

CIMCO

Endurance by Engineering

INTERIM REPORT FOR 1 APRIL – 30 JUNE 2018



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INTERIM REPORT APRIL – JUNE 2018

Second quarter of 2018 (April to June)

- Net Turnover of SEK 19.5 million (SEK 6.8 million)
- Operating Loss/EBIT of SEK -23 million (SEK-10 million)
- Result for the period of SEK -25.3 million (SEK-12.2 million)
- Cashflow for the period SEK -48.7 million (SEK 13.9 million)
- Earnings per share amounted to SEK -0.97 (SEK -0.70)
- Production of OXE units: 90 (23)

First half of 2018

- Net Turnover of SEK 27.8 million (SEK 13.1 million)
- Operating Loss/EBIT of SEK -42.8 million (SEK -19.1 million)
- Result for the period of SEK-54.8 million (SEK -21.7 million)
- Cashflow for the period SEK 27.2 million (SEK 32.3 million)
- Earnings per share amounted to SEK -2.21 (SEK -1.42)
- Production of OXE units 140 (48)

Significant event in the second quarter

- Successfully list the SEK 80 million Corporate Bond on Nasdaq First North Bond Market. First day of trading was 19th April 2018.
- Adjusts financial goals of 2018. The company will not reach the financial targets for 2018 being 2,000 engines sold and a turnover of 600 million SEK. The goal for 2018 is to achieve a secure production volume of 25 engines per week after the summer. Cimco's long-term plan of achieving sales of 10% of its addressable market, equating to 7,700 engines per year, and EBITDA margin of more than 20 percent is unchanged.
- The preliminary study on the 3.0 litre six-cylinder twin turbodiesel engine from BMW was successful and will result in the development of a prototype after summer. The study was done in cooperation with Semcon AB.
- Annual General Meeting of shareholders was held on 19th April 2018.
- Cimco awarded the "Best Industrial Exporter IPO Sweden 2017 Award" by CFI.co.
- Andreas Blomdahl appointed as CEO of Cimco on 13th June 2018.

Significant event after the reporting period

- Production status – Cimco produced 42 units in the month of June and the 200hp OXE to be re-introduced at the end of September.
- Preliminary results of Q2 2018 and announcement to raise additional funding to meet the company's working capital requirement.
- Cimco Marine AB (publ) resolves on a rights issue of approximately SEK 25.5 million. This issuance is 100% underwritten by subscriptions and guarantees by Prioritet group AB and Per Lindberg.

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Financial Overview

CIMCO MARINE AB

	1 Apr 2018 - 30 Jun 2018	1 Apr 2017 - 30 Jun 2017	1 Jan 2018 - 30 Jun 2018	1 Jan 2017 - 30 Jun 2017	1 Jan 2017 - 31 Dec 2017	1 Jan 2016 - 31 Dec 2016
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(amount in KSEK)

Net turnover	19,483	6,819	27,793	13,076	14,602	6 878
Net profit/loss for the period	-25,299	-12,216	-54,791	-21,725	-50,979	-27,088
Total Equity	113,151	103,298	113,151	103,298	137,901	19,148
Total Assets	237,736	170,668	237,736	170,668	182,053	118,240
Equity Asset ratio	48%	61%	48%	61%	76%	16%
Total shares outstanding	26,101,617	19,768,290	26,101,617	19,768,290	24,101,617	13,311,920
Average number of shares	26,101,617	17,348,290	24,819,425	15,330,105	18,905,175	11,294,410
Earnings per share	-0.97	-0.70	-2.21	-1.42	-2.70	-2.40
Number of employees	23	30	23	30	31	14
OXE units produced	90	23	140	48	55	25
OXE units sold	86	23	126	48	55	25



OXE's first installation operating on the River Thames surpasses its tough emission legislation in both fuel and noise. This paves the way for future commercial operations on the river

Tony Kortens, MD of Landing Craft UK Ltd, said, "The OXE is faultless; the smoothness; power; and thrust of the engines are amazing. We can achieve speeds of 20 knots in a boat that weighs in excess of ten tonnes. The OXE's excellent fuel economy shows with all three engines running to their maximum we have a fuel burn of 90 litres per hour which is phenomenal".

COMMENTS BY THE CEO

During the second quarter of 2018, the company achieved production of 90 units. We could have achieved a higher level of production but was faced with supply chain challenges – these are being addressed closely to avoid any further disruption. In July, our assembly partner shut down for the summer holidays. In the second week of August, production restarted, and we achieved 18 units this week so far (ending 30th August). Total production for August is expected to be 40 - the highest weekly average rate for any month. We are therefore confident of hitting our target of 25 units a week during 2018.

The quality assurance program launched by my predecessor, Cecilia Anderberg, is bearing fruit and the results of this is showing in our production run rate this month as well as the quality of the product – feedback of the 150hp has been positive overall. We are nonetheless taking nothing for granted and continue with our quality assurance program by monitoring our subcontractor's ability to manufacture and deliver the right quality in time. Once we are consistently delivering at stable production level of 25 units a week, we will aim to increase production further in 2019.

Our existing distributors and customers remain committed to the OXE. Indeed Hurtigruten, our first customer, has had 15 of our 150 OXE units delivered to them recently, this has been followed by an order of a further 15 units for its new cruise liners. In addition, another order of 15 units will follow later in the autumn giving a total of forty-five OXE 150s purchased and ordered by Hurtigruten this year. We have also signed a new distributor in Chile with the aim of supporting Hurtigruten on their stops in Puntarenas Chile on route to Antarctica. The distributor is expected to market the OXE to other Expedition cruises as well as the vast local salmon fishing industry.

The testing by the US Navy and Coast guard is progressing well with positive feedback overall. We have completed testing the various replacement components and improvements of our 200hp engine. The new parts are being ordered for production re-launch at the end of September. To this end, we have announced price increases for both our 150hp and 200hp products, to be effective from 1st November – this is to reflect our investment and improvements in our product. This is the first price increase since 2013.

We have also announced the launch of the OXE 125 and OXE 175, which will produce 125hp and 175hp respectively for which we have received very positive feedback from our distributors as it shows that Cimco is no longer a single product company. This will broaden our product portfolio which will attract interest from users with different power usage requirements.

During the second quarter, we produced 90 engines of which we sold 86 units whilst 3 units were for internal use on our demo boats and 1 provided as a marketing cost.

We are also focusing our efforts to reduce our component costs – there are some clear cost savings in the near term which should be implemented in early 2019, and together with our product price increases, it should bring the company closer to positive gross margins.

Our work with the BMW 6-cylinder 3.0 litre diesel engine is progressing according to plan and are on schedule to build a prototype in the next few weeks. Our aim is to commence production during 2020.

Our cashflow remains challenging, particularly with our working capital needs in light of production ramp up to 25 units a week planned later this year and temporary credit terms offered to our customers in Q2 only – we have therefore announced a rights issue for SEK 25.5 million which is fully underwritten and is expected to close in September.

We are continually focused in meeting our standards of producing an engine of the highest quality and to be synonymous with reliability, strength and endurance.

Production

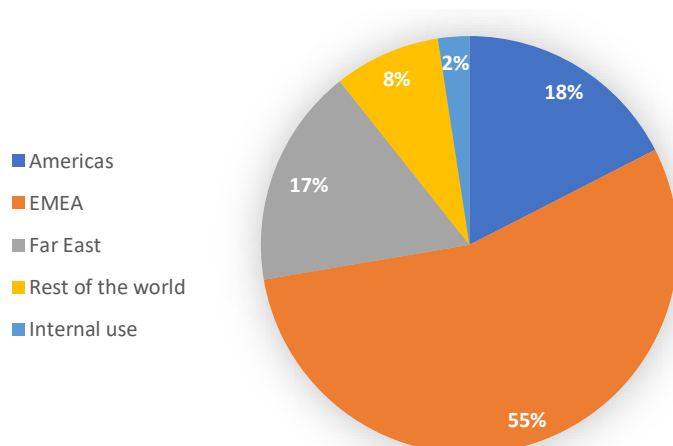
Production of the 150hp commenced in week 2 of January 2018. The company produced 90 engines in Q2 2018 and 50 units in Q1, which totals 140 engines produced for the first half of 2018. Since then, the production facility was closed for the summer holidays and restarted recently this month. Our expected production for August is 40 units, the company’s best ever production month (based on a weekly average production rate).

Nevertheless, the company continues to work hard on improving its quality assurance programme, supply chain and production capacity to ensure it delivers a smooth ramp up with the aim of meeting its target of a weekly run-rate of 25 units during 2018.

Sales and after sales

Our key distributors continue to be supportive and there are no changes to the demand for our product. All units produced have been sold, exchanged or used for marketing purposes. Our order book remains the same as with the previous quarter. We expect to expand the order book as soon as the production ramp-up is in a phase where it can meet the demand. The breakdown of sales by region is as follows:

	TOTAL to date	Q2 2018	Q1 2018	FY 2017	FY 2016
Americas	36	16	12	8	-
EMEA	113	48	22	22	21
Far East	35	10	6	16	3
Rest of the world	17	12	-	5	-
Internal use	5	-	-	4	1
TOTAL	206	86	40	55	25



There have been tests on the OXE carried out by enforcement agencies in the US as well as the far east and we expect the results to be completed later this year. We are confident that our product will demonstrate all the qualities that we have promoted and expect orders to flow through in due course.

Our key focus is to continue building on training our distributors and provide them with strong after sales support.

Product development

Cimco concluded its pre-studies on the twin turbo 6-cylinder 3 litre BMW diesel engine with Semcon AB. Its preliminary study was positive. Cimco is to build a prototype in the coming weeks. Start of production for this new engine is expected to be in 2020.

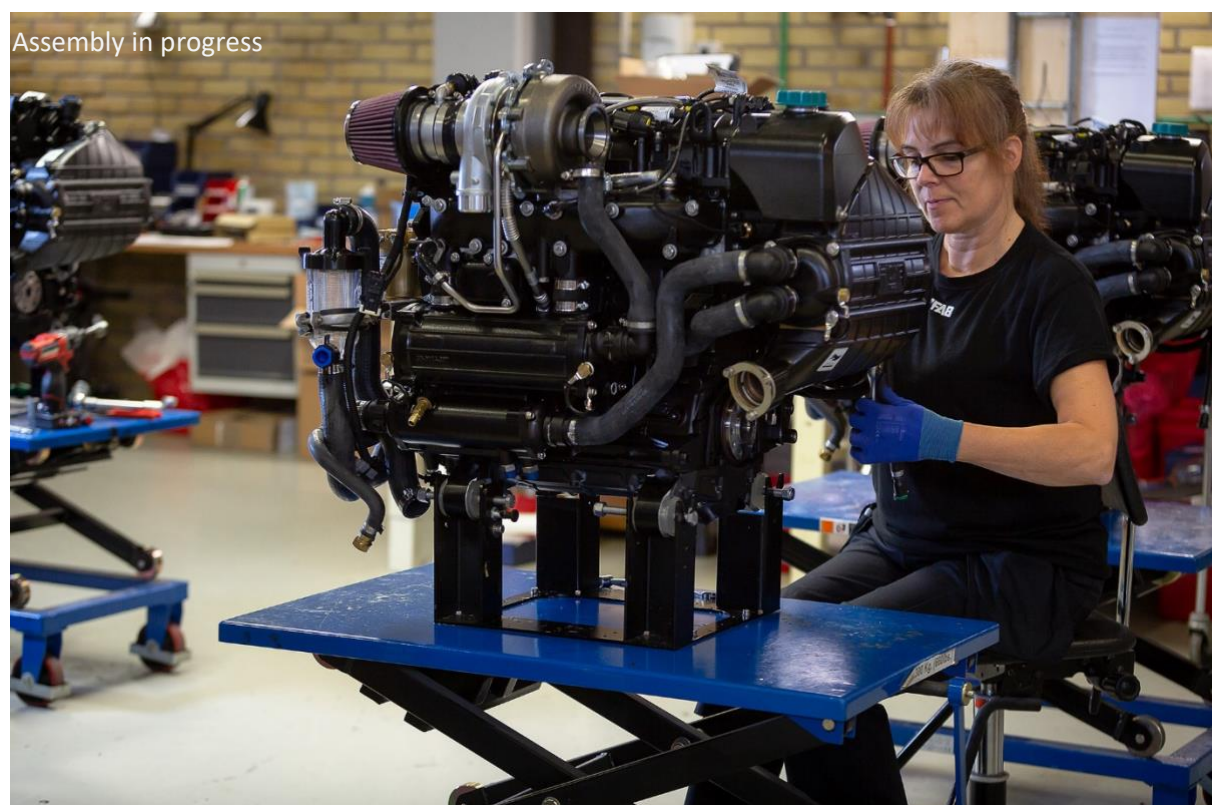
Organisation

Cimco has 23 employees at present. The company continues to add qualified and experienced personnel to its team to match its long-term objectives and to provide world class support to its customers.

Future funding requirement

Cimco has launched a rights issue for SEK 25.5 million, which has been fully underwritten. This is to be completed at the end of September.

This funding will finance the company's working capital requirements and further support our ramp-up plans and plans for further product development.



SHAREHOLDERS

Cimco's top ten shareholders and movement in shares as at 31st July 2018 are as follows:

The ten largest shareholders 2018-07-31	Holding	%	Change
SIX SIS AG, W8IMY	5 652 046	21,65%	↔
MARINEDIESEL SWEDEN AB	3 862 821	14,80%	↔
LINDBERG, PER	3 500 564	13,41%	↔
PRIORITET GROUP AB	2 641 833	10,12%	↔
FOSTER GLOBAL HOLDINGS PTY LTD	1 993 710	7,64%	↔
LINDEROTH, MAGNUS	992 250	3,80%	↓
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	877 399	3,36%	↔
PERSHING, LLC, W9	669 280	2,56%	↔
OBLDN-SAXO BANK A/S	532 469	2,04%	↑
NORDNET PENSIONS FÖRSÄKRING	302 685	1,16%	↔

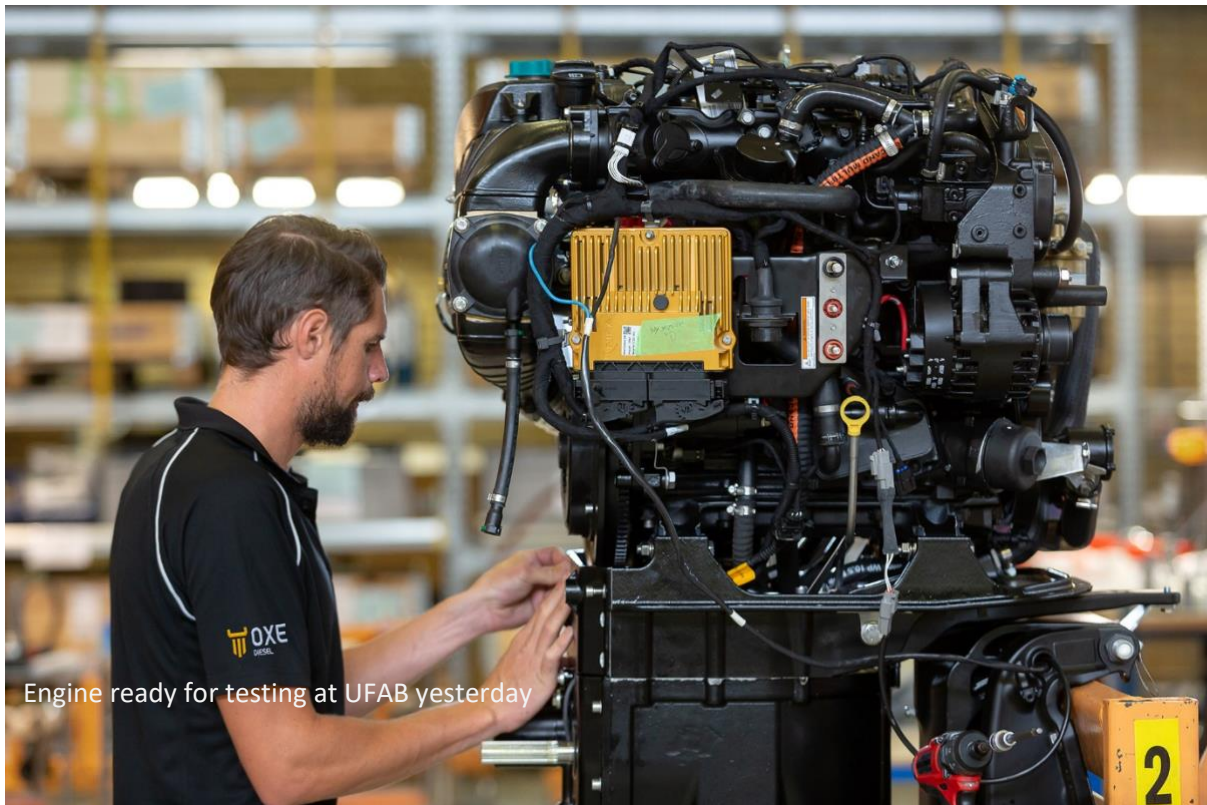
Largest changes				
		Change	%	Holding
OULADIB, MBAREK	AK	-46 532	-47,70%	51 022
LINDEROTH, MAGNUS	AK	-36 200	-3,52%	992 250
VALLIN, PETER	AK	34 507	100,00%	34 507
FINNABUKTEN AB	AK	-30 476	-100,00%	0
BERG, ANDERS	AK	23 000	185,48%	35 400

Number of shareholders		
	shareholders	shares
Number of shareholders	2 234	<u>26 101 617</u>
New shareholders	34	70 436
Discontinued shareholders	64	78 850



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FINANCIALS

OPERATIONAL AND FINANCIAL REVIEW

Second quarter 2018 compared to the second quarter 2017

The Company's income statement for the second quarter 2018 shows a net loss of SEK 25.3 million, against a net loss of SEK 12.1 million the corresponding period the year before. Revenues was SEK 19.5 million (SEK 6.8 million), mainly due to sales of 86 OXE units (23 units) together with ancillary accessories, service kits and parts.

The company continues to prepare the ramp up of production after the summer break. The cost of such preparation is reflected in our cost of goods sold as well as operational costs as we continue to increase personnel to meet our production requirements. In addition, the company incurred cost on improving its product, in particular the 200 OXE as well as marketing the 150hp and warranty claims.

ASSETS

Second quarter 2018 compared to the second quarter 2017

As of the 30 June 2018, total assets amounted to SEK 237.7 million (SEK 170.7 million). The Company's non-current assets at the closing date were SEK 111.5 million (SEK 88 million), out of which R&D and patents total SEK 105.2 million (SEK 83.3 million). The increase spend relates to the product development (in particular the 300hp project). Inventories relating to parts for production or in course of production total SEK 64.8 million (SEK 30.7 million). Much of this relates to Opel engine powerhead as we have some 700 units in stock due to meeting our supply agreement obligations. This will be reduced accordingly as we ramp up production. Receivables from contract works amounted to SEK 7 million as of 30 June 2018, in comparison to SEK 7.2 million as of 30 June

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2017. Accrued income increased to SEK 7 million (SEK 143 thousand). This is due to unbilled sales of the OXE 150 following credit terms to certain distributors. The Company had cash and cash equivalents of SEK 41.3 million (SEK 41.4 million) at the closing date 30 June 2018.

EQUITY AND LIABILITIES

Second quarter 2018 compared to the second quarter 2017

Total equity increased to SEK 113.2 million (SEK 103.3 million). This is due to issue of new shares to existing and new owners. The non-current liabilities & provisions have increased to SEK 83.7 million (SEK 4.7 million). This is mainly due to a corporate bond raise in February 2018.

Current liabilities have reduced to SEK 40.9 million (SEK 62.7 million). This was primarily due to repayment of short term debt (mainly bridging loan) of SEK 22.1 million.

CASH FLOW

Second quarter 2018 compared to the second quarter 2017

Cash flow from operating activities

Cash flow from operations for the period was SEK -41.6 million (SEK -6.5 million). The decline in cash flow from operations is related to commitment to working capital for ramping up production later in 2018, current lower production volume, product improvement, warranty claims and support for operational expenses. Change in inventories amounted to SEK -4.65 million (SEK -10.5 million).

Whilst accounts receivable changes was SEK -4.7 million (SEK -1.65 million) and other current receivables SEK -7.4 million (-1.9 million). The receivable changes were related to providing better credit terms to some of our distributors to promote the 150hp engines.

Change in other current liabilities amounted to SEK -6 million (SEK 17.5 million) which is related primarily to reduction in Advance payments due to customers and liabilities relating to discounts.

Cash flow from investing activities

Cash flow from investing in the period was SEK -7.1 million (SEK -6.6 million). This is primarily due to increased investments in intangible fixed assets of SEK -6.6 million (SEK -5.6 million), relating to R&D and patents.

Cash flow from financing activities

Cash flow from financing for the period was SEK 105,000 (SEK 27 million).

FINANCIAL OBJECTIVES

Cimco has communicated in separate press release on 19th of April, that it will no longer meet its 2018 target of unit sales of 2,000+ for the full year and turnover of SEK 600 million. Instead it will target a production run-rate of 25 units a week in the next few months.

Its longer-term targets, described in its IPO prospectus, will remain the same as follows:

- Long term EBITDA margin of >20%
- Long term market share of 10% (7 700 units per year)

OUTLOOK

The Board remains highly optimistic of the future of the company and in meeting its longer-term targets and value the step-by-step developments being made, fully supporting the organization and management of the company.

RISKS AND UNCERTAINTIES

The Risk and uncertainties of Cimco's business is explained in detail within the risk section of the Company's IPO prospectus issued in June 2017 as well as in its bond presentation in February 2018 – both documents are available on the company's website. The main risks facing the company are production risk, technical development risk and financial risk.

As explained in this report, Cimco has identified certain risks and uncertainties pertaining to its production capabilities and is confident in containing those issues.

FINANCIAL CALENDER

- Q3 2018 interim report due on 30th November 2018.

OPERATING RESULTS

First half 2018 compared to the first half 2017

The company achieved a turnover of SEK 28 million (SEK 13 million). This is due to sales of 126 units (48 units) of the OXE diesel outboard in that period. The company also sold ancillary accessories, service kits and parts.

The Operating loss/EBIT of SEK -42.8 million (SEK -19.1 million) was mainly due to improvements to the current product as well as cost of sales relating to warranties and marketing. The company is focused on increasing production volumes to 25 units a week together with negotiating cost reduction on parts and improved assembly time.

The company increased finance cost is due to the raising of SEK 80 million corporate bond in February 2018.

The company currently has no corporation tax liability. It has accumulated losses of circa SEK 90 million, however SEK 32 million is disallowed due to ownership tax rules. The tax credit balance is SEK 13 million (subject to further ownership rules).

CASH FLOW

First half 2018 compared to the first half 2017

Cash flow from operating activities

Cash flow from operations for the period was SEK -59.4 million (SEK -22.4 million). The decline in cash flow from operations is related to commitment to working capital for ramping up later in 2018, current low production volume and support for operational expenses. Change in inventories amounted to SEK -2 million (SEK -11 million) resulting in an increase in working capital. Changes in accounts receivables of SEK -4.3 million (SEK -4.2 million) and changes to other receivables of SEK -8.4 million (SEK 2.1 million) also resulted in our working capital increasing – this is due to providing more lenient credit terms to our customers.

Cash flow from investing activities

Cash flow from investing in the period was SEK -19.7 million (SEK -11.5 million). This is primarily due to increased investments in intangible fixed assets of SEK -10.6 million (SEK -10.4 million), relating to R&D and patents whilst divestments of SEK 7.5 million relates to re-allocation of prototype sales proceeds from intangible fixed assets to other liabilities as it will be repaid to our distributors as discounts or in exchange of our production engines.

Cash flow from financing activities

Cash flow from financing for the period was SEK 106 million (SEK 66 million). The increase is mainly related to the issue of shares as well as corporate bonds issuance in February 2018, compared to IPO and pre-IPO funding in the corresponding period.

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Income statement

CIMCO MARINE AB

	1 Apr 2018 - 30 Jun 2018	1 Apr 2017 - 30 jun 2017	1 Jan 2018 - 30 Jun 2018	1 Jan 2017 - 30 jun 2017
(amount in KSEK)				
Income				
Net turnover	19,483	6,819	27,793	13,076
Other operating income		376		107
Total income	19,483	7,195	27,793	13,183
Goods for resale	-25,003	-8,598	-38,004	-16,706
Other external costs	-10,550	-2,322	-18,433	-5,018
Personnel costs	-2,470	-3,959	-6,652	-6,128
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	-3,198	-2,292	-6,103	-4,472
Other operating expenses	-1,269	-	-1,386	-
Total operating costs	-42,489	-17,171	-70,577	-32,325
Operating profit/loss	-23,006	-9,976	-42,785	-19,142
Other interest income and similar profit/loss items	-	-	2	1
Interest expenses and similar profit/loss items	-2,293	-2,239	-12,007	-2,585
Profit/loss after financial items	-25,299	-12,216	-54,791	-21,725
Pre-tax profit/loss	-	-	-	-
Net profit/loss for the period	-25,299	-12,216	-54,791	-21,725

Balance sheet statement

Cimco Marine AB

	30-Jun-18	30-Jun-17	31-Dec-17
(amount in KSEK)			
Intangible fixed assets			
Capitalised expenses for reseach and development and similar works	101,690	79,819	88,681
Patent	3,469	3,564	3,618
Total intangible assets	105,159	83,383	92,299
Tangible fixed assets			
Equipment, tools and installations	6,370	4,631	5,637
Total fixed assets	6,370	4,631	5,637
Total tangible	111,530	88,014	97,936
Currents assets			
Inventories etc			
Finished goods and goods for resale	53,806	22,480	45,761
Advance payments to suppliers	11,023	8,258	16,887
Total current assets	64,828	30,738	62,647
Currents receivables			
Accounts receivables	7,216	7,004	2,935
Other receivables	5,796	3,394	3,764
Deferred expenses and accrued income	7,017	143	601
Total current receivables	20,029	10,541	7,300
Cash on hand and in bank	41,348	41,376	14,170
Total current assets	126,206	82,655	84,118
Total assets	237,736	170,668	182,054

Continue of balance sheet statement

Cimco Marine AB

	30-Jun-18	30-Jun-17	31-Dec-17
(amount in KSEK)			
Equity and liabilities			
Equity			
Restricted reserves			
Share capital	783	593	723
Reserve for development expenditure	48,106	24,716	40,409
Total restricted equity	48,889	25,309	41,132
Non-restricted equity			
Share Premium	199,025	114,580	169,044
Retained earnings or losses	-79,972	-14,866	-21,296
Profit/loss for the year	-54,791	-21,725	-50,979
Total non-restricted equity	64,262	77,989	96,769
Total equity	113,151	103,298	137,901
Provisions			
Other provisions	2,358	4,705	1,336
Total provisions	2,358	4,705	1,336
Long-term liabilities			
Liabilities to finance institutions	81,369	-	2,876
Other liabilities	-	-	-
Total long-term liabilities	81,369	-	2,876
Current liabilities			
Liabilities to finance institutions	-	22,133	1,195
Advance payments from customers	15,948	20,736	19,328
Accounts payable	17,485	14,734	15,440
Current tax liabilities	398	167	130
Other liabilities	4,848	782	980
Accrued expenses and other deferred income	2,178	4,114	2,868
Total current liabilities	40,857	62,666	39,941
Total equity and liabilities	237,736	170,669	182,054

Changes in Equity Statement

Cimco Marine AB

	30-Jun-18	30-Jun-17	31-Dec-17
(amount in KSEK)			
Opening balance equity (1 Jan 18/1 Jan 17)	137,901	19,148	19,148
Loss for the period	-54,791	-21,725	-50,979
Issuance of shares	30,041	78,166	142,964
Less cost of issuance	-	-5,682	-7,090
Shareholder loan conversion to equity	-	33,391	33,391
Option premium	-	-	467
Other shareholder contribution	-		
Closing balance equity	113,151	103,298	137,901

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Statement of Cash Flows

Cimco Marine AB

	1 Apr 2018 - 30 Jun 2018	1 Apr 2017 - 30 Jun 2017	1 Jan 2018 - 30 Jun 2018	1 Jan 2017 - 30 Jun 2017	1 Jan 2017 - 31 Dec 2017
Operating Activities					
Results after financial items	-23,006	-12,216	-42,787	-21,725	-51,042
Adjustments for items not included in cash flow	2,936	2,630	-4,882	5,249	9,818
Tax paid		0			0
Cash flow from operating activities before changes in working capital	-20,070	-9,586	-47,669	-16,476	-41,225
Cash flow from changes in working capital					
Change in Inventories	-4,552	-10,535	-2,181	-10,981	-42,892
Change in accounts receivable	-4,677	-1,647	-4,281	-4,235	-50
Change in other current receivables	-7,419	-1,861	-8,448	2,131	1,305
Change in Trade payables	1,048	-340	2,045	-8,743	-8,037
Change in other current liabilities	-5,987	17,524	1,158	15,903	-11,028
Cash flow from operating activities	-41,657	-6,445	-59,376	-22,401	-101,927
Investing Activities					
Investments in property, plant and equipment	-541	-1,073	-1,572	-1,109	-2,739
Investments in intangible fixed assets	-6,621	-5,557	-10,628	-10,371	-23,155
Divestments in intangible fixed assets	0	0	-7,496	0	
Cash flow from Investing activities	-7,162	-6,630	-19,696	-11,480	-25,894
Financing activities					
New share issue	105	30,929	30,042	72,484	169,266
Share premium	0	-4,000		0	467
Change of loan	0	0	76,208	-6,268	-36,783
shareholder contribution	0	0	0	0	0
Cash flow from financing activities	105	26,929	106,250	66,216	132,950
Cash flow for the period	-48,714	13,854	27,178	32,335	5,130
Cash and bank balances at the beginning of the period	90,062	27,522	14,170	9,041	9,041
Cash and bank balances at the end of the period	41,348	41,376	41,348	41,376	14,170

NOTES

Accounting and Valuation Principles

General Information

The interim report is drawn up in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual Reports and consolidated financial statements (K3).

Revenue recognition

Revenue is reported as the actual value of what the company has received or will receive. This means the company will report its revenue at nominal value

(invoiced amount) if the company receives remuneration directly in the form of liquid funds upon delivery. Deductions are made for discounts given.

Regarding product sales, revenue is normally reported when the significant benefits and risks associated with ownership of the product have transferred from the company to the purchaser.

Interest, royalties and dividends

Interest is reported as income using the so-called effective interest method.

Borrowing costs

The borrowing costs incurred from the company's capital borrowing to finance the manufacture of stock with a significant lead time are included in the acquisition cost of the stock. The interest costs included in the cost of the stock are determined using the effective interest method.

Lease agreements

Where the financial risks and benefits associated with the asset have not been passed on to the lessee, the lease is classified as an operational lease. Assets for which the company is the lessor are reported as fixed assets or as current assets depending on when the lease expires. The leasing fee is calculated annually and is reported linearly over the lease period.

The company reports all lease agreements, both financial and operational, as operational lease agreements. Operational lease agreements are reported linearly as a cost over the lease period.

Employee benefits

Employee benefits refers to all types of remuneration the company provides to its employees. The company's remuneration includes, among other things, salaries, paid leave, paid absences, bonuses and post-employment benefits (pensions). Reporting occurs as benefits are accrued. Remuneration for retired employees derives from defined-contribution or defined-benefit pension plans. Plans are classified as defined-contribution plans when fixed contributions are paid and there are no obligations, whether legal or informal, to pay anything over and above these contributions. All other plans are classified as defined-benefit pension plans. The company has no other long-term employee benefits.

Conversion of foreign-currency amounts

Receivables and liabilities in foreign currencies have been converted at the exchange rate on the balance sheet date. Exchange rate gains and losses on operating receivables and operating liabilities are reported under operating income, while exchange rate gains and losses on financial receivables and liabilities are reported as financial items.

Valuation Principles etc.

Receivables have been valued to the lowest of acquisition value and the amount with which they are expected to be adjusted. Other assets and liabilities have been valued to the acquisition value unless otherwise stated. Receivables and payables in foreign currencies are valued at the closing rate.

Revenue Recognition

Revenue has been raised to the fair value of consideration received or receivable and is recognised to the extent that it is probable that the economic benefits will be available to be used by the company and the revenue can be measured reliably.

Accounting Principles for individual balance sheet items

Intangible fixed assets

Cimco Marine AB's intangible assets consist primarily of patents, staffing costs, as well as the purchasing of consultancy services and materials necessary for the development of the product OXE

Tangible fixed assets

Property, plant and equipment (PPE) and intangible assets are reported at acquisition value less accumulated depreciation and any impairment losses.

PPE has been broken down into significant components where components have substantially different useful lives.

The depreciable amount is the cost of the acquisition less the estimated residual value if this is significant. Depreciation is linear over the expected useful life.

The following depreciation periods are applied:

Intangible assets

Capitalised expenditure on research and development work and related work	10 years
Patents	10 years

PPE

Improvement expenditure on leaseholds	2 years
Tools	5 years
Equipment	7 years

Internally-developed intangible assets

The company applies the so-called “activation model” for internally-developed intangible assets. This method involves capitalisation of all expenditure fulfilling BFNAR 2012:1 criteria as intangible assets with depreciation over the estimated useful life of the asset. A transfer from non-restricted equity into the development costs fund within restricted equity has been made for the corresponding amount capitalised during the year. A transfer from the fund back to unrestricted equity has been made in the corresponding amount as reported depreciation/impairment.

Financial instruments

The company reports and values financial instruments at acquisition value. Accounts receivable and other short-term receivables are reported at acquisition value or expected settled amount, whichever is lower, i.e. less expected losses. Accounts payable and other current liabilities are reported at the expected settlement amount. Long-term receivables and long-term liabilities are valued after initial reporting at amortised cost.

Accounts receivables/current receivables

Accounts receivables and current receivables are reported as current assets at the amount expected to be paid after deduction of individually assessed impaired loans.

Loan-liabilities and account payables

Loan liabilities and accounts payables are recognised initially at cost after deduction of transaction costs. If the carrying amount differs from the amount that will be repaid at maturity date interest expense is accrued, the difference that over the term of the loan using the effective interest rate of the instrument. This is consistent with the due date the carrying amount and the amount to be reimbursed.

Inventory

Inventory has been valued at the lesser of its acquisition cost and its net realisable value on the balance sheet date. Net realisable value refers to the estimated sale price of the goods less the selling costs. The chosen valuation method takes into account any amortisation of inventory.

Other provisions

Other provisions are reported when the company has a formal or informal obligation resulting from past events and where it is probable that an outflow of resources will be required to settle such an obligation. Provisions are valued at the best estimate of the amount required to settle the obligation. If the expected payment date has a significant effect on the value of the obligation, the obligation is reported at its current value.

The company has provided for liabilities due to certain Distributors following recent arrangement to repay the sale of its prototypes. The original proceeds were capitalised against Intangible assets in 2016. This has now been transferred to other short-term liabilities. The repayment will be in the form of sale of production units and or discounts.

Definition of Key Business Ratios

Net turnover

Main operating revenues, invoiced expenses, side income and revenue adjustments.

Profit/loss after financial items

Profits after financial items and costs, but before taxes.

Equity total

Company's Equity.

Equity/assets ratio (%)

Adjusted equity (equity and untaxed reserves with deductions for deferred tax) as a percent of the balance sheet total. This is to show the company's long-term solvency.

Number of employees

Average number of employees during the financial year.

Estimates and judgments

Preparation of financial statements and application of accounting policies, are often based on assessments, estimates and assumptions that is reasonable at the time when the assessment is made. Estimates are based on historical experience and various other factors that are considered to be reasonable under the circumstances. The results of these are used to assess the carrying values of assets and liabilities, which are not otherwise apparent from other sources. The actual outcome may differ from these estimates. Estimates and assumptions are reviewed regularly.

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Cimco Marine AB (publ) is obligated to make this information public pursuant to the EU Market Abuse Regulation. The information was provided by the contacts above to be submitted for publication on August 31st 2018, 07:30 CET.

Cimco Marine AB (publ) has, after several years of development, constructed the OXE Diesel, the world's first diesel outboard engine in the high-power segment. OXE Diesel has a unique belt driven propulsion system that allows a hydraulic multi-friction gearbox to be mounted. This means that the engine can handle significantly higher loads than a traditional outboard engine. Cimco's OXE diesel has a horizontally mounted engine as opposed to a traditional outboard with a vertically mounted engine.