MIPS Q2 2018
16 August, 2018
MIPS in brief

- MIPS is a market leader in helmet solutions protecting the brain against rotational motion
- Patented technology based on over 20 years of research and testing, partnered with some of the world’s leading researchers from KTH and Karolinska Institute
- MIPS operates as an ingredient brand, with leading helmet brands as customers including Bell, Fox Head, Giro, Scott, Smith and Trek
- MIPS BPS\(^1\) is an easily implemented safety feature, which offers helmet brands incremental safety performance and allows higher price points

Note: 1. Brain Protection System.
2. Based on sold MIPS BPS units during the period.
3. CAGR for the period 2014 to 2017. EBIT margin 2014 was -89.7%.
MIPS financial targets

>SEK 400m net sales 2020

>40% EBIT margin 2020
Q2 Highlights

- Net sales growth at +52% in the quarter, +53% organic growth adjusted for currency effects
- Good growth momentum in all three key categories
- Continued high inflow of projects and discussions with brands on how to penetrate their range further
- Virginia Tech University in the United States, validating the MIPS technology
- Adjusted EBIT 39.0%, legal cost of SEK 2.9m included
- Good progress towards 2020 target
Update on litigation situation

• As announced in previous Q1 report, MIPS received a judgment from the Canadian court on 8 May concerning the patent dispute with Bauer regarding MIPS patented helmet technology.

• MIPS and Bauer in agreement and all legal matters relating to the dispute now concluded

• MIPS agreed to a conciliation agreement with POC Sweden regarding the patent dispute on 19 April as communicated earlier

• MIPS is currently not party in any other patent disputes
Q2 Net Sales development

- Strong growth in the quarter +52%, organic growth +53%
- Good performance across all three key categories Bike, Snow and Motorcycle

Net Sales development (SEKm) and quarterly growth rates*

*No quarterly growth rates available for 2015’
Q2 in figures

- Net Sales increased +52%, currency adjusted +53%
- Gross profit up 48%, gross margin down with -1.7 p/p
- Higher Opex
  - legal costs of SEK 2.9 m included
  - strengthening of organization
  - continued investment in product development
- Adjusted EBIT SEK +21.7m, 39.0% adjusted EBIT margin
- Cash – Good improvement in operating cash flow

<table>
<thead>
<tr>
<th>MIPS Group (SEKm)</th>
<th>Q2 18</th>
<th>Q2 17</th>
<th>▼ %</th>
<th>YTD 18</th>
<th>YTD 17</th>
<th>▼ %</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>55.6</td>
<td>36.6</td>
<td>52</td>
<td>79.1</td>
<td>57.7</td>
<td>37</td>
<td>125.6</td>
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<tr>
<td>Gross profit</td>
<td>40.9</td>
<td>27.6</td>
<td>48</td>
<td>58.2</td>
<td>42.6</td>
<td>37</td>
<td>93.3</td>
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<tr>
<td>Gross margin %</td>
<td>73.6</td>
<td>75.3</td>
<td>-</td>
<td>73.5</td>
<td>73.8</td>
<td>-</td>
<td>74.3</td>
</tr>
<tr>
<td>Adjusted operating profit (EBIT)</td>
<td>21.7</td>
<td>11.5</td>
<td>88</td>
<td>23.4</td>
<td>13.1</td>
<td>79</td>
<td>27.8</td>
</tr>
<tr>
<td>Adjusted operating margin (EBIT) %</td>
<td>39</td>
<td>31.5</td>
<td>-</td>
<td>29.6</td>
<td>22.7</td>
<td>-</td>
<td>22.1</td>
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<tr>
<td>Cash flow from operating activities</td>
<td>5.9</td>
<td>0.0</td>
<td>N/A</td>
<td>14.3</td>
<td>3.9</td>
<td>266</td>
<td>11.1</td>
</tr>
</tbody>
</table>

* Adjusted for items affecting comparability (IPO costs) Q218 SEK 0.0m (0.5), YTD18 SEK 0.0m (7.0), FY 2017 SEK -7.0m
Q2 Gross profit and margin development

- Gross profit up 48% to SEK 40.9m
- Gross margin down -1.7 p/p vs. Q2 2017 to 73.6%
- Different sales mix key reason for the lower gross margin
Q2 Adjusted EBIT margin development

- EBIT increased with SEK 10.7m to SEK 21.7m (SEK 11.0m)
- EBIT increased with 97%. EBIT margin 39.0%
- Adjusted EBIT improved with SEK +10.2m to SEK 21.7m (SEK 11.5m)
- Increase in adjusted EBIT mainly explained by:
  - litigation cost
  - strengthening of organization
  - initiatives within product development
Q2 Balance sheet and cash flow

- Deferred tax asset SEK 4.5m at the end of the quarter, down SEK 7.0m vs. same period last year
- Strong improvement in operating cash flow mainly from higher EBIT
- Cash and Cash Equivalents at SEK 191.9m, Equity ratio 87%

### Key balance sheet items and cash flow

<table>
<thead>
<tr>
<th>MIPS Group (SEKm)</th>
<th>YTD 18</th>
<th>YTD 17</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>271.8</td>
<td>229.8</td>
<td>242.2</td>
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<tr>
<td>Equity</td>
<td>236.1</td>
<td>210.4</td>
<td>220.6</td>
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<tr>
<td>Equity ratio %</td>
<td>87</td>
<td>92</td>
<td>91</td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>191.9</td>
<td>175.2</td>
<td>179.8</td>
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<tr>
<td>Deferred tax asset</td>
<td>4.5</td>
<td>11.5</td>
<td>8.7</td>
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### Cash flow after operating activities (SEK m)

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
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<tr>
<td>2015</td>
<td>-3.4</td>
<td>-1.6</td>
<td>0.7</td>
<td>3.1</td>
<td>11.8</td>
<td>9.8</td>
<td>3.9</td>
<td>6.3</td>
<td>0.9</td>
<td>8.4</td>
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<td>2016</td>
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<td>2017</td>
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<tr>
<td>2018</td>
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</table>
Summary

• Strong sales growth with +52%, +53% organic for the quarter
• Continued focus on increasing penetration with Customers in their range, good inflow of projects
• MIPS functionality validated by external institutes
• Awareness and interest for MIPS increasing
• Good progress vs. our 2020 plan

*Q218 LTM Adjusted EBIT includes SEK 17.7m legal costs relating to company’s litigation processes.
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