

Interim report January – June 2020

April - June

- Net sales decreased by 20% to SEK 66m (83), as a result of the impact of covid-19. Organic growth during the quarter was -19%
- Operating profit amounted to SEK 20m (37).
Adjusted operating profit* amounted to SEK 20m (38)
- Operating margin was 29.7% (44.5).
Adjusted operating margin* was 30.8% (46.0)
- Cash flow from operating activities amounted to SEK 23m (24)
- Earnings per share, diluted, amounted to SEK 0.61 (1.12)

January - June

- Net sales decreased by 5% to SEK 122m (128), as a result of the impact of covid-19. Organic growth during the first half of the year was -7%
- Operating profit amounted to SEK 36m (49).
Adjusted operating profit* amounted to SEK 37m (50)
- Operating margin was 29.4% (38.1).
Adjusted operating margin* was 30.5% (39.1)
- Cash flow from operating activities amounted to SEK 38m (32)
- Earnings per share, diluted, amounted to SEK 1.07 (1.50)

The MIPS Group in brief

	2020	2019		2020	2019		2019
	Apr-Jun	Apr-Jun	Δ%	Jan-Jun	Jan-Jun	Δ%	Jan-Dec
SEKm							
Net sales	66	83	-20	122	128	-5	268
Gross profit	49	62	-20	89	94	-6	198
Gross margin, %	74.2	74.6	-	72.7	74.0	-	74.1
Operating profit (EBIT)	20	37	-47	36	49	-27	108
Operating margin (EBIT-margin), %	29.7	44.5	-	29.4	38.1	-	40.3
Adjusted operating profit*	20	38	-47	37	50	-26	110
Adjusted operating margin, %*	30.8	46.0	-	30.5	39.1	-	41.2
Profit for the period	16	29	-45	28	39	-28	85
Earnings per share basic, SEK	0.61	1.15	-47	1.09	1.53	-29	3.35
Earnings per share diluted, SEK	0.61	1.12	-46	1.07	1.50	-28	3.28
Cash flow from operating activities	23	24	-5	38	32	18	63
Dividend per share, SEK	-	-	-	-	-	-	3.0

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 15-17



CEO's comments

A soft quarter, but good future demand for bicycle helmets

The start of the second quarter was very soft as our customers, the helmet manufacturers, pulled the emergency brake when most major countries around the world went into different levels of lockdown with closed stores as a result. In June, the market situation significantly improved, resulting in increased demand. Our customers have achieved good sales in the online channel throughout the period but since the online purchases of helmets still account for a minor part of total sales, this has not mitigated the lost sales in the traditional sales channels.

In previous years, a majority of our customer deliveries in the second quarter consisted of MIPS solutions to snow helmets for the coming winter season. This did not occur this year. Our sales to snow helmet brands decreased substantially during the quarter, mainly due to uncertainty in the industry following the abrupt end of the 2019/2020 winter season. We did also see a similar development within the Moto category with very cautious ordering from our customers in the beginning of the quarter.

Despite that most of the stores that market products equipped with MIPS' solutions were closed during a large part of the quarter, we delivered growth within the bicycle helmets sub-category. The growth was mainly driven by our existing customers that continue to expand their model program with more helmets equipped with MIPS BPS. The increase of the general demand in the bicycling industry has however not fully affected the sales during the quarter since a majority of all bicycle helmets are manufactured in the third and fourth quarter.

Notwithstanding a strong recovery towards the end of the quarter, net sales decreased by 20% and amounted to SEK 66m. Adjusted for exchange rate effects and acquisitions, the organic growth was -19%. The decrease of net sales was mainly driven by a soft demand within snow and moto helmets.

During the quarter, the adjusted operating profit decreased by 47% and amounted to SEK 20m (38). The adjusted operating margin decreased to 30.8% (46.0). Cash flow from operating activities was stable and amounted to SEK 23m (24).

Impacts from covid-19

It is difficult to get a complete view of all effects that the covid-19 pandemic brings, particularly when it comes to future effects on our operations. Our current view of the situation is summarized below.

Helmet category Sports – strong demand within bicycle helmets but snow helmets have been challenging

In the wake of the covid-19 pandemic, bicycling for both commuting and recreational purposes has increased significantly all around the world, which impacts our customers in a positive way. Initially, there was an increased demand mainly for cheaper helmets likely due to the number of new cyclists who started bicycling in light of reluctance of and restrictions to use public transportation. In the last month, we have seen that the demand for bicycling helmets has increased within most price points and we are convinced that this positive development will continue.

The abrupt end of this year's winter season and the uncertainty that followed for brands with considerable sales of snow helmets led to a shift in customer ordering which will result in higher sales in the third quarter. On a slightly longer horizon, some concerns remain about consumers' future purchasing power and whether they will be restricted from traveling to winter sports destinations due to the covid-19 pandemic.

Helmet category Moto – short-term hesitation due to covid-19

The results for the second quarter were soft also with regards to the Moto category since many of these customers acted cautiously due to the uncertainty in the market. Our view is that these effects are of temporary nature and that we will see a recovery of volumes in the coming quarters.

Helmet category Safety – promising discussions

MIPS started working with offering solutions to LEAF (Law Enforcement Armed Forces) already in 2016, and I am pleased that we for the first time delivered solutions to helmets both to the Swedish search and rescue team (SAR) and military units (the latter consisting of a sample order) during the quarter. Despite the fact that lead times are often long within LEAF we see the interest for these types of helmets as a positive sign.

The quarter has been challenging in many ways, especially given that many helmet brands within the Safety category also supply protective equipment to the healthcare industry which for obvious reasons has been a priority in the recent period. Despite this, we have had many productive dialogues during the quarter with companies that are active in this category and we believe that the future demand will be good in this category as well.



Sharpening of the brand communication strategy

One of our most important strategic initiatives is to strengthen MIPS' brand to symbolize safety and to become an obvious customer choice when buying a helmet. At the end of last year, we therefore began a major rebranding project to ensure that MIPS and our brand are optimally positioned in the market. This project is now in its final stage and has resulted in, among other things, a new logotype, a new graphic expression and a changed brand communication strategy. Our new brand material will be gradually launched during the autumn.

Expected strong development the coming quarters - our long-term targets remain intact

The positive development within bicycle helmets and continued progress in the Moto category together with promising discussions in the Safety

category make me optimistic about the rest of the year after a very challenging second quarter.

As always, it is important to continue to focus on things that we can actually influence - things that from a long-term perspective lead to continued demand for MIPS' solutions in helmets purchased by consumers and users. Nothing can make us doubt that priority. We have made significant progress in a challenging period and I look forward to the journey towards achieving our unchanged long-term targets.

Max Strandwitz
President and CEO



Financial performance

April - June

Net sales

Net sales for the second quarter amounted to SEK 66m (83), a decrease by 20%. Adjusted for exchange rate effects and acquisitions, the organic growth was -19%. The decrease in net sales is mainly explained by a decreased demand from existing customers with a weak development mainly within snow helmets as a result of the impact of covid-19.

Change in net sales, %	Apr-Jun	Jan-Jun
Organic growth	-19.1	-6.6
Change in exchange rates	-0.6	1.5
Structural changes	-0.3	0.5
Total	-20.1	-4.6

Gross profit

Gross profit decreased by 20% to SEK 49m (62). The gross margin decreased by 0.4 percentage points to 74.2% (74.6). The decrease in the gross margin is mainly due to changes in the sales mix and impact from acquisitions of patents.

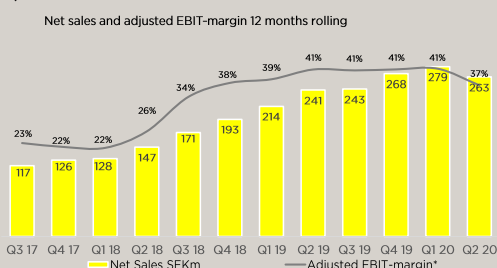
Operating profit (EBIT)

Operating profit decreased to SEK 20m (37), corresponding to an operating margin of 29.7% (44.5). The adjusted operating profit decreased to SEK 20m (38) corresponding to an adjusted operating margin of 30.8% (46.0). The decline in adjusted operating profit is mainly explained by lower sales, impact from forex, higher costs related to strengthening of the organization and initiatives within marketing.

Selling expenses increased to SEK 11m (9) mainly due to increased initiatives within marketing and investments in the organization. During the quarter, administrative expenses amounted to SEK 9m (8). The increase in administrative expenses is mainly explained by costs related to strengthening of the organization. Research and development costs amounted to SEK 5m (5).

Profit for the period and earnings per share

Profit before tax amounted to SEK 20m (37). Tax expenses for the quarter amounted to SEK -5m (-8), corresponding to an effective tax of 22% (22). Profit for the period was SEK 16m (29). Diluted earnings per share amounted to SEK 0.61 (1.12).



* For information and derivation of adjusted items, please see pages 15-17

Cash flow

Cash flow from operating activities was stable and amounted to SEK 23m (24).

Cash flow from investing activities was SEK -2m (-43). The change is mainly related to acquisitions of patent portfolios during prior year. Cash flow from financing activities was SEK -63m (-64) mainly attributable to dividend payment of SEK -79m (-63) and received premium payments for issued warrants of SEK 18m (0). Cash flow for the period was SEK -42m (-82).

January - June

Net sales

Net sales for the first half year amounted to SEK 122m (128), a decrease by 5%. Adjusted for exchange rate effects and acquisitions, the organic growth was -7%. The decrease in net sales is mainly explained by a decreased demand from existing customers with a weak development mainly within snow helmets as a result of the impact of covid-19.

Gross profit

Gross profit amounted to SEK 89m (94). Gross margin decreased by 1.3 percentage points to 72.7% (74.0). The decrease in the gross margin is mainly due to changes in the sales mix and impact from acquisitions of patents.

Operating profit (EBIT)

Operating profit amounted to SEK 36m (49), corresponding to an operating margin of 29.4% (38.1). The adjusted operating profit amounted to SEK 37m (50) corresponding to an adjusted operating margin of 30.5% (39.1). The decline in adjusted operating profit is mainly explained by lower sales and higher costs related to strengthening of the organization and increased initiatives within marketing.

Selling expenses increased to SEK 22m (18) mainly due to increased initiatives within marketing and strengthening of the organization. Administrative expenses amounted to SEK 18m (16). Research and development costs increased to SEK 9m (8).

Profit for the period and earnings per share

Profit before tax amounted to SEK 36m (50). Tax expenses for the first half year amounted to SEK -8m (-11), corresponding to an effective tax of 23% (22). Profit for the period was SEK 28m (39). Diluted earnings per share amounted to SEK 1.07 (1.50).



Cash flow

Cash flow from operating activities increased to SEK 38m (32). The increase is mainly explained by positive change in receivables and partly offset by lower operating profit.

Cash flow from investing activities was SEK -7m (-44). The change is mainly related to acquisitions of patent portfolios during prior year. Cash flow from financing activities was SEK -11m (-64) attributable to dividend payment of SEK -79m (-63), exercising of warrants under the warrant-based incentive programs of SEK 52m (0) and received premium payments for issued warrants of SEK 18m (0). Cash flow for the period was SEK 20m (-76).

Financial position

The group's total assets as of 30 June 2020 amounted to SEK 377m (317). Short-term investments of SEK 149m (132) are in their entirety invested in interest-bearing funds. The equity/assets ratio was 85% (79). Cash and cash equivalents including short-term investments as of 30 June 2020 amounted to SEK 212m (167).

Reported values for assets and liabilities are in all material aspects consistent with fair market value. In order to reduce the group's short-term currency exposure, certain currency derivatives have been entered into with a bank. The derivatives are valued at fair market value and are treated as a financial asset amounting to SEK 2m (-4) as of 30 June 2020. Hedge accounting is applied, whereby the unrealized change in the

fair value of the derivatives is primarily reported in *Other comprehensive income*.

Investments

During the second quarter, investments amounted to SEK 2m (43). Investments in intangible fixed assets amounted to SEK 1m (42) and the change is mainly attributable to the acquisitions of patent portfolios amounting to SEK 41m during prior year. Investments in tangible fixed assets were SEK 1m (0). During the first half of the year investments amounted to SEK 7m (44), of which investments in intangible fixed assets amounted to SEK 3m (44) and investments in tangible fixed assets were SEK 4m (1).

As of 30 June 2020, the Group had no significant commitments related to investments.

Parent company

Net sales for the parent company during the first half of the year amounted to SEK 94m (96). Profit for the same period was SEK 25m (35).

Employees

The average number of employees during the second quarter was 53 (41), of whom 14 (11) were employed in the Chinese subsidiary. The number of employees at the end of the period was 55 (41), of whom 14 (11) were employed in the Chinese subsidiary.

Condensed consolidated income statement

SEKm	2020	2019	2020	2019	2019
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	66	83	122	128	268
Cost of goods sold	-17	-21	-33	-33	-69
Gross profit	49	62	89	94	198
Selling expenses	-11	-9	-22	-18	-35
Administrative expenses	-9	-8	-18	-16	-31
Research and development expenses	-5	-5	-9	-8	-15
Other operating income and expenses	-5	-3	-5	-4	-10
Operating profit/loss	20	37	36	49	108
Financial income and expenses	1	1	0	1	0
Net financial items	1	1	0	1	0
Profit/loss before tax	20	37	36	50	108
Income taxes	-5	-8	-8	-11	-24
Profit/loss for the period	16	29	28	39	85
Earnings per share basic, SEK	0.61	1.15	1.09	1.53	3.35
Earnings per share diluted, SEK	0.61	1.12	1.07	1.50	3.28
Average number of shares for the period, basic (thousand)	26,178	25,300	25,807	25,300	25,300
Average number of shares for the period, diluted (thousand)	26,178	25,864	26,091	25,814	25,837

Condensed consolidated statement of comprehensive income

SEKm	2020	2019	2020	2019	2019
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Profit/loss for the period	16	29	28	39	85
Other comprehensive income					
Items that may subsequently be transferred to profit or loss					
Foreign currency translation	-1	0	0	0	0
Changes in the fair value of cash flow hedges	13	1	4	-1	1
Tax on components in other comprehensive income	-3	0	-1	0	0
Items that cannot be transferred to profit or loss	-	-	-	-	-
Other comprehensive income for the period	9	1	3	-1	1
Comprehensive income for the period	25	30	31	38	86

Condensed consolidated balance sheet

SEKm	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS			
<i>Non-current assets</i>			
Intangible assets	56	63	56
Property, plant and equipment	6	3	3
Right-of-use assets	13	9	0
Deferred tax asset	0	1	-
Long term receivables	0	1	1
Total non-current assets	76	77	60
<i>Current assets</i>			
Inventories	3	4	2
Accounts receivable	69	64	82
Other current receivables	16	5	7
Current investments	149	132	146
Cash and cash equivalents	63	34	46
Total current assets	301	240	282
TOTAL ASSETS	377	317	343
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	3	3	3
Other paid in capital	274	212	212
Reserves	2	-2	0
Retained earnings incl profit/loss for the period	41	38	84
Total equity	320	250	298
<i>Non-current liabilities</i>			
Lease liability	10	7	-
Deferred tax liability	3	-	2
Other non-current liabilities	-	9	-
Total non-current liabilities	12	16	2
<i>Current liabilities</i>			
Lease liability	3	2	0
Accounts payable	18	25	26
Other current liabilities	23	23	17
Total current liabilities	44	50	43
TOTAL EQUITY AND LIABILITIES	377	317	343

Condensed consolidated statement of changes in equity

SEKm	2020	2019	2019
	Jan-Jun	Jan-Jun	Jan-Dec
Opening equity for the period	298	276	276
Adjusted opening equity for the period	298	276	276
<i>Comprehensive income for the period</i>			
Profit/loss for the period	28	39	85
Other comprehensive income for the period	3	-1	1
Comprehensive income for the period	31	38	86
<i>Transactions with owners</i>			
Premium received from issue of stock options	18	-	-
Equity settled share based payments	0	-	-
New share issues	52	-	-
Dividend	-79	-63	-63
Total transactions with the owners	-9	-63	-63
Closing equity for the period	320	250	298

Condensed consolidated statement of cash flows

SEKm	2020	2019	2020	2019	2019
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
<i>Operating activities</i>					
Profit before tax	20	37	36	50	108
Adjustment for non-cash items	5	3	4	3	9
Income taxes paid	-4	-6	-9	-13	-27
Cash flow from operating activities before change in working capital	22	35	31	40	91
<i>Cash flow from changes in working capital</i>					
Increase (-)/decrease (+) of inventories	-1	-1	-1	-2	0
Increase (-)/decrease (+) of current receivables	4	-17	10	-11	-32
Increase (+)/decrease (-) of current liabilities	-2	7	-3	5	4
Cash flow from operating activities	23	24	38	32	63
<i>Investing activities</i>					
Acquisition of intangible assets	-1	-42	-3	-44	-48
Acquisition of property, plant and equipment	-1	0	-4	-1	-1
Disposal of property, plant and equipment	-	0	-	0	0
Acquisition of financial assets	-	0	-	0	0
Disposal of financial asset	0	-	0	-	-
Cash flow from investing activities	-2	-43	-7	-44	-49
<i>Financing activities</i>					
Premium received from issue of warrants	18	-	18	-	-
Premium received from exercising of warrants	0	-	52	-	-
Paid dividend	-79	-63	-79	-63	-63
Amortization of lease debt	-2	0	-2	-1	-2
Cash flow from financing activities	-63	-64	-11	-64	-65
Net change in cash & cash equivalents	-42	-82	20	-76	-51
Cash & cash equivalents at beginning of period	255	249	192	243	243
Exchange rate difference on bank holdings	-2	0	0	1	0
Cash & cash equivalents at end of period	212	167	212	167	192



Condensed parent company income statement

	2020	2019	2020	2019	2019
SEKm	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	50	62	94	96	204
Cost of goods sold	-5	-4	-11	-7	-16
Gross profit	45	58	83	89	187
Selling expenses	-11	-8	-20	-17	-34
Administrative expenses	-9	-8	-18	-16	-31
Research and development expenses	-4	-4	-8	-8	-14
Other operating income and expenses	-5	-3	-5	-4	-10
Operating profit/loss	16	34	32	44	99
Financial income and expenses	1	1	1	2	1
Profit after financial items	17	34	33	45	100
Appropriations	-	-	-	-	-10
Appropriations	-	-	-	-	-10
Profit/loss before tax	17	34	33	45	90
Income taxes	-4	-8	-7	-10	-19
Profit/loss for the period	14	27	25	35	70

Condensed parent company statement of comprehensive income

	2020	2019	2020	2019	2019
SEKm	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Profit/loss for the period	14	27	25	35	70
Other comprehensive income					
Items that may subsequently be transferred to profit or loss					
Changes in the fair value of cash flow hedges	13	1	4	-1	1
Tax on components in other comprehensive income	-3	0	-1	0	0
Items that cannot be transferred to profit or loss	-	-	-	-	-
Other comprehensive income for the period	10	1	3	-1	1
Comprehensive income for the period	23	28	29	35	71

Condensed parent company balance sheet

SEKm	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS			
<i>Non-current assets</i>			
Intangible assets	56	63	56
Property, plant and equipment	6	3	3
Participation in Group companies	1	-	1
Deferred tax asset	0	-	1
Other financial assets	0	2	2
Total non-current assets	63	69	61
<i>Current assets</i>			
Inventories	1	1	0
Accounts receivable	53	44	61
Other current receivables	16	6	7
Current investments	149	132	146
Cash & cash equivalents	49	27	35
Total current assets	268	210	249
TOTAL ASSETS	331	279	310
EQUITY AND LIABILITIES			
<i>Equity</i>			
Restricted equity	4	4	4
Non restricted equity	294	238	275
Total equity	299	242	279
Untaxed reserves	10	0	10
Total untaxed reserves	10	0	10
<i>Non-current liabilities</i>			
Other non-current liabilities	-	9	-
Total non-current liabilities	-	9	-
<i>Current liabilities</i>			
Accounts payable	6	9	9
Other current liabilities	15	18	12
Total current liabilities	22	27	21
TOTAL EQUITY AND LIABILITIES	331	279	310



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 2019 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 as of 1 January 2020 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 2020

The new or amended IFRS effective as of 2020 have not had any significant impact on the group's financial statements.

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 SEKm.

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 15-17. Definitions of alternative performance measures are 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. Even though these risks are mitigated by insurance coverage, to the extent possible, they could result in significant costs for the company.

MIPS is further exposed to external factors which the company cannot control. The recent rapid spread of covid-19 globally has created major uncertainties around the world. It is difficult to assess future impacts of the spread of covid-19. However, the company continues to believe that the long-term demand for MIPS' products is good. As the global trade has been affected by shutdowns and quarantines the recent months, the risk of insolvency has increased in the markets where the company's products are sold. If MIPS' customers become insolvent, this could have a negative impact on the group. MIPS has continuously an active dialogue with its customers to be able to identify and react on any eventual insolvency situations at an early stage. During the first half year we have not noticed any issues with payments at any of our customers. The company is following the development and relevant authorities' recommendations closely and are taking the measures deemed necessary to minimize the short-term and long-term impacts of covid-19 on MIPS.

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 MIPS' technology for a specific customer and helmet model.

SEKm	2020	2019	2020	2019	2019
Income by nature	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
<i>Revenue recognized at the time of delivery</i>					
Sales of goods	63	80	114	124	257
<i>Revenues reported over time</i>					
Sales of services	3	3	8	4	11
Total	66	83	122	128	268

The company's revenue is concentrated to customers in North America and Europe. The substantial concentration of sales in North

America is explained by the large number of helmet manufacturers based in this geographical region. Specification by region is based on customers' domicile and not distribution.

SEKm	2020	2019	2020	2019	2019
Income by region	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
North America	44	57	85	90	185
Europe	16	17	25	24	58
Sweden	3	3	4	4	12
Asia and Australia	3	6	8	9	13
Total	66	83	122	128	268

In connection with the launch of MIPS' 2025 long-term plan, the company decided to split its operation into three key helmet categories. Consequently, the company's revenue is divided according to these helmet categories. Per 30 June 2020, the company had a total of 107 purchasing brands (customers). Even though certain brands are represented in more than one category they are only accounted for as one brand in the total number of brands. Within the Sports category (including the sub-categories bike, snow, equestrian, team sports and other) there are 99 brands, within the Moto category (including the sub-categories road bike and motocross) there are 21 brands and within the Safety category (including the sub-categories industrial use and LEAF) there are two brands that have launched helmets equipped with MIPS BPS.

SEKm	2020	2019	2020	2019	2019
Income per helmet category	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Sport	64	78	114	119	251
Moto	2	5	8	9	17
Safety	0	-	0	-	0
Total	66	83	122	128	268

Currency exposure

MIPS invoices its customers in two foreign currencies, USD and CNY.

The company's license fee, which represents the majority of the company's revenues, is invoiced in USD and fluctuations in this exchange rate have a significant impact on MIPS' net sales and profitability. A 10 percent change in the USD exchange rate would impact EBIT with approximately +/- SEK 19m on the full-year figures for 2019. 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 are invoiced in CNY. However, since the company has both revenues and costs related to components in CNY, the exposure to the CNY exchange rate is relatively limited. For further information, see the company's annual report for 2019.

Derivatives

The fair market value of the derivatives as of 30 June 2020 amounted to SEK 2m (-4) recorded as a financial asset. Hedge accounting has been applied whereby the unrealized change in the fair

value of the outstanding derivatives is primarily reported in *Other comprehensive income*.

Share capital

As of 30 June 2020, the total number of shares amounted to 26,183,620 (25,299,870) and the share capital amounted to SEK 2,618,362 (2,529,987). All shares are ordinary shares and carry equal voting rights. The shares have a nominal value of SEK 0.10.

	Ordinary shares	Total no. of shares
Opening balance, 1 Jan 2020	25,299,870	25,299,870
New share issue during March	825,000	825,000
New share issue during April	58,750	58,750
Outstanding shares 30 June 2020	26,183,620	26,183,620

New share issue related to delivery in accordance with the terms of the outstanding warrant-issued incentive program.

Share-based incentive programs

Previously outstanding warrant-based incentive programs were exercised during March/April 2020 and no outstanding warrants remain under these programs.

The Group has launched a new warrant-based incentive program for senior executives and certain key employees. The program comprises 550,000 issued and paid warrants and an additional 25,000 issued but not yet allocated warrants. The warrants can lead to a dilution of the share capital and votes in the company of a maximum of 2.2 per cent. The exercise price is SEK 339.30 per share. Each warrant entitles to subscription of one new share.

The company has no other costs for the warrant program than administrative costs regarding advisors etc. in connection with the preparation

of the documentation and the resolution to issue the warrants etc.

The Group has also launched a long-term share performance program for all employees who are not participating in the warrant-based incentive program. The share performance program includes in total 38 participants in Sweden and China. For the persons who are employed by MIPS' subsidiary in China, certain other conditions apply entailing that these employees have received synthetic shares, free of charge, instead of share rights and that no personal investment is required. The share performance program comprises a total of 4,585 shares and 1,164 synthetic shares.

Disputes

The company is not part of any significant legal dispute.

Related-party transactions

No material related-party transactions have been conducted during the period other than exercising of warrants for shares according to the terms of the previously outstanding warrant-based incentive programs.

Other events during the quarter

On 3 June 2020 MIPS announced the appointment of a new CFO, Karin Rosenthal. Karin will assume her position no later than 1 December 2020.

Events after the end of the reporting period

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





The Board of Directors and the President and CEO affirm that this interim report provides a true and fair view of the Parent Company's and the Group's position and earnings, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 23 July 2020

Magnus Welander
Chairman of the Board

Pär Arvidsson
Board member

Jonas Rahmn
Board member

Jenny Rosberg
Board member

Pernilla Wiberg
Board member

Max Strandwitz
President and CEO

Auditors report

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



Quarterly consolidated performance measures

SEKm	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17	LTM 19/20
Net sales	66.0	56.2	87.5	52.9	82.6	44.9	62.2	51.2	55.6	23.6	40.6	27.3	262.5
Net sales growth, %	-20	25	41	3	49	91	53	88	52	12	29	29	9
Gross profit	49.0	39.8	65.5	38.6	61.6	32.7	46.6	37.4	40.9	17.3	30.6	20.1	192.9
Gross margin, %	74.2	70.8	74.9	73.0	74.6	72.8	74.9	73.1	73.6	73.3	75.2	73.8	73.5
Operating profit	19.6	16.3	39.0	20.5	36.8	11.8	28.7	20.8	21.7	1.8	14.6	0.1	95.4
Operating margin, %	29.7	29.1	44.6	38.6	44.5	26.3	46.1	40.7	39.0	7.6	36.0	0.3	36.3
Adjusted operating profit	20.3	16.9	39.7	20.9	38.0	11.8	28.7	20.8	21.7	1.8	14.6	0.1	97.8
Adjusted operating margin, %	30.8	30.1	45.4	39.5	46.0	26.3	46.1	40.7	39.0	7.6	36.0	0.3	37.3
EBITDA	22.1	18.7	40.8	23.1	37.8	12.9	29.2	21.2	22.0	2.2	15.0	0.4	104.8
EBITDA-margin	33.5	33.4	46.6	43.7	45.8	28.6	46.9	41.5	39.7	9.2	36.9	1.4	39.9
Depreciation	2.5	2.4	1.8	2.7	1.1	1.0	0.5	0.4	0.4	0.4	0.3	0.3	9.4
Earnings per share basic, SEK	0.61	0.48	1.19	0.63	1.15	0.38	0.87	0.62	0.68	0.07	0.45	-0.01	2.91
Earnings per share diluted, SEK	0.61	0.47	1.16	0.62	1.12	0.38	0.85	0.61	0.67	0.07	0.45	-0.01	2.86
Equity ratio, %	84.9	84.6	87.0	85.6	79.0	85.1	86.3	87.6	86.9	92.2	91.0	90.0	85.5
Cash flow from operating activities	22.7	14.9	19.7	11.6	24.2	7.7	23.8	31.0	5.9	8.4	0.9	6.3	69.0
Average number of employees	53	52	47	45	41	39	36	36	35	33	32	32	49

In accordance with IFRS 16 Leases prior comparators for 2017 and 2018 have not been recalculated.

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 exchange 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.

	2020 Apr-Jun	2020 Jan-Jun
Organic growth		
Net sales growth	-20%	-5%
Net Sales in USDm	5	10
Net Sales in SEKm at 2020 average USD exchange rate	49	92
Net Sales in SEKm at 2019 average USD exchange rate	48	90
Impact currency in absolute	0	2
Net Sales 2019 SEKm	83	128
USD impact on growth	0%	2%
Net Sales in CNYm	12	21
Net Sales in SEKm at 2020 average CNY exchange rate	16	28
Net Sales in SEKm at 2019 average CNY exchange rate	17	29
Impact currency in absolute	-1	-1
Net Sales 2019 SEKm	83	128
CNY impact on growth	-1%	0%
Impact relating to acquisitions in absolute	0	1
Impact relating to acquisitions	0%	1%
Organic growth	-19%	-7%

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.

SEKm	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17	Total LTM
Net Sales	66	56	87	53	83	45	62	51	56	24	41	27	
Rolling 12 month Q3 17'												27	117
Rolling 12 month Q4 17'											41	27	126
Rolling 12 month Q1 18'									56	24	41	27	128
Rolling 12 month Q2 18'								51	56	24	41	27	147
Rolling 12 month Q3 18'							62	51	56	24	41		171
Rolling 12 month Q4 18'						45	62	51	56	24			193
Rolling 12 month Q1 19'						83	45	62	51				214
Rolling 12 month Q2 19'					83	45	62	51					241
Rolling 12 month Q3 19'				53	83	45	62						243
Rolling 12 month Q4 19'			87	53	83	45							268
Rolling 12 month Q1 20'		56	87	53	83								279
Rolling 12 month Q2 20'	66	56	87	53									263



Adjusted operating profit (Adjusted EBIT)

During the first and second quarter of 2020 and third and fourth quarter of 2019, adjustments have been made with respect to effects (revenue and costs) related to acquisitions, which have been deemed to affect comparability. There were no items affecting comparability during 2018. In 2017, MIPS had costs for preparations for the listing on Nasdaq Stockholm, deemed to affect comparability.

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)	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	LTM									
					2019 Jan-Dec	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	37	36	49	108	98	98	83	73	59	38	28	21	
Items affecting comparability	1	1	1	1	2	2	-	-	-	-	-	0	7	
Adjusted Operating profit	20	38	37	50	110	99	98	83	73	59	38	28	28	





Other

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MIPS will present the interim report at an audiocast via teleconference on 23 July 2020 at 10.00 a.m. CET. To participate, please register at <https://financialhearings.com/event/12321>

Financial calendar

Interim report January-September 2020
Year-end report 2020

6 November 2020
11 February 2021

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 maintain an EBIT margin of more than 40 percent.

About MIPS

MIPS specializes in helmet-based safety and protection of the brain and is the world-leader in this area. Based on an ingredient brand business model, MIPS Brain Protection System is sold to the global helmet industry. The 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 41 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 2019 amounted to SEK 268m and the operating margin was 40.3%. The MIPS share is traded on the Nasdaq Stockholm stock exchange. For more information, visit www.mipscorp.com.

This information is of such nature that MIPS AB (publ) is obliged to disclose it in accordance with the EU's Market Abuse Regulation and the Securities Market Act. The information was submitted for publication, through the agency of the contact persons set out above, on 23 July 2020 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.

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