MIPS’ presentation of the interim report for the third quarter 2019

8 November 2019
KEY HIGHLIGHTS

- Increasing interest in MIPS across all geographies and categories. New German customers implementing MIPS technology, important for accelerated growth in Europe.

- Trade tariffs U.S. / China impact volumes in the quarter. No change in consumer demand. More customers and models than ever using the MIPS technology.

- Innovators of MIPS’ technology awarded the prestigious Polhem prize.

- New strategic plan and targets for 2025 announced at MIPS’ Capital Markets Day held in September.
NEW BRANDS LAUNCHING HELMETS EQUIPPED WITH MIPS TECHNOLOGY

- In August at the world's largest bike fair, Eurobike, three MIPS new key customers, UVEX, Alpina and KED, launched helmets with MIPS technology.
- Additionally, the brand CUBE has launched helmets equipped with MIPS technology.
- The new brands give us an even better position to increase penetration and growth in Europe.
- Renewed collaboration with POC – first (child) helmet with MIPS technology will be launched next summer and additional models in 2021 and 2022.
- MIPS now cooperates with the major brands in the Bike and Snow categories.

Good position to drive further growth within the Sports helmet category.
INNOVATORS OF MIPS TECHNOLOGY RECEIVED POLHEM PRIZE

• Innovators of the MIPS technology has been awarded the Polhem Prize, Sweden’s oldest and most prestigious technical award

• Peter Halldin (MIPS’ Chief Science Officer), Hans von Holst and Svein Kleiven (Royal institute of technology in Stockholm, KTH) received the award for their work with the MIPS technology

“Being awarded the Polhem Prize is a great honor for us. Our ambition has always been to reduce the risk of brain damage for helmet users worldwide. We believe that protection against rotational motion in helmets should be as obvious as having seat belts in cars”, says Peter Halldin, Chief Science Officer at MIPS.
MIPS’ CAPITAL MARKETS DAY

• New long-term strategy and financial targets were presented at our Capital Markets Day in September
• New strategy has been built around three key helmet categories being Sports, Moto and Safety
• MIPS’ addressable market has increased from 43 million to 130 million helmets sold annually
• MIPS’ new long-term financial targets are:
  • Grow net sales to more than SEK 1 billion by 2025
  • Maintaining an underlying EBIT margin of more than 40%
  • Ordinary dividend above 50% as share of annual net earnings

>SEK 1bn net sales 2025

>40% EBIT margin

>50% dividend of net earnings
NET SALES DEVELOPMENT IN THIRD QUARTER

- Soft performance with 3% growth in the quarter, organic growth of -6%
- Volume impacted by trade tariff implementation in the US market
- Net sales growth 38% year to date, organic growth of 28%

<table>
<thead>
<tr>
<th>Changes in net sales %</th>
<th>2019 Jul-Sep</th>
<th>2019 Jan-Sep</th>
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</thead>
<tbody>
<tr>
<td>Organic growth</td>
<td>-6%</td>
<td>28%</td>
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<tr>
<td>Changes in exchange rates</td>
<td>7%</td>
<td>10%</td>
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<tr>
<td>Structural changes</td>
<td>2%</td>
<td>1%</td>
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<tr>
<td>Total</td>
<td>3%</td>
<td>38%</td>
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Net Sales development (SEKm) and quarterly growth rates*

*No underlying growth rates available for 2015
DEVELOPMENT IN THIRD QUARTER

- **Net Sales** increased 3%, organic growth -6%
- **Gross profit** up 3%, gross margin down with -0.1 p/p, adjusting for acquisitions gross margin up 1.7 p/p to 74.8%.
- **OPEX** – continue to invest behind strategic priorities
- **Adjusted EBIT** SEK 20.9m (20.8), 39.5% adjusted EBIT margin (40.7)
- **Cash flow** – operating cash flow of SEK 11.6m (31.0)

### MIPS Group (SEKm)

<table>
<thead>
<tr>
<th></th>
<th>Q3 19</th>
<th>Q3 18</th>
<th>▲ %</th>
<th>YTD 19</th>
<th>YTD 18</th>
<th>▲ %</th>
<th>FY2018</th>
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</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>52.9</td>
<td>51.2</td>
<td>3</td>
<td>180.4</td>
<td>130.3</td>
<td>38</td>
<td>192.5</td>
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<tr>
<td>Gross profit</td>
<td>38.6</td>
<td>37.4</td>
<td>3</td>
<td>132.9</td>
<td>95.6</td>
<td>39</td>
<td>142.2</td>
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<tr>
<td>Gross margin %</td>
<td>73.0</td>
<td>73.1</td>
<td>-</td>
<td>73.7</td>
<td>73.4</td>
<td>-</td>
<td>73.9</td>
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<tr>
<td>Operating profit (EBIT)</td>
<td>20.5</td>
<td>20.8</td>
<td>-2</td>
<td>69.0</td>
<td>44.3</td>
<td>56</td>
<td>73.0</td>
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<tr>
<td>Operating margin (EBIT) %</td>
<td>38.6</td>
<td>40.7</td>
<td>-</td>
<td>38.3</td>
<td>34.0</td>
<td>-</td>
<td>37.9</td>
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<tr>
<td>Adjusted Operating profit (EBIT)</td>
<td>20.9</td>
<td>20.8</td>
<td>0</td>
<td>70.8</td>
<td>44.3</td>
<td>60</td>
<td>73.0</td>
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<tr>
<td>Adjusted Operating margin (EBIT) %</td>
<td>39.5</td>
<td>40.7</td>
<td>-</td>
<td>39.2</td>
<td>34.0</td>
<td>-</td>
<td>37.9</td>
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<tr>
<td>Cash flow from operating activities</td>
<td>11.6</td>
<td>31.0</td>
<td>-63</td>
<td>43.5</td>
<td>45.2</td>
<td>-4</td>
<td>69.1</td>
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GROSS PROFIT AND GROSS MARGIN DEVELOPMENT IN THIRD QUARTER

- Gross profit increased by 3% to SEK 38.6m
- Gross margin 73%, -0.1 p/p change vs. Q3 2018, +170 p/p excluding impact from acquisitions
- Gross margin year to date up +0.3 p/p, adjusting for acquisition costs, gross margin increased by 1.0 p/p to 74.4%

Gross profit (SEKm) and Gross margin development

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<tbody>
<tr>
<td>Gross profit (SEKm)</td>
<td>61.6</td>
<td>32.7</td>
<td>46.6</td>
<td>38.6</td>
<td>64.3</td>
<td>70.6</td>
<td>75.8</td>
<td>8.9</td>
<td>8.9</td>
<td>15.5</td>
<td>6.2</td>
<td>16.9</td>
<td>15.2</td>
<td>23.4</td>
<td>15.0</td>
<td>20.1</td>
<td>17.3</td>
<td>40.9</td>
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</table>
ADJUSTED EBIT AND ADJUSTED EBIT MARGIN DEVELOPMENT IN THIRD QUARTER

- EBIT decreased with SEK 0.3m to SEK 20.5m, (20.8)
- Adjusted EBIT increased with SEK 0.1m to SEK 20.9m (20.8). Adjusted EBIT margin 39.5% (40.7)
- Positive effects from higher sales, exchange rate and legal costs in prior year comparator partly offset by investments in organization, marketing and R&D
- Adjusted EBIT year to date SEK 70.8m (44.3) and adjusted EBIT margin 39.2% (34.0)
BALANCE SHEET AND CASH FLOW

- Cash flow from operating activities in the quarter SEK 11.6m (31.0), year to date SEK 43.5m (45.2)
- Cash and Cash Equivalents at SEK 176.0m (220.8)
- Equity ratio 86% (88)

Key balance sheet items and cash flow

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<th>Q3 19</th>
<th>Q3 18</th>
<th>FY 18</th>
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<tbody>
<tr>
<td>Total Assets</td>
<td>306.3</td>
<td>288.5</td>
<td>319.4</td>
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<tr>
<td>Equity</td>
<td>262.2</td>
<td>252.9</td>
<td>275.6</td>
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<tr>
<td>Equity ratio %</td>
<td>86</td>
<td>88</td>
<td>86</td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>176.0</td>
<td>220.8</td>
<td>242.5</td>
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SUMMARY

• Strong interest for the MIPS technology in all categories and geographies
• Important new customers implementing MIPS technology
• More helmet models than ever being implemented
• Trade tariffs impacted volumes in the quarter
• MIPS’ technology recognized through prestigious Polhem award
• Good position to deliver the 2025 plan

*Adjusted for costs in connection with the company’s IPO during 2016 and 2017 and costs relating to acquisitions during the quarter. Adjusted EBIT margin includes legal costs relating to company’s litigation processes.
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