

CIMCO

Endurance by Engineering

INTERIM REPORT FOR 1 JULY - 30 SEPTEMBER 2018



www.oxe-diesel.com

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INTERIM REPORT JULY - SEPTEMBER 2018

Third quarter of 2018 (July to September)

- Net Turnover of SEK 3.8 million (SEK 2.4 million)
- Operating Loss/EBIT of SEK -17 million (SEK -12.7 million)
- Result for the period of SEK -22.9 million (SEK -14.6 million)
- Cashflow for the period SEK 7.1 million (SEK 2.2 million)
- Earnings per share amounted to SEK -0.87 (SEK -0.74)
- Production of OXE units: 85 (7)

First nine months of 2018

- Net Turnover of SEK 31.5 million (SEK 15.4 million)
- Operating Loss/EBIT of SEK -59.8 million (SEK -31.8 million)
- Result for the period of SEK -77.7 million (SEK -36.3 million)
- Cashflow for the period SEK 34.3 million (SEK 34.6 million)
- Earnings per share amounted to SEK -3.06 (SEK -2.16)
- Production of OXE units 225 (55)

Significant event in the third quarter

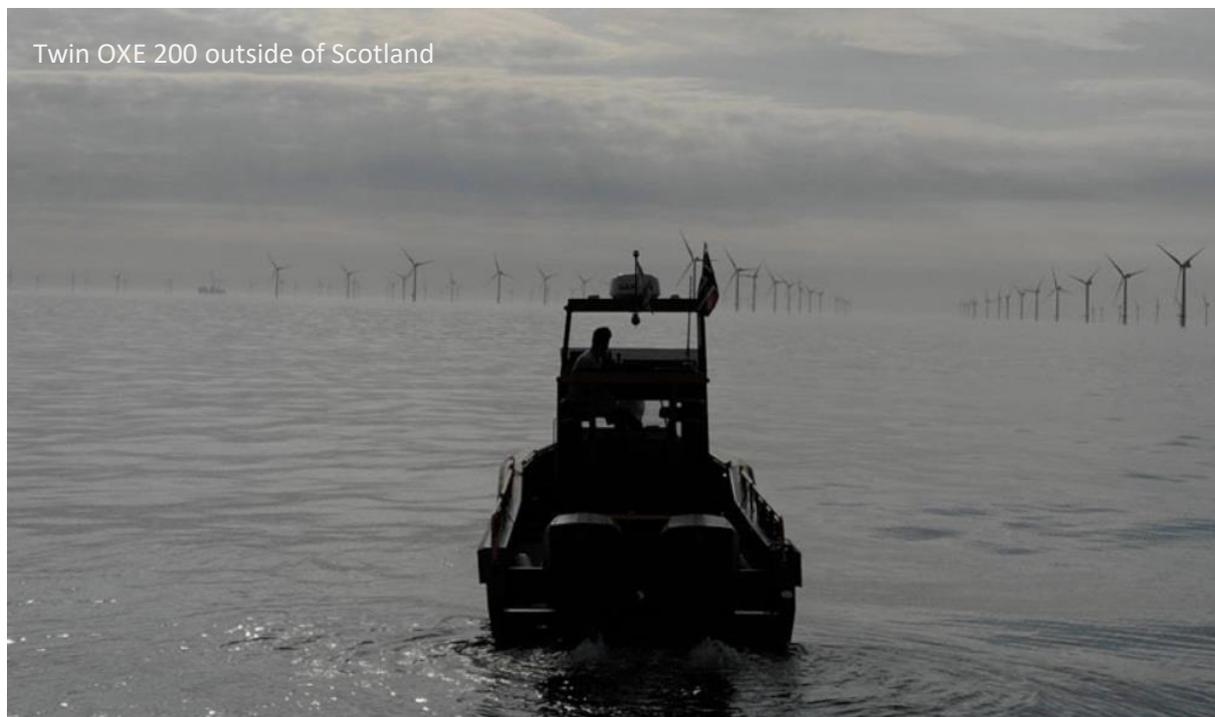
- Production status – Cimco produced 42 units in the month of June and the 200hp OXE to be re-introduced at the end of September.
- Preliminary results of Q2 2018 and announcement to raise additional funding to meet the company's working capital requirement.
- Cimco Marine AB (publ) resolves on a rights issue of approximately SEK 25.5 million. This issuance is 100% underwritten by subscriptions and guarantees by Prioritet group AB and Per Lindberg.
- Corporate Bond tap issue of SEK 26 million was oversubscribed.
- Cimco Marine AB (publ) has been issued a new patent for duoprop for Europe.
- Cimco Marine's rights issue was oversubscribed.
- Marinediesel Sweden AB enters into option agreement with Per Lindberg regarding shares in Cimco Marine AB (publ)

Significant event after the reporting period

- 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.

Financial Overview

CIMCO MARINE AB	1 Jul 2018 - 30 Sep 2018	1 Jul 2017 - 30 Sep 2017	1 Jan 2018 - 30 Sep 2018	1 Jan 2017 - 30 Sep 2017	1 Jan 2017 - 31 Dec 2017	1 Jan 2016 - 31 Dec 2016
<i>(amount in KSEK)</i>						
Net turnover	3,745	2,363	31,537	15,439	14,602	6 878
Net profit/loss for the period	-22,876	-14,602	-77,667	-36,327	-50,979	-27,088
Total Equity	114,327	152,405	114,327	152,405	137,901	19,148
Total Assets	269,628	197,749	269,628	197,749	182,053	118,240
Cash in bank (incl in Total assets)	48,449	43,622	48,449	43,622	14,170	9,041
Equity Asset ratio	42%	77%	42%	77%	76%	16%
Total shares outstanding	29,506,173	24,101,617	29,506,173	24,101,617	24,101,617	13,311,920
Average number of shares	26,176,237	19,768,290	25,398,155	16,809,500	18,905,175	11,294,410
Earnings per share	-0.87	-0.74	-3.06	-2.16	-2.70	-2.40
Number of employees	23	33	23	33	31	14
OXE untis produced	85	7	225	55	55	25
OXE untis sold	4	7	130	55	55	25



Per Wikheim (Norwegian distributor, Link Norway), in the Aluventure 1100 with twin OXE Diesel 200, outside the coast of Scotland, on the way towards the Norway tour.

COMMENTS BY THE CEO

During the third quarter of 2018, the company achieved production of 85 units. We could have achieved a higher level of production but was faced with a bottleneck due to 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 will be able to implement this in December and am confident that we will achieve our stated target of 25 units a week in December.

Our sales for the 150hp for the quarter was only 4 units. This was due to the following reasons:

- Cimco's decision to hold completed engines in stock (there were no engines in stock in the previous quarter) to meet guaranteed future sales delivery dates and to mitigate production variability;
- Switch of orders by our customers from 150hp to 200hp due to the imminent re-introduction of the 200hp (which was launched in October 2018);
- sales being processed quickly in the previous quarter, prior to the holiday season, which resulted in a lower order book going forward for the 150hp.

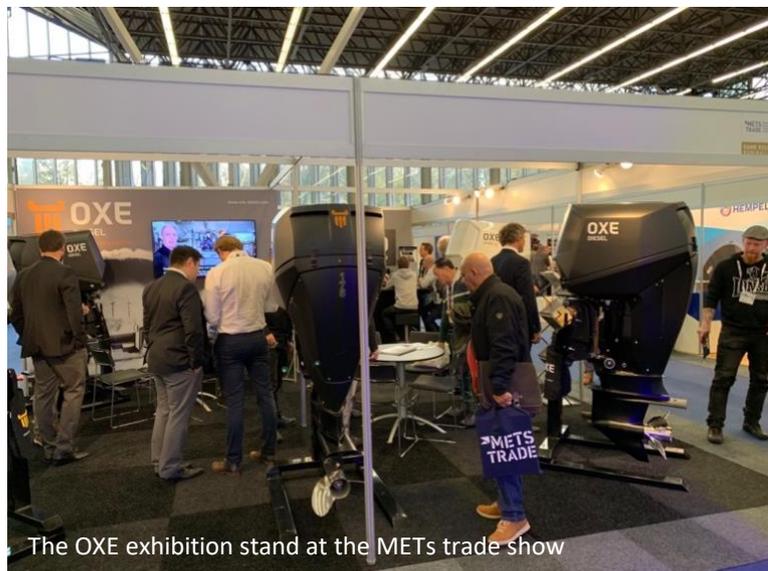
We are working on several sales projects which could yield significant orders for the 150hp in the near future. Nonetheless our key focus now is to get the production of 200hp OXE up and running. To this end, we are slowing down our production of the 150hp in November with the aim of producing 200hp engines in December. This will also yield improved profitability and cashflow, following the price increases of our products effective from 1st November 2018.



The OXE Diesel Kreta

Cimco has also increased its sales and marketing efforts – particularly in employing more personnel and increasing its media exposure. The recent METs exhibition in

Amsterdam (13-15 November) was the first time Cimco had established its own exhibition stand – this proved to be highly successful. Most of our Distributor network attended the show and were pleased to see the broad range of products being offered – especially the launch of our 125hp OXE and 175hp OXE as well as the new OXE Kreta superyacht tender boat engine. At the exhibition, OXE 150hp was nominated by the Jury for the DAME Design award in the category Machinery, propulsion, mechanical and electrical systems and fitting.



The OXE exhibition stand at the METs trade show

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During the third quarter, we produced 85 engines of which we sold 4 units whilst 6 units were provided as incentives with existing/new customers, 13 were for internal use, for both testing and for marketing purposes and 2 under warranty.

We are accelerating our cost down program on the OXE parts with a priority on achieving profitability for 2019. To this end we have employed a dedicated team to source parts and material, some of which have already been worked on and should come on line in early 2019 – and together with our product price increases, it should bring the company to achieve positive gross margins.

After years of development and testing of parts separately and in controlled DYNO environment, the OXE 300 has this month been tested on water for the first time. I am very pleased that it is ahead of schedule regarding testing and that so far, all testing has been successful. This is a great achievement by Cimco but specifically for our agile research and development team. The prototype series will undergo an extensive test programme to ensure that the product delivers on our customers' expectations, as previously been communicated the goal is to launch the OXE 300 in April 2020.



The OXE 300 on water in Angelholm for the first time

We also signed the supply and development agreement with BMW this month. They will supply their twin turbo Inline-6-Cylinder Diesel Engine and selected parts and components. The initial order of about 900 BMW engines for 2020 will be followed by volume purchase of 2,000 engines in 2021 and 3080 engines in 2022. The planned start for production of the OXE Diesel outboards based on the BMW engine will be in April 2020. The engine will be used in four product variants: The OXE 225hp, OXE 250hp, OXE 275hp and Cimco's new flagship variant, the OXE 300hp.

I am pleased with the way we have progressed since my appointment as CEO in June and am very confident of our future. There is much to achieve, and we remain 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 85 engines in Q3, 90 engines in Q2 and 50 units in Q1, which totals 225 engines produced for the first nine months of 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 will become available from December.

Currently, due to the demand for our re-launched 200hp, we are switching over our production from 150hp to 200hp, as a result there will be a limited run in production for November.

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 December 2018.

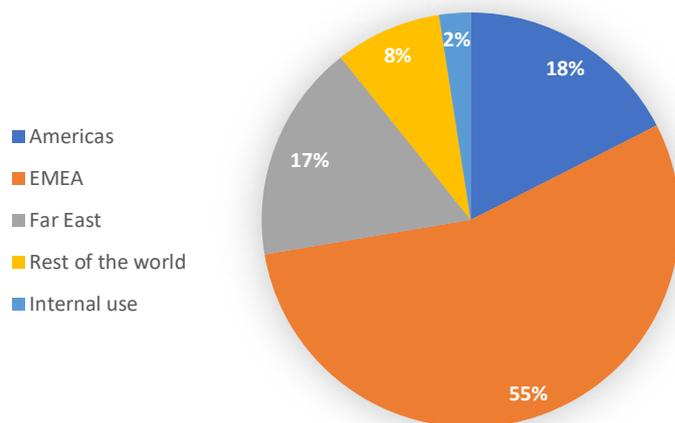
Sales and after sales

Our key distributors continue to be supportive. However, after the summer holidays, the imminent re-introduction of the 200hp had resulted in a switch in demand from the 150hp to the 200hp. In addition, the company had wanted to hold back completed units to meet certain guaranteed delivery dates of the 150hp.

To ensure we provide necessary support for sales and after sales, we have recruited additional personnel during the quarter. There will be more marketing initiatives including trade shows such as the METs held in Amsterdam recently – which proved to be a success generating further interest with customers and potential new distributors. Our key focus is to continue building on marketing the OXE, training our distributors and provide them with strong after sales support.

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	Q3 2018	Q2 2018	Q1 2018	FY 2017	FY 2016
Americas	36		16	12	8	-
EMEA	115	2	48	22	22	21
Far East	37	2	10	6	16	3
Rest of the world	17		12	-	5	-
Internal use	5		-	-	4	1
TOTAL	210	4	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 early next 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.

Product development

Cimco has signed a supply and development agreement with BMW with regards to supplying its twin turbo 6-cylinder 3 litre diesel engine. A prototype has been tested in the Dyno in Angelholm and its first test on water was carried out just before the METs show. Start of production for this new engine is expected to be in April 2020; with four power variants. The company calculates the payback of its investment to be equal to around 300 of the OXE300 engines.

Organisation

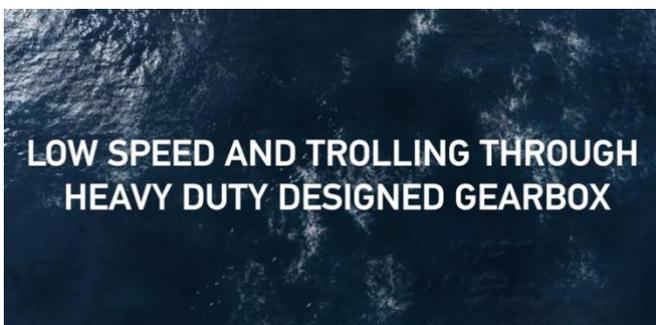
Cimco has 23 employees at present. The company continues to add qualified and experienced personnel to its team to match its long-term objectives and to provide world class support to its customers.

Future funding requirement

Cimco successfully concluded a rights issue for SEK 25.5 million, which has been fully underwritten as well as a Corporate bond issue of 26MSEK.



During the quarter Cimco has focused on producing marketing material. Five representative short films has been made. 1. CEO interview, 2. Low speed and trolling through heavy duty design gearbox (below left), 3. Interchangeable torque through primary belt system (below), 4. Production video (left), 5. The bison project.



SHAREHOLDERS

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

The ten largest shareholders 2018-10-31	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 GROUP 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>1 692 188</u>	5,74%	↓
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	<u>1 082 004</u>	3,67%	↑
LINDEROTH, MAGNUS	<u>1 040 800</u>	3,53%	↓
PERSHING, LLC, W9	669 280	2,27%	↓
CBLDN-SAXO BANK A/S	609 669	2,07%	↑

Largest changes				
		Change	%	Holding
SIX SIS AG, W8IMY	AK	<u>-3 959 858</u>	-70,06%	<u>1 692 188</u>
EUROCLEAR BANK S.A/N.V, W8-IMY	AK	<u>3 932 150</u>	49 151,88%	<u>3 940 150</u>
LINDBERG, PER	AK	464 198	9,10%	<u>5 564 762</u>
PRIORITET GROUP AB	AK	344 586	13,04%	<u>2 986 419</u>
MARINEDIESEL SWEDEN AB	AK	294 498	13,01%	<u>2 557 319</u>

Number of shareholders		
	shareholders	shares
Number of shareholders	2 219	<u>29 506 173</u>
New shareholders	120	565 791
Discontinued shareholders	58	39 889



Our product range, which now includes the 125hp and 175hp – both have received EPA certification

FINANCIALS

OPERATIONAL AND FINANCIAL REVIEW

Third quarter 2018 compared to the third quarter 2017

The Company's income statement for the second quarter 2018 shows a net loss of SEK 22.9 million, against a net loss of SEK 14.6 million the corresponding period the year before. Revenues was SEK 3.8 million (SEK 2.4 million), mainly due to sales of 4 OXE units (7 units) together with ancillary accessories, service kits and spare parts.

The company achieved a small gross profit due to mainly sales of spare parts and service kits – this carries significant margins. 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.

ASSETS

Third quarter 2018 compared to the third quarter 2017

As of the 30 September 2018, total assets amounted to SEK 270 million (SEK 198 million). The Company's non-current assets at the closing date were SEK 120 million (SEK 92 million), out of which R&D and patents total SEK 114 million (SEK 86 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 86 million (SEK 55 million). 35% of stock relates to Opel engine powerhead as we have over 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 20% of the stock value. Receivables from contract works amounted to SEK 10.5 million as of 30 September 2018, in comparison to SEK 4.6 million as of 30 September 2017. The Company had cash and cash equivalents of SEK 48.4 million (SEK 43.6 million) at the closing date 30 September 2018.

EQUITY AND LIABILITIES

Third quarter 2018 compared to the third quarter 2017

Total equity reduced to SEK 114 million (SEK 152 million). This is due higher losses suffered in the current period whilst also taking into account to issue of new shares to existing and new owners. The non-current liabilities & provisions have increased to SEK 110 million (SEK 3 million). This is mainly due to a corporate bond issuance in February and September 2018.

Current liabilities have increased slightly to SEK 44.2 million (SEK 40.9 million).

CASH FLOW

Third quarter 2018 compared to the third quarter 2017

Cash flow from operating activities

Cash flow from operations for the period was SEK -33.4 million (SEK -55.2 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. The comparative period included repayment of Change in inventories amounted to SEK -20.8 million (SEK - 23.9 million).

Whilst accounts receivable changes was SEK -3.3 million (SEK 2.4 million) and other current receivables SEK 8 million (SEK 0.4 million). The receivable changes were related to billings to customers for the 150hp engines being transferred to accounts receivable.

Change in other current liabilities amounted to SEK -1.4 million (SEK -22.9 million) – the significant cash outflow in the comparative period relates to repayment of an outstanding bridging loan.

Cash flow from investing activities

Cash flow from investing in the period was SEK-12 million (SEK-5.9 million). This is primarily due to increased investments in intangible fixed assets of SEK-11.9 million (SEK-4.7 million), relating to R&D and patents.

Cash flow from financing activities

Cash flow from financing for the period was SEK 52.5 million (SEK 63.4 million). This relates to the share rights issue and corporate bond issuance in September 2018 compared to a directed share issue in September 2017.

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 from 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.

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

The Calendar for 2019 will be announced in December 2018.

OPERATING RESULTS

First nine months 2018 compared to the first nine months 2017

The company achieve a turnover of SEK 31.5 million (SEK 15.4 million). This is due to sales of 130 units (55 units) of the OXE diesel outboard in that period. The company also sold ancillary accessories, service kits and parts.

The net loss for the period of SEK -77.7 million (SEK -36.3 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 and 26 MSEK was raised in September 2018.

The company currently has no corporation tax liability. It has accumulated losses of circa SEK 168 million, however SEK 32 million is disallowed due to ownership tax rules. The tax credit balance is SEK 30 million (subject to further ownership rules).

CASH FLOW

First nine months 2018 compared to the first nine months 2017

Cash flow from operating activities

Cash flow from operations for the period was SEK -92.7 million (SEK -81 million). The decline in cash flow from operations is mainly due to increased activity of sales, support for operational expenses, and finance cost.

Changes to working capital was substantially lower at SEK -24.4 million compared to the previous period of SEK -52.3 million. This is due to inventory movement of SEK -24 million (SEK -35 million), changes to trade payables of SEK 6.9 million (SEK -7.7 million); and changes in other current liabilities of SEK -0.3 million (SEK -10.4 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-31.8 million (SEK-17.4 million). This is primarily due to increased investments in intangible fixed assets of SEK-22.5 million (SEK-15.1 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 159 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.

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Income statement

CIMCO MARINE AB

	1 Jul 2018 - 30 Sep 2018	1 Jul 2017 - 30 sep 2017	1 Jan 2018 - 30 Sep 2018	1 Jan 2017 - 30 Sep 2017
(amount in KSEK)				
Income				
Net turnover	3,745	2,363	31,537	15,439
Other operating income				
Total income	3,745	2,363	31,537	15,439
Goods for resale	-3,625	-5,236	-41,629	-21,942
Other external costs	-13,516	-4,165	-31,950	-9,183
Personnel costs	-1,110	-3,044	-7,762	-9,172
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	-3,386	-2,138	-9,489	-6,611
Other operating expenses	882	-437	-504	-330
Total operating costs	-20,755	-15,020	-91,335	-47,238
Operating profit/loss	-17,010	-12,657	-59,797	-31,799
Other interest income and similar profit/loss items		-		1
Interest expenses and similar profit/loss items	-5,865	-1,944	-17,870	-4,529
Profit/loss after financial items	-22,876	-14,602	-77,667	-36,327
Pre-tax profit/loss				
Net profit/loss for the period	-22,876	-14,602	-77,667	-36,327

Balance sheet statement

Cimco Marine AB

	30-Sep-18	30-Sep-17	31-Dec-17
(amount in KSEK)			
Intangible fixed assets			
Capitalised expenses for reseach and development and similar works	110,730	82,612	88,681
Patent	3,418	3,630	3,618
Total intangible assets	114,148	86,241	92,299
Tangible fixed assets			
Equipment, tools and installations	6,084	5,565	5,637
Total fixed assets	6,084	5,565	5,637
Total tangible	120,231	91,807	97,936
Currents assets			
Inventories etc			
Finished goods and goods for resale	80,724	31,710	45,761
Advance payments to suppliers	4,950	22,897	16,887
Total current assets	85,674	54,607	62,647
Currents receivables			
Accounts receivables	10,538	4,606	2,935
Other receivables	3,633	2,946	3,764
Deferred expenses and accrued income	1,103	161	601
Total current receivables	15,273	7,713	7,300
Cash on hand and in bank	48,449	43,622	14,170
Total current assets	149,397	105,942	84,118
Total assets	269,628	197,749	182,054

Continue of balance sheet statement

Cimco Marine AB

	30-Sep-18	30-Sep-17	31-Dec-17
(amount in KSEK)			
Equity and liabilities			
Equity			
Restricted reserves			
Share capital	885	723	723
Reserve for development expenditure	55,160	33,061	40,409
Total restricted equity	56,045	33,784	41,132
Non-restricted equity			
Share Premium	222,975	169,362	169,044
Retained earnings or losses	-87,026	-14,414	-21,296
Profit/loss for the year	-77,667	-36,327	-50,979
Total non-restricted equity	58,282	118,621	96,769
Total equity	114,327	152,405	137,901
Provisions			
Other provisions	1,133	1,342	1,336
Total provisions	1,133	1,342	1,336
Long-term liabilities			
Liabilities to finance institutions	109,943	3,152	2,876
Other liabilities	-	-	-
Total long-term liabilities	109,943	3,152	2,876
Current liabilities			
Liabilities to finance institutions	-	1,411	1,195
Advance payments from customers	14,445	19,173	19,328
Accounts payable	22,364	15,796	15,440
Current tax liabilities	398	129	130
Other liabilities	4,301	759	980
Accrued expenses and other deferred income	2,718	3,583	2,868
Total current liabilities	44,226	40,850	39,941
Total equity and liabilities	269,628	197,749	182,054

Changes in Equity Statement

Cimco Marine AB

	30-Sep-18	30-Sep-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	-77,667	-36,327	-50,979
Issuance of shares	55,575	143,166	142,964
Less cost of issuance	-1,482	-6,987	-7,090
Shareholder loan conversion to equity	-	33,391	33,391
Option premium	-	-	467
Other shareholder contribution	-	-	-
Closing balance equity	114,327	152,391	137,901

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Statement of Cash Flows

Cimco Marine AB

	1 Jul 2018 - 30 Sep 2018	1 Jul 2017 - 30 Sep 2017	1 Jan 2018 - 30 Sep 2018	1 Jan 2017 - 30 Sep 2017	1 Jan 2017 - 31 Dec 2017
Operating Activities					
Results after financial items	-17,011	-14,602	-59,797	-36,327	-51,042
Adjustments for items not included in cash flow	-3,705	2,224	-8,584	7,469	9,818
Tax paid				0	0
Cash flow from operating activities before changes in working capital	-20,716	-12,378	-68,381	-28,858	-41,225
Cash flow from changes in working capital					
Change in Inventories	-20,846	-23,870	-23,027	-34,852	-42,892
Change in accounts receivable	-3,321	2,398	-7,602	-1,837	-50
Change in other current receivables	8,077	430	-371	2,563	1,305
Change in Trade payables	4,879	1,062	6,924	-7,681	-8,037
Change in other current liabilities	-1,432	-22,877	-274	-10,421	-11,028
Cash flow from operating activities	-33,359	-55,235	-92,731	-81,086	-101,927
Investing Activities					
Investments in property, plant and equipment	-180	-1,183	-1,752	-2,291	-2,739
Investments in intangible fixed assets	-11,909	-4,750	-22,537	-15,120	-23,155
Divestments in intangible fixed assets		0	-7,496	0	
Cash flow from Investing activities	-12,089	-5,933	-31,785	-17,412	-25,894
Financing activities					
New share issue	24,052	63,709	54,093	136,193	169,266
Option premium	0	0	0	0	467
Change of loan	28,496	-295	104,704	-3,116	-36,783
Cash flow from financing activities	52,548	63,414	158,797	133,077	132,950
Cash flow for the period	7,100	2,246	34,281	34,579	5,130
Cash and bank balances at the beginning of the period	41,348	41,376	14,170	9,041	9,041
Cash and bank balances at the end of the period	48,448	43,622	48,451	43,620	14,170

NOTES

Accounting and Valuation Principles

General Information

The interim report is drawn up in accordance with the Swedish Annual Accounts Act and BFAR 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 November 29th 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.