



INTERIM REPORT JANUARY - SEPTEMBER 2019

JUL -SEP

- Net sales increased by 3% to SEK 52.9m (51.2).
During the quarter, the organic growth was -6%
- Operating profit amounted to SEK 20.5m (20.8).
Adjusted operating profit* increased to SEK 20.9m (20.8)
- Operating margin decreased to 38.6% (40.7).
Adjusted operating margin* decreased to 39.5% (40.7)
- Cash flow from operating activities decreased to SEK 11.6m (31.0)
- Earnings per share diluted, amounted to SEK 0.62 (0.61)

JAN -SEP

- Net sales increased by 38% to SEK 180.4m (130.3).
During the first nine months of the year, organic growth was 28%
- Operating profit increased to SEK 69.0m (44.3).
Adjusted operating profit* increased to SEK 70.8m (44.3)
- Operating margin increased to 38.3% (34.0).
Adjusted operating margin* increased to 39.2% (34.0)
- Cash flow from operating activities decreased to SEK 43.5m (45.2)
- Earnings per share diluted, amounted to SEK 2.12 (1.36)

THE MIPS GROUP IN BRIEF**

	2019			2018			2018/2019	
	Jul-Sep	Jul-Sep	Δ%	Jan-Sep	Jan-Sep	Δ%	LTM	2018 Jan-Dec
SEKm								
Net sales	52.9	51.2	3	180.4	130.3	38	242.7	192.5
Gross profit	38.6	37.4	3	132.9	95.6	39	179.5	142.2
Gross margin, %	73.0	73.1	-	73.7	73.4	-	74.0	73.9
Operating profit (EBIT)	20.5	20.8	-2	69.0	44.3	56	97.7	73.0
Operating margin (EBIT-margin), %	38.6	40.7	-	38.3	34.0	-	40.3	37.9
Adjusted operating profit*	20.9	20.8	0	70.8	44.3	60	99.4	73.0
Adjusted operating margin, %*	39.5	40.7	-	39.2	34.0	-	41.0	37.9
Profit for the period	16.0	15.7	2	54.7	34.5	59	76.6	56.4
Earnings per share basic, SEK	0.63	0.62	2	2.16	1.36	59	3.03	2.23
Earnings per share diluted, SEK	0.62	0.61	1	2.12	1.36	56	2.97	2.21
Cash flow from operating activities	11.6	31.0	-63	43.5	45.2	-4	67.3	69.1

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 15-16

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

CEO'S COMMENTS

MORE CUSTOMERS THAN EVER, HOWEVER TARIFFS IMPACTED THE VOLUMES DURING THE QUARTER

During the third quarter, net sales increased by 3% to SEK 53m (51). Adjusted for currency effects and acquisitions, the organic growth was -6% in the quarter. During the first nine months of the year, net sales thus increased by SEK 50m to SEK 180m (130), an increase by 38% and with an organic growth of 28%.

The declining sales growth in the quarter was mainly caused by a noticeable slow start of the quarter. Several of our larger U.S. customers cautiously took a passive stance in light of the uncertainties associated with the new trade tariffs between the U.S. and China which were implemented during the quarter.

Like other suppliers and brands operating in the bike and snow sport industries in the U.S., we saw a recovery of the order backlog towards the end of the quarter and we believe that the declining sales growth was solely temporary. Today, MIPS' relationships with these U.S. customers are stronger than ever before. In addition, we have also initiated partnerships with a number of, to us, new helmet brands and we remain confident in our positioning in the overall market.

The operating profit (EBIT) for the quarter amounted to SEK 21m (21) and we achieved an operating margin of 38.6%. The adjusted operating profit amounted to SEK 21m with an adjusted operating margin of 39.5%. During the first nine months of the year, operating profit increased to SEK 69m (44) with an adjusted operating margin of 39.2% (34.0).

EXCITING LAUNCHES IN CONNECTION WITH THE GLOBAL FAIRS HELD DURING THE AUTUMN

In the beginning of September, MIPS participated the world's largest bike fair, Eurobike, held in Friedrichshafen, Germany. At this fair, several large German helmet brands such as UVEX, Alpina and KED launched new helmets equipped with MIPS technology, being brands that historically have been hesitant to implement our technology into their helmets. We look forward to the opportunity of growing, together with these brands, in the German market.

We are also happy to resume our cooperation with POC and to jointly launch several helmet models equipped with MIPS technology during the coming years, the first being a child helmet intended to be launched during the summer of 2020.

THE INNOVATORS BEHIND THE MIPS TECHNOLOGY RECEIVED THE PRESTIGIOUS POLHEM PRIZE

The fact that MIPS is built on groundbreaking research and technical innovation is well known. This was once again confirmed when the Swedish Association of Graduate Engineers in October awarded Peter Halldin (MIPS' Chief Science Officer), Hans von Holst and Svein Kleiven the prestigious Polhem Prize for their work with the MIPS technology.

NEW TARGETS PRESENTED

In September, we presented our new long-term plan extending to 2025. Going forward we intend to focus on three main categories, Sports helmets, Moto helmets and Safety helmets. These focus areas, together with a broader product offering, has increased our addressable market, from 43m to 130m helmets giving us a substantially larger market to penetrate. Our new plan and strategy include a target of reaching more than SEK 1bn in net sales by 2025, with an EBIT margin of more than 40% and with an ambition to pay at least 50% of the annual net earnings in dividends over time.

In order to execute our new plan we have started to strengthen our organization to be able to position ourselves even better in the Moto category and continue our progress within the Safety category, being a category where we see great potential. We are mainly working on strengthening our Sales organization, to obtain more category specific competence, as well as our Marketing and R&D organizations.

With the customers we are currently engaged with and the new strategic initiatives that have been launched, I feel comfortable to say that we are in a good position to deliver in accordance with our newly set 2025 targets.



MAX STRANDWITZ
President and CEO

FINANCIAL PERFORMANCE

JULY - SEPTEMBER

NET SALES

Net sales for the third quarter amounted to SEK 52.9m (51.2), an increase of 3%. Adjusted for exchange rate effects and acquisitions, organic growth was -6%. The decline in organic growth is mainly explained by a temporary reduction in helmet production and purchasing due to customer concerns and uncertainty linked to the introduction of tariffs in the US.

Changes in net sales %	Jul-Sep	Jan-Sep
Organic growth	-6%	28%
Changes in exchange rates	7%	10%
Structural changes	2%	1%
Total	3%	38%

GROSS PROFIT

Gross profit increased by 3% to SEK 38.6m (37.4). The gross margin decreased by 0.1 percentage point to 73.0% (73.1). The decrease in gross margin is mainly due to the depreciation of patents relating to completed acquisitions of patent portfolios and certain other intellectual property rights related to the technologies Fluid and GlideWear. Excluding costs from acquisitions the gross margin increased in the quarter.

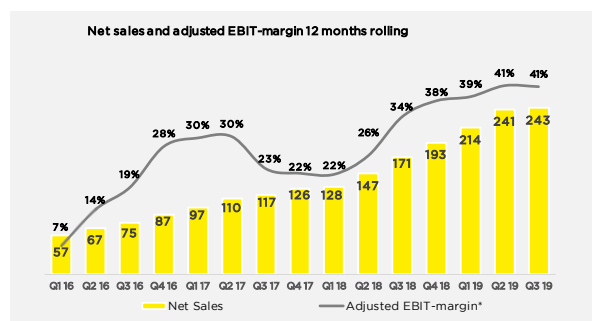
OPERATING PROFIT (EBIT)

Operating profit decreased to SEK 20.5m (20.8), corresponding to an operating margin of 38.6% (40.7). The adjusted operating profit amounted to SEK 20.9m (20.8) with an adjusted operating margin of 39.5% (40.7). The lower operating profit is explained by higher costs for strengthening of the organization.

Selling expenses were unchanged during the quarter SEK 6.7m (6.7). Administrative expenses during the quarter amounted to SEK 7.0m (5.8). The increase in administrative expenses is mainly due to strengthening of the organization. Research and development costs increased to SEK 3.1m (2.4), mainly through continued investments in product development.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit before tax amounted to SEK 20.7m (20.2). Tax expense for the quarter amounted to SEK 4.7m (4.5), corresponding to an effective tax of 23% (22). Profit for the period was SEK 16.0m (15.7). Diluted earnings per share amounted to 0.62 (SEK 0.61).



* For information and derivation of adjusted items, see pages 15-16

CASH FLOW

Cash flow from operating activities decreased to SEK 11.6m (31.0). The decrease is mainly due to lower current liabilities and paid income tax.

Cash flow from investing activities was SEK -1.8m (-1.7). Cash flow from financing activities was SEK -0.7m (0.0). Cash flow for the period amounted to SEK -9.1m (29.3).

JANUARY - SEPTEMBER

NET SALES

Net sales for the first nine months of year amounted to SEK 180.4m (130.3), an increase of 38%. Adjusted for exchange rate effects and acquisitions, organic growth was 28%. The increase in net sales is mainly due to increased demand from existing customers.

GROSS PROFIT

Gross profit increased by 39% to SEK 132.9m (95.6). The gross margin was improved by 0.3 percentage points to 73.7% (73.4). The increase in the gross margin is mainly due to changes in the sales mix.

OPERATING PROFIT (EBIT)

Operating profit increased to SEK 69.0m (44.3), corresponding to an operating margin of 38.3% (34.0). The adjusted operating profit amounted to SEK 70.8m (44.3) with an adjusted operating margin of 39.2% (34.0).

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

Selling expenses amounted to SEK 24.5m (18.7), mainly due to increased initiatives in marketing and investments in the organization. Administrative expenses during the period increased to SEK 22.6m (22.4), the increased spending in marketing and investments in the organization is offset by lower legal costs for the period SEK 0.3m (4.7). Research and development costs increased to SEK 11.4m (8.7), mainly through continued investments product development. Other operating expenses increased to SEK -5.5m (-1.6) mainly relating to currency derivatives.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit before tax amounted to SEK 70.5m (44.4). Taxes payable for the period amounted to SEK 15.8m (9.9), corresponding to an effective tax of 22% (22). Profit for the period was SEK 54.7m (34.5). Diluted earnings per share amounted to SEK 2.12 (1.36).

CASH FLOW

Cash flow from operating activities decreased to SEK 43.5m (45.2). The decrease is mainly due to paid income tax and reduction of current liabilities, partly offset by increased profitability.

Cash flow from investing activities was SEK -46.0m (-4.5) mainly attributable to completed acquisitions during the year. Cash flow from financing activities was SEK -64.8m (0.0) mainly attributable to paid dividends of SEK -63.2m (0.0). Cash flow for the period amounted to SEK -67.4m (40.8).

FINANCIAL POSITION

The Group's total assets as of 30 September 2019 amounted to SEK 306.3m (288.5). Short-term investments of SEK 141.2m (186.0) are in their entirety invested in interest-bearing funds. The equity / assets ratio was 86% (88). Cash and cash equivalents including short-term investments as of 30 September 2019 amounted to SEK 176.0m (220.8). As a result of the implementation of IFRS 16 Leases, the company's fixed assets have as of 30 September 2019 increased by SEK 1.0m, the increase relates to right to use assets. For further information, see page 10.

In conjunction with the acquisition of the Fluid technology from Oblique Technology L.P. and the University of Ottawa during the previous quarter, a non-current liability of SEK 9.2m was attributable to a potential earn-out. The acquired technology will be marketed and sold as a supplementary technology to the existing MIPS technology, hence the company assesses, that the contract terms for payment of the earn-out will not be fulfilled. As a result, the potential earn-out is valued at SEK 0m for the third quarter.

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. The derivatives are valued at fair market value and as of 30 September 2019

amounted to a financial liability of SEK -10.3m (-3.2). 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 third quarter amounted to SEK 1.8m (1.7). Investments in intangible fixed assets amounted to SEK 1.6m (1.1) and investments in tangible fixed assets were SEK 0.2m (0.6). Investments during the first nine months of the year amounted to SEK 46.0m (4.5) of which investments in intangible fixed assets amounted to SEK 45.2m (3.2), mainly relating to the company's acquisitions of patent portfolios and certain other intellectual property rights related to the Fluid and GlideWear technologies and investments in tangible fixed assets were SEK 0.8m (1.3).

As of 30 September 2019, the Group had no significant commitments related to investments.

PARENT COMPANY

Net sales for the parent company during the first nine months of the year amounted to SEK 137.4m (101.7). Profit for the same period was SEK 50.5m (32.2).

EMPLOYEES

The average number of employees during the third quarter was 45 (36), of whom 12 (10) were employed in the Chinese subsidiary. The number of employees at the end of the period was 45 (36), of whom 12 (10) were employed in the Chinese subsidiary.

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKt	2019	2018	2019	2018	2018
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	52,920	51,192	180,420	130,300	192,534
Cost of goods sold	-14,296	-13,781	-47,493	-34,723	-50,346
Gross profit	38,623	37,410	132,927	95,577	142,188
Selling expenses	-6,692	-6,725	-24,452	-18,681	-26,099
Administrative expenses	-6,998	-5,759	-22,604	-22,350	-27,595
Research and development expenses	-3,088	-2,431	-11,379	-8,716	-12,145
Other operating income and expenses	-1,394	-1,673	-5,465	-1,561	-3,387
Operating profit/loss	20,452	20,822	69,028	44,269	72,962
Financial income and expenses	249	-580	1,478	135	-124
Net financial items	249	-580	1,478	135	-124
Profit/loss before tax	20,701	20,241	70,506	44,404	72,838
Income taxes	-4,715	-4,527	-15,770	-9,909	-16,440
Profit/loss for the period	15,986	15,714	54,736	34,495	56,398
Earnings per share basic, SEK	0.63	0.62	2.16	1.36	2.23
Earnings per share diluted, SEK	0.62	0.61	2.12	1.36	2.21
Average number of shares for the period, basic (thousand)	25,300	25,300	25,300	25,300	25,300
Average number of shares for the period, diluted (thousand)	25,872	25,648	25,833	25,443	25,545

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKt	2019	2018	2019	2018	2018
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Profit/loss for the period	15,986	15,714	54,736	34,495	56,398
Other comprehensive income					
Items that may subsequently be transferred to profit or loss					
Foreign currency translation	155	-115	249	-43	2
Changes in the fair value of cash flow hedges	-5,300	1,473	-6,540	-2,949	-1,914
Tax on components in other comprehensive income	1,134	-324	1,400	649	421
Items that cannot be transferred to profit or loss	-	-	-	-	-
Other comprehensive income for the period	-4,012	1,034	-4,892	-2,343	-1,491
Comprehensive income for the period	11,974	16,747	49,845	32,152	54,907

CONDENSED CONSOLIDATED BALANCE SHEET

SEKt	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS			
<i>Non-current assets</i>			
Intangible assets	53,767	9,871	11,059
Property, plant and equipment	3,311	3,128	3,728
Right-of-use assets	951	-	-
Deferred tax asset	1,953	566	720
Long term receivables	748	561	482
Total non-current assets	60,730	14,125	15,990
<i>Current assets</i>			
Inventories	2,635	2,645	1,845
Accounts receivable	62,491	45,660	54,411
Other current receivables	4,525	5,346	4,638
Current investments	141,151	185,994	205,692
Cash and cash equivalents	34,802	34,776	36,817
Total current assets	245,604	274,421	303,403
TOTAL ASSETS	306,334	288,547	319,393
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	2,530	2,530	2,530
Other paid in capital	212,095	243,250	243,250
Reserves	-6,014	-1,974	-1,122
Retained earnings incl profit/loss for the period	53,620	9,076	30,980
Total equity	262,232	252,882	275,637
<i>Current liabilities</i>			
Lease liability	754	-	-
Accounts payable	16,031	16,001	20,111
Other current liabilities	27,316	19,664	23,645
Total current liabilities	44,102	35,665	43,756
TOTAL EQUITY AND LIABILITIES	306,334	288,547	319,393

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKt	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
Opening equity for the period	275,637	220,574	220,574
Change accounting policies*	-	156	156
Adjusted opening equity for the period	275,637	220,730	220,730
<i>Comprehensive income for the period</i>			
Profit/loss for the period	54,736	34,495	56,398
Other comprehensive income for the period	-4,892	-2,343	-1,491
Comprehensive income for the period	49,845	32,152	54,907
<i>Transactions with owners</i>			
Dividend	-63,250	-	-
Total transactions with the owners	-63,250	-	-
Closing equity for the period	262,232	252,882	275,637

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEKt	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
<i>Operating activities</i>					
Profit before tax	20,701	20,241	70,506	44,404	72,838
Adjustment for non-cash items	1,340	1,173	3,898	2,264	3,891
Income taxes paid	-6,050	-	-18,751	-	-
Cash flow from operating activities before change in working capital	15,991	21,414	55,653	46,668	76,729
<i>Cash flow from changes in working capital</i>					
Increase (-)/decrease (+) of inventories	918	-745	-725	-1,684	-843
Increase (-)/decrease (+) of current receivables	5,116	8,039	-6,192	-9,735	-17,625
Increase (+)/decrease (-) of current liabilities	-10,419	2,263	-5,256	9,994	10,821
Cash flow from operating activities	11,606	30,970	43,480	45,244	69,083
<i>Investing activities</i>					
Acquisition of intangible assets	-1,601	-1,109	-45,161	-3,189	-4,507
Acquisition of property, plant and equipment	-218	-605	-763	-1,273	-2,216
Disposal of property, plant and equipment	-	-	2	3	3
Acquisition of financial assets	-	-	-110	-	-
Disposal of financial asset	-	-	-	-	78
Cash flow from investing activities	-1,820	-1,714	-46,034	-4,460	-6,643
<i>Financing activities</i>					
Dividend	-	-	-63,250	-	-
Amortization of lease debt	-699	-	-1,572	-	-
Cash flow from financing activities	-699	-	-64,822	-	-
Net change in cash & cash equivalents	9,087	29,256	-67,376	40,784	62,440
Cash & cash equivalents at beginning of period	166,646	191,896	242,510	179,774	179,774
Exchange rate difference on bank holdings	221	-382	819	212	296
Cash & cash equivalents at end of period	175,954	220,770	175,953	220,770	242,510

CONDENSED PARENT COMPANY INCOME STATEMENT

SEKT	2019	2018	2019	2018	2018
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	41,878	38,980	137,379	101,745	148,976
Cost of goods sold	-4,924	-3,732	-11,836	-10,947	-14,630
Gross profit	36,953	35,247	125,544	90,798	134,345
Selling expenses	-6,321	-6,430	-23,411	-17,759	-24,883
Administrative expenses	-7,064	-5,759	-22,802	-22,350	-27,595
Research and development expenses	-2,873	-2,174	-10,678	-7,877	-10,974
Other operating income and expenses	-1,394	-1,668	-5,464	-1,561	-3,363
Operating profit/loss	19,302	19,217	63,188	41,251	67,530
Financial income and expenses	136	-583	1,689	131	-129
Profit after financial items	19,437	18,634	64,877	41,382	67,401
Appropriations	-	-	-	-	-398
Appropriations	-	-	-	-	-398
Profit/loss before tax	19,437	18,634	64,877	41,382	67,003
Income taxes	-4,420	-4,128	-14,379	-9,157	-14,993
Profit/loss for the period	15,017	14,506	50,498	32,225	52,010

CONDENSED PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEKT	2019	2018	2019	2018	2018
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Profit/loss for the period	15,017	14,506	50,498	32,225	52,010
Other comprehensive income					
Items that may subsequently be transferred to profit or loss					
Changes in the fair value of cash flow hedges	-5,300	1,473	-6,540	-2,949	-1,914
Tax on components in other comprehensive income	1,134	-324	1,400	649	421
Items that cannot be transferred to profit or loss	-	-	-	-	-
Other comprehensive income for the period	-4,166	1,149	-5,140	-2,300	-1,493
Comprehensive income for the period	10,851	15,655	45,357	29,925	50,518

CONDENSED PARENT COMPANY BALANCE SHEET

SEkt	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS			
<i>Non-current assets</i>			
Intangible assets	53,767	9,871	11,059
Property, plant and equipment	3,230	2,883	3,619
Other financial assets	3,104	1,740	1,876
Total non-current assets	60,100	14,495	16,555
<i>Current assets</i>			
Inventories	425	820	568
Accounts receivable	49,383	31,354	36,755
Other current receivables	5,130	5,623	4,995
Current investments	141,151	185,994	205,692
Cash & cash equivalents	25,393	32,929	34,699
Total current assets	221,482	256,719	282,710
TOTAL ASSETS	281,582	271,214	299,265
EQUITY AND LIABILITIES			
<i>Equity</i>			
Restricted equity	4,219	4,219	4,219
Non restricted equity	248,852	246,151	266,744
Total equity	253,071	250,370	270,963
Untaxed reserves	398	-	398
Total untaxed reserves	398	-	398
<i>Current liabilities</i>			
Accounts payable	6,758	5,722	7,771
Other current liabilities	21,355	15,122	20,132
Total current liabilities	28,113	20,844	27,903
TOTAL EQUITY AND LIABILITIES	281,582	271,214	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 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 16.

MIPS AB has entered into new lease agreements both in Sweden and in China, to access larger and more efficient office premises as of January 2020. This will change the current calculation of the right-of-use assets and leasing debt in connection with the signing of new agreements. It was decided not to use the existing option to extend the existing lease agreement in Stockholm. This means that the right-of-use assets are valued excluding the extension option value in the third quarter and amount to SEK 0.9m as of 30 September 2019.

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 15-16. Definition of alternative performance measure is 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. Although these risks are limited by insurance coverage, 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

SEKt	2019	2018	2019	2018
Income by nature	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep
<i>Revenue recognized at the time of delivery</i>				
Sales of goods	50,488	49,287	174,056	124,627
<i>Revenues reported over time</i>				
Sales of services	2,432	1,905	6,364	5,673
Total	52,920	51,192	180,420	130,300

MIPS' solutions for a specific customer and helmet model.

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

SEKt	2019	2018	2019	2018
Income by region	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep
North America	36,809	42,364	127,113	102,332
Europe	10,673	5,113	34,887	18,411
Sweden	3,430	2,646	7,884	4,693
Asia and Australia	2,008	1,069	10,535	4,865
Total	52,920	51,192	180,420	130,300

CURRENCY EXPOSURE

MIPS invoices its customers in two foreign currencies, USD and CNY. The company's license fees, 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 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 30 September 2019 amounted to SEK -10.3m (-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 30 September 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

The Annual General Meeting held on 9 May 2019 approved the board of director's proposal for declaring a dividend of SEK 2.50 per share. The dividend was paid on 16 May 2019, amounting to SEK 63.2m in total.

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 875,000 issued and paid warrants in total. 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

During August, Greg Shapleigh choose to leave the Board of Directors on his own request. Until

then, consulting fees for services rendered amounted to SEK 0.5m (0.8).

AUDITORS REPORT

This report has been subject for a review engagement by the company's auditors.

Stockholm 8 November 2019

MAX STRANDWITZ

President and CEO

REVIEW REPORT

MIPS AB

Corp. id. 556609-0162

INTRODUCTION

We have reviewed the summary interim financial information (interim report) of MIPS AB as of September 30, 2019 and the nine-month period ending at this date. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on

Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 8 November 2019

KPMG AB

TOMAS GERHARDSSON

Authorized Public Accountant

QUARTERLY CONSOLIDATED PERFORMANCE MEASURES

SEKm	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17	LTM 18/19
Net sales	52.9	82.6	44.9	62.2	51.2	55.6	23.6	40.6	27.3	243
<i>Net sales growth, %</i>	3	49	91	53	88	52	12	29	29	42
Gross profit	38.6	61.6	32.7	46.6	37.4	40.9	17.3	30.6	20.1	180
<i>Gross margin, %</i>	73.0	74.6	72.8	74.9	73.1	73.6	73.3	75.2	73.8	74.0
Operating profit	20.5	36.8	11.8	28.7	20.8	21.7	1.8	14.6	0.1	98
<i>Operating margin, %</i>	38.6	44.5	26.3	46.1	40.7	39.0	7.6	36.0	0.3	40.3
Adjusted operating profit	20.9	38.0	11.8	28.7	20.8	21.7	1.8	14.6	0.1	99.4
<i>Adjusted operating margin, %</i>	39.5	46.0	26.3	46.1	40.7	39.0	7.6	36.0	0.3	41.0
Depreciation	3.8	1.5	1.0	0.5	0.4	0.4	0.4	0.3	0.3	6.8
Earnings per share basic, SEK	0.63	1.15	0.38	0.87	0.62	0.68	0.07	0.45	-0.01	3.03
Earnings per share diluted, SEK	0.62	1.12	0.38	0.85	0.61	0.67	0.07	0.45	-0.01	2.97
<i>Equity ratio, %</i>	85.6	79.0	85.1	86.3	87.6	86.9	92.2	91.0	90.0	84.0
Cash flow from operating activities	11.6	24.2	7.7	23.8	31.0	5.9	8.4	0.9	6.3	67.3
Average number of employees	45	41	39	36	36	35	33	32	32	40

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 Jul-Sep	2019 Jan-Sep
Organic growth		
Net sales growth	3%	38%
Net Sales in USDt	4,273	14,465
Net Sales in SEKt at 2019 average USD exchange rate	41,078	136,871
Net Sales in SEKt at 2018 average USD exchange rate	37,680	125,659
Impact currency in absolute	3,398	11,213
Net Sales 2018 SEKt	51,192	130,300
USD impact on growth	7%	9%
Net Sales in CNYt	8,161	31,532
Net Sales in SEKt at 2019 average CNY exchange rate	11,151	43,207
Net Sales in SEKt at 2018 average CNY exchange rate	10,730	41,503
Impact currency in absolute	421	1,703
Net Sales 2018 SEKt	51,192	130,300
CNY impact on growth	1%	1%
Impact relating to acquisitions in absolute	969	1,138
Impact relating to acquisitions	2%	1%
Organic growth	-6%	28%

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	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Total LTM
Net Sales	52,920	82,559	44,941	62,234	51,192	55,557	23,551	40,620	27,271	36,605	21,106	31,518	21,199	
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				128,047
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

ADJUSTED OPERATING PROFIT (ADJUSTED EBIT)

In 2017, MIPS had costs for preparations for the listing on Nasdaq Stockholm. These costs have been deemed to affect comparability. There were no items affecting comparability during 2018. During 2019 adjustments have been made with respect to effects (revenue and costs) related to acquisitions. 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 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018-2019 Oct-Sep	2018-2019 Jul-Jun	2018-2019 Apr-Mar	2018 Jan-Dec	2017-2018 Okt-Sep	2017-2018 Jul-Jun	2017-2018 Apr-Mar	2017 Jan-Dec
Operating profit	20,452	20,822	69,028	44,269	97,721	98,090	82,977	72,962	58,906	38,165	27,557	20,825
Items affecting comparability	465	-	1,743	-	1,743	-	-	-	-	-	489	6,981
Adjusted Operating profit	20,917	20,822	70,771	44,269	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 third quarter and during the first nine months of 2019 are explained below and relate in their entirety to leases for premises.

Group income statement	Jul - Sep 2019 as reported in interim report	Adjustment transition to IFRS 16	Jul - Sep 2019 without adjustments
SEkt			
Cost of goods sold	-14,296	9	-14,305
Administrative expenses	-6,998	66	-7,064
Financial income and expenses	249	107	142
Income taxes	-4,715	-40	-4,676
Profit/loss for the period	15,986	143	15,843
	Jan-Sep 2019 as reported in interim report	Adjustment transition to IFRS 16	Jan-Sep 2019 without adjustments
Cost of goods sold	-47,493	27	-47,519
Administrative expenses	-22,604	199	-22,802
Financial income and expenses	1,478	-220	1,698
Income taxes	-15,770	-1	-15,770
Profit/loss for the period	54,736	4	54,732
Group balance sheet	30 Sep 2019 as reported in interim report	Adjustment transition to IFRS 16	30 Sep 2019 without adjustments
SEkt			
Right-to-use assets	951	951	-
Deferred tax asset	1,953	4	1,949
Other current receivables	4,525	-196	4,721
TOTAL ASSETS	306,334	758	305,576
Profit/loss for the period	15,986	4	15,982
Lease liability current	754	754	-
TOTAL EQUITY AND LIABILITIES	306,334	758	305,576
Group Cash flow	Jul - Sep 2019 as reported in interim report	Adjustment transition to IFRS 16	Jul - Sep 2019 without adjustments
SEkt			
Cash flow from operating activities	11,606	699	10,907
Cash flow from investing activities	-1,820	-	-1,820
Cash flow from financing activities	-699	-699	-
Net change in cash & cash equivalents	9,087	-	9,087
	Jan - Sep 2019 as reported in interim report	Adjustment transition to IFRS 16	Jan - Sep 2019 without adjustments
Cash flow from operating activities	43,480	1,572	41,908
Cash flow from investing activities	-46,034	-	-46,034
Cash flow from financing activities	-64,822	-1,572	-63,250
Net change in cash & cash equivalents	-67,376	-	-67,376

OTHER

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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 8 November 2019 at 7.30 a.m. CET.

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

MIPS will present the interim report at an audiocast via teleconference on 8 November 2019 at 10.00 a.m. CET. To participate, please register at: <https://financialhearings.com/event/11901>

FINANCIAL CALENDAR

Year end report 2019	13 February 2020
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

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.

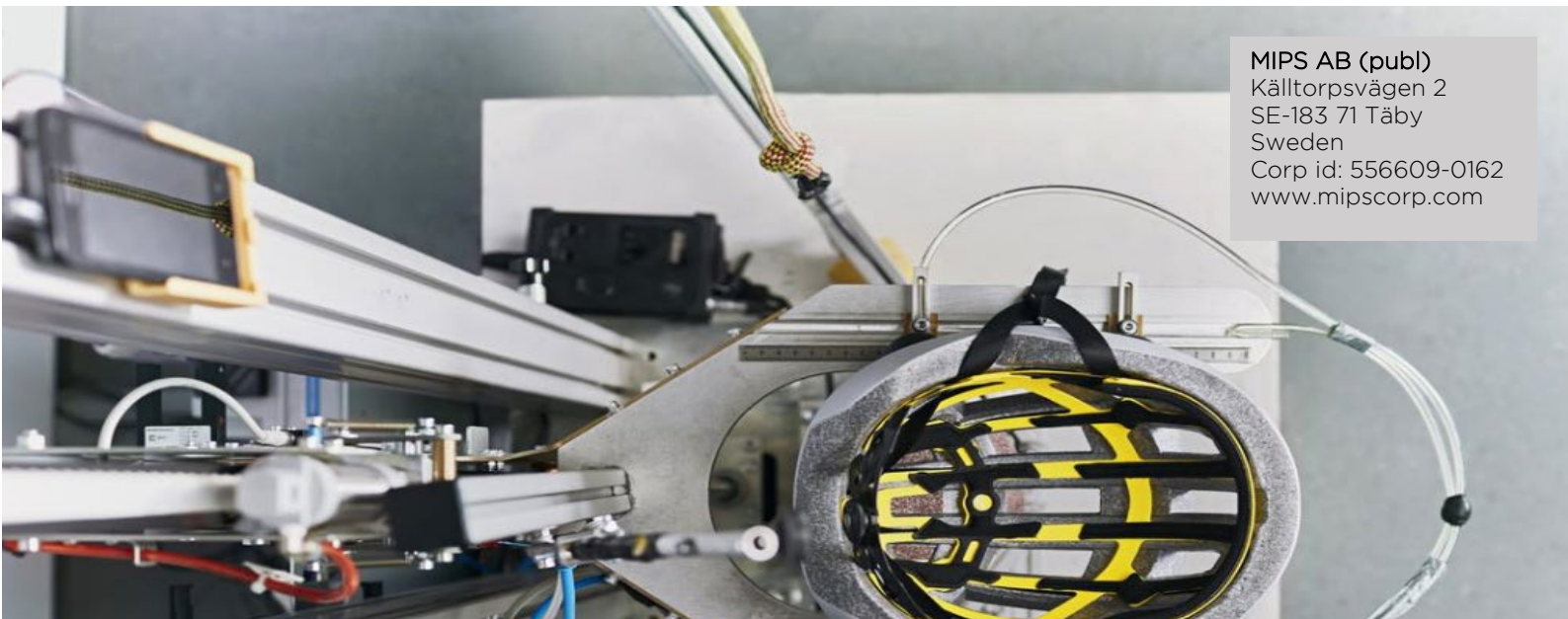
MIPS' headquarter with 33 employees engaged in research and development, sales and administration is in Stockholm, where its product and technology test facility is also located. Production and manufacturing operations take place at sub-contractor facilities. MIPS' net sales during a rolling 12-months period amounted to SEK 242.7m and the operating margin was 41.0%. 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 1 billion by 2025.

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



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