



INTERIM REPORT JAN - MAR 2018

JANUARY - MARCH

- Net sales increased by 12% to SEK 23.6m (21.1).
Adjusted for currency exchange rate effects the increase was 20%
- Operating profit increased to SEK 1.8m (-4.9).
Adjusted operating profit* increased to SEK 1.8m (1.6)
- Operating profit includes litigation costs of SEK 1.2m (1.1) relating to the patent infringement lawsuits** the company is party to
- Operating margin increased to 7.6% (-23.4).
Adjusted operating margin* increased to 7.6% (7.4)
- Cash flow from operating activities increased to SEK 8.4m (3.9)
- Earnings per share diluted, amounted to SEK 0.07 (-0.19)

EVENTS AFTER THE END OF THE REPORTING PERIOD

- Positive outcome for MIPS in European patent case regarding opposition to one of the helmet manufacturer Bauer's patents
- Agreement reached with the helmet manufacturer POC regarding patent disputes and intention of in-depth cooperation
- Positive judgment regarding the patent dispute between Bauer and MIPS in Canada. MIPS patent stands strong.

THE MIPS GROUP IN BRIEF

	2018	2017	Δ%	2017/2018	2017
	Jan-Mar	Jan-Mar		LTM	Jan-Dec
SEKm					
Net sales	23.6	21.1	12	128.0	125.6
Gross profit	17.3	15.0	15	95.5	93.3
Gross margin, %	73.3	71.1	-	74.6	74.3
Operating profit (EBIT)	1.8	-4.9	-	27.6	20.8
Operating margin (EBIT-margin), %	7.6	-23.4	-	21.5	16.6
Adjusted operating profit*	1.8	1.6	15	28.0	27.8
Adjusted operating margin, %*	7.6	7.4	-	21.9	22.1
Profit for the period	1.7	-4.1	-	21.6	15.8
Earnings per share basic, SEK	0.07	-0.19	-	0.85	0.64
Earnings per share diluted, SEK	0.07	-0.19	-	0.85	0.64
Cash flow from operating activities	8.4	3.9	114	15.6	11.1

* Adjusted for items affecting comparability, see page 13

** More detailed information regarding the company's lawsuit and litigation cost, see page 11

COMMENTS FROM THE CEO

CONTINUED GROWTH AND IMPROVED PROFITABILITY

During the first quarter net sales increased by 12% to SEK 23.6m (21.1). Adjusted for currency effects, organic growth was 20%. We saw continued improvement in profitability with an adjusted operating margin for the quarter of 7.6% (7.4). For the first time, we achieved a positive operating profit in the first quarter which historically has been low in net sales. The operating cash flow also improved significantly from reduction of accounts receivables and higher operating profit. The growth primarily came from the bicycle and motorcycle categories, while the snow category started the year slower, driven by customers' later production start-ups compared to last year.

Although the quarter developed somewhat weaker than we expected, there are a number of positive signs. We have experienced a significant increase in new helmet projects. Our major brands are increasing their model programs and implementation of MIPS BPS at all price points. We see increased interest from brands to have only MIPS solutions in their product range and furthermore constructive dialogues regarding new test standards by regulatory bodies. In addition, our patents have been tested in court with positive results.

OUR PATENTS STAND STRONG

During the spring three legal processes have been concluded with positive outcomes for MIPS. The first legal process relates to our opposition to Bauer Hockey, launched in 2015 regarding their European patent, which contained patent claims relating to protection against rotational motion. We have received a decision from EPO (European Patent Office) that Bauer's patent is to be repealed in its entirety. The decision can be appealed by Bauer.

The second process concerns a legal dispute with the helmet manufacturer POC, where we have now agreed on the boundaries between our technologies. Our intent is to combine POC and MIPS strength in technical innovation, design and quality to develop helmets with rotational protection based on MIPS patented technology. We look forward to a more extensive collaboration with POC again.

Last but not least, the third process in Canada where we also received a positive judgment. The judgment confirms the novelty and inventiveness of patented MIPS Brain Protection System technology. In addition, the court ruled that some of Bauer's patent rights

are invalid since they were considered to be obvious variants of the previously developed MIPS technology.

Legal processes like these are extensive and costly to operate but incredibly important to protect a technology company like MIPS. Therefore, it is very satisfying to see that our patent portfolio holds for a formal legal review.

I am very pleased with the success of these disputes. The experience from these processes has given us an even better platform for our continued patent development.

HELMET USAGE AND DEMAND FOR SAFETY CONTINUE TO INCREASE

In an annual industry survey of helmet use in alpine skiing in the US, we see a continued increase among skiers now reaching 83%. At the launch of the first ski helmets with MIPS BPS in 2010, this figure was only 61%. We see an increased interest from brands and consumers.

CONTINUED CUSTOMER FOCUS AND TECHNICAL INNOVATION

Our focus on growing together with our customers, ensuring increased penetration in their model programs and developing our product portfolio continues. We see an increased awareness of the benefits of MIPS BPS by our end-users and increasing interest from new and existing customers. The MIPS-team has never been involved in as many projects with as many customers as today. With an expanding patent portfolio that protects our innovations, a fast-growing customer base that chooses MIPS BPS in a wider range of their model program, our scalable manufacturing model and continuous enhanced helmet usage, we are confidently looking forward to the journey towards our financial goals for 2020.



Johan Thiel
President and CEO

FINANCIAL PERFORMANCE

JANUARY – MARCH

NET SALES

First-quarter net sales amounted to SEK 23.6m (21.1), up 12%. Adjusted for currency exchange rate effects, the organic growth was 20%. The increase was primarily due to higher demand from existing customers, with growth in the categories Bicycle and Motorcycle, partly offset by currency impact and sales mix.

GROSS PROFIT

Gross profit increased 15% to SEK 17.3m (15.0). The gross margin increased by 2.2 percentage points to 73.3% (71.1). The improved gross margin was mainly due to lower sourcing costs.

OPERATING PROFIT (EBIT)

Operating profit increased to SEK 1.8m (-4.9), corresponding to an operating margin of 7.6% (-23.4). No items affecting comparability for the period (SEK 6.5m). Thus, adjusted EBIT was also SEK 1.8m (1.6), corresponding to an adjusted operating margin of 7.6% (7.4). Costs related to the litigation processes* the company is involved in, amounted to SEK 1.2m (1.1) in the quarter.

The increase in adjusted operating profit was mainly due to higher sales partly offset by negative impact of currency exchange rates, increase in marketing spend, cost related to being a listed company and strengthening of the organization.

Selling expenses amounted to SEK 6.2m (5.5). The increase was mainly due to additional marketing initiatives. Administrative expenses decreased in the quarter to SEK 7.2m (12.2). The decrease of administrative expenses is mainly related to the company's IPO in prior year. Research and development costs increased to SEK 2.6m (2.0), as a result of increased initiatives within product development.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit before tax amounted to SEK 2.2m (-5.3). Tax for the quarter was SEK -0.5m (1.1), corresponding to an effective tax rate of 22% (22). Profit for the period was SEK 1.7m (-4.1). Diluted earnings per share amounted to SEK 0.07 (-0.19).

CASH FLOW

Cash flow from operating activities increased to SEK 8.4m (3.9). The increase was mainly attributable to reduction of accounts receivable and higher operating profit.

Cash flow from investing activities amounted to SEK -1.7m (-0.9). Cash flow from financing activities was SEK 0.0m (150.0). Decrease vs. previous year fully explained by new share

issues in previous year of SEK 150.0m. Cash flow for the period amounted to SEK 6.7m (153.0).

FINANCIAL POSITION

On 31 March 2018, the Group's total assets amounted to SEK 239.8m (231.0). Current investments of SEK 163.9m are invested in their entirety in interest-bearing funds. The equity /assets ratio was 92% (87). Cash and cash equivalents, including current investments, totaled SEK 186.7m (181.5) on 31 March 2018. Deferred tax assets amounted to SEK 8.6m, of which SEK 8.5m was attributable to loss carry forwards and SEK 0.1m to other temporary differences.

The carrying amounts of assets and liabilities are considered to correspond to their fair values in all material respects. To reduce the Group's short-term currency exposure, certain currency derivative agreements have been entered into with a bank. The derivatives are measured at fair value and amounted to a financial debt of SEK -0.9m (-0.5) at 31 March 2018. Hedge accounting is applied, according to which, the unrealized change in fair value for the derivatives is primarily recognized in Other comprehensive income.

INVESTMENTS

Investments in the first quarter amounted to SEK 1.7m (0.9). Investments in intangible assets amounted to SEK 1.3m (0.4), of which the majority referred to patents. Investments in tangible assets were SEK 0.4m (0.5). As of 31 March 2018, no significant commitments have been made related to investments.

PARENT COMPANY

The majority of sales activities in the quarter refer to the parent company, MIPS AB (publ). Thus, net sales for the parent company, mainly correspond to the Group's net sales and amounted to SEK 19.1m (21.1) for the quarter. Net profit for the period of the parent company corresponds in all material respects to the Group's, totaling SEK 1.3m (-4.1) for the first quarter.

EMPLOYEES

The average number of employees were 33 (23) in the first quarter, of whom 8 (-) were employed in the Chinese subsidiary. The number of employees at the end of the period were 34 (23), of whom 8 (-) employed in the Chinese subsidiary.

* More detailed information regarding the company's lawsuit and litigation cost see page 11

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKt	2018	2017	2017
	Jan-Mar	Jan-Mar	Jan-Dec
Net sales	23,551	21,106	125,602
Cost of goods sold	-6,299	-6,104	-32,324
Gross profit	17,253	15,002	93,278
Selling expenses	-6,190	-5,543	-22,019
Administrative expenses	-7,204	-12,233	-40,861
Research and development expenses	-2,628	-1,980	-9,657
Other operating income and expenses	566	-180	84
Operating profit/loss	1,797	-4,935	20,825
Financial income and expenses	357	-357	-426
Net financial items	357	-357	-426
Profit/loss before tax	2,154	-5,292	20,399
Income taxes	-486	1,148	-4,584
Profit/loss for the period	1,668	-4,144	15,815
Earnings per share basic, SEK	0.07	-0.19	0.64
Earnings per share diluted, SEK	0.07	-0.19	0.64
Average number of shares for the period, basic (thousand)	25,300	22,184	24,521
Average number of shares for the period, diluted (thousand)	25,300	22,184	24,559

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKt	2018	2017	2017
	Jan-Mar	Jan-Mar	Jan-Dec
Profit/loss for the period	1,668	-4,144	15,815
Other comprehensive income for the period	-1,239	-312	369
Comprehensive income for the period	429	-4,456	16,184

CONDENSED CONSOLIDATED BALANCE SHEET

SEKt	31 Mar 2018	31 Mar 2017	31 Dec 2017
ASSETS			
<i>Non-current assets</i>			
Intangible assets	8,251	4,058	7,036
Property, plant and equipment	2,781	2,829	2,664
Deferred tax asset	8,585	14,620	8,659
Long term receivables	561	577	561
Total non-current assets	20,177	22,084	18,920
<i>Current assets</i>			
Inventories	1,977	1,008	1,000
Accounts receivable	25,260	19,143	37,077
Other current receivables	5,651	7,289	5,402
Current investments	163,921	-	162,219
Cash and cash equivalents	22,827	181,497	17,555
Total current assets	219,635	208,938	223,252
TOTAL ASSETS	239,812	231,022	242,173
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	2,530	2,530	2,530
Other paid in capital	243,406	243,249	243,250
Reserves	-870	-312	369
Retained earnings incl profit/loss for the period	-23,907	-45,534	-25,575
Total equity	221,159	199,933	220,574
Total non-current liabilities	-	108	-
<i>Current liabilities</i>			
Current interest-bearing liabilities	-	31	-
Accounts payable	6,700	7,692	12,217
Other current liabilities	11,954	23,257	9,382
Total current liabilities	18,654	30,980	21,599
TOTAL EQUITY AND LIABILITIES	239,812	231,022	242,173

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKt	31 Mar 2018	31 Mar 2017	31 Dec 2017
Opening equity for the period	220,574	57,327	57,327
Change accounting policies*	156	-	-
Adjusted opening equity for the period	220,730	57,327	57,327
<i>Comprehensive income for the period</i>			
Profit/loss for the period	1,668	-4,144	15,815
Comprehensive income for the period	-1,239	-312	369
Comprehensive income for the period	429	-4,456	16,184
<i>Contribution from and value transfers to owners</i>			
New share issue**	-	143,169	143,169
Premium received from issue of warrants	-	3,894	3,894
Total transactions with the Group's owners	-	147,063	147,063
Closing equity for the period	221,159	199,933	220,574

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEKt	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
<i>Operating activities</i>			
Profit before tax	2,154	-5,292	20,399
Adjustment for non-cash items	-19	-199	1,108
Income taxes paid	-	-	-
Cash flow from operating activities before change in working capital	2,135	-5,491	21,507
<i>Cash flow from changes in working capital</i>			
Increase (-)/decrease (+) of inventories	-921	-333	-325
Increase (-)/decrease (+) of current receivables	11,458	5,517	-13,707
Increase (+)/decrease (-) of current liabilities	-4,283	4,239	3,661
Cash flow from operating activities	8,388	3,931	11,137
<i>Investing activities</i>			
Acquisition of intangible assets	-1,327	-382	-3,530
Acquisition of property, plant and equipment	-364	-533	-1,131
Disposal of property, plant and equipment	3	-	23
Acquisition of financial asset	-	-14	-
Cash flow from investing activities	-1,688	-929	-4,639
<i>Financing activities</i>			
New share issue	-	150,000	150,000
Paid out transaction expenses	-	-24	-8,758
Premium received from issue of warrants	-	-	3,894
Amortization of lease debt	-	-	-55
Cash flow from financing activities	-	149,976	145,082
Net change in cash & cash equivalents	6,700	152,979	151,580
Cash & cash equivalents at beginning of period	179,774	28,507	28,507
Exchange rate difference on bank holdings	273	11	-313
Cash & cash equivalents at end of period	186,748	181,497	179,774

CONDENSED PARENT COMPANY INCOME STATEMENT

SEKt	2018	2017	2017
	Jan-Mar	Jan-Mar	Jan-Dec
Net sales	19,119	21,106	122,242
Cost of goods sold	-2,797	-6,104	-30,041
Gross profit	16,322	15,002	92,201
Selling expenses	-5,888	-5,543	-21,742
Administrative expenses	-7,204	-12,236	-40,865
Research and development expenses	-2,430	-1,980	-9,243
Other operating income and expenses	566	-180	82
Operating profit/loss	1,366	-4,937	20,433
Financial income and expenses	358	-357	-423
Net financial items	358	-357	-423
Appropriations	-	-	-15
Appropriations	-	-	-15
Profit/loss before tax	1,723	-5,294	19,995
Income taxes	-394	1,148	-4,487
Profit/loss for the period	1,329	-4,145	15,509

CONDENSED PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEKt	2018	2017	2017
	Jan-Mar	Jan-Mar	Jan-Dec
Profit/loss for the period	1,329	-4,145	15,509
Other comprehensive income for the period	-1,290	-312	373
Comprehensive income for the period	39	-4,458	15,882

CONDENSED PARENT COMPANY BALANCE SHEET

SEKt	31 Mar 2018	31 Mar 2017	31 Dec 2017
ASSETS			
<i>Non-current assets</i>			
Intangible assets	8,251	4,058	7,036
Property, plant and equipment	2,669	2,799	2,550
Participation in Group companies	585	585	585
Deferred tax asset	8,586	14,620	8,660
Other financial assets	561	577	561
Total non-current assets	20,651	22,639	19,392
<i>Current assets</i>			
Inventories	655	1,008	755
Accounts receivable	20,560	19,143	34,789
Other current receivables	5,941	7,305	5,716
Current investments	163,921	-	162,219
Cash & cash equivalents	22,235	180,910	16,758
Total current assets	213,313	208,367	220,237
TOTAL ASSETS	233,964	231,006	239,629
EQUITY AND LIABILITIES			
<i>Equity</i>			
Restricted equity	4,219	4,219	4,219
Non restricted equity	216,266	195,731	216,070
Total equity	220,485	199,950	220,289
<i>Provisions</i>			
Deferred taxes	-	107	-
Total provisions	-	107	-
<i>Current liabilities</i>			
Accounts payable	4,470	7,692	10,071
Other current liabilities	9,010	23,257	9,268
Total current liabilities	13,479	30,949	19,340
TOTAL EQUITY AND LIABILITIES	233,964	231,006	239,629

OTHER INFORMATION

INFORMATION ABOUT THE PARENT COMPANY

MIPS AB (publ), Corp. Reg. No. 556609-0162 is a Swedish public company with its registered office in Stockholm, Sweden. The company's shares have been listed on Nasdaq Stockholm since 23 March 2017 under the "ticker" MIPS.

ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretative statements by the IFRS Interpretations Committee (IFRIC) as adopted by the European Commission for use in the EU that were presented in the Group's 2017 Annual Report. The standards and interpretative statements applied were in effect as of 1 January 2018 and had been adopted by the EU. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups was applied. This interim report for the Group was prepared in accordance with IAS 34 *Interim Financial Reporting* and the applicable provisions of the Annual Accounts Act and the Securities Market Act. The interim report for the parent company was prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Disclosures in accordance with IAS 34.16A are incorporated in the financial statements and its accompanying notes as well as in other parts of this interim report.

CHANGE IN ACCOUNTING STANDARDS FROM FIRST OF JANUARY, 2018

The Group applies IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers* as of 1 January, 2018. The effects of the transition to IFRS 9 and IFRS 15 are explained in detail on page 14.

IFRS 9 involves changes in how financial assets are classified and valued, an impairment model is implemented based on expected loan losses instead of losses occurred and changes in principles for hedge accounting, including with the aim to simplify and increase coherence with enterprise-based risk management strategies. The standard replaces IAS 39 *Financial Instruments: Accounting and Valuation*. The new impairment model means that provision for loan losses relating primarily to customer and similar receivables are brought forward. All these receivables are booked for the loan losses that are expected to arise during the remaining maturity and not only for those receivables that have demonstrated objective proof of impairment. IFRS 9 has been applied forward looking and since the company has had limited

credit losses historically, this has resulted in an increased bad debt reserve of SEK 21t on 1 January 2018. The equity has been adjusted with the corresponding amount including tax effect.

IFRS 15 is a comprehensive standard for determining the amount of revenue to be reported and when these revenues are to be reported. It replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts Agreement* and IFRIC 13 *Customer Loyalty Programmes* starting 2018. For the company, IFRS 15 implies a certain change in revenue recognition of implementation services compared to earlier practice. For the quarter, the effect of the implementation is that equity has increased by SEK 0.2m, including tax. Net sales for the first quarter 2018 has increased by SEK 1.0m, as revenue has been brought forward compared to the previously used accounting principle. For further information, see transitional bridge on page 14.

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

NEW ACCOUNTING STANDARDS FROM 2019

IFRS 16 *Leases* replace, as from 2019, existing IFRS related to the recognition of leases, such as IAS 17 *Leases* and IFRIC 4 *Determining whether an agreement contains a lease*. The company is not planning to apply IFRS 16 prematurely in 2018, with its application being planned to 1 January 2019.

IFRS 16 primarily affects leases and the central effect is that all leases that are reported as operating leases today are reported in a manner similar to the current accounting of financial leases. This means that even for operational leases, assets and liabilities need to be reported, including accounting for depreciation and interest expenses, as opposed to today, when no leasing and related liabilities are reported, and leasing fees are recognized on a straight-line basis as leasing costs. The company will as operational lease holder be affected by the introduction of IFRS 16. Estimates of the effect of IFRS 16 and the choice of transition methods have not yet been decided.

VALUATION BASIS APPLIED WHEN PREPARING THE FINANCIAL STATEMENTS

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

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The parent company's functional currency is Swedish kronor (SEK), which is also the presentation currency of the Group. This means that the financial statements are presented in

SEK. All amounts, unless otherwise stated, are rounded to the nearest SEKt.

JUDGMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

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

ADJUSTMENTS

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

ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority (ESMA) issued guidelines on alternative performance measures for companies with securities listed on a regulated market in the EU, which came into force on 3 July 2016. Alternative performance measures are financial measures used by company management and investors to analyze trends and the performance of the Group's operations that cannot be directly read in or derived from the financial statements. These financial measures are intended to help company management and investors 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 13. Definition of alternative performance measure is presented in the annual report and on the company website www.mipscorp.com

SEGMENT

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

SEASONAL VARIATIONS

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

RISKS AND UNCERTAINTIES

MIPS is an international company and, as such, its operations can be affected by a number of risk factors in the form of both operating and financial risks. Risks related to the industry and the company include, but are not limited to, market acceptance and knowledge of both the

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

CURRENCY EXPOSURE

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

DERIVATIVES AND HEDGE ACCOUNTING

In order to reduce the Group's short-term currency exposure and in line with the Group's finance policy, the company has the ambition to hedge 50% of likely forecasted sales / trade receivables in USD through derivatives. Derivatives are measured at fair value in the balance sheet. Hedge accounting is applied in such a way that the change in fair value is recognized in Other comprehensive income and the accumulated changes in value are recognized in a separate component of equity (hedging reserve) until the hedged flow affects the profit for the year, whereby the hedging instrument's accumulated changes in value are reclassified to the profit for the period (other operating income / expenses) with the hedged item (accounts receivable) affecting the profit for the period. The Group currently has only derivative instruments classified under level two in the valuation hierarchy:

Level 1: Listed unjustified prices on official marketplaces for identical assets or liabilities

Level 2: Other observable data for assets or liabilities than included in Level 1, either directly as price quotes or indirectly: derived from price quotes.

Level 3: Data for the asset or liability in question, which is not based on observable market data: non-observable input data.

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

The fair value of the derivatives amounted to SEK -0.9m (-0.5) as of 31 March 2018, of which SEK -1.2m (-0.3) has been reported in Other comprehensive income and SEK 0.3m (-0.2) have been recognized in the income statement as other operating income/operating expenses, without consideration of deferred tax effects.

SHARE CAPITAL

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

DIVIDEND

The Board of Directors is proposing to the AGM in May that no dividend is to be paid out for the year 2017.

SHARE-BASED INCENTIVE PROGRAMMES

The Group has two outstanding warrant programs. One for senior executives and key people and one for certain board members. The programs include 875,000 issued and paid warrants. The warrants can lead to a dilution of a maximum of 5 percent. The exercise price has been fixed determined to SEK 59.80 per share. Each warrant entitles the holder to acquire one share. The warrants may be exercised for subscription of newly issued shares during the period 1 March-31 May 2020.

DISPUTES

On 23 April 2018, it was announced that MIPS received a positive outcome in a European patent case, in which MIPS previously opposed to the European Patent Office ("EPO") against Bauer Hockey Corp. ("Bauer") European Patent No. 2,550,886 ("Patent"). The patent relates to a sports helmet with protection against rotational motion, based on a technology similar to MIPS Brain Protection System (BPS) technology. MIPS succeeded with its objection and, by an oral decision, the EPO has announced that the patent is revoked in its entirety. A written

decision will be issued, which may be appealed by Bauer.

On 8 May 2018, MIPS received a positive judgment in Canada concerning a patent dispute with Bauer regarding MIPS patented helmet technology. The federal court in Canada has ruled a judgment confirming the validity of MIPS patent rights. The outcome can be appealed

On 19 April 2018, POC and MIPS agreed to a conciliation agreement regarding the company's patent dispute with POC Sweden AB. The conciliation does not imply any obligation for any of the Parties to compensate the other Party's costs relating to the process. The companies now intend to jointly develop safer helmets that combine POCs and MIPS forces in technical innovation, style and quality. The cooperation is expected to have a limited impact on MIPS's 2018 net sales.

During the quarter, the costs relating to patent disputes amounted to SEK 1.2m (1.1), mainly regarding costs for legal advice.

RELATED-PARTY TRANSACTIONS

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 19 April 2018, MIPS announced a conciliation agreement regarding the company's patent dispute with POC Sweden AB. On 23 April 2018 MIPS announced that it had received a positive outcome in a European patent case. On 8 May 2018, MIPS received a positive judgment in Canada concerning a patent dispute with Bauer. See more information under "Disputes" regarding the three legal processes.

ANNUAL GENERAL MEETING

Annual general meeting for 2017 will be held in Stockholm, 15 May 2018 at 3.30 pm at GT30:S facilities at Grev Turegatan 30. To register or for further information see company webpage: www.mipscorp.com

AUDITOR'S REPORT

This interim report has not been reviewed by the company's auditor.

Stockholm, 9 May 2018

Johan Thiel
President and CEO

QUARTERLY CONSOLIDATED PERFORMANCE MEASURES

Amounts in SEKt	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16	LTM 17/18
Net sales	23,551	40,620	27,271	36,605	21,106	31,518	21,199	23,628	10,284	128,048
Net sales growth, %	12	29	29	55	105	55	69	70	274	31
Gross profit	17,253	30,561	20,136	27,579	15,002	23,385	15,221	16,909	6,212	95,528
Gross margin, %	73.3	75.2	73.8	75.3	71.1	74.2	71.8	71.6	60.4	74.6
Operating profit	1,797	14,636	81	11,043	-4,935	13,772	2,260	5,611	-3,267	27,557
Operating margin, %	7.6	36.0	0.3	30.2	-23.4	43.7	10.7	23.7	-31.8	21.5
Adjusted operating profit	1,797	14,636	81	11,532	1,557	13,701	6,422	7,368	-3,267	28,046
Adjusted operating margin, %	7.6	36.0	0.3	31.5	7.4	43.5	30.3	31.2	-31.8	21.9
Depreciation/amortization	361	337	296	299	213	281	188	182	151	1,293
Basic earnings per share, SEK	0.07	0.45	-0.01	0.35	-0.19	0.49	0.08	0.20	-0.14	0.85
Diluted earnings per share, SEK	0.07	0.45	-0.01	0.34	-0.19	0.49	0.08	0.20	-0.14	0.85
Equity ratio, %	92	91	90	92	87	76	76	82	74	91
Cash flow from operating activities	8,388	893	6,307	5	3,931	9,844	11,821	-8,828	3,132	15,593
Average number of employees	33	32	32	29	23	20	18	16	15	31

DEFINITIONS AND DESCRIPTIONS OF PERFORMANCE MEASURES AND ALTERNATIVE PERFORMANCE MEASURES

For definitions and description of performance measure and alternative performance measures, please see the company's webpage <http://www.mipscorp/investors/definitions/>

EXPLANATION OF ALTERNATIVE PERFORMANCE MEASURES

ORGANIC GROWTH

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

	2018
Organic growth	Jan-Mar
Net sales growth	12%
Net Sales in USDt	2,221
Net Sales in SEKt at 2018 average USD exchange rate	18,024
Net Sales in SEKt at 2017 average USD exchange rate	19,852
Impact currency in absolute	-1,828
Net Sales 2017 Jan-Mar SEKt	21,107
Currency impact on growth	-9%
Organic growth	20%

ADJUSTED OPERATING PROFIT (ADJUSTED EBIT)

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

Adjusted Operating profit (Adjusted EBIT)	LTM					
	2018	2017	2017-2018	2017	2016-2017	2016-2017
SEKt	Jan-Mar	Jan-Mar	Apr-Mar	Jan-Dec	Oct-Sep	Jul-Jun
Operating profit	1,797	-4,935	27,557	20,825	19,961	22,140
Items affecting comparability*	-	6,492	489	6,981	6,910	11,072
Adjusted operating profit	1,797	1,557	28,046	27,806	26,871	33,212

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

NET SALES, LAST 12 MONTHS ROLLING

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

SEKt	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16	Q4 15	Total LTM
Net Sales	23,551	40,620	27,271	36,605	21,106	31,518	21,199	23,628	10,284	20,378	
Rolling 12 month Q3 16'							21,199	23,628	10,284	20,378	75,489
Rolling 12 month Q4 16'						31,518	21,199	23,628	10,284		86,629
Rolling 12 month Q1 17'					21,106	31,518	21,199	23,628			97,451
Rolling 12 month Q2 17'				36,605	21,106	31,518	21,199				110,428
Rolling 12 month Q3 17'			27,271	36,605	21,106	31,518					116,500
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							128,048

IMPACT IMPLEMENTATION OF IFRS 9 AND IFRS 15

The Group applies IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers* as of 1 January 2018. The effects of the implementation are explained below. Since the company only has a recent established subsidiary in China, the impact from the implementation of the new standards is the same for the Group and the parent company.

BRIDGE ACCOUNTING CHANGE IFRS 9 AND IFRS 15, INCOME STATEMENT

GROUP INCOME STATEMENT	Jan-Mar 2018 as reported in interim report	Adjustment transition to IFRS 9	Adjustment transition to IFRS 15	Jan-Mar 2018 without adjustments
SEKt				
Net sales	23,551	-	1,028	22,524
Cost of goods sold	-6,299	-	-308	-5,990
Selling expenses	-6,190	7	-	-6,197
Income taxes	-486	-2	-158	-326
Profit/loss for the period	1,668	5	561	1,101

BRIDGE ACCOUNTING CHANGE IFRS 9 AND IFRS 15, BALANCE SHEET

GROUP BALANCE SHEET	31 Mar 2018 as reported in interim report	Adjustment transition to IFRS 9	Adjustment transition to IFRS 15	31 Mar 2018 without adjustments
SEKt				
Deferred tax asset	8,585	3	-207	8,789
Accounts receivable	25,260	-14	-	25,274
Other current receivables	5,651	-	941	4,710
TOTAL ASSETS	239,812	-11	734	239,090
Retained earnings	-25,575	-16	172	-25,731
Profit/loss for the period	1,668	5	561	1,101
TOTAL EQUITY AND LIABILITIES	239,812	-11	734	239,090

OTHER

FOR FURTHER INFORMATION, PLEASE CONTACT:

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This information is such that MIPS AB (publ) is obliged to disclose in accordance with the EU's Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 9 May 2018 at 7.30 a.m. CET.

MIPS WILL PRESENT THE INTERIM REPORT AT A TELECONFERENCE ON 9 MAY 2018 AT 10.00 A.M. CET. TO PARTICIPATE, PLEASE REGISTER AT: [HTTP://EMEA.DIRECTEVENTREG.COM/REGISTRATION/9179329](http://emea.directeventreg.com/registration/9179329)

FINANCIAL CALENDAR

Annual general meeting	15 May 2018
Interim report January-June 2018	16 August 2018
Interim report January-September 2018	7 November 2018
Year-end report 2018	14 February 2019

ABOUT MIPS

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

MIPS headquarter with 25 employees engaged in research and development, sales and administration is in Stockholm, where its product and technology test facility is also located. Production and manufacturing operations take place at sub-contractor facilities. In 2017 MIPS net sales amounted to SEK 125.6 resulting in an adjusted EBIT-margin of 22.1%. Since its March 2017 IPO, MIPS is traded on the Nasdaq Stockholm stock exchange. For more information, visit www.mipscorp.com.

FINANCIAL TARGETS

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

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

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

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