

YEAR-END REPORT 2019

OCT -DEC

- Net sales increased by 41% to SEK 87.5m (62.2).
During the quarter, the organic growth was 33%
- Operating profit increased to SEK 39.0m (28.7).
Adjusted operating profit* increased to SEK 39.7m (28.7)
- Operating margin amounted to 44.6% (46.1).
Adjusted operating margin* amounted to 45.4% (46.1)
- Cash flow from operating activities amounted to SEK 19.7m (23.8)
- Earnings per share, diluted, increased to SEK 1.16 (0.85)

JAN -DEC

- Net sales increased by 39% to SEK 267.9m (192.5).
During the year, organic growth was 29%
- Operating profit increased to SEK 108.0m (73.0).
Adjusted operating profit* increased to SEK 110.5m (73.0)
- Operating margin increased to 40.3% (37.9).
Adjusted operating margin* increased to 41.2% (37.9)
- Cash flow from operating activities amounted to SEK 63.2m (69.1)
- Earnings per share, diluted, amounted to SEK 3.28 (2.21)
- The Board of Directors proposes a dividend of SEK 3.00 (2.50) per share, corresponding to 89% of the net earnings of the year

THE MIPS GROUP IN BRIEF**

	2019	2018		2019	2018	
	Oct-Dec	Oct-Dec	Δ%	Jan-Dec	Jan-Dec	Δ%
SEKm						
Net sales	87.5	62.2	41	267.9	192.5	39
Gross profit	65.5	46.6	41	198.4	142.2	40
<i>Gross margin, %</i>	74.9	74.9	-	74.1	73.9	-
Operating profit (EBIT)	39.0	28.7	36	108.0	73.0	48
<i>Operating margin (EBIT-margin), %</i>	44.6	46.1	-	40.3	37.9	-
Adjusted operating profit*	39.7	28.7	38	110.5	73.0	51
<i>Adjusted operating margin, %*</i>	45.4	46.1	-	41.2	37.9	-
Profit for the period	30.1	21.9	37	84.8	56.4	50
Earnings per share basic, SEK	1.19	0.87	37	3.35	2.23	50
Earnings per share diluted, SEK	1.16	0.85	36	3.28	2.21	49
Cash flow from operating activities	19.7	23.8	-17	63.2	69.1	-8
Dividend	-	-	-	3.0	2.5	20

For definitions and description of performance measures and alternative performance measures, please visit www.mipscorp.com

* For information and derivation of adjusted items, please see pages 14-15

** In accordance with *IFRS 16 Leases*, prior comparators have not been adjusted

CEO'S COMMENTS

STRONG COMPLETION OF THE YEAR SUMMARIZES ANOTHER SUCCESSFUL YEAR

During the fourth quarter, net sales increased by 41% to SEK 88m (62). Adjusted for currency effects and acquisitions, the organic growth amounted to 33% in the quarter. For the full year, net sales increased by SEK 75m to SEK 268m (193), which is an increase by 39% and an organic growth of 29%. Our largest customers continued to be the main contributor to the increased sales during the year. We did also see a significant inflow of new customers and a good growth and profitability within all categories we are active within.

The adjusted operating profit for the quarter amounted to SEK 40m (29) with an adjusted operating margin of 45% (46). For the full year, the adjusted operating profit increased to SEK 111m (73) with an adjusted operating margin of 41% (38), well in line with our financial targets. In light of the good performance a dividend of SEK 3 (2.50) per share is proposed which corresponds to 89% of the net earnings of the year, thus exceeding our long-term ambition to distribute at least 50% of the net earnings per year.

STRONG PLATFORM FOR CONTINUED GROWTH

During 2019 we implemented the MIPS Brain Protection System (BPS) in more helmets than ever before. As of 31 December 2019, we have launched MIPS' technology in 583 (448) helmet models and, today, we have over 100 (78) customers located all over the world. I am particularly pleased with now having several strategically important German customers onboard and that we doubled our sales to our European customers during the year. I am also delighted that we have entered into both the Safety helmet and Hockey helmet category and delivered MIPS' technology to close to 5 million helmets, on an aggregated basis, during the year. We have a unique market position and a solid platform for delivering continued growth.

THE TRUST IN THE MIPS BRAND HAS INCREASED

The MIPS' brand is continuously being strengthened through repeated best in test acknowledgments by independent testing institutions, positive articles in several sport and category specific media and a broader offering of helmet brands. This has led to an increased consumer demand for helmets branded with the yellow MIPS logotype.

We have also noted that more and more customers have taken the strategic decision to offer the MIPS BPS in all their helmet models. The American helmet brand Specialized received a great response in bicycle media when communicating their all-in commitment with MIPS some time ago. During the quarter, we saw two additional examples of this when the

lifestyle helmet brand Nutcase as well as Bollé announced that they intend to implement the MIPS BPS in all their bicycle and snow helmet models. Naturally, we are very pleased with these brands' commitment to offer safer helmets.

MINOR IMPACT FROM TRADE TARIFFS DURING THE QUARTER

During the third quarter, we communicated that we believed the negative impacts on the sales to U.S. helmet brands resulting from the trade tariffs between China and the U.S. were only of temporary nature. The strong momentum in the fourth quarter and positive signals from our customers make us believe that the production is now back at normal levels again.

CORONAVIRUS CAUSING A NERVOUS MARKET

The recent weeks' news regarding the outbreak of the Coronavirus in China have caused a nervousness in the entire industry as a large share of the helmets in the world is manufactured by Chinese suppliers. Our wholly owned Chinese subsidiary, our suppliers and the majority of our customers' manufacturers are based in the Guangdong area in south-east China approximately 1,000 km from the epicenter of the virus in Wuhan. It is, of course, difficult to predict the future outcome of the virus outbreak. However, we know that it will take some time before the Chinese manufacturers reach full production capacity due to the prolonged Chinese New Year and the gradual ramp up in production, which could lead to certain accrual effects for us.

CONTINUED STRENGTHENING OF THE ORGANIZATION

During the quarter, our new Chief Marketing Officer, Fredrik Kjellberg, and our new Chief Financial Officer, Mats Juhl, have joined MIPS. Fredrik Kjellberg comes from the winter sport brand Atomic where he had a similar role. We have also continued the work with strengthening our sales and marketing organization particularly focusing on the Moto and Safety helmet categories.

During the first quarter 2020, we relocated to new office premises in Täby outside of Stockholm. This is an important step to be able to expand our capacity in terms of testing and product development but it's also necessary in light of our growing organization.

With our current customer base and our newly launched strategic initiatives, I believe MIPS is in a good position to deliver in accordance with our 2025 targets.

MAX STRANDWITZ
President and CEO



FINANCIAL PERFORMANCE

OCTOBER - DECEMBER

NET SALES

Net sales for the fourth quarter amounted to SEK 87.5m (62.2), an increase of 41%. Adjusted for exchange rate effects and acquisitions, organic growth was 33%. The increase in net sales is mainly explained by a continued high demand from existing customers within the Sport category.

Changes in net sales %	Oct-Dec	Jan-Dec
Organic growth	33%	29%
Changes in exchange rates	8%	9%
Structural changes	0%	1%
Total	41%	39%

GROSS PROFIT

Gross profit increased by 41% to SEK 65.5m (46.6). The gross margin was 74.9% (74.9), being unchanged. Adjusted for acquisitions, the gross margin was 75.8% (74.9). The increase in the gross margin is mainly due to changes in the sales mix.

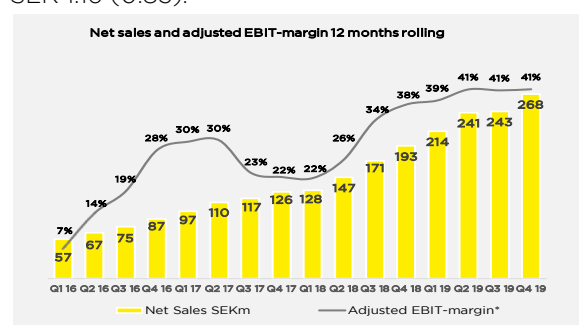
OPERATING PROFIT (EBIT)

Operating profit increased to SEK 39.0m (28.7), corresponding to an operating margin of 44.6% (46.1). The adjusted operating profit amounted to SEK 39.7m (28.7) with an adjusted operating margin of 45.4% (46.1). The slightly lower operating margin is mainly explained by costs related to currency derivatives and higher personnel costs related to the strengthening of the organization.

Selling expenses increased during the quarter to SEK 10.6m (7.4) mainly relating to increased marketing activities. Administrative expenses amounted to SEK 8.0m (5.2) during the quarter. The increase in administrative expenses is mainly due to a continued strengthening of the organization. Research and development costs increased to SEK 3.7m (3.4), primarily as a result of continued investments in product development.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit before tax amounted to SEK 37.9m (28.4). Tax expenses for the quarter amounted to SEK 7.8m (6.5), corresponding to an effective tax of 21% (23). Profit for the period was SEK 30.1m (21.9). Diluted earnings per share amounted to SEK 1.16 (0.85).



* For information and derivation of adjusted items, see pages 14-15

CASH FLOW

Cash flow from operating activities decreased to SEK 19.7m (23.8). The decrease is mainly due to higher current liabilities and that the company is now paying income tax, partly off-set by a better profit.

Cash flow from investing activities was SEK -2.7m (-2.2). Cash flow from financing activities was SEK -0.6m (0.0). Cash flow for the period was SEK 16.4m (21.7).

JANUARY - DECEMBER

NET SALES

Net sales for the full year 2019 amounted to SEK 267.9m (192.5), an increase by 39%. Adjusted for exchange rate effects and acquisitions, the organic growth was 29%. The increase in net sales is mainly due to an increased demand from existing customers.

GROSS PROFIT

Gross profit increased by 40% to SEK 198.4m (142.2). The gross margin increased by 0.2 percentage points to 74.1% (73.9). The increase in gross margin is mainly due to changes in the sales mix. Adjusted for acquisitions, the gross margin was 75.3% (73.9).

OPERATING PROFIT (EBIT)

Operating profit increased to SEK 108.0m (73.0), corresponding to an operating margin of 40.3% (37.9). The adjusted operating profit amounted to SEK 110.5m (73.0) with an adjusted operating margin of 41.2% (37.9).

The improvement of the adjusted operating profit is mainly due to higher sales, positive impact of currency, partly offset by higher costs for strengthening of the organization, currency derivatives and increased initiatives in marketing.

Selling expenses amounted to SEK 35.1m (26.1). The increase is mainly due to increased initiatives in marketing and investments in the organization. Administrative expenses during the period increased to SEK 30.6m (27.6) which is mainly explained by the strengthening of the organization partly offset by lower legal costs during the period, amounting to SEK 0.3m (4.8). Research and development costs increased to SEK 15.1m (12.1), mainly as a result of investments in product development. Other operating expenses increased to SEK 9.7m (3.4) primarily relating to negative impacts from currency derivatives.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit before tax amounted to SEK 108.4m (72.8). Tax expenses for the period amounted to SEK 23.5m (16.4), corresponding to an effective tax of 22% (23). Profit for the period was SEK 84.8m (56.4). Diluted earnings per share amounted to SEK 3.28 (2.21).

CASH FLOW

Cash flow from operating activities decreased to SEK 63.2m (69.1). The decrease is mainly due to paid income tax and an increase of current liabilities, however partly offset by improved profitability.

Cash flow from investing activities was SEK -48.8m (-6.6) primarily attributable to completed acquisitions during the year. Cash flow from financing activities was SEK -65.4m (0.0) mainly attributable to paid dividends of SEK -63.3m (0.0). Cash flow for the period amounted to SEK -50.9m (62.4).

FINANCIAL POSITION

The Group's total assets as of 31 December 2019 amounted to SEK 342.6m (319.4). Short-term investments of SEK 145.7m (205.7) are in their entirety invested in interest-bearing funds. The equity / assets ratio was 87.0% (86). Cash and cash equivalents including short-term investments, as of 31 December 2019, amounted to SEK 191.6m (242.5).

Reported values for assets and liabilities are in all material respects consistent with fair market value. In order to reduce the Group's short-term currency exposure, certain currency derivatives have been entered into with a bank. The derivatives are valued at fair market value and are treated as a financial liability amounting to SEK -1.6m (-3.2) as of 31 December 2019. Hedge accounting is applied, whereby the unrealized change in the fair value of the derivatives is

primarily reported against Other comprehensive income.

INVESTMENTS

Cash flow related investments during the fourth quarter amounted to SEK 2.7m (2.2). Investments in intangible fixed assets was SEK 2.6m (1.3) and investments in tangible fixed assets were SEK 0.1m (0.9). Investments during the full year amounted to SEK 48.8m (6.6) of which investments in intangible fixed assets amounted to SEK 47.7m (4.5), mainly relating to the company's acquisitions of patent portfolios and certain other intellectual property rights related to the Fluid and GlideWear technologies. Investments in tangible fixed assets amounted to SEK 0.9m (2.2).

As of 31 December 2019, the Group had no significant commitments related to investments.

PARENT COMPANY

Net sales for the parent company during the year amounted to SEK 203.8m (149.0). Profit for the same period was SEK 70.2 (52.0).

EMPLOYEES

The average number of employees during the fourth quarter was 47 (36), of whom 12 (10) were employed in the Chinese subsidiary. The number of employees at the end of the period was 50 (36), of whom 12 (10) were employed in the Chinese subsidiary.

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKt	2019	2018	2019	2018
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	87,453	62,234	267,873	192,534
Cost of goods sold	-21,935	-15,623	-69,427	-50,346
Gross profit	65,518	46,611	198,445	142,188
Selling expenses	-10,601	-7,417	-35,053	-26,099
Administrative expenses	-7,983	-5,245	-30,586	-27,595
Research and development expenses	-3,677	-3,429	-15,056	-12,145
Other operating income and expenses	-4,274	-1,826	-9,739	-3,387
Operating profit/loss	38,984	28,693	108,012	72,962
Financial income and expenses	-1,118	-259	360	-124
Net financial items	-1,118	-259	360	-124
Profit/loss before tax	37,866	28,434	108,372	72,838
Income taxes	-7,770	-6,531	-23,540	-16,440
Profit/loss for the period	30,096	21,904	84,832	56,398
Earnings per share basic, SEK	1.19	0.87	3.35	2.23
Earnings per share diluted, SEK	1.16	0.85	3.28	2.21
Average number of shares for the period, basic (thousand)	25,300	25,300	25,300	25,300
Average number of shares for the period, diluted (thousand)	25,850	25,678	25,837	25,545

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKt	2019	2018	2019	2018
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Profit/loss for the period	30,096	21,904	84,832	56,398
Other comprehensive income				
Items that may subsequently be transferred to profit or loss				
Foreign currency translation	-263	45	-14	2
Changes in the fair value of cash flow hedges	7,420	1,035	880	-1,914
Tax on components in other comprehensive income	-1,588	-228	-188	421
Items that cannot be transferred to profit or loss	-	-	-	-
Other comprehensive income for the period	5,569	852	677	-1,491
Comprehensive income for the period	35,665	22,755	85,510	54,907

CONDENSED CONSOLIDATED BALANCE SHEET

SEkt	31 Dec 2019	31 Dec 2018
ASSETS		
<i>Non-current assets</i>		
Intangible assets	55,900	11,059
Property, plant and equipment	3,102	3,728
Right-of-use assets	365	-
Deferred tax asset	-	720
Long term receivables	742	482
Total non-current assets	60,109	15,990
<i>Current assets</i>		
Inventories	1,903	1,845
Accounts receivable	81,843	54,411
Other current receivables	7,168	4,638
Current investments	145,745	205,692
Cash and cash equivalents	45,819	36,817
Total current assets	282,478	303,403
TOTAL ASSETS	342,587	319,393
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	2,530	2,530
Other paid in capital	212,251	243,250
Reserves	-445	-1,122
Retained earnings incl profit/loss for the period	83,560	30,980
Total equity	297,897	275,637
<i>Non-current liabilities</i>		
Deferred tax liability	1,526	-
Total non-current liabilities	1,526	-
<i>Current liabilities</i>		
Lease liability	168	-
Accounts payable	25,515	20,111
Other current liabilities	17,481	23,645
Total current liabilities	43,164	43,756
TOTAL EQUITY AND LIABILITIES	342,587	319,393

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEkt	2019	2018
	Jan-Dec	Jan-Dec
Opening equity for the period	275,637	220,574
Change accounting policies*	-	156
Adjusted opening equity for the period	275,637	220,730
<i>Comprehensive income for the period</i>		
Profit/loss for the period	84,832	56,398
Other comprehensive income for the period	677	-1,491
Comprehensive income for the period	85,510	54,907
<i>Transactions with owners</i>		
Dividend	-63,250	-
Total transactions with the owners	-63,250	-
Closing equity for the period	297,897	275,637

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEKt	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
<i>Operating activities</i>				
Profit before tax	37,866	28,434	108,372	72,838
Adjustment for non-cash items	5,451	1,627	9,349	3,891
Income taxes paid	-7,849	-	-26,600	-
Cash flow from operating activities before change in working capital	35,468	30,062	91,122	76,729
<i>Cash flow from changes in working capital</i>				
Increase (-)/decrease (+) of inventories	697	840	-28	-843
Increase (-)/decrease (+) of current receivables	-25,462	-7,890	-31,654	-17,625
Increase (+)/decrease (-) of current liabilities	9,040	827	3,784	10,821
Cash flow from operating activities	19,744	23,839	63,224	69,083
<i>Investing activities</i>				
Acquisition of intangible assets	-2,580	-1,318	-47,741	-4,507
Acquisition of property, plant and equipment	-147	-943	-910	-2,216
Disposal of property, plant and equipment	-	-	2	3
Acquisition of financial assets	-	-	-110	-
Disposal of financial asset	-	78	-	78
Cash flow from investing activities	-2,727	-2,183	-48,760	-6,643
<i>Financing activities</i>				
Dividend	-	-	-63,250	-
Amortization of lease debt	-583	-	-2,155	-
Cash flow from financing activities	-583	-	-65,404	-
Net change in cash & cash equivalents	16,434	21,656	-50,940	62,440
Cash & cash equivalents at beginning of period	175,953	220,770	242,510	179,774
Exchange rate difference on bank holdings	-824	84	-5	296
Cash & cash equivalents at end of period	191,564	242,510	191,564	242,510

CONDENSED PARENT COMPANY INCOME STATEMENT

SEKt	2019	2018	2019	2018
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	66,397	47,231	203,776	148,976
Cost of goods sold	-4,563	-3,683	-16,399	-14,630
Gross profit	61,834	43,547	187,377	134,345
Selling expenses	-10,208	-7,124	-33,619	-24,883
Administrative expenses	-8,049	-5,245	-30,851	-27,595
Research and development expenses	-3,464	-3,098	-14,142	-10,974
Other operating income and expenses	-4,274	-1,802	-9,738	-3,363
Operating profit/loss	35,839	26,279	99,027	67,530
Financial income and expenses	-1,045	-259	644	-129
Profit after financial items	34,795	26,020	99,671	67,401
Appropriations	-9,851	-398	-9,851	-398
Appropriations	-9,851	-398	-9,851	-398
Profit/loss before tax	24,943	25,621	89,820	67,003
Income taxes	-4,957	-5,836	-19,337	-14,993
Profit/loss for the period	19,986	19,786	70,483	52,010

CONDENSED PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEKt	2019	2018	2019	2018
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Profit/loss for the period	19,986	19,786	70,483	52,010
Other comprehensive income				
Items that may subsequently be transferred to profit or loss				
Changes in the fair value of cash flow hedges	7,420	1,035	880	-1,914
Tax on components in other comprehensive income	-1,588	-228	-188	421
Items that cannot be transferred to profit or loss	-	-	-	-
Other comprehensive income for the period	5,832	807	692	-1,493
Comprehensive income for the period	25,817	20,593	71,175	50,518

CONDENSED PARENT COMPANY BALANCE SHEET

SEkt	31 Dec 2019	31 Dec 2018
ASSETS		
<i>Non-current assets</i>		
Intangible assets	55,900	11,059
Property, plant and equipment	3,033	3,619
Other financial assets	1,658	1,876
Total non-current assets	60,592	16,555
<i>Current assets</i>		
Inventories	495	568
Accounts receivable	61,226	36,755
Other current receivables	6,968	4,995
Current investments	145,745	205,692
Cash & cash equivalents	34,813	34,699
Total current assets	249,246	282,710
TOTAL ASSETS	309,838	299,265
EQUITY AND LIABILITIES		
<i>Equity</i>		
Restricted equity	4,219	4,219
Non restricted equity	274,669	266,744
Total equity	278,888	270,963
Untaxed reserves	10,250	398
Total untaxed reserves	10,250	398
<i>Current liabilities</i>		
Accounts payable	9,111	7,771
Other current liabilities	11,589	20,132
Total current liabilities	20,700	27,903
TOTAL EQUITY AND LIABILITIES	309,838	299,265

OTHER INFORMATION

INFORMATION ABOUT THE PARENT COMPANY

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

ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretative statements by the IFRS Interpretations Committee (IFRIC) as adopted by the European Commission for use in the EU that were presented in the Group's 2018 Annual Report. The standards and interpretative statements applied were in effect as of 1 January 2019 and had been adopted by the EU. Changed accounting policies at 1 January 2019 is described below. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied. This interim report for the Group was prepared in accordance with IAS 34 Interim Financial Reporting and the applicable provisions of the Annual Accounts Act and the Securities Market Act. The interim report for the parent company has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Disclosures in accordance with IAS 34.16A are incorporated in the financial statements and their accompanying notes as well as in other parts of this interim report.

NEW ACCOUNTING STANDARDS FROM 1 JANUARY 2019

The Group applies IFRS 16 *Leases* from 1 January 2019. The parent company does not apply IFRS 16 in accordance with the exception contained in RFR2. At the transition to IFRS 16, the Group has chosen to apply the modified retroactive approach. Its meaning and effects on the Group are described below. Previously, the Group classified leasing agreements as operating or financial leases based on whether the leasing agreement entailed a transfer of the significant risks and benefits that ownership of the underlying asset would bring to the Group. According to IFRS 16, the Group recognizes right-of-use assets and leasing liabilities for most leasing agreements, i.e. the leasing agreements are included in the balance sheet and pertain to leased premises in Sweden and in China for the Group as a whole. The Group applies the provisions on relief rules for short-term leases and leased assets with low value.

At the transition on 1 January 2019, the lease liabilities have been valued at the present value of the remaining leasing fees, discounted by the Group's marginal borrowing rate on the first day of application. The right-of-use was valued at an

amount equivalent the leasing debt, adjusted for prepaid leasing fees. The changeover on 1 January 2019 resulted in the reporting of right-of-use assets of SEK 9.9m and lease liabilities of SEK 9.7m, where the difference of SEK 0.2m relates to adjustment for prepaid leasing fees. The right-of-use asset comprised an option to extend the previous lease agreement in Stockholm. The transition had therefore no initial effect on equity and in accordance with IFRS 16 no recalculation of the comparative year took place. For effects on the subsequent quarters in the income statement, balance sheet and cash flow, see page 15.

In the end of the second half of 2019, MIPS entered into new lease agreements both in Sweden and China to access larger and more efficient office premises. This will change the currently reported values of the right-of-use assets and leasing debts as of the company's access to the new premises in the end of January 2020. In connection with the signing of the new lease agreements, it was decided not to use the existing options to extend the previous lease agreements entailing that these agreements have, since the third quarter 2019, been valued excluding the extension options. As of 31 December 2019, the right-of-use assets related to mentioned lease agreements amounted to SEK 0.4m.

VALUATION BASIS APPLIED WHEN PREPARING THE FINANCIAL STATEMENTS

Assets and liabilities are recognized at historical cost, except for currency derivatives and short-term investments which are based on fair value.

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

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

JUDGMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

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

ADJUSTMENTS

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

ALTERNATIVE PERFORMANCE MEASURES

The company is following the European Securities and Markets Authority's (ESMA) guidelines on alternative performance measures. Alternative performance measures are financial measures that cannot be directly read in or derived from the financial statements. These financial measures are intended to help company management and investors analyze the Group's performance. Investors should not consider these alternative performance measures to be a substitute for the financial statements prepared in accordance with IFRS, but rather a supplement to them. Explanation of alternative performance measures, see page 14-15. Definitions of alternative performance measures are presented in the annual report and on www.mipscorp.com.

SEGMENT

MIPS' operations are managed as one segment since this reflects the Group's operations, financial monitoring and management structure.

SEASONAL VARIATIONS

MIPS' sales are partly subject to seasonal variations. The company's net sales and EBIT have historically been weakest during the first quarter and strongest during the fourth quarter.

RISKS AND UNCERTAINTIES

MIPS is an international company and, as such, its operations can be affected by a number of risk factors in the form of both operating and financial risks. Risks related to the industry and the company include, but are not limited to, market acceptance and knowledge of both the harmful effects of rotational motion to the brain and increased competition. As an ingredient brand, MIPS is also dependent upon its customers' ability to reach end-users and on end-user demand. An economic downturn or change in end-user's preferences could have a negative impact on the Group's net sales and profitability. The company is dependent on its intellectual property rights and in certain cases the protection may be inadequate or MIPS may incur significant costs to protect its intellectual property rights which could have an adverse impact on the company's operations, earnings and/or financial position. Furthermore, the company is exposed to risks related to legal processes regarding product liability issues and other types of legal issues. Even though these risks are mitigated by insurance coverage, to the extent possible, they could result in significant costs for the company. The company's executive management actively manages both operating and financial risks. The above statement applies for both the parent company and the Group.

DISTRIBUTION OF REVENUE

The company's revenue primarily comprises sales of component kits (license and components) to helmet manufacturers. Sales of services is attributable to the development of customized MIPS' solutions for a specific customer and helmet model.

SEKt	2019	2018	2019	2018
Income by nature	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
<i>Revenue recognized at the time of delivery</i>				
Sales of goods	83,235	59,790	257,237	184,417
<i>Revenues reported over time</i>				
Sales of services	4,218	2,444	10,582	8,117
Total	87,453	62,234	267,819	192,534

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

SEKt	2019	2018	2019	2018
Income by region	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
North America	58,730	47,293	185,077	149,625
Europe	22,572	9,296	58,108	27,707
Sweden	3,850	2,687	11,734	7,379
Asia and Australia	2,302	2,957	12,900	7,822
Total	87,453	62,234	267,819	192,534

CURRENCY EXPOSURE

MIPS invoices its customers in two foreign currencies, USD and CNY. The company's license fee, which represents the majority of the company's revenues, is invoiced in USD and fluctuations in the USD vs SEK exchange rate have a significant impact on MIPS' net sales and profitability. A 10 percent change in the USD vs SEK exchange rate would impact EBIT with approximately +/- SEK 13m on the full-year figures for 2018. In accordance with the company's financial policy, MIPS aims to hedge 50% of the forecasted USD exposure on a forward 12 month rolling basis. Most of the company's sales of components are in China and invoiced in CNY. However, since the company has both revenues and costs related to components in CNY, the exposure to CNY vs SEK exchange rate is relatively limited. For further information, see the company's annual report 2018.

DERIVATIVES

The fair market value of the derivatives as of 31 December 2019 amounted to SEK -1.6m (-3.2) recorded as a financial debt. Hedge accounting has been applied whereby the unrealized change in the fair value of the outstanding derivatives is primarily reported against Other comprehensive income.

SHARE CAPITAL

As of 31 December 2019, the total number of shares amounted to 25,299,870 (25,299,870) and the share capital amounted to SEK 2,529,987 (2,529,987). All shares are ordinary shares and carry equal voting rights. The shares have a nominal value of SEK 0.10.

DIVIDEND

Prior to the Annual General Meeting in May, the Board of Directors will propose a dividend of SEK 3.00 per share for 2019, which corresponds to SEK 75.9m. The proposed dividend corresponds to 89% of earnings per share during the year.

SHARE-BASED INCENTIVE PROGRAMS

The Group has two outstanding warrant programs, one for senior executives and key employees and one for certain board members. The programs include a total of 875,000 issued and paid warrants. The warrants can lead to a dilution of a maximum of 3.5 percent. The exercise price, after recalculation for paid dividends, has been determined to be SEK 58.97 per share. Each warrant entitles the holder to acquire one share. The warrants may be exercised for subscription of newly issued shares during the period 1 March - 31 May 2020.

DISPUTES

The company is not part of any significant legal dispute.

RELATED-PARTY TRANSACTIONS

In August 2019, MIPS' former Board member Greg Shapleigh chose to step down from the

Board of Directors. Until then, consulting fees for services rendered by Greg Shapleigh amounted to SEK 0.5m (1.1).

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting will be held in Stockholm 7 May 2020.

AUDITORS REPORT

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

Stockholm 13 February 2020

MAX STRANDWITZ

President and CEO

QUARTERLY CONSOLIDATED PERFORMANCE MEASURES

SEKm	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17	LTM 18/19
Net sales	87.5	52.9	82.6	44.9	62.2	51.2	55.6	23.6	40.6	27.3	268
<i>Net sales growth, %</i>	<i>41</i>	<i>3</i>	<i>49</i>	<i>91</i>	<i>53</i>	<i>88</i>	<i>52</i>	<i>12</i>	<i>29</i>	<i>29</i>	<i>39</i>
Gross profit	65.5	38.6	61.6	32.7	46.6	37.4	40.9	17.3	30.6	20.1	198
<i>Gross margin, %</i>	<i>74.9</i>	<i>73.0</i>	<i>74.6</i>	<i>72.8</i>	<i>74.9</i>	<i>73.1</i>	<i>73.6</i>	<i>73.3</i>	<i>75.2</i>	<i>73.8</i>	<i>74.1</i>
Operating profit	39.0	20.5	36.8	11.8	28.7	20.8	21.7	1.8	14.6	0.1	108
<i>Operating margin, %</i>	<i>44.6</i>	<i>38.6</i>	<i>44.5</i>	<i>26.3</i>	<i>46.1</i>	<i>40.7</i>	<i>39.0</i>	<i>7.6</i>	<i>36.0</i>	<i>0.3</i>	<i>40.3</i>
Adjusted operating profit	39.7	20.9	38.0	11.8	28.7	20.8	21.7	1.8	14.6	0.1	110.5
<i>Adjusted operating margin, %</i>	<i>45.4</i>	<i>39.5</i>	<i>46.0</i>	<i>26.3</i>	<i>46.1</i>	<i>40.7</i>	<i>39.0</i>	<i>7.6</i>	<i>36.0</i>	<i>0.3</i>	<i>41.2</i>
Depreciation	1.8	3.8	1.5	1.0	0.5	0.4	0.4	0.4	0.3	0.3	8.1
Earnings per share basic, SEK	1.19	0.63	1.15	0.38	0.87	0.62	0.68	0.07	0.45	-0.01	3.35
Earnings per share diluted, SEK	1.16	0.62	1.12	0.38	0.85	0.61	0.67	0.07	0.45	-0.01	3.28
<i>Equity ratio, %</i>	<i>87.0</i>	<i>85.6</i>	<i>79.0</i>	<i>85.1</i>	<i>86.3</i>	<i>87.6</i>	<i>86.9</i>	<i>92.2</i>	<i>91.0</i>	<i>90.0</i>	<i>84.2</i>
Cash flow from operating activities	19.7	11.6	24.2	7.7	23.8	31.0	5.9	8.4	0.9	6.3	63.2
Average number of employees	47	45	41	39	36	36	35	33	32	32	43

In accordance with IFRS 16 Leases prior comparators have not been adjusted.

DEFINITIONS AND DESCRIPTIONS OF PERFORMANCE MEASURES AND ALTERNATIVE PERFORMANCE MEASURES

For definitions and description of performance measure and alternative performance measures, please visit www.mipscorp.com.

EXPLANATION OF ALTERNATIVE PERFORMANCE MEASURES

ORGANIC GROWTH

Since MIPS invoices its BPS units and sales of services in USD and CNY at the same time as the accounting currency is SEK, it is essential to create an understanding of how the company performs excluding currency effects when recalculating sales. This key figure is expressed in percentage points of the previous year's net sales. For net sales growth, impact of foreign currencies and acquisition related effects on net sales, see below.

	2019 Oct-Dec	2019 Jan-Dec
Organic growth		
Net sales growth	41%	39%
Net Sales in USDt	6,908	21,373
Net Sales in SEKt at 2019 average USD exchange rate	66,397	203,268
Net Sales in SEKt at 2018 average USD exchange rate	62,566	188,138
Impact currency in absolute	3,830	15,130
Net Sales 2018 SEKt	62,234	192,534
USD impact on growth	6%	8%
Net Sales in CNYt	15,542	47,074
Net Sales in SEKt at 2019 average CNY exchange rate	21,221	64,446
Net Sales in SEKt at 2018 average CNY exchange rate	20,321	61,857
Impact currency in absolute	900	2,588
Net Sales 2018 SEKt	62,234	192,534
CNY impact on growth	1%	1%
Impact relating to acquisitions in absolute	36	1,174
Impact relating to acquisitions	0%	1%
Organic growth	33%	29%

NET SALES, LAST 12 MONTHS ROLLING

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

Net sales 12 month rolling

SEKt	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Total LTM
Net Sales	87,453	52,920	82,559	44,941	62,234	51,192	55,557	23,551	40,620	27,271	36,605	21,106	31,518	
Rolling 12 month Q3 17'										27,271	36,605	21,106	31,518	116,500
Rolling 12 month Q4 17'									40,620	27,271	36,605	21,106		125,602
Rolling 12 month Q1 18'								23,551	40,620	27,271	36,605			128,047
Rolling 12 month Q2 18'							55,557	23,551	40,620	27,271				147,000
Rolling 12 month Q3 18'						51,192	55,557	23,551	40,620					170,921
Rolling 12 month Q4 18'					62,234	51,192	55,557	23,551						192,534
Rolling 12 month Q1 19'				44,941	62,234	51,192	55,557							213,923
Rolling 12 month Q2 19'			82,559	44,941	62,234	51,192								240,925
Rolling 12 month Q3 19'		52,920	82,559	44,941	62,234									242,653
Rolling 12 month Q4 19'	87,453	52,920	82,559	44,941										267,873

ADJUSTED OPERATING PROFIT (ADJUSTED EBIT)

During 2019, adjustments have been made with respect to effects (revenue and costs) related to acquisitions, which have been deemed to affect comparability. There were no items affecting comparability during 2018. In 2017, MIPS had costs for preparations for the listing on Nasdaq Stockholm, deemed to affect comparability. To create a good understanding of MIPS' ongoing operations and how the operating profit had been without these items, the company has chosen to show an adjusted operating profit which excludes the items affecting comparability.

Adjusted Operating profit (Adjusted EBIT)	LTM											
	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec	2018-2019 Oct-Sep	2018-2019 Jul-Jun	2018-2019 Apr-Mar	2018 Jan-Dec	2017-2018 Oct-Sep	2017-2018 Jul-Jun	2017-2018 Apr-Mar	2017 Jan-Dec
SEKt												
Operating profit	38,984	28,693	108,012	72,962	97,721	98,090	82,977	72,962	58,906	38,165	27,557	20,825
Items affecting comparability	708	-	2,451	-	1,743	-	-	-	-	-	489	6,981
Adjusted Operating profit	39,692	28,693	110,463	72,962	99,464	98,090	82,977	72,962	58,906	38,165	28,046	27,806

IMPACT IMPLEMENTATION OF IFRS 16

The Group applies IFRS 16 *Leases* as of 1 January 2019, as previously described on page 10. The effects of the transition and reported amounts for the fourth quarter and full year 2019 are explained below and relate in their entirety to leases for premises.

Group income statement	Oct - Dec 2019 as reported in interim report	Adjustment transition to IFRS 16	Oct - Dec 2019 without adjustments
SEKt			
Cost of goods sold	-21,935	8	-21,943
Administrative expenses	-7,983	66	-8,049
Financial income and expenses	-1,118	-78	-1,040
Income taxes	-7,770	0	-7,770
Profit/loss for the period	30,096	-4	30,100

	Jan - Dec 2019 as reported in interim report	Adjustment transition to IFRS 16	Jan - Dec 2019 without adjustments
Cost of goods sold	-69,427	35	-69,462
Administrative expenses	-30,586	265	-30,851
Financial income and expenses	360	-298	658
Income taxes	-23,540	0	-23,541
Profit/loss for the period	84,832	1	84,831

Group balance sheet	31 Dec 2019 as reported in interim report	Adjustment transition to IFRS 16	31 Dec 2019 without adjustments
SEKt			
Right-to-use assets	365	365	-
Other current receivables	7,168	-196	7,364
TOTAL ASSETS	342,587	169	342,418
Profit/loss for the period	30,096	-1	30,097
Lease liability current	168	168	-
TOTAL EQUITY AND LIABILITIES	342,587	167	342,420

Group Cash flow	Oct - Dec 2019 as reported in interim report	Adjustment transition to IFRS 16	Oct - Dec 2019 without adjustments
SEKt			
Cash flow from operating activities	19,744	699	19,045
Cash flow from investing activities	-2,727	-	-2,727
Cash flow from financing activities	-583	-699	116
Net change in cash & cash equivalents	16,434	-	16,434

	Jan - Dec 2019 as reported in interim report	Adjustment transition to IFRS 16	Jan - Dec 2019 without adjustments
Cash flow from operating activities	63,224	1,572	61,652
Cash flow from investing activities	-48,760	-	-48,760
Cash flow from financing activities	-65,404	-1,572	-63,832
Net change in cash & cash equivalents	-50,940	-	-50,940

OTHER

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MIPS will present the interim report at an audiocast via teleconference on 13 February 2020 at 10.00 a.m. CET. To participate, please register at <https://financialhearings.com/event/12136>

FINANCIAL CALENDAR

Annual report	Week 13 2020
Interim report January-March 2020	29 April 2020
Annual General Meeting	7 May 2020
Interim report January-June 2020	23 July 2020
Interim report January-September 2020	6 November 2020

FINANCIAL TARGETS

MIPS' long-term financial targets should not be viewed as a forecast but rather as an objective which the Board of Directors and senior executives believe is a reasonable long-term objective for the company.

Growth: The goal is to grow organically to achieve net sales in excess of SEK 1 billion by 2025.

Profitability: The goal is to maintain an EBIT margin of more than 40 percent.

ABOUT MIPS

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

MIPS' headquarter with 38 employees engaged in research and development, sales and administration is in Stockholm, where its product and technology test facility is also located. Production and manufacturing operations take place at sub-contractor facilities. MIPS' net sales during 2019 amounted to SEK 267.9m and the operating margin was 40.3%. MIPS is traded on the Nasdaq Stockholm stock exchange. For more information, visit www.mipscorp.com.

This information is of such nature that MIPS AB (publ) is obliged to disclose it in accordance with the EU's Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 13 February 2020 at 7.30 a.m. CET.

This year-end report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish year-end report and the English translation, the former shall take precedence.



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