



Year-end report 2017

October - December

- Net sales increased by 29% to MSEK 40.6 (31.5)
- Operating profit increased to MSEK 14.6 (13.8). Adjusted operating profit* increased to MSEK 14.6 (13.7)
- Operating profit includes litigation costs of MSEK 4.1 (0.9) relating to the patent infringement lawsuits** the company has filed
- Operating margin decreased to 36.0% (43.7) Adjusted operating margin* decreased to 36.0% (43.5)
- Cash flow from operating activities decreased to MSEK 0.9 (9.8)
- Earnings per share diluted, amounted to SEK 0.45 (0.49)

January - December

- Net sales increased by 45% to MSEK 125.6 (86.6)
- Operating profit increased to MSEK 20.8 (18.4). Adjusted operating profit* rose to MSEK 27.8 (24.2)
- Operating profit includes litigation costs of MSEK 16.5 (3.6) relating to the patent infringement lawsuits** the company has filed
- Operating margin decreased to 16.6% (21.2). Adjusted operating margin* decreased to 22.1% (28.0)
- Cash flow from operating activities amounted to MSEK 11.1 (16.0)
- Earnings per share diluted, amounted to SEK 0.64 (0.65)
- The Board of Directors propose no dividend pay-out for the year 2017

The MIPS group in brief

	2017		2016		Δ%
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec	
MSEK					
Net sales	40.6	31.5	29	125.6	86.6
Gross profit	30.6	23.4	31	93.3	61.7
Gross margin, %	75.2	74.2	-	74.3	71.3
Operating profit (EBIT)	14.6	13.8	6	20.8	18.4
Operating margin (EBIT-margin), %	36.0	43.7	-	16.6	21.2
Adjusted operating profit*	14.6	13.7	7	27.8	24.2
Adjusted operating margin*, %	36.0	43.5	-	22.1	28.0
Profit for the period	11.4	10.9	5	15.8	14.3
Earnings per share basic, SEK	0.45	0.49	-9	0.64	0.67
Earnings per share diluted, SEK	0.45	0.49	-9	0.64	0.65
Cash flow from operating activities	0.9	9.8	-91	11.1	16.0

* Adjusted for items affecting comparability, see page 15

** More detailed information regarding the company's lawsuit and litigation cost, see page 12

For definitions and performance measures, see pages 13-16

COMMENTS FROM THE CEO

Strong fourth quarter caps a very good year

During the fourth quarter, net sales increased by 29% to MSEK 40.6 (31.5). Adjusted for currency impact organic growth was 37%. For the full year net sales grew with 45% (44% in local currency). Our innovative MIPS BPS solutions and our strong partnership with leading helmet manufacturers have during the year driven growth with all our top 15 customers, in all our product categories and across all geographies.

Adjusted operating margin in the quarter was 36% (43), which includes legal costs of MSEK 4.1 (0.9) related to the company's patent litigation. Our adjusted EBIT margin, excluding legal costs, was 46% (46) for the quarter and 35% (32) for the full year. It is satisfying to see that our profitability has developed well during the year.

During the fourth quarter, sales was partly affected by continued production disturbances at some of our main customers' manufacturing facilities, which led to reduced demand of our MIPS BPS solutions as the helmet brands have not been able to produce the number of helmets the market required. Our customers have taken measures to manage the situation. However, it is too early to say when their production capacity is back at a satisfactory level.

Gaining traction in new categories

In November we participated in the world-leading motorcycle fair, EICMA. At this fair, two leading global brands launched road helmets equipped with MIPS BPS. We have previously been well represented in the motocross category and this is the first step to get the same traction in the road helmets category. Our customers' helmet launches have been well received and will be important components of MIPS becoming established in this strategically important category. Customer interest has also increased as FIM (Fédération Internationale de Motocyclisme), an organization that develops a global certification method for MOTO GP helmets, now also includes test methods for measuring rotational movements in its certification, which is very positive for MIPS, as the technology leader in solutions to reduce the impact of rotational movement.

MIPS defends its patents

20 years of science and research is the basis of MIPS technology. With our leading technology it is clear we seek to defend our patents whenever we find it necessary. During the fourth quarter, we initiated a patent infringement process against POC Sweden AB, which we believe are infringing on one of the MIPS rotational movement protection patents.

Award-winning helmet model launches with MIPS BPS at world leading winter sports fairs

In January 2018, nine MIPS customers launched another 18 helmet models equipped with MIPS BPS, at two different fairs: Outdoor Retailer, which took place in Denver and ISPO in Munich. Two of the helmets with MIPS BPS won the prestigious ISPO Award. One of the helmets was in a completely new category for MIPS, rock climbing, with the world-leading brand Mammut. The other award was awarded to Sweet Protection, who won the ISPO Gold Award with their all-mountain ski helmet Switcher. This brings the total number of wins of this coveted award to eight helmets with MIPS technology at ISPO in recent years.

A broad customer base that creates the foundation for future growth

We look forward to an exciting year with a strong foundation of customers as the basis for growth. We have strengthened our foundation for growth. Looking at 2017 I am proud to summarize that we have delivered MIPS BPS solutions to 60 brands, with 15 brands added during the year. The number of MIPS BPS equipped helmet models our customers sold by the end of the year was 302, up 90 versus 2016. This has led to 2.3 million delivered MIPS BPS units during 2017, to be compared with 1.7 million in 2016. This growth was primarily driven by higher demand from existing customers, mainly in the Bicycle, Snow and Motorcycle categories.

Strategy and focus remain unchanged

In line with our strategy we remain focused on research and development and are increasing our market presence through targeted marketing communication. The focus for 2018 is to continue to drive growth with both existing and new customers across all categories. With 45% growth in 2017 and with strong plans for the coming years, I am confident that we will reach our long-term 2020 ambitions, with net sales exceeding MSEK 400 and an EBIT margin above 40%.

Johan Thiel
President and CEO



FINANCIAL PERFORMANCE

October - December

Net sales

Fourth-quarter net sales amounted to MSEK 40.6 (31.5), up 29%. Adjusted for currency exchange rate effects, the organic growth was 37%. The increase was primarily due to higher demand from existing customers, mainly in the Bicycle, Snow and Motorcycle categories.

Gross profit

Gross profit increased 31% to MSEK 30.6 (23.4). The gross margin increased by 1.0 percentage point to 75.2% (74.2). The improved gross margin was mainly due to lower sourcing costs.

Operating profit (EBIT)

Operating profit increased to MSEK 14.6 (13.8), corresponding to an operating margin of 36.0% (43.7). No items affecting comparability for the period (MSEK 0.1). Thus, adjusted EBIT was also MSEK 14.6 (13.7), corresponding to an adjusted operating margin of 36.0% (43.5).

The increase in adjusted operating profit was mainly due to higher sales partly offset by litigation costs* of MSEK 4.1 (0.9) relating to the lawsuits that the company has filed against two helmet manufacturers, negative impact of currency exchange rates, strengthening of the organisation, increase in marketing spend and costs related to being a listed company.

Selling expenses amounted to MSEK 5.7 (4.5). The increase was mainly due to additional marketing initiatives. Administrative expenses increased during the quarter to MSEK 8.5 (4.1). The increase of administrative expenses is mainly related to increased legal costs* and cost relating to be a listed company. Research and development costs increased to MSEK 2.7 (2.1), as a result of increased initiatives within product development.

Profit for the period and earnings per share

Profit before tax amounted to MSEK 14.7 (14.0). Tax for the quarter was MSEK 3.3 (3.1), corresponding to an effective tax rate of 22% (22). Profit for the period was MSEK 11.4 (10.9). Diluted earnings per share amounted to SEK 0.45 (0.49).

Cash flow

Cash flow from operating activities decreased to MSEK 0.9 (9.8). The decrease was mainly attributable to higher accounts receivable due to increased net sales and decrease in current liabilities.

Cash flow from investing activities amounted to MSEK -1.8 (-0.9). Cash flow from financing activities was MSEK 0.0 (0.0). Cash flow for the period amounted to MSEK -0.9 (8.9).

January - December

Net sales

Net sales for the year 2017 amounted to MSEK 125.6 (86.6), up 45%. Adjusted for exchange rate effects, the organic growth was 44%. The increase was primarily due to higher demand from existing customers, mainly in the Bicycle, Snow and Motorcycle categories.

Gross profit

Gross profit rose 51% to MSEK 93.3 (61.7). The gross margin increased 3.0 percentage points to 74.3% (71.3). The improvement in the gross margin was mainly attributable to lower sourcing costs and a favourable sales mix.

Operating profit (EBIT)

EBIT rose to MSEK 20.8 (18.4), corresponding to an operating margin of 16.6% (21.2). Items affecting comparability for the period amounted to MSEK 7.0 (5.8) and pertained in their entirety to expenses related to the company's IPO. Adjusted EBIT amounted to MSEK 27.8 (24.2), corresponding to an adjusted operating margin of 22.1% (28.0). The increase in adjusted EBIT is mainly attributable to higher sales and an improved gross margin, which were partly offset by increased litigation costs of MSEK 16.5 (3.6) relating to the company's patent disputes*, costs connected to the strengthening of the organisation and costs associated with being a listed company.

Selling expenses amounted to MSEK 22.0 (16.6), with the increase mainly due to increased initiatives within marketing and strengthening of the sales organisation. Administrative expenses rose to MSEK 40.9 (24.1), stemming primarily from higher litigation costs*, expenses related to be a listed company and expenses related to the company's IPO on Nasdaq Stockholm. Research and development costs amounted to MSEK 9.7 (4.6), as a result of increased initiatives within product development.

Profit for the period and earnings per share

Profit before tax amounted to MSEK 20.4 (18.8). Taxes recognised for the period was MSEK 4.6 (4.5), corresponding to an effective tax rate of 22% (24). Net profit for the period was MSEK 15.8 (14.3). Diluted earnings per share were SEK 0.64 (0.65).

Cash flow

Cash flow from operating activities amounted to MSEK 11.1 (16.0). The decrease was mainly attributable to the increase in accounts receivables relating to the higher net sales.

Cash flow from investing activities amounted to MSEK -4.6 (-3.8). Cash flow from financing activities was MSEK 145.1 (0.2). The increase of MSEK 141.2, net after deductions for transaction costs, and payments of MSEK 3.9 received for warrants issued, was attributable to the new share issue in conjunction with the company's IPO. Cash flow for the period amounted to MSEK 151.6 (12.4).

Financial position

On 31 December 2017, the group's total assets amounted to MSEK 242.2 (75.4). The significant increase was the result of higher liquidity due to the new share issue of net MSEK 141.2 (-). Current investments of MSEK 162.2 are invested in their entirety in interest-bearing funds. The equity/assets ratio was 91% (76). Cash and cash equivalents, including current investments, totalled MSEK 179.8 (28.5) on 31 December 2017. Deferred tax assets amounted to MSEK 8.7, of which MSEK 9.1 was attributable to loss carry forwards and MSEK -0.4 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 during the year. The derivatives were measured at fair value and amounted to a financial asset of MSEK 1.4 (-) at 31 December 2017. Hedge accounting is applied, according to which, the unrealised change in fair value for the derivatives is primarily recognised in Other comprehensive income.

Investments

Investments in the fourth quarter amounted to MSEK 1.8 (0.8). Investments in intangible assets amounted to MSEK 1.7 (0.5), of which the majority referred to patents. Investments in tangible assets were MSEK 0.1 (0.3). During the year, investments amounted to MSEK 4.6 (3.2), of which investments in intangible assets were MSEK 3.5 (1.4) and tangible assets MSEK 1.1 (1.8). As of 31 December 2017, no significant commitments have been made related to investments.

Parent company

The majority of sales activities during the quarter took place in the parent company, MIPS AB (publ). Thus, net sales for the parent company, mainly correspond to the group's net sales and amounted to MSEK 122.2 (86.6) for the year. Net profit for the period of the parent company corresponds in all material respects to the group's, totalling MSEK 15.5 (14.3) for the year.

Employees

The average number of employees was 32 (20) for the fourth quarter, of whom 8 (-) employed in the Chinese subsidiary. The number of employees at the end of the period was 32 (20), of whom 8 (-) employed in the Chinese subsidiary.

* More detailed information regarding the company's lawsuit and litigation cost see page 12

CONDENSED CONSOLIDATED INCOME STATEMENT

TSEK	2017	2016	2017	2016
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	40,620	31,518	125,602	86,629
Cost of goods sold	-10,059	-8,133	-32,324	-24,902
Gross profit	30,561	23,385	93,278	61,727
Selling expenses	-5,662	-4,517	-22,019	-16,608
Administrative expenses	-8,515	-4,130	-40,861	-24,118
Research and development expenses	-2,715	-2,073	-9,657	-4,607
Other operating income and expenses	968	1,107	84	1,982
Operating profit/loss	14,636	13,772	20,825	18,376
Financial income and expenses	34	204	-426	410
Net financial items	34	204	-426	410
Profit/loss before tax	14,670	13,976	20,399	18,787
Income taxes	-3,258	-3,088	-4,584	-4,484
Profit/loss for the period	11,412	10,888	15,815	14,303
Earnings per share basic, SEK	0.45	0.49	0.64	0.67
Earnings per share diluted, SEK	0.45	0.49	0.64	0.65
Average number of shares for the period, basic (thousand)*	25,300	22,039	24,521	21,479
Average number of shares for the period, diluted (thousand)*	25,300	22,039	24,559	22,014

*At an Extraordinary General Meeting on 1 February 2017, it was resolved to conduct a 1,000:1 share split according to which each share was split into 1,000 new shares. The new number of shares was taken into consideration when calculating earnings per share for all historical periods. In conjunction with the listing on Nasdaq Stockholm on 23 March 2017, 3,260,870 new shares were issued. The average number of shares represents a weighted average for the period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	2017	2016	2017	2016
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Profit/loss for the period	11,412	10,888	15,815	14,303
Other comprehensive income for the period	-998	-	369	-
Comprehensive income for the period	10,414	10,888	16,184	14,303

CONDENSED CONSOLIDATED BALANCE SHEET

	31 Dec 2017	31 Dec 2016
ASSETS		
<i>Non-current assets</i>		
Intangible assets	7,036	3,677
Property, plant and equipment	2,664	2,509
Deferred tax asset	8,659	11,412
Long term receivables	561	563
Total non-current assets	18,920	18,160
<i>Current assets</i>		
Inventories	1,000	675
Accounts receivable	37,077	21,356
Other current receivables	5,402	6,700
Current investments	162,219	-
Cash and cash equivalents	17,555	28,507
Total current assets	223,252	57,237
TOTAL ASSETS	242,173	75,397
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	2,530	2,204
Other paid in capital	243,250	96,513
Reserves	369	-
Retained earnings incl profit/loss for the period	-25,575	-41,390
Total equity	220,574	57,327
Total non-current liabilities	-	87
<i>Current liabilities</i>		
Current interest-bearing liabilities	-	55
Accounts payable	12,217	8,857
Other current liabilities	9,382	9,072
Total current liabilities	21,599	17,983
TOTAL EQUITY AND LIABILITIES	242,173	75,397

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	31 Dec 2017	31 Dec 2016
Opening equity for the period	57,327	41,551
<i>Comprehensive income for the period</i>		
Profit/loss for the period	15,815	14,303
Comprehensive income for the period	369	-
Comprehensive income for the period	16,184	14,303
<i>Contribution from and value transfers to owners</i>		
New share issue*	143,169	292
Premium received from issue of warrants	3,894	-
Equity settled share based payments	-	1,181
Total transactions with the Group's owners	147,063	1,473
Closing equity for the period	220,574	57,327

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

TSEK	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
<i>Operating activities</i>				
Profit before tax	14,670	13,976	20,399	18,787
Adjustment for non-cash items	-217	94	1,108	-3,681
Income taxes paid	-	-	-	-
Cash flow from operating activities before change in working capital	14,452	14,069	21,507	15,105
<i>Cash flow from changes in working capital</i>				
Increase (-)/decrease (+) of inventories	425	109	-325	117
Increase (-)/decrease (+) of current receivables	-12,317	-8,011	-13,707	-9,855
Increase (+)/decrease (-) of current liabilities	-1,668	3,677	3,661	10,601
Cash flow from operating activities	893	9,844	11,137	15,969
<i>Investing activities</i>				
Acquisition of intangible assets	-1,687	-547	-3,530	-1,421
Acquisition of property, plant and equipment	-147	-302	-1,131	-1,801
Disposal of property, plant and equipment	23	-	23	-
Acquisition of financial asset	-	-81	-	-563
Cash flow from investing activities	-1,811	-930	-4,639	-3,784
<i>Financing activities</i>				
New share issue	-	-	150,000	292
Paid out transaction expenses	-	-	-8,758	-
Premium received from issue of warrants	-	-	3,894	-
Amortization of lease debt	-	-23	-55	-92
Cash flow from financing activities	-	-23	145,082	200
Net change in cash & cash equivalents	-918	8,891	151,580	12,385
Cash & cash equivalents at beginning of period	180,506	19,409	28,507	15,717
Exchange rate difference on bank holdings	185	208	-313	406
Cash & cash equivalents at end of period	179,774	28,507	179,774	28,507

CONDENSED PARENT COMPANY INCOME STATEMENT

TSEK	2017	2016	2017	2016
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	38,137	31,518	122,242	86,629
Cost of goods sold	-8,422	-8,133	-30,041	-24,902
Gross profit	29,714	23,385	92,201	61,727
Selling expenses	-5,385	-4,517	-21,742	-16,608
Administrative expenses	-8,515	-4,132	-40,865	-24,126
Research and development expenses	-2,316	-2,073	-9,243	-4,607
Other operating income and expenses	966	1,107	82	1,982
Operating profit/loss	14,464	13,770	20,433	18,368
Financial income and expenses	35	205	-423	416
Net financial items	35	205	-423	416
Appropriations	-15	-	-15	-
Appropriations	-15	-	-15	-
Profit/loss before tax	14,485	13,975	19,995	18,784
Income taxes	-3,216	-3,087	-4,487	-4,483
Profit/loss for the period	11,269	10,887	15,509	14,301

CONDENSED PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

TSEK	2017	2016	2017	2016
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Profit/loss for the period	11,269	10,887	15,509	14,301
Other comprehensive income for the period	-1,042	-	373	-
Comprehensive income for the period	10,226	10,887	15,882	14,301

CONDENSED PARENT COMPANY BALANCE SHEET

TSEK	31 Dec 2017	31 Dec 2016
ASSETS		
<i>Non-current assets</i>		
Intangible assets	7,036	3,677
Property, plant and equipment	2,550	2,457
Participation in Group companies	585	100
Deferred tax asset	8,660	11,412
Other financial assets	561	563
Total non-current assets	19,392	18,208
<i>Current assets</i>		
Inventories	755	675
Accounts receivable	34,789	21,356
Other current receivables	5,716	6,716
Current investments	162,219	-
Cash & cash equivalents	16,758	28,405
Total current assets	220,237	57,151
TOTAL ASSETS	239,629	75,359
EQUITY AND LIABILITIES		
<i>Equity</i>		
Restricted equity	4,219	3,893
Non restricted equity	216,070	53,452
Total equity	220,289	57,345
<i>Provisions</i>		
Deferred taxes	-	86
Total provisions	-	86
<i>Current liabilities</i>		
Accounts payable	10,071	8,857
Other current liabilities	9,268	9,072
Total current liabilities	19,340	17,928
TOTAL EQUITY AND LIABILITIES	239,629	75,359

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 EU for use in the EU that were presented in the group's 2016 Annual Report. The standards and interpretative statements applied were in effect as of 1 January 2017 and had been adopted by the EU. The new or revised IFRS that had come into effect on 1 January 2017 did not have any material impact on the group's financial statements. 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.

New and amended IFRS not yet applied

A number of new or amended IFRS will take effect from 1 January 2018 and have not been early adopted when preparing this financial report. The work to analyse the effect of the future adoption of IFRS 9 Financial instruments and IFRS 15 Income from agreements with customers has been completed. The new standards will not have any significant impact on financial reports apart from increased disclosure requirements and certain early earnings. IFRS 9 will be applied in the future but as the company has had limited credit losses historically, the reserve will only increase marginally as of 1 January 2018. For IFRS 15, it will result in a certain change in revenue reporting of implementation services compared to today. The effect of the implementation is expected to amount to MSEK 1, as revenue will be brought forward compared with the previous accounting principle.

Valuation basis applied when preparing the financial statements

Assets and liabilities are recognised at historical cost, except for liabilities for social security contributions on share options programmes, 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 thousand.

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 recognised. The actual outcome may deviate from these judgments and estimates. Estimates and assumptions are reviewed regularly. Changes in estimates are recognised 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 analyse 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 analyse 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. Note that the alternative performance measures defined on pages 14-16 may differ from other companies' definitions of the same term.

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 their demand. An economic downturn or change in end-users' preferences in the US and Europe, 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 invoice its products and pays its subcontractors primarily in USD, which is also the currency that is mainly the operating currency used by MIPS customers within the helmet industry. Fluctuations in the USD exchange rate against the SEK, may thus have a significant impact on MIPS net sales and profitability. A 10% change in the USD rate on the full-year 2016 figures would have an estimated EBIT impact of MSEK +/- 6. In January 2017, the Board of Directors decided that MIPS aims to hedge 50% of the projected USD exposure on a 12-months rolling basis going forward.

During 2017, some invoicing has been gradually moved from the parent company to the Chinese subsidiary, with the consequence that some of the group's income will be invoiced in CNY. To counteract exposure to CNY in invoicing, a currency adjustment clause against USD has been introduced in MIPS sales agreements. This means that the company's exposure in USD to a large extent remains.

Derivatives and hedge accounting

In order to reduce the group's short-term currency exposure and in line with the group's finance policy, certain derivatives contracts with banks have been entered into covering forecasted sales in USD, starting the first quarter of 2017. Derivatives are valued at fair value on the balance sheet. Hedge accounting is applied and change in 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 instruments' accumulated changes in value are reclassified to the profit for the period (other operating income / expenses) whereas the hedged item (accounts receivable) affects the profit for the period. The group currently only has derivative instruments classified under level two in the valuation hierarchy:

- Level 1: Listed unadjusted prices on official marketplaces for identical assets or liabilities
- Level 2: Other observable data for assets or liabilities not 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: unobservable 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 amounts to MSEK 1.4 (-) as of 31 December 2017, of which MSEK 0.5 (-) has been reported in Other comprehensive income and MSEK 0.9 (-) has been recognized in the income statement as other operating income/ expenses without taking deferred tax into account.

Share capital

During the first quarter of 2017, a 1,000:1 share split was completed and a new share issue, covering a total of 3,260,870 shares, totalling MSEK 150.0, was completed. As of 31 December 2017, the total number of shares amounted to 25,299,870 (22,039,000) and the share capital was SEK 2,529,987 (2,203,900 on 31 December 2016). 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 that no dividend is to be paid out for the year 2017.

Share-based incentive programmes

At the Extraordinary General Meeting on 1 February 2017, it was decided to issue a maximum of 1,250,000 warrants as part of two incentive programmes, one of which is directed to management and certain key individuals and the other to Board members who are independent of the major shareholders of the company. The warrants will result in a dilutive effect of maximum 5%. To date, 875,000 warrants in total have been issued and MIPS has received payments totalling MSEK 3.9 from the issuance of the warrants. The warrant price has been determined by an independent third-party valuation. The exercise price is SEK 59.80 per share. Each warrant entitles the right to acquire one share. The warrants can be exercised for subscription of new shares during the time period 1 March - 31 May 2020.

Disputes

MIPS has an ongoing patent dispute in Canada, where MIPS has taken legal action against a helmet manufacturer for patent infringement. The trial started 5 September 2017 and ended 19 October 2017. The trial, of first instance, was held before a judge in the Federal Court, Montreal, Canada with witnesses from both parties as well as expert witnesses. The court reserves the right to award the formal ruling within three to six months after completed trial. Under certain circumstances an appeal may be made and if so, the case is examined by a three-judge panel. Subsequently, any potentially corrected formal judgment will then be issued. The patent infringement suit and corresponding legal action have been solidly prepared by legal and technical experts since 2014. The legal preparations intensified during the end of the summer 2017. The company estimates that the major part of the cost related to the litigation process has been recognized. Costs for this dispute amounted to MSEK 3.2 (0.9) for the quarter and during the fiscal year 2017 to MSEK 15.4 (3.6), mainly related to costs for outside legal advice. On 15 November 2017 MIPS announced that the company has been granted an *ex parte* preliminary injunction in Germany to restrain infringement of MIPS' patent EP (DE) 2 440 082 by POC Sweden AB through its sales in Germany of products incorporating the Shearing Pad INside, or "SPIN", claiming to be a rotational impact protection system. The order was granted by the court *ex parte*. This means that there was no hearing, POC was not given the opportunity to make submissions and there was no detailed argumentation relating to the infringement and its validity. MIPS is in the process of executing the order against POC. POC is permitted to appeal the order. Cost for outside legal counsel relating to investigation and preparations for this matter amounted to MSEK 0.9 (-) and MSEK 1.1 (-) during fiscal year 2017.

Related-party transactions

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

Events after the end of the reporting period

No significant events have occurred after the end of the reporting period.

Annual general meeting

Annual general meeting for 2017 will be held in Stockholm 15 May 2018.

Auditor's report

This year-end report has not been reviewed by the company's auditor.

Stockholm, 15 February 2018

Johan Thiel
President and CEO

QUARTERLY CONSOLIDATED PERFORMANCE MEASURES

Amounts in TSEK	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16	Q4 15	Q3 15	Q2 15	Q1 15
Net sales	40,620	27,271	36,605	21,106	31,518	21,199	23,628	10,284	20,378	12,567	13,863	2,751
Net sales growth, %	29	29	55	105	55	69	70	274				
Gross profit	30,561	20,136	27,579	15,002	23,385	15,221	16,909	6,212	15,451	8,877	8,907	1,278
Gross margin, %	75.2	73.8	75.3	71.1	74.2	71.8	71.6	60.4	75.8	70.6	64.3	46.5
Operating profit	14,636	81	11,043	-4,935	13,772	2,260	5,611	-3,267	3,843	1,599	1,547	-4,114
Operating margin, %	36.0	0.3	30.2	-23.4	43.7	10.7	23.7	-31.8	18.9	12.7	11.2	-149.6
Adjusted operating profit	14,636	81	11,532	1,557	13,701	6,422	7,368	-3,267	3,843	1,599	1,547	-4,114
Adjusted operating margin, %	36.0	0.3	31.5	7.4	43.5	30.3	31.2	-31.8	18.9	12.7	11.2	-149.6
Depreciation/amortization	337	296	299	213	281	188	182	151	120	98	93	83
Basic earnings per share, SEK	0.45	-0.01	0.35	-0.19	0.49	0.08	0.20	-0.14	1.03	0.09	0.08	-0.21
Diluted earnings per share, SEK	0.45	-0.01	0.34	-0.19	0.49	0.08	0.20	-0.14	0.90	0.08	0.07	-0.21
Equity ratio, %	91	90	92	87	76	76	82	74	76	72	68	67
Cash flow from operating activities	893	6,307	5	3,931	9,844	11,821	-8,828	3,132	726	7,365	-1,608	-3,418
Average adjusted working capital	15,622	12,345	5,893	3,604	8,623	11,266	8,299	3,429	4,888	5,690	5,648	3,341
Average number of employees	32	32	29	23	20	18	16	15	15	13	12	12

DEFINITIONS

N/A

Not applicable. The calculation of a change or similar does not increase understanding.

LTM

Last twelve months. Shows a consecutive 12-month rolling period.

MIPS BPS

MIPS Brain Protection System.

MIPS patented system consisting of license fee, components and, when applicable, a low friction layer.

Performance measures defined in accordance with IFRS

Basic earnings per share (SEK)

Profit for the period divided by the average number of shares during the period.

Diluted earnings per share (SEK)

Profit for the period divided by the diluted average number of shares during the period.

Average number of shares

Calculated as a weighted average number of shares for the period.

Alternative performance measures

MIPS uses certain performance measures not defined in the IFRS rules for financial reporting that MIPS uses. The alternative performance measures presented, complements the IFRS-defined measures and are used by MIPS management to monitor and manage company operation. Accordingly, these alternative performance measures, as they are defined, are not fully comparable with other companies' performance measures with the same name.

Non-IFRS performance measures	Definition	Reason for use of measure
Gross profit	Net sales less cost of goods sold.	Gross profit is the profit measure used by senior management to monitor the profitability directly related to net sales.
Gross margin (%)	Gross profit as a percentage of net sales during the period.	The measure is a material complement to the gross profit, which only states the change in absolute figures, and provides an understanding of the value creation over time.
Operating profit (EBIT)	Profit before financial items and taxes.	The measure is used to measure the profit generated by the operating activities
Operating margin (EBIT margin) (%)	Operating profit as a percentage of net sales during the period.	The measure is used to assess profitability generated by the operating activities and provides an understanding of the value creation over time.
Adjusted operating profit	Operating profit excluding items affecting comparability.	Adjusted operating profit is a measure used by MIPS to maintain comparability between periods and to be able to report a result for operating activities.
Adjusted operating margin (%)	Adjusted operating profit as a percentage of net sales during the period.	See explanation under the description for " <i>Adjusted operating profit</i> ".
Average working capital	Corresponds to inventories, current tax assets, accounts receivable, prepaid expenses and accrued income and other receivables less account payables, current tax liabilities current interest-bearing lease liabilities, accrued expenses and deferred income.	The measure is used to describe the amount of capital employed in the operating activities. The calculation is made by dividing the opening balance with closing balance for the period by two.
Average adjusted working capital	Corresponds to inventories, current tax assets, accounts receivable, prepaid expenses and accrued income and other receivables less account payables, current tax liabilities, other current interest-bearing operating liabilities, current interest-bearing lease liabilities, accrued expenses and deferred income, and current provisions (related to social security contributions for the share option programme).	The reason for the use of this measure is the same as for average working capital. However, this measure includes the impact of current provisions related to social security contributions for the share option programme.
Equity ratio (%)	Equity in relation to total assets.	The measure states the proportion of total assets composed by equity and contributes to a greater understanding of the company's capital structure.
Cash flow from operating activities	Cash flow from the primary income-generating operating activities.	The cash-flow measure is used by senior management to monitor the cash flow generated by the operating activities.
Last 12 months rolling comparison (LTM)	Indicates net sales and adjusted operating profit as a 12-month period from the most recent quarter.	The key performance measure provides senior management with an indication of performance over time without having to wait to compare with the next calendar year to do so.
Average number of employees	The average number of employees converted to full-time positions.	Converting the number of employees to full-time positions makes the measure comparable over periods and in the event of differences in working hours.

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.

Organic growth	2017 Oct-Dec	2017 Jan-Dec
Net sales growth	29%	45%
Net Sales in TUSD	4,603	14,284
Net Sales in TSEK at 2017 average USD exchange rate	38,396	122,502
Net Sales in TSEK at 2016 average USD exchange rate	40,891	122,005
Impact currency in absolute	-2,496	497
Net Sales 2016 TSEK	31,518	86,629
Currency impact on growth	-8%	1%
Organic growth	37%	44%

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.

TSEK	2017	2016	2017	2016
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Operating profit	14,636	13,772	20,825	18,376
Items affecting comparability*	-	-71	6,981	5,847
Adjusted operating profit	14,636	13,701	27,806	24,223

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

Working capital

Since MIPS does not have any in house manufacturing, working capital represents a large portion of the balance sheet. To optimise the company's cash flow generation, company management focuses on managing working capital as it is defined below.

Working capital

TSEK	2017				2016				2015				
	31-Dec	2017	2017	2017	31-Dec	2016	2016	2016	31-Dec	2015	2015	2015	2015
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	
Inventories	1,000	1,417	1,487	1,008	675	784	1,030	1,221	792	638	540	585	
Accounts receivable	37,077	23,625	27,861	19,143	21,356	16,567	22,637	10,402	15,876	6,421	11,852	6,596	
Other current receivables	5,402	7,533	5,341	7,289	6,700	3,477	2,110	2,823	2,325	1,493	1,449	1,576	
Accounts payable	-12,217	-10,352	-10,135	-7,692	-8,857	-5,762	-3,846	-4,218	-3,086	-1,952	-2,537	-1,901	
Other current liabilities	-9,382	-12,859	-9,229	-23,289	-9,127	-8,567	-5,897	-4,223	-4,335	-3,118	-3,406	-3,458	
Total working capital	21,880	9,364	15,325	-3,540	10,747	6,498	16,034	6,006	11,572	3,482	7,897	3,398	
Adjustment*								-5,442	-5,278	-	-	-	
Adjusted working capital	21,880	9,364	15,325	-3,540	10,747	6,498	16,034	564	6,294	3,482	7,897	3,398	

*Adjustment relates to current provisions pertaining to the company's Share option program

Average Working capital

TSEK	2017				2016				2015				
	Oct-Dec	2017	2017	2017	Oct-Dec	2016	2016	2016	Oct-Dec	2015	2015	2015	2015
	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	
Average inventory	1,209	1,452	1,248	841	729	907	1,126	1,007	733	715	589	562	580
Average accounts receivable	30,351	25,743	23,502	20,249	18,961	19,602	16,519	13,139	18,616	11,149	9,137	9,224	7,143
Average other current receivable	6,467	6,437	6,315	6,994	5,088	2,794	2,467	2,574	4,512	1,909	1,471	1,513	1,228
Average accounts payable	-11,284	-10,244	-8,913	-8,274	-7,310	-4,804	-4,032	-3,652	-5,971	-2,519	-2,244	-2,219	-1,846
Average other current liabilities	-11,121	-11,044	-16,259	-16,208	-8,847	-7,232	-5,060	-4,279	-6,731	-3,727	-3,262	-3,432	-3,763
Average working capital	15,622	12,345	5,893	3,604	8,623	11,266	11,020	8,789	11,159	7,527	5,690	5,648	3,341
Average adjustments	-	-	-	-	-	-	-2,721	-5,360	-2,639	-2,639	-	-	-
Average adjusted working capital	15,622	12,345	5,893	3,604	8,623	11,266	8,299	3,429	8,520	4,888	5,690	5,648	3,341

Net sales, last 12 months rolling

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

TSEK	Total										RTM
	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16	Q4 15	Q3 15	
Net Sales	40,620	27,271	36,605	21,106	31,518	21,199	23,628	10,284	20,378	12,567	
Rolling 12 month Q2 16'							23,628	10,284	20,378	12,567	66,857
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

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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 15 February 2018 at 7.30 a.m. CET.

MIPS will present the year-end report for January - December 2017 at a teleconference on 15 February 2018 at 10.00 a.m. CET. To participate, please register at: <http://emea.directeventreg.com/registration/2382206>

Financial calendar

Annual Report 2017	Week 13 2018
Interim report January-March 2018	9 May 2018
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 24 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 MSEK 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 MSEK 400 by 2020.

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

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