement outside the ordinary course of business and which, individually, is considered as material to MIPS or which include any obligation or entitlement which is material to the Group. In the following the general contents of the Company's agreements with its suppliers and customers is set out.

AGREEMENTS WITH SUPPLIERS

Prior to commencement of any collaboration with manufacturers, the Company requests, in order to explore a potential collaboration with the purpose of producing MIPS' components and integrating the MIPS BPS into brand specific helmets, that the potential manufacturer enters into a non-disclosure agreement and/or a non-circumvention agreement. The Company uses a template agreement which does not convey any license or any other rights to the Company's patents or other intellectual property rights. However, not all of MIPS' customers' manufacturers have entered into such a non-disclosure agreement and/or a non-circumvention agreement due to local practices in China.

The Company also enters into supply agreements with manufacturers (excluding manufacturers to the helmet brands), generally based on the Company's template agreement.

AGREEMENTS WITH CUSTOMERS

The development, supply and license agreement used by the Company in relation to its customers covers two different phases; the development phase during which the development and implementation services are delivered, and the supply phase, during which the deliveries are made. The template development, supply and license agreement does not include any volume commitments by the customer. MIPS generally applies volume based pricing in relation to its customers, which means that MIPS' largest customers benefit from more favorable prices than the Company's customers in general. The agreements are generally entered into for four year periods with the possibility of renegotiating the agreement upon termination.

The license granted as an integral part of the agreement entered into with each helmet brand comprises four key elements giving the helmet brand the right to: (i) use the MIPS BPS for the particular helmet model; (ii) assemble and manufacture the helmets of the model using MIPS BPS components purchased from MIPS; (iii) use certain of MIPS' trademarks and other intellectual property (such as logos, labels, product names etc.), subject to compliance with MIPS' brand guidelines as applicable from time to time; and (iv) distribute, market and sell helmets with the MIPS BPS.

INTELLECTUAL PROPERTY RIGHTS

For information about matters relating to intellectual property, please see the section "*Business description*" under the heading "*Intellectual property rights (IPR)*".

Further, Hans von Holst, Peter Halldin, Karin Brolin, Sven Kleiven and Magnus Aare have granted an exclusive right, without limitation in time or territory, to MIPS to use the KTH FE Model (as described in Kleiven 2006, IJCrash 2006, Vol. 11, No. 1)) and testing equipment within the field of research, development, production, marketing, sales and/or licensing of helmets and/or technology relating to such helmets and other protective features which may be applied in helmets and/or other protective gear, however based on the same principles (sliding layers for the absorption of oblique forces) as used in helmets, for use in industrial, military, sports and motorcycle related applications. The KTH FE Model has been vital in understanding the effects of rotational motion transferred to the brain from angled impacts to the head and the correlation between rotational motion transferred to the brain from angled impacts to the head and concussions and other brain injuries, but is not considered critical for the product development of MIPS' solutions.

INSURANCE

The Group has insurance coverage through various insurance policies, which cover, inter alia, general liability insurance including product liability, crime insurance, corporate travel and accident insurance and CEO and board liability insurance. Whilst the policy coverage in relation to product liability claims is limited to certain amounts for each individual claim and claims in aggregate per year, the Company's own assessment is that the insurance coverage of the Group is comprehensive and sufficient. However, there is no guarantee that the Group will not incur losses that are not covered by these insurance policies.

DISPUTES

MIPS is, and may in the future be, involved in disputes and proceedings with a third party (see inter alia the section "*Business description*" under the heading "*Intellectual property rights (IPR)*" for information about the Company's strategy concerning intellectual property rights).

The Company is currently involved in proceedings with Bauer Hockey Corp. and Bauer Hockey Inc., ("Bauer"), in the federal court in Canada and at the European Patent Office ("EPO") opposition division. In brief, MIPS has filed a lawsuit against Bauer in Canada for infringement by Bauer of MIPS Canadian patent no. 2,798,542 and MIPS seeks to invalidate, or in the alternative obtain ownership or co-ownership in, to four of Bauer's patents. In its defense, Bauer refutes infringement and has counterclaimed that MIPS patent in question shall be declared invalid and that the Bauer patents shall remain valid. The dispute is currently in the preparatory stage, the so-called discovery phase. The proceedings at the EPO involves an opposition made by MIPS against the granting by the EPO of a Bauer patent, the subject matter of which corresponds to one of the Bauer patents at issue in the dispute in Canada.

In October 2016, Performance Sports Group Ltd, the owner of Bauer, filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code in the District of Delaware.

MIPS costs for the dispute with Bauer, which commenced in October 2014, has up to the date of the publication of the Prospectus, amounted to approximately SEK 5.3 million. Since MIPS is the claimant in the proceedings concerning ownership and infringement, it is difficult, in this stage of the proceedings, to estimate potential claims and expenses as a result of the dispute.

PLACING AGREEMENT

According to the terms of the Placing agreement, which is intended to be entered into on or around 22 March 2017 between the Company, the Main Shareholders and the Joint Global Coordinators, the Main Shareholders undertake to sell 9,138,502 shares in the Company to the acquirers

procured by the Joint Global Coordinators and the Company undertakes to issue 3,260,870 new shares to subscribers procured by the Joint Global Coordinators. If the Joint Global Coordinators fail to procure such acquirers, and/or subscribers the Joint Global Coordinators have undertaken to acquire and/or subscribe for the shares in the Offer themselves. The Main Shareholders also intend to grant an over-allotment option comprising an undertaking that, at the Joint Global Coordinators' request, no later than 30 days after the first day of trading in the Company's shares, they will sell an additional 1,859,905 shares, corresponding to approximately 15 per cent of the number of shares in the Offer. The over-allotment option may only be used in order to cover possible over-allotments within the Offer.

Under the Placing agreement, the Company and to some extent the Main Shareholders provide customary warranties to the Joint Global Coordinators, primarily in relation to the information in the Prospectus being correct, the Prospectus and the Offer fulfilling relevant legal and regulatory requirements and that there are no legal, or other, obstacles to the Company entering into the agreement or to the completion of the Offer. The commitments of the Joint Global Coordinators according to the Placing agreement are conditional on inter alia, that the warranties provided by the Company and the Main Shareholders are correct. Under the Placing agreement, the Company will, with customary qualifications, undertake to indemnify the Joint Global Coordinators against certain claims under certain conditions.

Under the Placing agreement, the Main Shareholders will undertake, with customary qualifications, not to sell their respective shares during the Lock-up period (see the section "*Share capital and ownership structure*" under the heading "*Lock-up agreements*"). Under the Placing agreement, the Company will undertake, with certain exceptions, not to (i) issue, offer, pledge, sell, contract to sell or otherwise dispose of any securities in the Company that are substantially similar to the shares, including but not limited to securities that are convertible into or exchanged for, or that represents the right to receive, such shares, or any such similar securities, or (ii) purchase or sell options or other securities or enter into swap, hedge or other agreements that would have similar economic consequences to the foregoing prior to 180 days following the first day of trading on Nasdaq Stockholm. The Joint Global Coordinators may, however, grant exceptions from these undertakings.

STABILISATION

In connection with the Offer, the Joint Global Coordinators may effectuate transactions aimed at keeping the market price of the MIPS share at levels above those which might otherwise prevail in the open market. Such stabilisation transactions may be effected on Nasdaq Stockholm, in the over-the-counter market or otherwise, at any time during

the period starting on the date of commencement of trading in the shares on Nasdaq Stockholm and ending not later than 30 calendar days thereafter. The Joint Global Coordinators are, however, not required to undertake any stabilisation and there is no assurance that stabilisation will be undertaken.

Stabilisation, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the Offer price. Within one week from the end of the stabilisation period, the Joint Global Coordinators will make public whether or not stabilisation was undertaken, the date at which any stabilisation started, the date at which any stabilisation last occurred and the price range within which stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out.

UNDERTAKINGS FROM CORNERSTONE INVESTORS

Swedbank Robur, Third National Swedish Pension Fund, Handelsbanken Fonder, C WorldWide, Lannebo Fonder and LMK Venture ("Cornerstone Investors") have undertaken to acquire in total 7,500,000 shares in the Offer, corresponding to approximately 29.6 per cent of the total number of shares in the Company following the Offer and to 52.6 per cent of the total number of shares in the Offer assuming that the over-allotment option is fully exercised. The Cornerstone Investors will not receive any compensation for their respective undertakings and the Cornerstone Investors' investments are made on the same terms and conditions as those applicable for other investors in the Offer. The Cornerstone Investors' undertakings are accompanied by certain conditions, including that the first day of trading in the Company's shares on Nasdaq Stockholm occurs no later than 31 March 2017. In the event that any of these conditions are not fulfilled, there is a risk that the Cornerstone Investors will not fulfill their undertakings.

Swedbank Robur

Swedbank Robur is one of Scandinavia's largest mutual fund managers and a wholly-owned subsidiary of Swedbank. Swedbank Robur offers savings products for private individuals and institutional clients through investment funds and discretionary investment management.

Third Swedish National Pension Fund

Third Swedish National Pension Fund is one of five funds that manage capital on behalf of the Swedish state pension system. The Fund had SEK 324.4 billion of assets under management as at 31 December 2016. The Fund is tasked by Parliament with generating maximum possible benefit for the pension system by managing its fund capital in order to deliver strong investment returns at a low level of risk.

Handelsbanken Fonder

Handelsbanken Fonder is a wholly owned subsidiary of Svenska Handelsbanken and is a significant fund manager in Scandinavia. Handelsbanken Fonder offers funds that are targeted towards private individuals as well as institutional clients.

C WorldWide

C WorldWide (former Carnegie Asset Management) offers independent, world-class asset management capabilities for institutional clients, as well as a few selected external distribution channels. Clients of C WorldWide have since 1986 achieved some of the world's best investment results at overall risk levels in line with market.

Lannebo Fonder

Lannebo Fonder is an independent active Swedish fund manager which manages 16 different UCITS and alternative investment funds, predominately focused on Swedish and Nordic equities.

LMK Venture

LMK Venture is a company within the LMK Group (Lars Mikael Karlsson), a Nordic privately owned investment company with investments in several companies, including Hotel Kungsträdgården, Lapland Resorts and Axis Communications (divested in 2015). The basis of LMK Group's financial assets originates from Axis Communications, where Mikael Karlsson was one of the co-founders alongside Martin Gren. LMK Group's investments are focused on contributing to the creation of new successful Swedish companies.

Cornerstone Investor	Subscription undertaking (MSEK)	Number of shares	Per cent in the Offer*	Address
Swedbank Robur	85	1,850,000	13.0%	Landsvägen 40, SE-172 63 Sundbyberg, Sweden
Third National Swedish Pension Fund	70	1,525,000	10.7%	P.O. Box 1176, SE-111 91 Stockholm, Sweden
Handelsbanken Fonder	60	1,300,000	9.1%	c/o Handelsbanken, HKDS-F, SE-106 70 Stockholm, Sweden
C WorldWide	50	1,085,000	7.6%	P.O. Box 7648, SE-103 94 Stockholm, Sweden
Lannebo Fonder	40	870,000	6.1%	P.O. Box 7854, SE-103 99 Stockholm, Sweden
LMK Venture	40	870,000	6.1%	P.O. Box 2025, SE-220 02 Lund, Sweden
Total	345	7,500,000	52.6%	

* Based on full subscription in the Offer and that the over-allotment option is fully exercised.

INTERESTS OF THE ADVISORS

The Joint Global Coordinators provide financial advisory to the Company and the Main Shareholders in connection with the Offer and admission of MIPS's shares to trading on Nasdaq Stockholm. The total compensation received by the Joint Global Coordinators is dependent on the success of the Offer. The Joint Global Coordinators (as well as companies to which they are related) have provided, and may in the future provide, services within the scope of ordinary operations and in connection with other transactions to MIPS, for which they have received, or may receive, compensation.

Advokatfirman Cederquist is MIPS' legal advisor regarding Swedish law in connection with the Offer and admission of MIPS's shares to trading on Nasdaq Stockholm.

TRANSACTIONS WITH RELATED PARTIES

MIPS applies IAS 24 Related party disclosures. See also the section "*Historical financial information*" under the heading "*Note 25 Related parties*".

In September 2013, the Company entered into a consulting agreement with Stefan Fällgren (from February 2015, the party under the consulting arrangement changed to Waverley Inv. AB, a Swedish limited liability company wholly-owned by Stefan Fällgren), who was a board member at the time but resigned from this appointment in May 2016. The costs for these consultancy services, mainly related to support within business development and finance, amounted to TSEK 194 in 2015 and TSEK 311 in 2014. This agreement expired in January 2016. During 2016, Waverley Inv. AB through Stefan Fällgren has also provided consultancy services to MIPS related to the Offer and the admission to trading of the shares in the Company on Nasdaq Stockholm. As per 31 December 2016, the costs for the listing related consultancy services amounted to TSEK 765. Stefan Fällgren is also employed part-time by Odlander, Fredrikson & Co AB, an entity affiliated with HealthCap V L.P., one of the major shareholders of the Company.

In addition, on 1 March 2012, the Company entered into a consulting agreement with Snowshoe Capital, LLC, a company wholly-owned by the current board member Pär Arvidsson (elected as board member in May 2016), which ceased to exist as per 31 May 2016. Pursuant to the agreement, Pär Arvidsson performed certain consultancy services mainly related to MIPS' U.S. strategy, as requested from time to time by the Company. The costs for these consultancy services amounted to approximately TSEK 207 in 2016, approximately TSEK 500 in 2015 and approximately TSEK 400 in 2014.

MIPS has previously issued share options which has been acquired by, among others, directors and senior executives. These share options were all exercised during the first quarter of 2016. For more information about previous share option programs, see the section "*Historical financial information*" under the heading "*Note 5 Share related payments*".

BTA is a major shareholder of MIPS. BTA was previously part of the same company group as BRG Sports, Inc. Some of BRG Sports, Inc.'s previous and current subsidiaries have also been, and may in the future continue to be, customers to the Company. During 2016, the total sales related to BRG Sports, Inc.'s subsidiaries amounted to TSEK 2,210, during 2015 to TSEK 20,590 and during 2014 to TSEK 2,235. The board member of the Company Terrance G. Lee is the executive chairman of BRG Sports, Inc. and BTA. Market terms and pricing are applied to all transactions between the Company and BRG Sports, Inc.'s subsidiaries. During 2016, MIPS has also invoiced BRG Sports, Inc. TSEK 128 for consultancy services.

Neither the Company nor its subsidiaries has granted any loans, warranties or guarantees to, or in favour of, any member of the board of directors or any senior executive in the Company. No such person has directly or indirectly participated in any business transaction which is or was uncharacteristic in nature, or as regards its terms, with any company in the Group or any other affiliated company.

COSTS IN CONNECTION WITH THE OFFER

The Company's costs associated with the listing on Nasdaq Stockholm and the Offer are expected to amount to approximately SEK 22–24 million of which approximately SEK 10–12 million relates to the new share issue in connection with the Offer. In addition to the fees to the Joint Global Coordinators, the costs are mainly related to costs for auditors, lawyers and printing and distribution of the Prospectus. SEK 6 million of these costs was expensed as one-off costs during 2016. Of the remaining costs, approximately SEK 4–6 million will be accounted for as one-off costs in the first quarter 2017 and approximately SEK 10–12 million will be booked against equity.

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are, under the validity period of the Prospectus, available for inspection during office hours at the Company's head office at Källtorpsvägen 2 in Täby, Sweden: (i) MIPS' articles of association; (ii) MIPS' annual reports for the financial years 2016, 2015 and 2014, including auditor's reports; and (iii) annual reports for the financial years 2016 and 2015 for M-PS Helmet AB. MIPS articles of association is also available in electronic form on the Company's website, mipscorp.com.

Certain **tax issues** in Sweden

The following is a summary of certain tax consequences that may arise from the Offer and is intended as general information only. The statements concerning Swedish tax laws set forth in this section are based on the laws and regulations as at the date of the Prospectus and are subject to any changes in Swedish law or treaty, occurring after that date, which changes may have retroactive effect.

CERTAIN TAX CONSIDERATIONS IN SWEDEN

The following is a summary of certain tax consequences that may arise from the Offer mainly for individuals or limited liability companies tax resident in Sweden. General comments for shareholders who are not tax resident in Sweden are also provided. This description does not deal comprehensively with all tax consequences that may occur in this context. For instance, the summary does not address securities held by partnerships or securities held as current assets in business operations. Moreover, the summary does not address the specific rules on tax exempt capital gains and dividends (including non-deductibility for capital losses) in the corporate sector that may be applicable when shares are considered to be held for business purposes (Sw. *näringsbetingade andelar*). Neither are the specific rules covered that could be applicable to holdings in companies that are, or have previously been, closely held companies or shares acquired on the basis of so-called qualified shares in such companies. Moreover, the summary does not address shares or other equity related securities that are held in a so-called investment savings account that are subject to special rules and are taxed on a notional basis. Special tax rules apply to certain categories of taxpayers, for example, investment companies and insurance companies. The tax treatment of each individual shareholder depends on such investor's particular circumstances. Each holder of shares should therefore consult a tax advisor for information on the specific implications that may arise in their individual case, including the applicability and effect of foreign rules and tax treaties.

SHAREHOLDERS WHO ARE TAX RESIDENT IN SWEDEN **Individuals' dividend taxation**

For individuals, dividends on listed shares, which the shares are intended to be once admitted to trading on Nasdaq Stockholm, are taxed as income from capital at a rate of 30 per cent. A preliminary tax of 30 per cent is generally withheld on dividends paid to individuals resident in Sweden. The preliminary tax is withheld by Euroclear or, in the case of nominee registered shares, by the Swedish nominee.

Capital gains taxation

Upon the sale or other disposal of listed shares, which the shares are intended to be once admitted to trading on Nasdaq Stockholm, a taxable capital gain or deductible capital loss may arise. Capital gains are taxed as income from capital at a tax rate of 30 per cent. The capital gain or loss is calculated as the difference between the sales proceeds, after deducting sales costs, and the tax basis. The tax basis for all shares of the same class and type is calculated together in accordance with the average cost method. The tax basis for listed shares may alternatively be determined as 20 per cent of the sales proceeds after deducting sales costs under the "notional rule".

Capital losses on listed shares are fully deductible against taxable capital gains on shares and on other listed equity related securities realised during the same year, with the exception of units in securities funds or special funds that consist solely of Swedish receivables ("interest funds"). Up to 70 per cent of capital losses on shares that cannot be offset in this way are deductible against other capital income. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. A tax reduction of 30 per cent is allowed on the portion of such net loss that does not exceed SEK 100,000 and of 21 per cent on any remaining loss. Such net loss cannot be carried forward to future fiscal years.

Limited liability companies' dividend and capital gains taxation

For a limited liability company, all income, including taxable capital gains and dividends, is taxed as business income at a tax rate of 22 per cent. Capital gains and capital losses are calculated in the same manner as set forth above with respect to individuals. Deductible capital losses on shares may only be deducted against taxable capital gains on other securities that are taxed in the same manner as shares. Under certain circumstances such capital losses may also be deducted against capital gains in another company in the same group, provided that the

requirements for exchanging group contributions (Sw. *koncernbidragsrätt*) between the companies are met. A capital loss that cannot be utilised during a given year may be carried forward and be set-off against taxable capital gains on shares and other equity related securities during subsequent fiscal years without any limitation in time.

SHAREHOLDERS WHO ARE NOT TAX RESIDENT IN SWEDEN

Dividend taxation

Dividends paid on shares to non-tax resident shareholders in Sweden are generally subject to 30 per cent withholding tax. However, the tax rate is generally reduced for shareholders resident in jurisdictions with which Sweden has entered a tax treaty. The majority of Sweden's tax treaties enable an at-source reduction of the Swedish withholding tax to the tax rate stipulated in the treaty provided that necessary information is made available to Euroclear or the nominee in relation to the person entitled to such dividends. In Sweden, Euroclear, or, in the case of nominee registered shares, the nominee, generally carries out the deduction of withholding tax.

If a 30 per cent withholding tax is deducted from a payment to a shareholder entitled to be taxed at a lower rate, or if too much withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution.

Capital gains taxation

Non-tax resident shareholders in Sweden and who are not operating a business from a permanent establishment in Sweden are generally not liable for Swedish capital gains taxation on the disposal of shares. The shareholders may, however, be subject to taxation in their country of residence. Under a specific tax rule, individual shareholders that are not tax resident in Sweden may, however, be subject to tax in Sweden on the sale of shares if they have been resident or stayed permanently in Sweden at any time during the calendar year of such disposal or during any of the previous ten calendar years. The applicability of this rule may, however, be limited by tax treaties between Sweden and other countries.

ALLOTMENTS OF SHARES TO EMPLOYEES

Normally, the allotment of shares is not a taxable event. However, for employees allotment of shares may in certain situations give rise to benefits taxation. Benefits taxation should, however, not occur if the employees, on the same terms and conditions as others, acquire not more than 20 per cent of the total number of shares offered and the employee does not acquire shares for more than SEK 30,000.



Historical **financial** information

Financial information for the financial years 2016, 2015 och 2014

Unless otherwise stated, all amounts are rounded off to the nearest thousand.

CONSOLIDATED INCOME STATEMENT

TSEK	Note	2016	2015	2014
Net sales	2	86,629	49,558	14,765
Cost of goods sold		-24,902	-15,044	-7,340
Gross profit		61,727	34,514	7,425
Selling expenses		-16,608	-10,901	-8,652
Administrative expenses		-24,118	-17,957	-10,034
Research and development expenses		-4,607	-3,145	-2,975
Other operating income	3	2,003	363	993
Other operating expenses	3	-21	-	-
Operating profit/loss	4,5,6,7,23	18,376	2,875	-13,243
Financial income		419	94	204
Financial expenses		-9	-23	-87
Net financial items	8	410	71	117
Profit/loss before tax		18,787	2,945	-13,127
Income tax	9	-4,484	15,835	-2
Net profit/loss for the year		14,303	18,780	-13,129
Earnings per share, basic (SEK)	10	0.67	0.98	-0.74
Earnings per share, diluted (SEK)	10	0.65	0.89	-0.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	2016	2015	2014
Net profit/loss for the year	14,303	18,780	-13,129
Other comprehensive income			
Items that may subsequently be transferred to profit or loss	-	-	-
Items that cannot be transferred to profit or loss	-	-	-
Other comprehensive income for the year	-	-	-
Comprehensive income for the year	14,303	18,780	-13,129

CONSOLIDATED BALANCE SHEET

TSEK	Note	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
ASSETS					
<i>Non-current assets</i>					
Intangible assets	11	3,677	2,354	1,456	1,250
Tangible assets	12	2,509	1,432	846	45
Deferred tax assets	9	11,412	15,848	–	–
Financial assets	13	563	–	–	53
Total non-current assets		18,160	19,635	2,302	1,347
<i>Current assets</i>					
Inventories		675	792	575	195
Accounts receivable	14,21	21,356	15,876	7,690	1,808
Prepaid expenses and accrued income	15	3,737	990	332	395
Other receivables		2,963	1,335	547	800
Current investments	16	–	7,000	7,000	–
Cash and cash equivalents	16,21	28,507	8,717	7,970	2,684
Total current assets		57,237	34,710	24,115	5,881
TOTAL ASSETS	22	75,397	54,345	26,417	7,228
EQUITY AND LIABILITIES					
<i>Equity</i>					
Share capital	17	2,204	1,912	1,912	1,279
Other paid-in capital		96,513	96,513	96,513	70,149
Retained earnings incl. net profit for the year		–41,390	–56,874	–80,076	–69,293
Total equity attributable to Parent Company shareholders		57,327	41,551	18,349	2,135
<i>Non-current liabilities</i>					
Non-current interest-bearing liabilities	18,21	–	55	147	421
Deferred tax liabilities	9	87	40	26	24
Provisions	19	–	–	1,595	899
Total non-current liabilities	22	87	95	1,768	1,344
<i>Current liabilities</i>					
Current interest-bearing liabilities	18,21	55	92	527	841
Accounts payable		8,857	3,086	1,791	812
Other liabilities		634	544	350	214
Accrued expenses and deferred income	20	8,438	3,699	3,631	1,883
Provisions	19	–	5,278	–	–
Total current liabilities	22	17,983	12,699	6,300	3,749
TOTAL EQUITY AND LIABILITIES		75,397	54,345	26,417	7,228

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2016	Equity attributable to Parent Company shareholders			Total equity
	Share capital	Other paid-in capital	Retained earnings incl. net profit/loss for the year	
TSEK				
Opening equity, 1 January 2016	1,912	96,513	-56,874	41,551
<i>Comprehensive income for the year</i>				
Profit/loss for the year	-	-	14,303	14,303
Other comprehensive income for the year	-	-	-	-
Comprehensive income for the year	-	-	14,303	14,303
<i>Transactions with Group shareholders</i>				
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

2015	Equity attributable to Parent Company shareholders			Total equity
	Share capital	Other paid-in capital	Retained earnings incl. net profit/loss for the year	
TSEK				
Opening equity, 1 January 2015	1,912	96,513	-80,076	18,349
<i>Comprehensive income for the year</i>				
Profit/loss for the year	-	-	18,780	18,780
Other comprehensive income for the year	-	-	-	-
Comprehensive income for the year	-	-	18,780	18,780
<i>Transactions with Group shareholders</i>				
Share-based remuneration	-	-	4,422	4,422
Total transactions with Group shareholders	-	-	4,422	4,422
Closing equity, 31 December 2015	1,912	96,513	-56,874	41,551

2014	Equity attributable to Parent Company shareholders			Total equity
	Share capital	Other paid-in capital	Retained earnings incl. net profit/loss for the year	
TSEK				
Opening equity, 1 January 2014	1,279	70,149	-69,293	2,135
<i>Comprehensive income for the year</i>				
Profit/loss for the year	-	-	-13,129	-13,129
Other comprehensive income for the year	-	-	-	-
Comprehensive income for the year	-	-	-13,129	-13,129
<i>Transactions with Group shareholders</i>				
New share issue	633	26,364	-	26,997
Share-based remuneration	-	-	2,346	2,346
Total transactions with Group shareholders	633	26,364	2,346	29,343
Closing equity, 31 December 2014	1,912	96,513	-80,076	18,349

CONSOLIDATED CASH FLOW STATEMENT

TSEK	Note	2016	2015	2014
<i>Operating activities</i>				
Profit/loss before tax		18,787	2,945	-13,127
Adjustment for non-cash items	26	-3,681	8,413	3,124
Income tax paid		-	-	-
Cash flow from operating activities before changes in working capital		15,105	11,358	-10,003
<i>Cash flow from changes in working capital</i>				
Increase (-)/decrease (+) in inventory		117	-217	-380
Increase (-)/decrease (+) in operating receivables		-9,855	-9,632	-5,566
Increase (+)/decrease (-) in operating liabilities		10,601	1,557	2,863
Cash flow from operating activities		15,969	3,065	-13,086
<i>Investing activities</i>				
Acquisition of intangible assets		-1,421	-986	-265
Acquisition of tangible assets		-1,801	-890	-661
Acquisition of financial assets		-563	-	-
Divestment of financial assets		-	-	53
Cash flow from investing activities		-3,784	-1,876	-873
<i>Financing activities</i>				
New share issue		292	-	26,997
Amortisation of borrowings		-	-450	-900
Amortisation of lease liabilities		-92	-87	-42
Cash flow from financing activities		200	-537	26,055
Cash flow for the year		12,385	652	12,096
Cash and cash equivalents at the beginning of the year	16	15,717	14,970	2,684
Exchange-rate difference, cash and cash equivalents		406	94	191
Cash and cash equivalents at year-end	16	28,507	15,717	14,970

Notes to the consolidated financial statements

NOTE 1 ACCOUNTING POLICIES

COMPLIANCE WITH STANDARDS AND LEGISLATION

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

These consolidated financial statements are the first prepared by applying IFRS. The accounting policies described were applied to the preparation of the consolidated financial statements for the 2016, 2015 and 2014 fiscal years and to the consolidated opening balance on 1 January 2014. The Group has not previously prepared and published any consolidated financial statements, which is why no adjustment items impacting the Group's financial position, financial earnings and cash flows are reported.

These financial statements were approved for publication by the board of directors and CEO on 10 March 2017.

MEASUREMENT BASES APPLIED WHEN PREPARING THE FINANCIAL STATEMENTS

Assets and liabilities are recognised at historical cost, except for liabilities for social security contributions on the share options program, the value of which is based on fair value.

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The Parent Company's functional currency is Swedish kronor (SEK), which is also the presentation currency for the Group. This means that the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest thousand.

JUDGEMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

The preparation of the financial statements in accordance with IFRS requires that company management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the amounts of assets, liabilities, income and expenses recognised. The actual outcome may deviate from these judgements and estimates.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

Judgments made by company management in the application of IFRS that have a material impact on the financial statements and estimates made that may lead to significant adjustments in the following year's financial statements are described in greater detail in Note 28.

SIGNIFICANT ACCOUNTING POLICIES APPLIED

The accounting policies stated below have been applied consistently to all periods presented in the consolidated financial statements, with the exceptions described in greater detail.

NEW IFRSs THAT HAVE NOT YET BEEN APPLIED

A number of new or amended IFRSs will not come into effect until the next fiscal year and have not been applied in advance when preparing these financial statements. New standards or amendments with future application are not planned to be applied in advance.

IFRS 9 *Financial instruments* replaces IAS 39 *Financial instruments: Recognition and measurement*, as of 2018. The company has no plans for advance application of IFRS 9. IFRS 9 entails changes to the manner in which financial assets are classified and measured, in anticipation of an impairment model that is based on expected credit losses instead of actual incurred losses, and changes to hedge accounting policies aimed at, for example, simplifying and increasing unity with the company's internal risk-management strategies.

The impact on financial statements from the application of IFRS 9 is undergoing assessment. The monetary impact is yet to be determined, but will crystallise with the continued implementation of the project in 2017. However, the effects are not expected to be significant. The following description of the assessments on effects are based on currently known or estimated information. Transition methods will be chosen when the IFRS 9 analysis reaches a phase where it provides more complete documentation than at present.

The new regulations on impairment losses which are based on anticipated loan losses are expected to somewhat increase the provision for losses on accounts receivable. Losses on accounts receivable have historically been low (refer to the section on credit risk in Note 21) and the impact of reporting anticipated instead of incurred losses is expected to be milder. Assessments are yet to be made on amounts. IFRS 9 has resulted in successive changes to disclosure requirements in IFRS 7 *Financial Instruments: disclosures*, that will impact the submitted disclosures. The extent of these changes are yet to be known or calculated.

As of 2018, IFRS 15 *Revenue from contracts with customers* replaces existing IFRSs related to revenue recognition, such as IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. The company has no plans for the advance application of IFRS 15. IFRS 15 is based on the recognition of revenue when the control of goods or services is transferred to the customer, which differs from existing basis for the transfer of risks and benefits. IFRS 15 introduces new methods of determining how and when revenue should be recognised, which entails a new approach in comparison with how revenue is currently recognised.

The impact on financial statements from the application of IFRS from 15 is undergoing assessment. The monetary impact is yet to be determined, except on a general level, as described above. The following description of the assessments on effects are based on currently known or estimated information. Transition methods will be chosen when the IFRS 15 analysis reaches a phase where it provides more complete documentation than at present.

The following are preliminary assessments that have been performed to date concerning the impact on various types of revenue.

Sales of goods are currently recognised when the goods are delivered to the customer, which is considered the date when the risks and benefits associated the goods are transferred to the customer, which corresponds to the control model of IFRS 15.

In certain cases, the company conducts *implementation services* with respect to new helmet models, and the revenue recognised when the implementation is completed and approved by the customer. Initial assessments of the IFRS 15 criteria for accounting over time or on a specific date indicate that the revenue should be recognised over time, in preference to the date when the implementation is completed. This entails the advance recognition of revenue compared with current praxis. In 2016, revenue pertaining to implementation services totalled MSEK 4.7 (2.4).

Based on the current assessments, the accrual of revenue is not expected to be impacted otherwise. Finally, it is noted that IFRS 15 comprises increased disclosure requirements with respect to revenue, which will increase the content of disclosures in the notes.

As of 2019, IFRS 16 *Leases* replaces existing IFRSs related to the recognition of lease agreements, such as IAS 17 *Leases*, and IFRIC 4 — Determining whether an arrangement contains a lease. The company is yet to decide whether IFRS 16 should be applied in advance as of 2018, while IFRS 9 and IFRS 15 are changing the financial statements, or whether application should commence in 2019.

IFRS 16 primarily impacts lessees and the core impact is that all leasing agreements that are currently recognised as operating leases will be recognised in a manner that resembles the current reporting of financial leasing agreements. This means that assets and liabilities for operating leases must also be recognised, along with associated expenses for amortisation, depreciation and interest – in distinction from current praxis, where reporting does not include leased assets and related liabilities, and where leasing fees are allocated on a straight-line basis as a leasing expense.

As an operational lessee, the company will be impacted by IFRS 16. Monetary calculations of the impact of IFRS 16 and options with respect to transition methods are yet to be made. The disclosures submitted in Note 23 with respect to operating leases indicate the type and scope of currently existing agreements.

Other published standards applicable from 2017 or later are not deemed to impact the consolidated financial statements other than as regards extended disclosure requirements.

CLASSIFICATION, ETC.

Non-current assets essentially comprise amounts expected to be recovered or paid more than 12 months from the balance-sheet date, while current assets essentially consist of amounts expected to be recovered or paid within 12 months of the balance-sheet date. Long-term liabilities essentially comprise amounts at the end of the reporting period that the company is unconditionally entitled to pay at a date later than the 12 months following the end of the reporting period. If these rights are unavailable to the Group at the end of the reporting period, or if the Group has a trading liability or expected liability that is regulated within the normal operating cycle, the liability is recognised 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 regu-

larly 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 biking and snow. Sales to customers in the professional sector, such as the army, firefighters, the police, etc., are being evaluated but no major sales have been started in this field. The helmet kit is sold to customers across the world and these customers are largely comprised of the 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 recognised directly in profit or loss.

For business combinations whereby consideration transferred, any non-controlling interests and the fair value of previously owned participations (for step acquisitions) exceed the fair value of acquired assets and assumed liabilities that are recognised separately, the difference is recognised as goodwill. When the difference is negative, what is known as a bargain acquisition, this is recognised 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 recognised 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 recognised in profit or loss.

Transactions eliminated on consolidation

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

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

REVENUE

Revenue for sales of goods and services is recognised in profit or loss when the significant risks and benefits associated with ownership of the goods have been transferred to the buyer. Revenue is not recognised where it is likely that the economic benefits will not fall to the Group. Where there is material insecurity regarding payment, associated costs or risk of return, or where the seller remains involved in the administration that is normally associated with ownership, no revenue is recognised. Revenue is measured at the fair value of the amount that is received or is expected to be received, less discounts granted. The Group's revenue mainly stems from the sales of ingredient products that are mounted in helmets, including a license fee (component kit), and to a lesser extent, sales of services pertaining to the manufacture of the input product (implementation); refer to Note 2.

OPERATING EXPENSES

Operating expenses are recognised as specified below according to function.

Cost of goods sold

Cost of goods sold corresponds to direct and indirect costs related to sold units, and the directly attributable costs for the manufacture of the input products, including goods for resale, commodities and subcontracted work. In addition, cost of goods sold includes expenses for employees and contracted consultants, premises and depreciation regarding tangible and intangible assets in the manufacturing process.

Selling expenses

Selling expenses encompass sales and marketing ventures, including customised product development. This item also includes costs for employees and contracted consultants who work with sales and marketing, depreciation, travels, marketing and PR-related activities.

Administrative expenses

Administrative expenses comprise expenses that are not directly assignable to sales, production or sourcing. These expenses refer to the CEO, finance function, IT, premises, Legal Affairs, and depreciation/amortisation of assets not assignable to sales, production or sourcing.

Research and development expenses

Research and development expenses comprise costs for the development and manufacture of products that cannot be capitalised. Although the costs primarily pertain to personnel costs, they also include amortisation/depreciation for testing equipment, consultancy and consumables.

LEASING

Operating leases

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

Financial leases

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

FINANCIAL INCOME AND EXPENSES

Financial income consists of interest income on invested funds.

Financial expenses consist of interest expenses on interest-bearing liabilities. Borrowing costs are recognised in profit or loss by applying the effective interest method.

Exchange-rate gains and losses are recognised net.

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

INCOME TAX

Income tax comprises current tax and deferred tax. Income tax is recognised in profit or loss, except when the underlying transaction is recognised in other comprehensive income or in equity whereby the associated tax effects are recognised directly in other comprehensive income or equity.

Current tax is tax that is to be paid or received in the current year, with the application of the tax rates that are decided or decided in practice on the balance-sheet date. Current tax also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance sheet method based on temporary differences between recognised and tax-based values of assets and liabilities. The valuation of deferred tax is based on how underlying assets and liabilities are expected to be realised or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and loss carryforwards are only recognised to the extent that it is likely that it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's net 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 share 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 recognised 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 in the statement of financial position

A financial asset or financial liability is recognised in the statement of financial position when the company becomes party to this in accordance with the instrument's contractual conditions. A receivable is recognised 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 recognised in the statement of financial position when an invoice has been sent. A liability is recognised 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 recognised when an invoice has been received.

A financial asset is derecognised from the statement of financial position when the rights in the contract are realised, expire or the company loses control of them. A financial liability is derecognised 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 recognised 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 recognised on the date of transaction, meaning the date on which the company undertakes to acquire or divest the asset.

Classification and measurement

Financial instruments are initially recognised 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.

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

Loans receivables and accounts receivable are financial assets that are not derivative instruments, that have fixed or fixable payments and that are not traded on any active market. These

assets are measured at amortised cost. Amortised cost is determined based on the effective interest rate calculated on the acquisition date. Accounts receivable are recognised at the amounts expected to be received, that is, after deductions for doubtful receivables.

Other financial liabilities

Loans and other financial liabilities, for example, accounts payable, are included in this category. Liabilities are recognised at amortised cost.

TRANSACTIONS IN FOREIGN CURRENCY

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 recognised in profit or loss.

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

TANGIBLE ASSETS

In the Group, tangible assets are recognised at cost, less accumulated depreciation and any impairment. Cost includes the purchase price and costs directly attributable to transporting the asset to the correct location and preparing it for the manner intended by 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 depreciation are detailed below.

Depreciation takes place straight-line over the asset's estimated useful life. Leased assets are also depreciated over their estimated useful lives or, if this is shorter, over the agreed leasing period. The Group applies component depreciation, whereby the estimate useful lives of the components form the basis of depreciation.

Estimated useful life:

– Computers and software	3 year
– Plant and machinery	5 year
– Equipment, tools, fixtures and fittings	5 year

INTANGIBLE ASSETS

Expenditure for research aimed at obtaining new scientific or technological know-how is recognised 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 recognised 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 amortisation of patents and licenses. Other expenditure for development is recognised as an expense when it arises. Expenditure for development is recognised in the statement of financial position at cost, less accumulated amortisation and any impairment.

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

Amortisation is recognised 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 amortised as from the date the asset is available for use. The estimated useful lives are:

– Patents and brand protection	6–15 year
--------------------------------	-----------

INVENTORIES

Inventories are measured to the lower of cost or net realisable 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.

IMPAIRMENT

The Group’s recognised 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 recognised when an asset’s or cash-generating unit’s (group of units’) carrying amount exceeds the recoverable amount. Impairment is recognised 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 recognised, less any depreciation/amortisation if applicable, if no impairment had been carried out.

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

EMPLOYEE REMUNERATION

Current remuneration

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

A provision is recognised 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 whereby 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 recognised 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 pension plans.

Remuneration for termination of employment

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

Share-based payments

The previously outstanding share option programs have provided employees with the opportunity to acquire shares in the company. The vesting of the options were conditional on remaining employment for a specific period of time and in many cases performance conditions that are not market conditions (meaning that they are not based on the value of the share). In addition, exercising the options after vesting was conditional on an exit transaction regarding the company’s shares. The fair value of allotted options is recognised as personnel costs accompanied by a corresponding increase in equity. The fair value was calculated on the allotment date of each program and distributed over the vesting period, meaning until the employment and performance conditions had been fulfilled. The fair value of allotted options was calculated using a Black & Scholes method, taking into account conditions that are not vesting conditions and the prerequisites applicable on the allotment date. The exit condition is not a vesting condition since the service condition encompasses a shorter period than the exit condition. The cost recognised corresponds to the fair value of an estimate of the number of options that are expected to be vested, taking into account the service conditions and the performance conditions that are not market conditions. This cost is adjusted in subsequent periods to ultimately reflect the actual number of options vested. Adjustments are not made when options are forfeited due to conditions, that are not vesting conditions, not being met. If a decision is made that the options can be

Note 1 Accounting policies, cont.

vested earlier than stated in the original conditions, the vesting period is shortened and the outstanding cost is recognised until the new vesting date ("accelerated vesting").

Social security contributions attributable to share-based remuneration are expensed over the vesting period. Provisions for social security contributions are based on the fair value of the options on each reporting date. The total cost recognised until the options are exercised is the amount of social security contributions that are paid. Accordingly, effects of all types of conditions on the exercise of options, including conditions that are not vesting conditions, affect the total recognised cost of social security contributions.

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 recognised 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 recognised 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 SPECIFICATION OF REVENUE

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

TSEK	2016	2015	2014
Revenue by nature			
Sales of goods (component kits)	81,961	47,146	12,750
Sales of services (implementation)	4,668	2,375	2,015
Other revenue	–	36	–
Total	86,629	49,558	14,765

The company's revenue is concentrated to customers in North America and Europe. The sharp 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.

TSEK	2016	2015	2014
Revenue by region			
North America	64,808	32,622	5,283
Europe	12,964	10,526	4,920
Sweden	6,583	6,094	4,562
Asia	2,275	316	–
Total	86,629	49,558	14,765

Revenue by customer in the table below is based on customers and sales accounting for more than 10 per cent of the company's net sales for each year. In 2016, the largest customer accounted for 31 per cent of sales, which are primarily divided into two different brands. The five largest customers in 2016 accounted for 64 per cent of net sales. The decline in sales pertaining to Customer 4 in 2016 is directly attributable to Customer 5's acquisition of two brands from Customer 4 in April 2016.

TSEK	2016	2015	2014
Revenue by customer			
Customer 1	–	–	2,884
Customer 2	–	–	2,663
Customer 3	–	–	1,712
Customer 4	2,210	20,590	2,235
Customer 5	26,633	–	–
Customer 6	12,983	–	–
Other customers	44,803	28,968	5,271
Total	86,629	49,558	14,765

The Group's non-current assets are mainly located in Sweden.

NOTE 3 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES**Other operating income**

TSEK	2016	2015	2014
Exchange-rate gains of operating nature	1 874	363	993
Other income	128	–	–
Total	2 003	363	993

Other operating expenses

TSEK	2016	2015	2014
Disposal of tangible assets	–21	–	–
Total	–21	–	–

NOTE 4 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES

TSEK	2016		2015		2014	
Total costs for employee remuneration and benefits						
Salaries and remuneration	12,442		8,258		5,519	
Share-based payments	1,181		4,422		2,346	
Pension costs, defined-contribution plans	1,347		836		541	
Social security contributions	4,194		6,303		2,491	
Total	19,164		19,819		10,897	
	2016	of whom, men	2015	of whom, men	2014	of whom, men
Average number of employees						
Parent Company	17	70%	13	68%	8	88%
Subsidiaries	–	–	–	–	–	–
Total	17	70%	13	68%	8	88%
	31 Dec 2016		31 Dec 2015		31 Dec 2014	
Gender distribution in company management (percentage of men)						
Board of directors	86%		100%		100%	
Other senior executives	80%		67%		67%	

Salaries and other remuneration distributed by senior executives and other employees

	2016		2015		2014	
	Salaries and remuneration	Social security contributions	Salaries and remuneration	Social security contributions	Salaries and remuneration	Social security contributions
Senior executives	5,169	2,798	3,145	1,628	2,697	1,305
– of which, variable remuneration	833	262	435	137	369	116
– of which, pension costs		912		504		342
Other employees	7,273	2,372	5,114	1,827	2,822	1,031
– of which, variable remuneration	309	97	340	107	247	77
– of which, pension costs		435		332		199
Share-based remuneration	1,181	371	4,422	3,684	2,346	695
Total	13,623	5,541	12,680	7,139	7,864	3,032

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 agreements with the CEO on salaries and other benefits. Remuneration to senior executives who report directly to the CEO is decided by the CEO after consultation with the remuneration committee and the Chairman of the Board. The main principle is to offer senior executives market-based remuneration and employment conditions. 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

In the Parent Company, Board fees totaled the amounts presented in the table on the following page. Costs were distributed over the mandate period. In addition to Board fees, one director has a consultancy agreement described in Note 25. 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 the fees. Apart from the exceptions described, the amounts stated are the fees resolved by the annual general meeting, excluding social security contributions.

Remuneration to CEO Johan Thiel is shown in the table.

Variable remuneration is linked to performance during the year and may not exceed 50 per cent of basic salary. Variable salary for 2016 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 (Group 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 individual and for 2016 may not exceed 50 per cent of basic salary. The period of notice for other senior executives varies, but may not exceed six months. Senior executives are not entitled to severance pay. For the period of 1 January 2014 to 30 September 2014, Group management comprised the CEO and Chief Technology Officer. From 1 October 2014, Group management was expanded by one individual, the Chief Financial Officer, and from 1 July 2016, by an additional three individuals comprising the Head of Sales, Head of Operations and an individual from Investor Relations (consultancy agreement).

The company's outstanding pension commitments to the Board and CEO amount to SEK 0 (0).

Share-based remuneration

For information regarding share-based payments, refer to Note 5.

*Note 4 Employees, personnel costs and remuneration of senior executives, cont.***Salaries and other remuneration of the Board and senior executives, TSEK**

	Basic salary Board fees	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
Terrance Lee	100	–	–	–	–	100
Jonas Rahmn	123	–	–	–	–	123
Magnus Welander	113	–	–	–	–	113
Pernilla Wiberg	100	–	–	–	–	100
Departing Board members (two individuals)	37	–	–	–	765	802
Total Board	1,040	–	–	–	972	2,012
Johan Thiel (VD)	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

Salaries and other remuneration of the Board and senior executives, TSEK

	Basic salary Board fees	Variable remuneration	Share-based remuneration	Pension costs	Other* remuneration	2015 Total
Bengt Baron (Chairman)	200	–	414	–	–	614
Stefan Fällgren	45	–	417	–	194	655
Jacob Gunterberg	–	–	–	–	–	–
Peter Halldin	–	–	–	–	–	–
Magnus Holst Eriksson	45	–	208	–	–	253
Terrance Lee	–	–	–	–	–	–
Jonas Rahmn	–	–	–	–	–	–
Total Board	289	–	1,040	–	194	1,523
Johan Thiel (CEO)	1,265	315	764	300	–	2,645
Group management (two individuals)	1,444	120	438	203	–	2,206
Total senior executives	2,710	435	1,202	504	–	4,851
Total	2,999	435	2,242	504	194	6,374

Salaries and other remuneration of the Board and senior executives, TSEK

	Basic salary Board fees	Variable remuneration	Share-based remuneration	Pension costs	Other* remuneration	2014 Total
Bengt Baron (Chairman)	200	–	599	–	–	799
Stefan Fällgren	45	–	166	–	311	521
Jacob Gunterberg	–	–	–	–	–	–
Peter Halldin	–	–	–	–	–	–
Magnus Holst Eriksson	45	–	–	–	–	45
Jonas Rahmn	–	–	–	–	–	–
Total Board	289	–	765	–	311	1,365
Johan Thiel (CEO)	1,213	300	472	271	–	2,256
Group management (two individuals)	1,115	69	354	71	–	1,608
Total senior executives	2,328	369	826	342	–	3,865
Total	2,617	369	1,591	342	311	5,230

* Other remuneration pertains to consultancy fees. For further information about consultancy fees, refer to Note 25.

NOTE 5 SHARE-BASED PAYMENTS

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 Group management and two external consultants.

If an employee leaves the company, the options that have not yet been vested will be forfeited. A vested employee option entitles the holder to subscribe for one share in MIPS AB at a determined exercise price. Vesting of options was conditional on period of service and, in certain cases, on individual performance (non-market conditions), after which the exercise of the options was conditional on the owners' sale of MIPS AB (meaning an "exit"). After vesting, there was no requirement for continued employment at the company as a condition for exercising the operations on exit. All allotment and non-forfeited options are immediately vested in connection with the direct sale of MIPS AB. The exercise price amounts to the quotient value for an ordinary share (SEK 100). The value of the employee options is determined

using the Black & Scholes model, meaning that the value of the options is conditional on the value of the underlying share, which in this case is the ordinary share. Since no listed prices are available for the underlying share, the value has been based on the most recently completed issue on the allotment date. Volatility is estimated at 30 per cent. The risk-free interest rate used is the government borrowing rate in each year in connection with allotment. The total cost of the option program for each year presented below is the cost recognised in profit and loss including social security contributions.

At the end of 2015, the MIPS Board decided that all 2,754 outstanding options 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, an additional 166 options were issued, which were immediately redeemed. At 31 December 2016, the company had no outstanding options.

Allotted options programs

Program:	2008/2017	2011/2018	2013/2020
Maximum number of options:	420	500	2,000
Maximum number of shares:	420	500	2,000
Number of participants:	6	7	21
Average weighted value per option, SEK:	7,593	8,403	3,634
Volatility:	30%	30%	30%
Risk-free interest rate:	1-2%	1-2%	2%
Yield requirement:	0%	0%	0%
Exercise price per option, SEK:	100	100	100
Date of maturity:	30 Nov 2017	31 May 2018	1 Sept 2020

Change in number of options outstanding	2008/2017	2011/2018	2013/2020
Opening balance, 1 Jan 2016	336	450	1,968
Issued	84	50	32
Redeemed	-420	-500	-2,000
At year-end, 31 Dec 2016	-	-	-
Opening balance, 1 Jan 2015	336	450	1,433
Issued	-	-	535
At year-end, 31 Dec 2015	336	450	1,968
Opening balance, 1 Jan 2014	336	450	1,500
Issued	-	-	200
Recovered	-	-	-267
At year-end, 31 Dec 2014	336	450	1,433

Note 5 Share-based remuneration, cont.

Holders	Number of outstanding 1 Jan 2014	Allotted/ Recovered	Number of outstanding 31 Dec 2014	Allotted	Number of outstanding 31 Dec 2015	Allotted/ Redeemed	Number of outstanding 31 Dec 2016
CEO Johan Thiel	441	–	441	100	541	–564	–
Board Chairman Bengt Baron	366	–	366	75	441	–441	–
Other senior executives	397	50	447	100	547	–547	–
Other employees and consultants	1,082	–117	965	260	1,225	–1,368	–
Total	2,286	–67	2,219	535	2,754	–2,920	–

Personnel costs for share-based payments, TSEK	2016	2015	2014
Costs attributable to equity-settled options	1,181	4,422	2,346
Social security contributions	371	3,684	695
Total	1,552	8,105	3,041

**NOTE 6 FEES AND REMUNERATION
OF AUDITORS**

TSEK	2016	2015	2014
<i>KPMG AB</i>			
Audit assignment	206	140	91
Auditing activities other than auditing assignments	–	–	–
Tax consultancy services	200	–	–
Other assignments	1,287	90	29
Total	1,693	230	120

**NOTE 7 OPERATING EXPENSES
BY TYPE OF COST**

TSEK	2016	2015	2014
Goods for resale and consumables	22,421	12,973	5,710
Personnel costs	19,915	20,118	11,453
Other external costs	27,097	13,564	11,644
Depreciation/amortisation and impairment	801	392	194
Other operating expenses	21	–	–
Total	70,255	47,047	29,001

NOTE 8 NET FINANCIAL ITEMS

TSEK	2016	2015	2014
Financial income			
Interest income			
– bank balances	9	–	13
Other financial income	5	–	–
Exchange gains, cash and cash equivalents	406	94	191
Total	419	94	204
Financial expenses			
Interest expenses			
– financial liabilities measured at amortised cost	–9	–23	–87
Total	–9	–23	–87

NOTE 9 TAXES

TSEK	2016	2015	2014
Current tax			
Tax expenses for the period	–	–	–
Deferred tax			
Deferred tax in capitalised loss carry-forwards	–4,436	15,848	–
Deferred tax pertaining to temporary differences	–47	–13	–2
Total	–4,484	15,835	–2
Reconciliation of effective tax	2016	2015	2014
Profit/loss before tax	18,787	2,945	–13,127
Tax in accordance with applicable tax rate for Parent Company 22.0%	–4,133	–648	2,888
Non-deductible expenses	–351	–1,036	–504
Non-taxable income	–	–	–
Increase in loss carry-forwards without corresponding capitalisation of deferred tax	–	–	–2,386
Activation of previously un-activated loss carry-forwards	–	17,519	–
Total	23.9% –4,484	537.6% 15,835	0.0% –2

When preparing the financial statements, an assessment is made of deferred tax assets/liabilities attributable to temporary differences and loss carry-forwards. Deferred tax assets are recognised if the tax assets are expected to be utilised through the settlement of future taxable profits. In conjunction with 2015 year end close, it was deemed that existing losses could probably be charged as deductions against future taxable profits, which resulted in the Parent Company capitalising MSEK 17.5 in deferred tax assets attributable to loss carry-forwards.

Deferred tax assets and liabilities

TSEK, 31 Dec 2016	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	–	–86	–86
Tangible assets	–	–11	–11
Interest-bearing liabilities	12	–	12
Loss carry-forwards	11,412	–	11,412
Total deferred tax assets/liabilities	11,424	–98	11,326
Offsetting	–12	12	–
Total deferred tax assets/liabilities, net	11,412	–86	11,326
TSEK, 31 Dec 2015	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	–	–40	–40
Tangible assets	–	–31	–31
Interest-bearing liabilities	32	–	32
Loss carry-forwards	15,848	–	15,848
Total deferred tax assets/liabilities	15,880	–71	15,809
Offsetting	–32	32	–
Total deferred tax assets/liabilities, net	15,848	–40	15,809
TSEK, 31 Dec 2014	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	–	–23	–23
Tangible assets	–	–51	–51
Interest-bearing liabilities	50	–2	48
Total deferred tax assets/liabilities	50	–76	–26
Offsetting	–50	50	–
Total deferred tax assets/liabilities, net	–	–26	–26

Not 9 Taxes, cont.

Change in deferred tax in temporary differences and loss carry-forwards

TSEK	1 Jan 2016	Recognised in profit or loss	Recognised in equity	Other	31 Dec 2016
Intangible assets	-40	-47	-	-	-86
Tangible assets	-31	20	-	-	-11
Interest-bearing liabilities	32	-20	-	-	12
Loss carry-forwards	15,848	-4,436	-	-	11,412
Total	15,809	-4,484	-	-	11,326

TSEK	1 Jan 2015	Recognised in profit or loss	Recognised in equity	Other	31 Dec 2015
Intangible assets	-23	-17	-	-	-40
Tangible assets	-51	20	-	-	-31
Interest-bearing liabilities	48	-16	-	-	32
Loss carry-forwards	-	15,848	-	-	15,848
Total	-26	15,835	-	-	15,809

TSEK	1 Jan 2014	Recognised in profit or loss	Recognised in equity	Other	31 Dec 2014
Intangible assets	-4	-19	-	-	-23
Tangible assets	-	9	-	-60	-51
Interest-bearing liabilities	-20	8	-	60	48
Total	-24	-2	-	-	-26

Unrecognised deferred tax assets, TSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014
Deductible temporary differences	-	-	-
Loss carry-forwards	3	3	17,522
Total	3	3	17,522

NOTE 10 EARNINGS PER SHARE

SEK	2016	2015	2014
Earnings per share, basic	0.67	0.98	-0.74
Earnings per share, diluted	0.65	0.89	-0.74

TSEK	2016	2015	2014
Net profit for the year attributable to Parent Company shareholders	14,303	18,780	-13,129
Average number of shares outstanding – basic	21,478,586	19,119,000	17,694,750
Effect of options programs	535,247	1,972,797	1,457,958
Average number of shares outstanding – diluted	22,013,833	21,091,797	19,152,708

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 1 February 2017, it was resolved to perform a conversion of preference shares to ordinary shares in addition to a 1,000:1 share split, whereby the shares were divided into 1,000 new shares, see also Note 17. In the table above, the new number of shares have been considered in computation of earnings per share in all of the historical periods.

Instruments with dilutive effects

Until June 2016, the company had three outstanding employee options programs; refer also to Note 5:

- 2008/2017 program encompassing 420 options
- 2011/2018 program encompassing 500 options
- 2013/2020 program encompassing 2,000 options

All options in the three programs carried entitlement to one ordinary share and had an exercise price of SEK 100. The exercise price is less than the estimated market price for the company's shares in the period, which is why there are dilutive effects, except for periods in which negative earnings are reported. Due to negative earnings in 2014, there was no dilution, but in 2015 and 2016, dilution from the outstanding options were adjusted for in accordance with the table above.

NOT 11 INTANGIBLE ASSETS

TSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014
Cost			
Opening balance, 1 Jan	2,602	1,616	1,351
Acquisitions	1,421	986	265
At year-end, 31 Dec	4,023	2,602	1,616
Accumulated amortisation			
Opening balance, 1 Jan	-248	-160	-101
Amortisation	-98	-88	-59
At year-end, 31 Dec	-346	-248	-160
Total	3,677	2,354	1,456

Intangible assets primarily pertain to expenses for patents and brand protection, which are acquired externally. Remaining economic lives at 31 December 2016 amount to 2–15 years.

TSEK	2016	2015	2014
Amortisation, by function			
Cost of goods sold	46	62	33
Selling expenses	52	26	26
Total	98	88	59

NOT 12 TANGIBLE ASSETS

TSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014
Cost			
Opening balance, 1 Jan	1,977	1,086	777
Acquisitions	1,801	891	936
Divestments and disposals	-98	-	-627
At year-end, 31 Dec	3,680	1,977	1,086
Accumulated depreciation			
Opening balance, 1 Jan	-545	-240	-732
Depreciation	-703	-304	-135
Divestments and disposals	77	-	627
At year-end, 31 Dec	-1,171	-545	-240
Total	2,509	1,432	846
Of which assets under financial leases	52	141	231

Tangible assets primarily comprise office equipment, computer equipment and equipment for testing helmets.

TSEK	2016	2015	2014
Depreciation, by function			
Selling expenses	327	170	72
Administrative expenses	255	127	56
R&D expenses	122	7	7
Total	704	304	135

NOTE 13 FINANCIAL ASSETS

TSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014
Cost			
Opening balance, 1 Jan	-	-	53
Acquisitions	563	-	-
Disposals	-	-	-53
At year-end, 31 Dec	563	-	-

NOTE 14 ACCOUNTS RECEIVABLE

TSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014
Invoiced receivables	21,339	16,278	7,262
Currency adjustments	280	86	492
Provision for doubtful receivables	-263	-488	-64
Total	21,356	15,876	7,690

Invoiced receivables due as follows:

Not yet due	14,845	9,129	1,375
Overdue by 1–30 days	3,759	4,404	2,166
Overdue by 31–60 days	809	1,459	2,189
Overdue by 61–90 days	560	325	439
Overdue by 91+ days	1,366	961	1,094
Total	21,339	16,278	7,262

Change in provision for doubtful receivables

Opening balance, 1 Jan, during the year	-488	-64	-
– repaid	289	-	-
– provisions established	-64	-424	-64
At year-end, 31 Dec	-263	-488	-64

NOTE 15 PREPAID EXPENSES AND ACCRUED INCOME

TSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014
Prepaid rental costs	501	398	147
Prepaid trade fair costs	287	282	-
Prepaid insurance	692	121	89
Accrued income	-	35	-
Prepaid expenses related to share issue	1,835	-	-
Other	422	154	96
Total	3,737	990	332

NOTE 16 CASH AND CASH EQUIVALENTS AND CURRENT INVESTMENTS

TSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014
Cash and bank balances	28,507	8,717	7,970
Total according to statement of financial position	28,507	8,717	7,970
Current investments equivalent to cash and cash equivalents	-	7,000	7,000
Total according to statement of cash flows	28,507	15,717	14,970

Cash and bank balances refer to balances of bank accounts in SEK, USD and EUR. Current investments refer to surplus liquidity with credit institutions. The company also has the option of utilise a temporary credit facility of MSEK 5.

NOTE 17 EQUITY**Change in number of shares**

Number of shares	Ordinary shares	Preference shares	Total no. of shares issued
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
Opening balance, 1 Jan 2015	14,145	4,974	19,119
At year-end, 31 Dec 2015	14,145	4,974	19,119
Opening balance, 1 Jan 2014	7,815	4,974	12,789
New share issue	6,330	–	6,330
At year-end, 31 Dec 2014	14,145	4,974	19,119

Share capital

According to the articles of association, the share capital should amount to a minimum of SEK 1,500,000 and a maximum of SEK 6,000,000.

At 31 December 2016, the registered share capital totalled 22,039 shares, of which 17,065 were ordinary shares and 4,974 preference shares of series A. The quota value of the shares is SEK 100. Each share represents one vote.

Preference shares of series A can be converted to ordinary shares at the holder's request. When dividends as resolved by the annual general meeting are paid, holders of preference shares have preference ahead of holders of ordinary shares until holders have received a total amount corresponding to the cost of the preference shares plus annual enumeration of 8 per cent. At 31 December 2016, the cumulative preferential right to dividends amounted to SEK 21,524,000.

The company has previously issued three outstanding employee options programs, under which each option carries entitlement to one ordinary share, refer also to Note 5:

- 2008/2017 program encompassing 420 options
- 2011/2018 program encompassing 500 options
- 2013/2020 program encompassing 2,000 options

All of these 2,920 options were exercised in 2016 and the corresponding number of ordinary shares was issued.

As stated in Note 29, Events after balance-sheet date; on an extraordinary general meeting held on 1 February 2017, it was resolved to adopt an amendment to the articles of association which means that:

- The company shall be a public limited liability company.
- There will be only one share class (ordinary shares) and the number of shares shall amount to not less than 20,000,000 and not more than 80,000,000.
- The share capital shall amount to not less than SEK 2,000,000 and not more than SEK 8,000,000.

The new articles of association has been registered at the Swedish Companies Registration Office on 13 February 2017 and per this date the Company consequently has 22,039,000 ordinary shares (after performed conversion of preference shares to ordinary shares with forfeited right to the cumulative preferential right of dividend, which was registered with the Swedish Companies Registration Office on 10 February 2017, as well as share split 1,000:1). As per the same date, the share capital amounts to SEK 2,203,900 and quota value of the shares is SEK 0.10. Each share entail one vote.

Furthermore, the extraordinary general meeting on 1 February 2017 resolved to implement two incentive programs, one addressed to management and key employees and the other addressed to directors. Under these two programs, the company has issued 1,250,000 warrants, which has been subscribed for by the subsidiary M-PS Helmet AB, and which shall be offered to the participants in each program on market terms.

NOTE 18 INTEREST-BEARING LIABILITIES

TSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014
Non-current interest-bearing liabilities			
Financial leasing, non-current portion	–	55	147
Total	–	55	147
<i>of which, due after five years</i>	–	–	–
Current interest-bearing liabilities			
Financial leasing, current portion	55	92	87
Loan Agria, current portion	–	–	440
Total	55	92	527

NOTE 19 PROVISIONS

TSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014
Opening balance, 1 Jan during the year	5 278	1,595	899
– provisions established	164	3,683	696
– utilised provisions	-5 442	–	–
– reversed provisions	–	–	–
At year-end, 31 Dec	–	5,278	1,595
Of which:			
Non-current provisions	–	–	1,595
Current provisions	–	5,278	–
Total	–	5,278	1,595
Due:			
Within one year	–	5,278	–
Between one and five years	–	–	1,595
Later than five years	–	–	–
Total	–	5,278	1,595

The amounts above refer to provisions for social security contributions related to the company's outstanding options program, which was paid in conjunction with the redemption of options in spring 2016.

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 fulfil 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.

NOTE 20 ACCRUED EXPENSES AND DEFERRED INCOME

TSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014
Holiday pay liability	906	564	558
Accrued salaries and remuneration	2 273	1,111	969
Accrued social security contributions	999	527	480
Estimated payroll tax on pensions	537	210	131
Other accrued expenses	3 368	1,019	1,085
Prepaid Implementation	354	268	408
Total	8 438	3,699	3,631

Invoiced receivables due as follows:

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Not yet due	14,845	9,129	1,375
Overdue by 1–30 days	3,759	4,404	2,166
Overdue by 31–60 days	809	1,459	2,189
Overdue by 61–90 days	560	325	439
Overdue by 91– days	1,366	961	1,094
Total	21,339	16,278	7,262
Currency adjustments	280	86	492
Provision for doubtful receivables	-263	-488	-64
Carrying amount	21,356	15,876	7,690

Provisions for doubtful receivables is 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 minimise liquidity risk, the liquidity situation is continuously analysed and forecast 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 the operations since 2015. The Group's financial liabilities essentially mature within 3 months or a maximum of one year. The company has the option of utilising a credit facility of MSEK 5 with Nordea Bank on short notice to cover any temporary shortages in liquidity. The company has bank accounts only with well-reputed 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.

Note 21 Financial risks and risk management, cont.**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, and SEK is the Group's functional currency.

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 (%)	2016		2015		2014	
	Net sales	Operating expenses	Net sales	Operating expenses	Net sales	Operating expenses
USD	100%	34%	100%	32%	100%	27%
SEK	-	57%	-	61%	-	64%
CAD	-	4%	-	3%	-	6%
GBP	-	3%	-	3%	-	2%
EUR	-	2%	-	2%	-	1%
Other	-	-	-	-	-	-
Total	100%	100%	100%	100%	100%	100%

As seen in the table above, the company's main transaction exposure is to the USD. A 10 per cent change in the USD would impact the 2016 operating profit by approximately MSEK 6. Other currencies would have a limited impact on 2016 operating profit in the event of a 10 per cent 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. 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.

As from January 2017, the company intends to hedge 50 per cent of the forecasted foreign exchange exposure in USD for rolling twelve months' periods in accordance with the company's financial policy.

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 target is to distribute approximately 50 per cent 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.

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.

Most of the Group's financial liabilities at amortised cost fall due within three months and up to one year, except for financial lease liabilities that contractually mature in 2017.

TSEK 31 Dec 2016	Financial assets measured at fair value in profit or loss	Loan receivables and accounts receivable measured at amortised cost	Financial liabilities measured at fair value in profit or loss	Financial liabilities measured at amortised cost	Carrying amount	Fair value
Accounts receivable	-	21,356	-	-	21,356	21,356
Other receivables	-	1,516	-	-	1,516	1,516
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 22 Fair value measurement of financial assets and liabilities and category groupings, cont.

TSEK 31 Dec 2015	Financial assets measured at fair value in profit or loss	Loan receivables and accounts receivable measured at amortised cost	Financial liabilities measured at fair value in profit or loss	Financial liabilities measured at amortised cost	Carrying amount	Fair value
Accounts receivable	-	15,876	-	-	15,876	15,876
Other receivables	-	493	-	-	493	493
Accrued income	-	35	-	-	35	35
Current investments	-	7,000	-	-	7,000	7,000
Cash and cash equivalents	-	8,717	-	-	8,717	8,717
Non-current interest-bearing liabilities	-	-	-	-55	-55	-55
Current interest-bearing liabilities	-	-	-	-92	-92	-92
Accounts payable	-	-	-	-3,086	-3,086	-3,086
Accrued expenses	-	-	-	-2,694	-2,694	-2,694
Total financial assets and liabilities by category	-	32,121	-	-5,927	26,194	26,194

TSEK 31 Dec 2014	Financial assets measured at fair value in profit or loss	Loan receivables and accounts receivable measured at amortised cost	Financial liabilities measured at fair value in profit or loss	Financial liabilities measured at amortised cost	Carrying amount	Fair value
Accounts receivable	-	7,690	-	-	7,690	7,690
Other receivables	-	50	-	-	50	50
Current investments	-	7,000	-	-	7,000	7,000
Cash and cash equivalents	-	7,970	-	-	7,970	7,970
Non-current interest-bearing liabilities	-	-	-	-147	-147	-147
Current interest-bearing liabilities	-	-	-	-527	-527	-527
Accounts payable	-	-	-	-1,791	-1,791	-1,791
Other liabilities	-	-	-	-3	-3	-3
Accrued expenses	-	-	-	-2,612	-2,612	-2,612
Total financial assets and liabilities by category	-	22,710	-	-5,080	17,630	17,630

NOTE 23 OPERATIONAL LEASING

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 2015. The agreements can be terminated subject to a notice period of three months.

TSEK	2016	2015	2014
Future minimum lease charges			
Within one year	1,819	2,261	746
Between 1 and 5 years	3,597	7,108	2,203
More than 5 years	-	-	-
Total	5,415	9,369	2,949

Leasing costs for the year pertaining to operational leasing fee totaled:

	2,063	806	507
--	-------	-----	-----

NOTE 24 INVESTMENT COMMITMENTS

The company did not have any significant investment commitments at 31 December 2016, 2015 or 2014. The major investments made in these periods were ordered and delivered during the respective years.

NOTE 25 RELATED PARTIES**Relationships and transactions with related parties**

The Group has related-party relationships with the company's owners, directors and management.

For information regarding remuneration of the Board and senior executives, refer to Note 4 Employees and personnel costs and Note 5 Share-based remuneration.

A consultancy agreement was signed in 2013 with outgoing director Stefan Fällgren, for which services purchased, in addition to Board fees, amounted to SEK 765,000 in 2016, SEK 194,000 in 2015 and SEK 311,000 in 2014. In 2016, Stefan Fällgren's primary assignment has been to assist the company in preparations for a possible listing on the Nasdaq Stockholm. Stefan Fällgren is also employed on a part-time basis by a company affiliated with HealthCap V LP. HealthCap V LP is one of MIPS's major shareholders.

During the year, current Board member Pär Arvidsson, who was elected at the General Shareholder Meeting held in May 2016, invoiced SEK 207,000 for services rendered to MIPS AB pertaining to market expansion in the US. The consultancy agreement with Pär Arvidsson was terminated in May 2016.

Sales were undertaken to the brands, Bell and Giro, which until 4 April 2016, had the same principal owner as MIPS; refer to Note 30. The brands, Bell and Giro, were sold to the Vista Group Inc. Until the transaction date, sales totalled SEK 2,210,000 in 2016, SEK 20,590,000 in 2015 and SEK 2,235,000 in 2014. MIPS has also invoiced the principal owner SEK 128,000 for consultancy services rendered in 2016. At 31 December 2016, accounts receivable for consultancy services totalled SEK 128,000.

All related-party transactions are deemed to have taken place on market-based conditions.

NOTE 26 SPECIFICATION OF CASH FLOW STATEMENT**Adjustment for non-cash items**

TSEK	2016	2015	2014
Depreciation/amortisation of non-current assets	801	392	194
Non-cash-settled interest expenses	–	10	79
Allocated option costs	1,181	4,422	2,346
Change in provision	–5,278	3,683	695
Unrealised exchange-rate differences	–406	–94	–191
Other items not affecting liquidity	21	–	2
Total	–3,681	8,413	3,124

Interest received and paid

TSEK	2016	2015	2014
Group			
Interest received	14	–	13
Interest paid	–9	–13	–8

NOTE 27 PLEDGED ASSETS AND CONTINGENT LIABILITIES

TSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014
Pledged assets			
Assets with retention of title	52	141	231
Total	52	141	231
Contingent liability	None	None	None

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

The company is involved in a litigation process with a helmet manufacturer since January 2015 for which the company sued the counterparty for breach of contract and since September 2015 for patent infringement. The case is expected to be heard by a court in the second half of 2017. Lawyers are involved and their fees are continuously expensed.

NOTE 28 SIGNIFICANT ESTIMATES AND ASSESSMENTS

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 that discusses 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 carry-forwards, 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 28 Significant estimates and assessments, cont.**Preference shares**

The Board's assessment is that the preference shares outstanding comprise an equity instrument since there is no contractual obligation to pay dividends or repay capital contributed. Payment depends on the annual general meeting resolving on a motion on this. Such a resolution can only be made after the Board proposes to the annual general meeting that dividends be paid. Also, there is no obligation of contractual financial incentive for the company to exercise the preference shares.

NOTE 29 EVENTS AFTER BALANCE-SHEET DATE

An extraordinary general meeting was held on 1 February 2017. The general meeting's resolutions included:

- An amendment to the articles of association to allow for only one share class. The split of every share into 1,000 new shares and the share capital shall amount to not less than SEK 2,000,000 and not more than SEK 8,000,000.
- The reformation of the company from a private to a public limited liability company.
- The Board's authorisation to issue new shares, which is valid until the next annual general meeting.
- The implementation of two different incentive programs: one for management and key employees, and one for the board of directors.

The invitation to participate in incentive programs is conditional on listing on the Nasdaq Stockholm.

On 3 February 2017 it was announced that the customer Troy Lee Designs, who sells and manufactures helmets for bicycles and motor cross riding, resolved to gradually include the MIPS BPS in their entire product range.

After request thereupon by the previous holders of preference shares of series A, the company resolved to convert all preference shares of series A in the company to ordinary shares (1:1). This conversion was registered with the Swedish Companies Registration Office on 10 February 2017.

On 9 March 2017, the 2017 annual general meeting was held in the Company. The meeting resolved, among other things, to re-elect all directors for the period until the end of the annual general meeting that will be held in 2018.

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.

The company had the following shareholders at 31 December:

Shareholders	31 Dec 2016		31 Dec 2015		31 Dec 2014	
	No. of shares	Percentage	No. of shares	Percentage	No. of shares	Percentage
BRG Sports, Inc.*	10,799	49%	6,330	33%	6,330	33%
HealthCap V LP.	4,108	19%	5,741	30%	5,741	30%
KTH Chalmers Capital KB	1,485	7%	2,076	11%	2,076	11%
Board members	505	2%	28	0%	28	0%
Senior executives	995	5%	349	2%	349	2%
Other employees	406	2%	0	0%	0	0%
Other shareholders	3,741	17%	4,595	24%	4,595	24%
Total	22,039	100%	19,119	100%	19,119	100%

* The shares were transferred from BRG Sports, Inc. to Bell Technology Acquisition, LLC through an intra-group transfer on 28 February 2017.

At 31 December 2016, Board members held a total of 505 shares. The holding consisted of the shares of two Board members, totaling 316 and 189 shares through the companies. Senior executives held a total of 995 shares, distributed among five individuals. Other employees (11) held a total of 406 shares.

At 31 December 2015 and 31 December 2014, one Board member held a total of 28 shares. One senior executive held a total of 349 shares. Although the senior executives included a director during the period of 2014 to 2015, the holdings were reported under senior executives, as the individual concerned is employed by the company.

Auditor's report on financial statements for historical financial information

To the Board of Directors of MIPS AB, Corporate Id. No. 556609-0162

We have audited the consolidated financial statements of MIPS AB on pages 96 – 118, comprising the consolidated balance sheet at December 31, 2016, 2015 and 2014, the consolidated income statement, changes in equity and cash flow statement for these years, and notes, comprising a summary of significant accounting policies and other explanatory information.

THE BOARD OF DIRECTOR'S AND THE CHIEF EXECUTIVE OFFICER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of the financial statements to provide a fair view of the financial position, financial performance, changes in equity and cash flows in accordance with International Financial Reporting Standards as adopted by the EU, and the Annual Accounts Act. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the preparation and fair presentation in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Swedish Institute of Authorized Public Accountants, FAR, recommendation Rev R 5, Examination of financial information in prospectuses. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The firm applies ISQC 1 (International Standard on Quality Control) and thereby maintains a comprehensive system for quality control which includes documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We are independent of MIPS AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

An audit in accordance with FAR's recommendation RevR 5 Examination of financial information in prospectuses involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The audit procedures selected depend on our assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Chief Executive Officer and evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of MIPS AB as at December 31, 2016, 2015 and 2014, and its consolidated financial performance, changes in equity and cash flows for these years, in accordance with International Financial Reporting Standards as adopted by the EU, and the Annual Accounts Act.

Stockholm, March 10, 2017

KPMG AB

Tomas Gerhardsson
Authorized public accountant

Definitions

ABGSC

ABG Sundal Collier AB.

BTA

Bell Technology Acquisition, LLC.

CNY

Chinese yuan.

Cornerstone Investors

Swedbank Robur Fonder AB ("Swedbank Robur"), Third Swedish National Pension Fund, Handelsbanken Fonder AB ("Handelsbanken Fonder"), C WorldWide Asset Management ("C WorldWide"), Lannebo Fonder AB ("Lannebo Fonder") and LMK Venture Partners AB ("LMK Venture").

EPO

European Patent Office.

EUR

Euro.

Euroclear

Euroclear Sweden AB (Box 191, SE-106 23 Stockholm, Sweden).

Global Test Center

MIPS' state-of-the-art testing facilities in Stockholm.

Handelsbanken

Depending on the context, Svenska Handelsbanken AB (publ) or Handelsbanken Capital Markets (a part of Svenska Handelsbanken AB (publ)).

Joint Global Coordinators

ABGSC and Handelsbanken.

KTH

Royal Institute of Technology.

KTH FE Model

The numerical tool is a state-of-the-art KTH FE model of the human head developed at KTH, as described in Kleiven 2006 (IJCrash 2006, Vol. 11, No. 1), which is an important research tool for MIPS to simulate the risk for strain in the brain (please see the section "*Legal considerations and supplementary information*" under the heading "*Intellectual property rights*").

Main Shareholders

BTA, HealthCap V L.P., KTH-Chalmers Capital KB and ALMI Invest Stockholm AB.

MIPS, the Company or the Group

MIPS AB (publ), org. nr 556609-0162, or the group in which MIPS AB (publ) is the parent company, as the context may require.

MIPS BPS

MIPS Brain Protection System is designed to add protection against rotational motion transferred to the brain from angled impacts to the head, and can be integrated in a multitude of different types of helmets.

MIPS low friction layer

A low friction layer which is the main component of the MIPS BPS, which is based on patent protected solutions. MIPS' low friction layer enables a relative movement between the head and the helmet, mimicking the brain's own protection system where the cerebrospinal fluid enables the brain to move slightly relative to the skull at an angled impact.

Nasdaq Stockholm

The regulated market operated by Nasdaq Stockholm Aktiebolag.

Offer

The offer to the general public in Sweden and to institutional investors in Sweden and abroad to acquire shares in MIPS.

Prospectus

This prospectus.

R&D

Research and development.

Rotational motion

Rotational motion is a combination of rotational energy (angular velocity) and rotational forces (from angular acceleration), transferred to the brain from angled impacts to the head.

SEK

Swedish krona.

Selling Shareholders

The Main Shareholders and 15 additional shareholders in the Company.

TBI

Traumatic brain injury.

USD

U.S. dollar.

WFOE

Wholly foreign-owned enterprise, a fully operating legal entity carrying out various business activities.

Addresses

THE COMPANY

MIPS AB (publ)

Källtorpsvägen 2

SE-183 71 Täby

Sweden

Phone number: +46 (0)8-128 64 000

Website: mipscorp.com

JOINT GLOBAL COORDINATORS

ABG Sundal Collier AB

Box 7269

SE-103 89 Stockholm

Sweden

Handelsbanken Capital Markets

Blasieholmstorg 11

SE-106 70 Stockholm

Sweden

AUDITORS

KPMG AB

Box 3018

SE-169 03 Solna

Sweden

LEGAL ADVISOR TO THE COMPANY

Advokatfirman Cederquist KB

Box 1670

SE-111 96 Stockholm

Sweden

LEGAL ADVISOR TO THE JOINT GLOBAL COORDINATORS

Advokatfirman Hammarskiöld & Co AB

Norra Bankogränd 2

SE-111 30 Stockholm

Sweden

