

CIMCO

Endurance by Engineering

INTERIM REPORT FOR 1 OCTOBER – 31 DECEMBER 2018

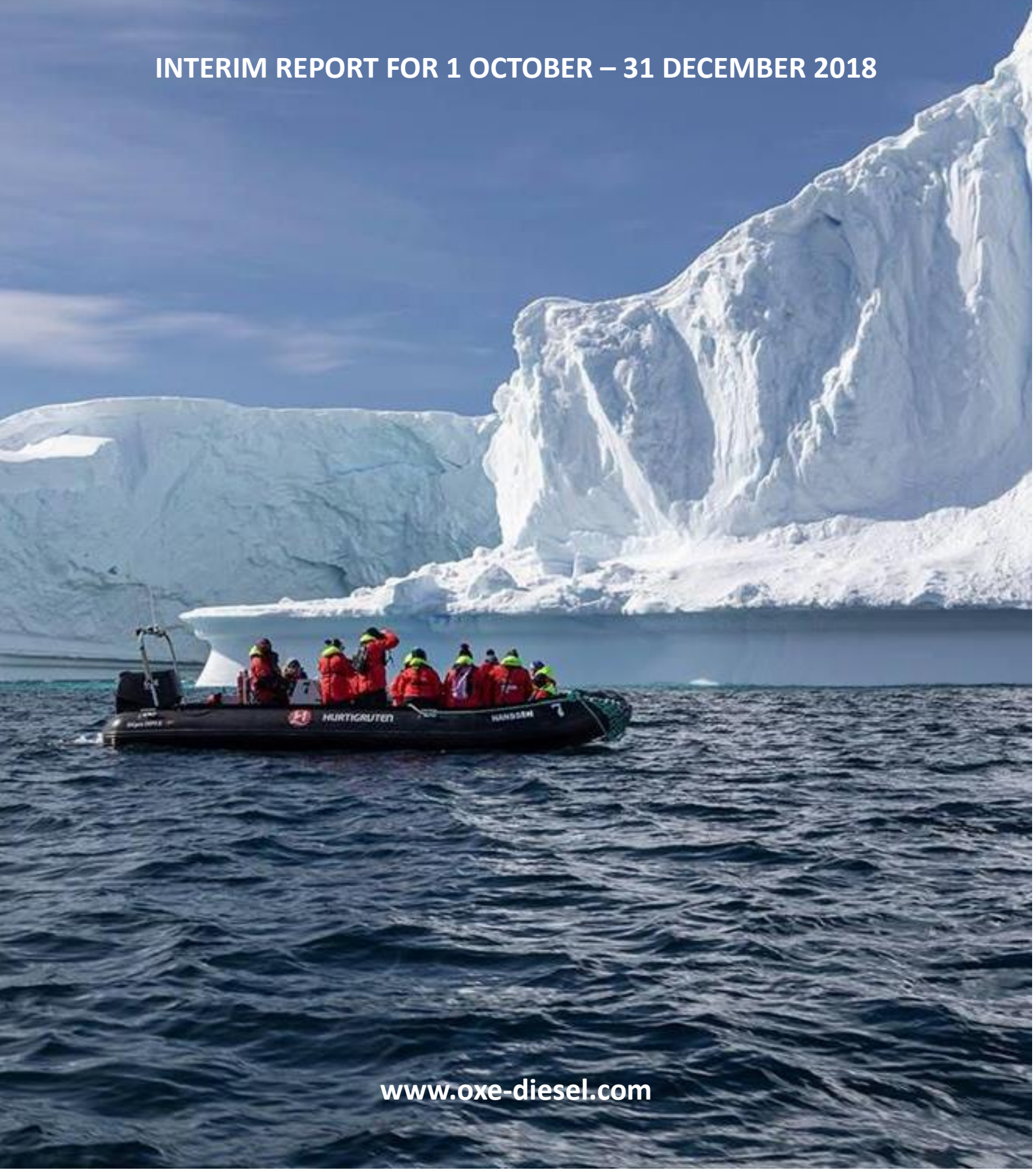


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INTERIM REPORT OCTOBER - DECEMBER 2018

Fourth quarter of 2018 (October - December)

- Net Turnover of SEK 9 million (SEK -0.8 million)
- Operating Loss/EBIT of SEK -27.4 million (SEK -15 million)
- Result for the period of SEK -30.5 million (SEK -14.6 million)
- Cashflow for the period SEK -43.5 million (SEK -29.5 million)
- Earnings per share amounted to SEK -1.04 (SEK -0.61)
- Production of OXE units: 89 (0)

Twelve months to 31st December 2018

- Net Turnover of SEK 40.6 million (SEK 14.6 million)
- Operating Loss/EBIT of SEK -87.1 million (SEK -46.9 million)
- Result for the period of SEK -108.2 million (SEK -51 million)
- Cashflow for the period SEK -9.1 million (SEK 5.1 million)
- Earnings per share amounted to SEK -4.04 (SEK -2.70)
- Production of OXE units: 314 (55)

Significant event in the fourth quarter

- Production status – Cimco produced 45 units in the month of September.
- Cimco Marine re-launches the OXE 200hp in October 2018
- Production status – Cimco produced 43 units in the month of October.
- Cimco Marine enters into supply and development agreement with BMW. This is in respect to the supply of BMW's Twin Power Turbo Inline-6-Cylinder 3 litre Diesel Engine and selected parts and components.

Significant event after the reporting period

- Cimco Marine AB initiates written procedure to amend certain terms in its up to SEK 200 million bonds in preparation for a SEK 150 million rights issue of units.
- Cimco Marine AB proposes a rights issue of approximately SEK 154 million and enters into bridge loan agreement of up to SEK 55 million.
- Notice for an EGM to be held on 8th March 2019.
- Cimco Marine AB obtains the bondholders' approval regarding amendments of the terms and conditions for its up to MSEK 200 bonds.

Financial Overview

CIMCO MARINE AB

	1 Oct 2018 - 31 Dec 2018	1 Oct 2017 - 31 Dec 2017	1 Jan 2018 - 31 Dec 2018	1 Jan 2017 - 31 Dec 2017	1 Jan 2016 - 31 Dec 2016
(amount in KSEK)					
Net turnover	9,041	-837	40,578	14,602	6 878
Net profit/loss for the period	-30,545	-14,652	-108,213	-50,979	-27,088
Total Equity	83,781	137,901	83,781	137,901	19,148
Total Assets	248,533	182,053	248,533	182,053	118,240
Equity Asset ratio	34%	76%	34%	76%	16%
Total shares outstanding	29,506,173	24,101,617	29,506,173	24,101,617	13,311,920
Average number of shares	29,506,173	24,481,909	26,760,399	18,905,175	11,294,410
Earnings per share	-1.04	-0.61	-4.04	-2.70	-2.40
Number of employees	27	31	27	31	14
OXE untis produced	89	-	314	55	25
OXE untis sold	27	-	157	55	25

Updated Financial targets

The Board has decided to provide some new and updated targets for 2019 and for the long term as follows:

- 2019 sales target to be 600 units (new target)
- Gross margin positive to be achieved during Q4 2019 (new target)
- Long term EBITDA margin > 20% (no change)
- Long term market share – 7,700 unit sales (equivalent to 10% of the forecast market share) by 2023 (updated – previously communicated to reach market share by 2021)

COMMENTS BY THE CEO

During the fourth quarter of 2018, the company achieved production of 89 units. We could have achieved a higher level of production but were faced with a bottleneck due to a single supplier being unable to produce certain parts to the agreed volumes in time. We have worked hard and have found a solution by dual sourcing these components. I am very pleased that we were able to implement this in December. We achieved our stated target of producing 25 units a week in the final working week of December.

Our sales for the 150hp for the quarter was 27 units. This was primarily due to switch of orders by our customers from 150hp to 200hp (which was re-launched in October 2018, whilst the more popular tropical application will be available during Q2 2019);

We purposely slowed our production in November and beginning of December to reduce further production of the 150hp but tested the production capabilities by building 25 units in the last working week of 2018. We are working on several sales projects which could yield significant orders for the 150hp in the near future. Nonetheless our key focus now is to get the production of 200hp OXE stabilised (a tropical compliant variant will be available during Q2 2019).

Our liquidity situation became quite strained from October onwards, and we have reduced level of purchases of parts and negotiated extended credit with our suppliers. We engaged with a number of potential funders as well as shareholders to assist in our funding needs for 2019 and beyond.

Review of 2018

2018 was a challenging year for Cimco Marine and their shareholders. However, during the year good progress were made in several areas, not least when it comes to solving the quality related issues with the 200hp OXE diesel engine which resulted in significant delays in the commercial plans of the company, as communicated during 2017. From a market perspective valuable time was lost and the organization is now working with a clear focus to make up for this lost ground and rebuilding confidence in sales and marketing.

The company introduced the 150hp OXE at the start of the year, whilst the 200hp OXE was taken out of production to resolve its turbo issue as communicated during 2017. The 150 OXE, powered by Opel, proved that the belt propulsion outboard concept worked.

During 2018, I was appointed CEO along with a number of changes in management. We increased our focus on areas such as cost reduction (in Bill of Material), correcting any remaining technical issues, quality assurance, sales and marketing, after sales support, to mention a few. Aftersales inventory was relocated from our production partner to Ängelhom, additional staff and experience have been brought into sales and after sales.

The company focused on achieving a production run rate of 25 units a week. Various quality issues were resolved and bottlenecks in certain components were identified and solutions implemented. Technical issues were resolved in the 200hp OXE and the engine was reintroduced back into production in October. The targeted run rate of 25 units a week was achieved in the last week of December, slightly delayed primarily due to aforementioned bottlenecks with certain key components. In total 314 units were produced for 2018

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Proof of Concept

The 150hp was gradually introduced to customers at the start of 2018. It proved to be a success from a quality and performance perspective. Sales in the first half of 2018 was encouraging. However, with the imminent reintroduction of the 200hp in October, sales orders were either cancelled or deferred in preference of the 200hp. This led to a fall in sales in the second half of 2018. Total units delivered for 2018 was 188 units, which includes sales, warranty claims, marketing purposes and internal test. Clearly, in hindsight, the marketing of 150hp did not account for the reintroduction of the 200hp, and the message to the market and customers should have been tailored differently.

Customer satisfaction has been good, and the product was well received on the market - like all products there has been a few teething issues but nothing outside expectations as far as the last two quarters of the year. Customers are reordering, and distributor motivation is high. During the year after sales support and technical support has been developed, and the plan is to further strengthen this area since it is deemed imperative to be close to the customers and help them understand the benefits as well as train them in the usage of the engines.

Next generation engines

The BMW 6-cylinder 3 litre engine supply agreement was signed off whilst the mule version was successfully launched in November. The verification and validation process commenced in December 2018 and is expected to be completed by the end of 2019.

Our liquidity predicament

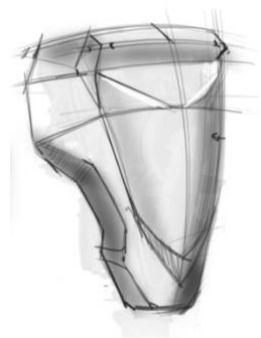
With respect to the last financing round - SEK 51 million was raised at the end of September 2018. This was to cover funding needs of the company for at least six months.

As the next funding window would have to be concluded/committed by latest January 2019, the company sought new investors and sounded both shareholders and bondholders. Further information was shared in late October/early November regarding a potential funding of 120MSEK. This was based on a plan to sell 600 units in 2019 as well as R&D investments, particularly in BMW validation and verification.

Nevertheless, whilst the company was focused in quality and delivery of its parts supply chain, it assumed that all 150hp engines produced would be sold. By the beginning of October, the company noticed limited/reduced orders for the 150hp which coincided with the re-introduction of the 200hp in October. As a result, volume sales were reduced in the second half of 2018 whilst parts purchases continued to meet production target of 25 units a week (which was achieved in the final week of December). This meant that a significant amount of cash was invested in working capital (inventories), larger than was previously anticipated.



OXE Diesel 150



*Sketch of OXE 300
cowling*

In November, the company started to reduce parts purchases. The company however was committed to its R&D investments in Project Bison (development based on BMW engines).

By January 2019, the company secured sufficient backing from a consortium of guarantors (who are not shareholders) and key shareholders to support a SEK 103 million rights issue (with share warrants attached of SEK 51 million exercisable in October 2019). Additionally, the company also secured amendments to the terms of the Corporate bond, to enable it to grow the business in the medium term. To support its short-term liquidity needs prior to completion of the rights issue, a bridge finance facility of up to SEK 55 million was made available to the company in February 2019. The company drew SEK 40 million to date. The loan and interest will be repaid following the receipt of the rights issue.

Operational development

To mitigate future operational cash issues, the company has implemented a sales and operations planning (S&OP) procedure – a process that aims to ensure that customer demand can be met by production, distribution and purchasing functions. With this foundation, demand and supply balancing, as well as operations and executive review can be conducted with speed and efficiency and therefore carefully manage our cash resources.

Strategy for 2019 and beyond

The focus is to establish a sales order book that will match with production and reduce inventory levels. Another consideration is the strategy to move away from the Opel engine and rely solely on the BMW engine instead for the future. With over 700 Opel engines in stock, the company can afford to stop ordering in the short term and reduce inventory to a sensible level.

Focus for 2019 will be to reduce cost and increase profitability while adding even more strength in marketing and sales activities.

The company currently has firm open orders to be delivered of 109 units which is mainly for 200hp with delivery times from Q2 2019 onwards. The main focus is to build a committed order book on a rolling 12-week basis to assist with production planning (using S&OP process). The interest from the market is clear and the feedback from participation in trade shows during later part of 2018 and early 2019 is very encouraging. The current plan is to continue production at lower rate of 10 units a week and together with the stock of completed OXE 150 units at the end of Q4 2018, the company will aim to achieve sales of 600+ units for 2019. The production capability for a single shift at our assembly partner has been established at 25 units a week and this can be increased to 50 units a week with two shifts.

An updated strategic plan will be launched concluding in essence:

- Full focus on the development of the new product range based on the marinized BMW engine product range to ensure optimal use of R&D spend and reduce the complexity of managing several engine platforms as well as reduce the production cost per engine. This include both 150hp, 200hp, 300hp and any other future development as well. The BMW engine product will be designed to permit high quality and ease of mass-scale assembly and supply and incorporates all learnings from the first phase of development to date. Full migration to “one platform” is expected to be concluded in 2020.

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- Additional efforts to generate customer satisfaction and increase marketing and sales efforts and approaching free cash flow from operations with developed supply and demand chain practices. Focus to be to generate a more aggressive reduction of working capital and inventory, while increasing the delivery on time performance.
- Sales targets to 600 engines (both 150hp and 200hp) during 2019 to be able to execute on the above as well as ensure a sufficient, cost effective and stable supply and demand chain are developed.

By adopting this strategic path, Cimco will be able to open up to the next chapter of development, while bolstering the industrial value and reducing operational risks. Furthermore, it is decided that Cimco's main focus will be on product development, innovation and design, engineering and marketing and sales, while the company will seek partners and outsourcing opportunities for all other areas.

Key areas of this strategic path are:

- Validate and verify the Bison project (which includes the BMW diesel engine to power the OXE300 and other variants);
- Sales and marketing activities;
- Reduce working capital for 2019;
- Cost down initiatives of the OXE, including investment in toolings; and
- Investments to ensure volume assembly for 2020 and beyond.

Production

Production of the 150hp commenced in week 2 of January 2018. The company produced 89 engines in Q4, 85 engines in Q3, 90 engines in Q2 and 50 units in Q1, which totals 314 engines produced for the year to 2018. As previously disclosed, we have had an issue with a single supplier who was unable to supply crucial components in time. We have now found a solution with an alternative supplier – components became available from December.

Currently, due to the demand for our re-launched 200hp, we switched our production from 150hp to 200hp, as a result there was a limited run in production for November and much of December.

	TOTAL				
	2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Sold	157	27	4	86	40
Incentives	10	1	3	-	6
Warranties	8	-	2	4	2
Internal use	13	-	13	-	-
Unsold Units	126	61	63	-	2
TOTAL	314	89	85	90	50

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. It achieved its stated aim of a weekly run-rate of 25 units in the final working week of December 2018.

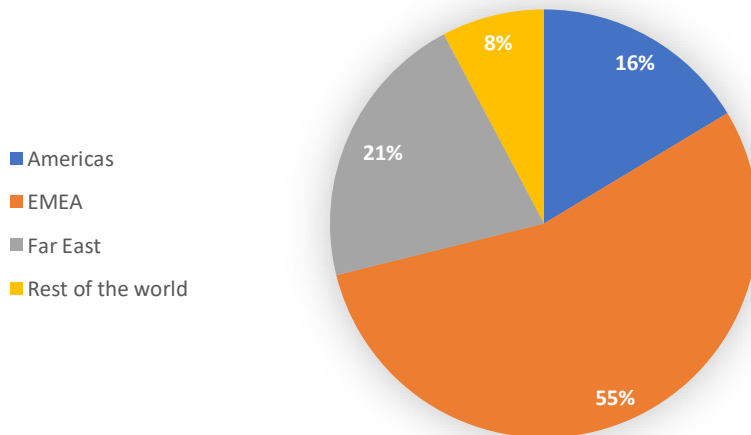
Following a lack of funding and work on certain defective parts, production has been curtailed for January and February 2019.

Sales and after sales

Our key distributors continue to be supportive. We have a current order book of 103 engines (with deposits received) mainly for the tropical compliant of our 200hp engine, which is expected to be introduced in production during Q2 2019.

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	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2017	FY 2016
Americas	38	2	-	16	12	8	-
EMEA	127	12	2	48	22	22	21
Far East	49	12	2	10	6	16	3
Rest of the world	18	1	-	12	-	5	-
TOTAL	232	27	4	86	40	51	24



Pictures from Miami Boat Show where Laborde Products Inc (OXE Diesel distributor South US New Mexico to Florida) together with Cimco Marine AB sales representatives displayed the OXE Diesel Kreta both on land and on sea. Generated substantial interest with the YouTube video of around 186,000 viewers.

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Picture from NAVDEX/IDEX where Exalto Emirates, UAE (OXE Diesel distributor Saudi Arabia, Qatar, Bahrain and Oman) together with Andreas Blomdahl (CEO Cimco Marine) displayed the OXE Diesel 125, 150, 175 and 200.

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 in the next few months. We are confident that our product will demonstrate all the qualities that we have promoted and expect orders to flow through in due course.



US Navy test boat in test, equipped with twin OXE Diesel 200, December 2018.

Product development

Cimco future is with the new generation of engines powered by BMW. The Bison project which focuses on developing the OXE300, if powered by BMW's 6-cylinder twin turbo diesel engine. The engine is now going through the validation and verification process which will complete at the end of this year. Production is expected to commence in May 2020.

Organisation

Cimco has 27 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 is currently undertaking a rights issue for SEK 103 million which is 99% underwritten. The company is expected to receive the funds by the end of April 2019. In the meantime, the company has obtained bridge funding of up to SEK 55 million and has drawn SEK 40 million so far. The loan will be repaid following receipt of the rights issue. Additionally, share warrants will also be issued for a total of SEK 51 million and is exercisable in October 2019.



Hurtigruten MS Midnatssol, in specially designed RIB with OXE Diesel 150, whale watching close to Antarctica.

SHAREHOLDERS

Cimco's top ten shareholders and movement in shares as at 31st January 2019 are as follows:

The ten largest shareholders 2019-01-31	Holding	%	Change
LINDBERG, PER	<u>5 564 762</u>	18,86%	↔
EUROCLEAR BANK S.A/N.V, W8-IMY	<u>3 940 150</u>	13,35%	↔
PRIORITET CAPITAL AB	<u>2 986 419</u>	10,12%	↑
MARINEDIESEL SWEDEN AB	<u>2 557 319</u>	8,67%	↔
FOSTER GLOBAL HOLDINGS PTY LTD	<u>2 253 759</u>	7,64%	↔
SIX SIS AG, W8IMY	<u>1 347 835</u>	4,57%	↔
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	<u>1 002 570</u>	3,40%	↓
LINDEROTH, MAGNUS	902 300	3,06%	↓
PERSHING, LLC, W9	669 280	2,27%	↔
CBLDN-SAXO BANK A/S	609 569	2,07%	↔

Largest changes				
		Change	%	Holding
PRIORITET CAPITAL AB	AK	<u>2 986 419</u>	100,00%	<u>2 986 419</u>
PRIORITET GROUP AB	AK	<u>-2 986 419</u>	-100,00%	0
LINDEROTH, MAGNUS	AK	-139 000	-13,35%	902 300
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	AK	-104 432	-9,43%	<u>1 002 570</u>
ANDERSSON, ARNE	AK	57 700	18,70%	366 227

Number of shareholders		
	shareholders	shares
Number of shareholders	2 174	<u>29 506 173</u>
New shareholders	110	<u>3 270 251</u>
Discontinued shareholders	126	<u>3 319 498</u>

FINANCIALS

OPERATIONAL AND FINANCIAL REVIEW

Fourth quarter 2018 compared to the Fourth quarter 2017

The Company's income statement for the fourth quarter 2018 shows a net loss of SEK 30.5 million, against a net loss of SEK 14.6 million the corresponding period the year before. Net turnover was SEK 9 million (SEK -837,000), mainly due to sales of 27 OXE units (0 units) together with ancillary accessories, service kits and spare parts.

The company produced gross loss due to adjustments to inventory including accounting for obsolescence as well as correcting certain defects to completed units. The company is also continuing to recruit staff to meet its aims for production and sales growth. In addition, the company incurred cost on improving its product, in particular the 200 OXE, which was re-introduced in October 2018 as well as marketing the 150hp and meeting warranty claims. The tropical version of the 200hp is expected to be introduced in April 2019.

ASSETS

Fourth quarter 2018 compared to the Fourth quarter 2017

As of the 31st December 2018, total assets amounted to SEK 249 million (SEK 182 million). The Company's non-current assets at the closing date were SEK 126 million (SEK 98 million), out of which R&D and patents total SEK 120 million (SEK 92 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 99 million (SEK 63 million). 25% of stock relates to Opel engine powerhead as we have around 700 units in stock due to meeting our supply agreement obligations. This will be reduced accordingly as we ramp up production. We have also completed units that makes up 33% of the stock value. Receivables from contract works amounted to SEK 13.6million as of 31st December 2018, in comparison to SEK 3 million as of 31st December 2017. The Company had cash and cash equivalents of SEK 5 million (SEK 14 million) at the closing date 31st December 2018.

EQUITY AND LIABILITIES

Fourth quarter 2018 compared to the Fourth quarter 2017

Total equity reduced to SEK 84 million (SEK 138 million). This is due higher losses suffered in the current period. The non-current liabilities & provisions have increased to SEK 109 million (SEK 4 million). This is mainly due to a corporate bond issuance in February and September 2018.

Current liabilities have increased to SEK 56 million (SEK 40 million).

CASH FLOW

Fourth quarter 2018 compared to the Fourth quarter 2017

Cash flow from operating activities

Cash flow from operations for the period was SEK -32.6 million (SEK -20.6 million). The decline in cash flow from operations is related to support for operational expenses, Increased inventory in working capital, current lower expected sales and product improvement. The comparative period include change in inventories amounting to SEK -13 million (SEK – 8 million).

Whilst accounts receivable changes was SEK -3 million (SEK 1.8 million) and other current receivables SEK 0.02 million (SEK -1.3 million).

Changes in trade payables amounted to SEK 8.6 million (SEK -0.4 million). This was due to the company negotiating extended credit terms in this quarter following reduced level of cash sales.

Cash flow from investing activities

Cash flow from investing in the period was SEK -9.5 million (SEK -8.5 million). This is primarily due to increased investments in intangible fixed assets of SEK -9.3 million (SEK -8 million), relating to R&D and patents.

Cash flow from financing activities

Cash flow from financing for the period was SEK -1.4 million (SEK -0.3 million). This relates to fees from the September bond tap.

FINANCIAL OBJECTIVES

Cimco had 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 from December 2018, which it achieved in the final working week in December 2018.

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.

Its updated and new financial targets for 2019 and longer-term targets are as follows:

- Unit sales of 600+ units for full year 2019 (new target)
- Gross margin positive during Q4 2019 (new target)
- Long term EBITDA margin of >20% (unchanged)
- Long term market share of 10% (7 700 units per year) by 2023 (updated – previously communicated to reach market share by 2021)

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

- Q4 2018 Interim report due on 28th February 2019;
- 2018 Annual report due on 29th March 2019;
- Annual General meeting on 14th May 2019;
- Q1 2019 interim report due on 31st May 2019;
- Q2 2019 interim report due on 30th August 2019;
- Q3 2019 interim report due on 29th November 2019.

OPERATING RESULTS

Financial year 2018 compared to financial year 2017

The company achieve a net turnover of SEK 40.6 million (SEK 14.6 million). This is due to sales of 157 units (55 units) of the OXE diesel outboard in that period. The company also sold ancillary accessories, service kits and parts.

The net operating loss for the period of SEK -87.2 million (SEK -46.9 million) was mainly due to improvements to the current product as well as cost of sales relating to warranties and marketing. The company focused on increasing production volumes to 25 units a week, which it achieved in the final working week in December 2018.

The company increased finance cost is due to the raising of SEK 80 million corporate bond in February 2018 and 26 MSEK was raised in September 2018.

The company currently has no corporation tax liability. It has accumulated losses of circa SEK 198 million, however SEK 32 million is disallowed due to ownership tax rules. The tax credit balance is SEK 36 million. The changes in ownership during 2018 may impact the recoverability of such tax losses. The analysis for this has not yet been completed.

CASH FLOW

Financial year 2018 compared to the financial year 2017

Cash flow from operating activities

Cash flow from operations for the period was SEK -126.8 million (SEK -101.9 million). The decline in cash flow from operations is mainly due to increased activity of sales, support for operational expenses, finance cost and changes to working capital.

Changes to working capital was substantially lower at SEK -29.7 million compared to the previous period of SEK -60.7 million. This is due to inventory movement of SEK -36 million (SEK -43 million), changes to trade payables of SEK 15.5 million (SEK -8 million); and changes in other current liabilities of SEK 0.5 million (SEK -11 million) is due to the comparison period reducing the advance payments received from customers.

Cash flow from investing activities

Cash flow from investing in the period was SEK-41.3 million (SEK-25.9 million). This is primarily due to increased investments in intangible fixed assets of SEK-31.8 million (SEK-23.2 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 157 million (SEK 133 million). The increase is mainly related to the issue of shares (directed issue and a rights issue) as well as corporate bonds issuance in February and September 2018, compared to IPO, a further directed issue and pre-IPO funding in the corresponding period.

FINANCIAL STATEMENTS FOR THE PERIOD TO 31ST DECEMBER 2018

Income statement CIMCO MARINE AB

	1 Oct 2018 - 31 Dec 2018	1 Oct 2017 - 31 Dec 2017	1 Jan 2018 - 31 Dec 2018	1 Jan 2017 - 31 Dec 2017
(amount in KSEK)				
Income				
Net turnover	9,041	-837	40,578	14,602
Other operating income	1,177		673	-
Total income	10,218	-837	41,251	14,602
Goods for resale	-15,678	-4,040	-57,308	-25,982
Other external costs	-17,051	-5,313	-49,001	-14,496
Personnel costs	-1,547	-1,296	-9,308	-10,468
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	-3,302	-2,356	-12,792	-8,967
Other operating expenses	-	-1,218	-	-1,548
Total operating costs	-37,578	-14,223	-128,409	-61,461
Operating profit/loss	-27,361	-15,060	-87,158	-46,859
Other interest income and similar profit/loss items		-		2
Interest expenses and similar profit/loss items	-3,185	408	-21,054	-4,122
Profit/loss after financial items	-30,545	-14,652	-108,213	-50,978
Pre-tax profit/loss				
Net profit/loss for the period	-30,545	-14,652	-108,213	-50,978

Balance sheet statement

Cimco Marine AB

	31-Dec-18	31-Dec-17	31-Dec-16
(amount in KSEK)			
Intangible fixed assets			
Capitalised expenses for reseach and development and similar works	117,207	88,681	73,879
Patent	3,317	3,618	3,069
Total intangible assets	120,525	92,299	76,948
Tangible fixed assets			
Equipment, tools and installations	5,912	5,637	4,057
Total fixed assets	5,912	5,637	4,057
Total tangible	126,436	97,936	81,005
Currents assets			
Inventories etc			
Finished goods and goods for resale	96,759	45,761	14,543
Advance payments to suppliers	2,053	16,887	5,212
Total current assets	98,812	62,647	19,755
Currents receivables			
Accounts receivables	13,599	2,935	2,769
Other receivables	3,258	3,764	5,385
Deferred expenses and accrued income	1,456	601	285
Total current receivables	18,313	7,300	8,439
Cash on hand and in bank	4,972	14,170	9,041
Total current assets	122,097	84,118	37,235
Total assets	248,533	182,054	118,240

Continue of balance sheet statement

Cimco Marine AB

	31-Dec-18	31-Dec-17	31-Dec-16
<i>(amount in KSEK)</i>			
Equity and liabilities			
Equity			
Restricted reserves			
Share capital	885	723	67
Reserve for development expenditure	62,921	40,409	20,451
Total restricted equity	63,805	41,132	20,518
Non-restricted equity			
Share Premium	222,975	169,044	32,889
Retained earnings or losses	-94,786	-21,296	-7,171
Profit/loss for the year	-108,213	-50,979	-27,088
Total non-restricted equity	19,976	96,769	-1,370
Total equity	83,781	137,901	19,148
Provisions			
Other provisions	1,146	1,336	481
Total provisions	1,146	1,336	481
Long-term liabilities			
Liabilities to finance institutions	106,206	2,876	4,000
Other liabilities	-	-	35,659
Total long-term liabilities	106,206	2,876	39,659
Current liabilities			
Liabilities to finance institutions	1,431	1,195	6,338
Advance payments from customers	15,147	19,328	24,345
Accounts payable	30,950	15,440	23,477
Current tax liabilities	795	130	167
Other liabilities	5,524	980	2,464
Accrued expenses and other deferred income	3,552	2,868	2,161
Total current liabilities	57,400	39,941	58,952
Total equity and liabilities	248,533	182,054	118,240

Changes in Equity Statement

Cimco Marine AB

	31-Dec-18	31-Dec-17	31-Dec-16
(amount in KSEK)			
Opening balance equity (1 Jan 18)	137,901	19,148	10,058
Loss for the period	-108,213	-50,979	-27,088
Issuance of shares	55,575	142,964	32,901
Less cost of issuance	-1,482	-7,090	-
Shareholder loan conversion to equity	-	33,391	-
Option premium	-	467	-
Other shareholder contribution	-	-	3,277
Closing balance equity	83,781	137,901	19,148

CIMCO

Endurance by Engineering

Statement of Cash Flows

Cimco Marine AB

	1 Oct 2018 - 31 Dec 2018	1 Oct 2017 - 31 Dec 2017	1 Jan 2018 - 31 Dec 2018	1 Jan 2017 - 31 Dec 2017	1 Jan 2016 - 31 Dec 2016
Operating Activities					
Results before financial items	-27,361	-14,449	-87,159	-51,042	-27,088
Adjustments for items not included in cash flow	131	2,350	-8,455	9,818	3,389
Tax paid					111
Cash flow from operating activities before changes in working capital	-27,230	-12,099	-95,614	-41,225	-23,588
Cash flow from changes in working capital					
Change in Inventories	-13,138	-8,040	-36,165	-42,892	-17,809
Change in accounts receivable	-3,061	1,787	-10,664	-50	-2,111
Change in other current receivables	21	-1,258	-350	1,305	-3,056
Change in Trade payables	8,586	-357	15,510	-8,037	19,944
Change in other current liabilities	2,220	-607	1,944	-11,028	25,580
Cash flow from operating activities	-32,603	-20,574	-125,339	-101,927	-1,040
Investing Activities					
Investments in property, plant and equipment	-249	-450	-1,999	-2,739	-4,348
Investments in intangible fixed assets	-9,258	-8,035	-31,782	-23,155	-22,118
Divestments in intangible fixed assets	0		-7,509		0
Cash flow from investing activities	-9,507	-8,485	-41,290	-25,894	-26,467
Financing activities					
New share issue	0	-116	54,093	169,266	32,900
Option premium	0	0		467	
Change of loan	-1,367	-277	103,337	-36,783	-1,011
shareholder contribution	0	0		0	3,277
Cash flow from financing activities	-1,367	-393	157,430	132,950	35,167
Cash flow for the period	-43,477	-29,452	-9,199	5,130	7,660
Cash and bank balances at the beginning of the period	48,448	43,622	14,170	9,041	1,381
Cash and bank balances at the end of the period	4,972	14,170	4,972	14,170	9,041

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 February 28th 2019, 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.