



CIMCO
Endurance by Engineering

ANNUAL REPORT
2018

ANNUAL REPORT 2018

The board and CEO for Cimco Marine AB herby provide the following interim report.

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Seat of the board: Ängelholm

Company accounting currency: Swedish kronor (SEK)

Unless otherwise stated, all amounts are reported in SEK thousands (TSEK).

DIRECTORS' REPORT



The outboard engine was invented by Norwegian-born Ole Evinrude in 1909 and outboard engines today still carry most of Ole's original technology. 110 years after the first outboard engine came, the technology is broadly identical today - a vertically mounted motor with a vertical shaft from the engine down to the propeller shaft where the gearbox and mechanical coupling are located. There have, of course, been some updates over the years, such as electronics, injection, modern plastic covers, etc., but the basic technology is still the same after all these years.

When the first outboard engine of 1.5 hp was launched, the technology was revolutionary. Today, the same technology is used on outboard engines but upwards to 400+ hp. This is what laid the foundation for Cimco's business - that the technology in the traditional outboard engine has not been updated while the engine powers are climbing ever upwards.

"A NORMAL PROFESSIONAL CUSTOMER HAS THE INVESTMENT AT ITS OXE DIESEL REFUND AT THE END OF 6-9 MONTHS, ONLY IN FUEL SAVINGS."

The customers' fundamental demands are quite simple - they want a reliable diesel outboard engine. Our product portfolio now ranges from 125-200 hp divided into four models (125/150/175/200 hp) and the next generation outboard engines based on BMW base engines are already in the first test phases in both test lab and on the lake and with planned production launch during the first half-year 2020. This will expand the portfolio with powers of up to 300+ hp, thus giving our distributors a wider product range for their customers. We continue to focus on commercial customers who benefit most from the more powerful design and the lower fuel consumption. A normal professional customer has the investment on his OXE Diesel reimbursed in about 6-9 months, only in fuel savings.

When I took over the CEO's role in June 2018, we faced a number of challenges that meant that we could not meet the goals we had set up.

The focus was thus primarily on getting the necessary foundation in place and turning our organization into a well-oiled machinery. We have therefore worked intensively on marketing, building trust among our end customers and distributors, upgrading the quality concept, solving a number of technical problems and getting back the OXE200 back into production and reducing costs in the supply chain.

Thanks to the work that has now been done, we have prepared our way to meet our business plan. The future focus will be on driving profitability more than pure production volumes. We intend to put a lot of focus on marketing and our cost reduction so that we work together in volume and margin in parallel to create profits in the business and for our owners.

In conclusion, I feel that Cimco is today on a very stable footing and that we have all the conditions in place to reach our goals going forward. It's just about rolling up the sleeves and making sure the job is done - a task I and the team look forward to with great enthusiasm.

" WE INTEND TO PUT MUCH FOCUS ON MARKETING AND COST REDUCTIONS TO INCREASE VOLUMES AND MARGINS IN ORDER TO CREATE PROFITS FOR THE BUSINESS AND FOR OUR OWNERS."

Andreas Blomdahl
CEO, Cimco Marine AB

MANAGEMENT REPORT

INFORMATION ABOUT THE BUSINESS

Cimco Marine AB (publ) was formed in 2012 and after several years of development has developed a diesel outboard for the marine market. The head office is located in Ängelholm where all product development takes place and assembly, as well as final testing of the product, is performed by Uddevalla Finmekanik AB (UFAB). The global outboard market has long been dominated by gasoline engines, but with a diesel engine you get a stronger and above all a more fuel-efficient engine. Several attempts have been made to produce outboard engines for diesel fuel, but the difficulty lies in producing a sufficiently strong construction for power transmission between engine and propeller. Cimco Marine's outboard engine, OXE Diesel, is the first diesel engine expected to replace the well-established gasoline outlets in the higher power levels, in commercial and governmental operations.

The engine is a modular platform that has been configured for a horizontally mounted engine, unlike traditional outboard engines which have vertical engine installations.

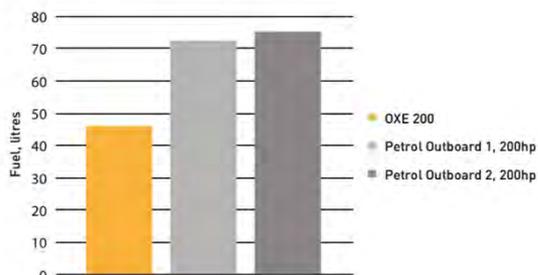
which have vertical engine installations.

Cimco Marine's unique solution has led to great international demand the company's engines. Among other things, in 2015, NATO introduced a directive, Single Fuel, which stipulates that all NATO equipment must be run on diesel if this is an available option on the market.

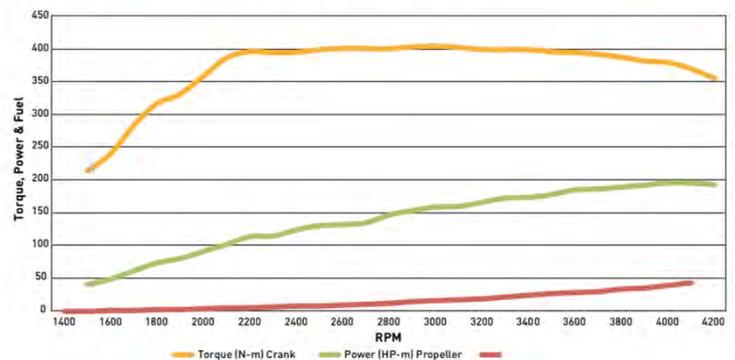
- A. Easy access service points
- B. Horizontally mounted diesel engine with high torque and closed cooling system
- C. Modular design enables interchangeable packages
- D. Belt transmission enables alternative gear ratios
- E. Electrohydraulic gearbox with trolling, enables right and left rotating propellers
- F. Hydraulic clutch with quick shift and crash-stop capability
- G. Patented belt transmission withstands high torque and insulates gearbox from shock load
- H. Hydrodynamics optimized sub-house that reduces drag and thus fuel consumption

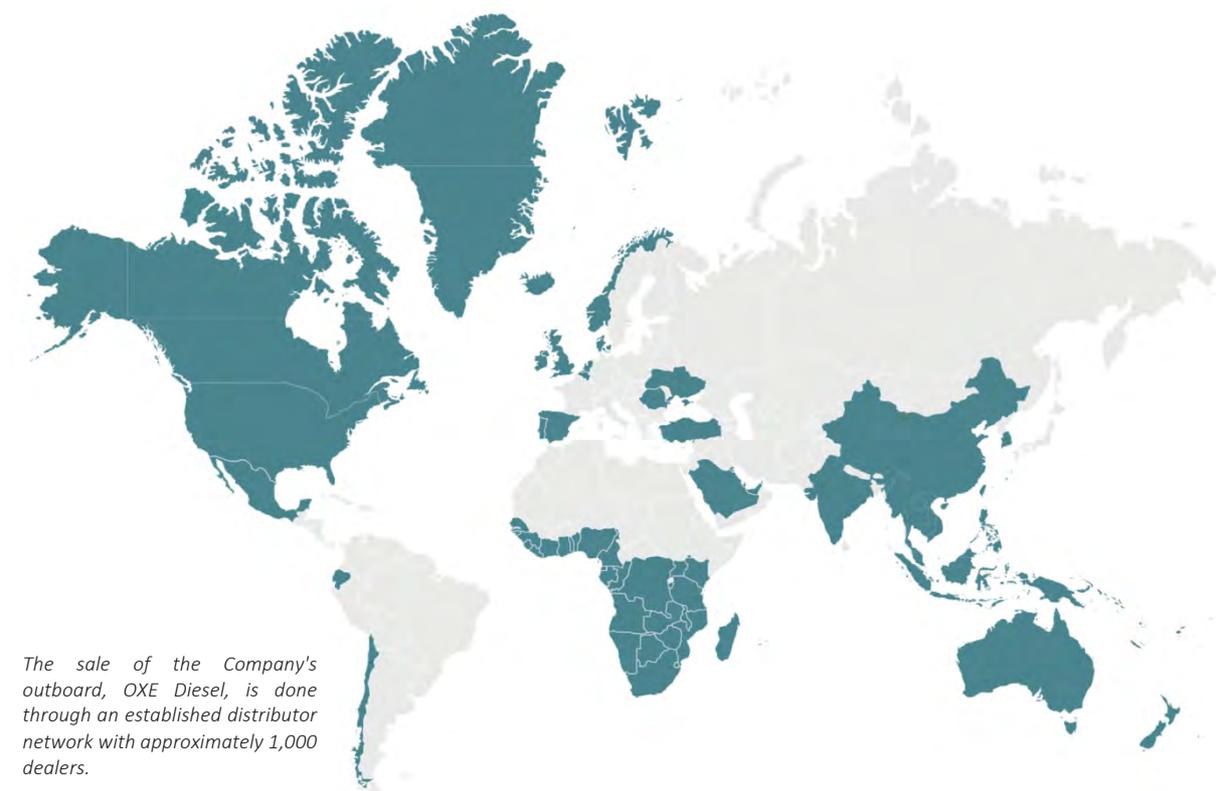


FUEL CONSUMPTION WOT



OXE 200 HP TORQUE / POWER / FUEL CONSUMPTION





The sale of the Company's outboard, OXE Diesel, is done through an established distributor network with approximately 1,000 dealers.

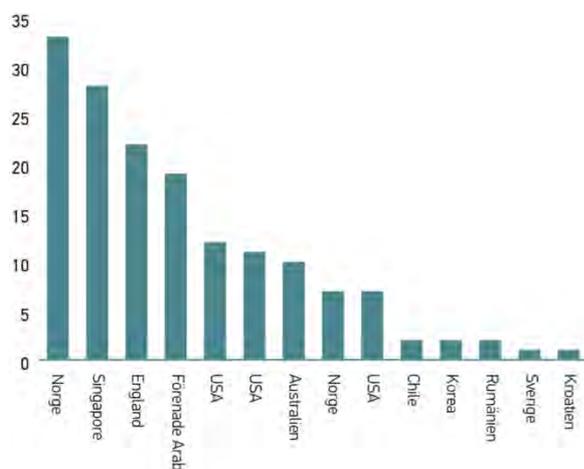
SIGNIFICANT EVENTS IN THE FINANCIAL YEAR

In 2018, the Board decided to let former CEO Cecilia Anderberg leave the company and Andreas Blomdahl acted as new CEO on June 15. Andreas has been on the company's board since the start in 2012 and until the AGM 2018 also chairman, a post that was taken over by Anders Berg.

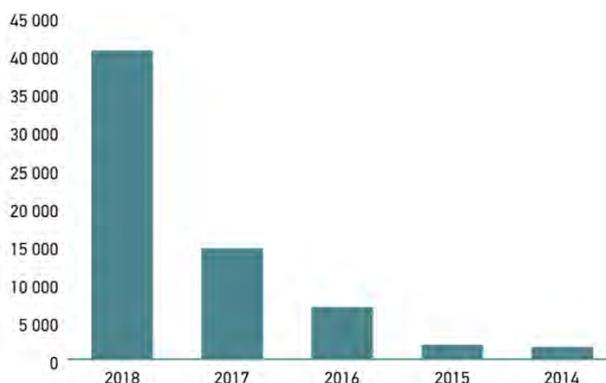
During the year, two new issues were made with a capital contribution of a total of 55 MSEK, according to the following breakdown: February 30MSEK, and September 25 MSEK. In addition to the new issues, two bond issues have also been carried out with capital contributions totaling SEK 106 million, according to the following breakdown: February 80 MSEK and September 26 MSEK.

At the beginning of the year, the company introduced OXE Diesel 150 hp, while OXE Diesel 200 hp was taken out of production to solve its turbo problems. These problems were communicated already in 2017 and resulted in delays for the company's commercial plans. From a market perspective, valuable time was lost, and the organization is now working with a clear focus, to rebuild trust in customers. In order to meet customers' needs, and to expand the supply to the market, the product portfolio was expanded during the year with three different products: OXE Diesel 125 hp, OXE Diesel 175 hp and OXE Diesel Crete, which is a 150 hp engine specially designed for luxury yachts.

SOLD ENGINES 2018



NET TURNOVER 2018 (TKR)





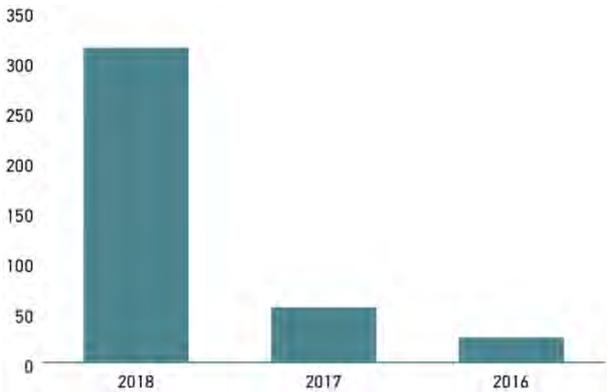
The company focused on achieving a production rate of 25 units per week. Different quality issues were addressed, at the same time as bottlenecks for certain components were identified and solutions implemented. The technical problems with OXE Diesel 200 hp was resolved and the engine resumed production in October. The planned production rate of 25 units a week was achieved during December 2018, delayed mainly due to the above-mentioned bottlenecks for certain components. Total units produced in 2018 was 314 units. OXE Diesel 150 hp, which was introduced at the beginning of the year, proved to be as expected both from a quality and a performance perspective and sales during the first half were good. However, with the reintroduction of OXE Diesel 200 hp below October, a lot of orders for OXE Diesel 150 hp were either canceled or deferred in preference for OXE Diesel 200 hp. This contributed to a decline in sales during the latter part of 2018.

In 2018, Cimco Marine started a cost reduction project that increased during the fourth quarter, which means that the company will move over from low volume to high volume suppliers. The project will entail cost reductions for production as well as improved quality and delivery reliability from suppliers.

In 2017, Cimco Marine and BMW signed a cooperation agreement to develop a diesel-powered outboard engine, based on BMW: S 3 liter turbo diesel engine. In 2018, this agreement was followed up and a delivery agreement was signed between Cimco Marine and BMW. During 2018, agreements were signed with seven new distributors in Chile, Turkey, Greece, Croatia, Romania, Spain and Bangladesh.

With roots from the shipping industry and as one of Sweden's leading OEM suppliers and contract manufacturers of advanced components and machine systems, UFAB offers good production conditions for OXE Diesel. In co-operation with UFAB, Cimco Marine AB has developed an intuitive production process that enables production of 25 units per week and shifts, which was shown in Q4 2018. Sustainability, reliability, power and control are core values in both development and production of OXE Diesel.

Number of produced engines 2018 (pcs)





GOVERNMENTAL

Authorities such as customs, coastguards, police, fire fighting and military all need secure, efficient, flexible and reliable means of transport. On the water, there have been few alternatives to gasoline outlets as it wants to combine both speed and flexibility.



SEA RESCUE

Sea rescue usually has a dual purpose, both to seek people and ships, and to save people and equipment. Mission requires speed and strength to endure harsh conditions and to reach the position where rescue is needed.



IMO / EPA REGULATED SHIPS

OXE Diesel is the first and only commercially available outboard that complies with IMO and EPA legislation. To avoid the IMO / EPA, gasoline-powered outboards are used today as these are exempt from IMO or EPA emission regulations.



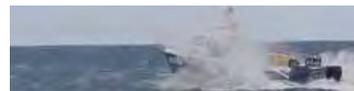
OIL AND GAS

In oil and gas operations, safety regulations prevent the use of gasoline engines due to fire risk during ignition of spark. OXE Diesel is the only commercially available outboard that can be used in the oil and gas sector.



TENDERS

Petrol-driven tenders on board is a challenge as many ships are obstructed by fire regulations that prevent the storage of gasoline on board. OXE Diesel is the first commercially available outboard for tenders to ships that need to comply with these regulations.



FISHING

OXE Diesel provides high efficiency, low fuel consumption, high power and high torque, which enables increased functionality for the fishing operations. Increased electrical outlet (130 AMP) means that more equipment on board can be driven through the engine without the need for a separate generator.



MARIN ECO-TOURISM

High torque and load-bearing capacity combined with high-speed potential provide ecotourism with maritime transport with the perfect engine for their purpose. Low fuel consumption, the capacity to run on biofuels and long service intervals ensure that the operation can be run with minimal environmental impact or many interruptions due to maintenance.



MAINTENANCE OF PORT AND MARIN

OXE Diesel offers low fuel consumption, high power and high torque, which provides several advantages for the maintenance of port and marine structures. By driving on diesel, the OXE series can also operate in environmentally regulated areas.



HYDROGRAPHY

OXE Diesel offers high efficiency, low fuel consumption, high power and high torque, which provides several advantages for sea measurement. By driving on diesel, the OXE series can also operate in regulated areas such as ports and other water structures. OXE Diesel also offers low-speed maneuvering that is critical for efficient sailing

RISKS AND UNCERTAINTIES

Cimco Marine is a relatively new company with a new product, which involves several risks. The product is the first of its kind in the market, with a previously untested technology. Development and quality assurance of products and subcontractors is time-consuming and costly. Thus, there is a risk that planned product development and quality assurance will become more costly and take longer to adapt to market needs than planned. There is also a risk that delays in production may result in non-completed orders from the customer, which has a significant negative impact.

The company's operations are dependent on certifications and compliance with regulatory requirements for the marine motor market. If these are delayed, this may have an impact on Cimco Marine's business, earnings and financial position.

Fluctuations in exchange rates affect Cimco Marine's earnings, as sales are mainly in EUR. Since the company is in a development phase, financing is also a significant risk, in the event that the company cannot generate sufficient funding at a reasonable cost.

FUTURE PROSPECTS

Cimco Marine's future growth is dependent on the company developing and producing sustainable products. Work on quality assurance of the product and the supply chain continues in 2019. The company also has an ongoing work to develop an organization that works structured and efficient with quality. Cimco Marine is experiencing a large demand from the market and to meet this, the company will develop a new model based on BMW's 6-cylinder diesel.

OWNERSHIP

As of December 31, 2018, the company is owned by 18.86% by Per Lindberg, 13.35% by Euroclear Bank and 10.12% by Prioritet Group AB. Other owners hold less than 10% of the shares.

MULTI-YEAR OVERVIEW

Multi-year overview	2018	2017	2016	2015
Net turnover (tkr)	40 578	14 602	6 878	192
Profit/loss after financial items	-108 213	-50 979	-27 088	-3 778
Operating margin (%)	-215,0%	-315,0%	-308,0%	0,0%
Return on equity (%)	-98,0%	-65,0%	-186,0%	-38,0%
Balance sheet total (tkr)	248 533	182 053	118 240	64 045
Equity/assets ratio (%)	34,0%	76,0%	16,2%	15,7%
Number of employees	25	25	14	7

Proposals for profit allocation

The board of directors recommends that the profit/loss and brought forward profits available for disposition:

share premium reserve	222 974 657
profit carried forward	-94 786 091
Year's loss	-108 212 712
	19 975 854

Be distributed so that carried over **19 975 854**

INCOME STATEMENT

Summary of earnings	Note	2018-12-31	2017-12-31
Net turnover		40 578	14 602
Capitalized costs research and development		28 018	22 205
Other operating income		673	0
		69 269	36 807
<i>Operating costs</i>			
Commodities		-57 308	-25 982
Other external costs		-61 609	-24 710
Personnel costs		-24 719	-22 459
Depreciation of material and immaterial assets		-12 792	-8 967
Other operating costs		0	-1 548
		-156 428	-83 666
Operating loss		-87 159	-46 859
<i>Financial items</i>			
Other interest income and similar items		2	2
Interest cost and similar items		-21 056	-4 122
		-21 054	-4 120
Profit/loss after financial items		-108 213	-50 979
Pre-tax profit/loss		-108 213	-50 979
Net profit/loss for the year		-108 213	-50 979

BALANCE SHEET

Assets (amount KSEK)	Note	2018-12-31	2017-12-31
Fixed assets			
<i>Immaterial assets</i>			
Balanced expenses for research and development and similar	2,9	117 207	88 681
Patent	3	3 317	3 618
		120 524	92 299
<i>Material assets</i>			
Improvement expense on other property	4	147	330
Inventories, tools and installations	5	5 764	5 307
		5 911	5 637
Total fixed assets		126 435	97 936
Current assets			
<i>Inventories etc</i>			
Finished goods and goods for resale		96 759	45 761
Advance suppliers		2 053	16 887
		98 812	62 648
Current receivables			
Accounts receivable		13 599	2 935
Other receivables		3 258	3 763
Deferred expenses and accrued income		1 456	601
		18 313	7 299
<i>Cash on hand and in bank</i>			
		4 972	14 170
Total current assets		122 097	84 117
TOTAL ASSETS		248 532	182 053

BALANCE SHEET

Assets (amount KSEK)	Note	2018-12-31	2017-12-31
EQUITY AND LIABILITIES			
Equity	6		
<i>Restricted equity</i>			
Share capital		885	723
Development fund		62 921	40 409
		63 806	41 132
<i>Non-restricted equity</i>			
Share premium reserv		222 975	169 044
Retained earnings or losses		-94 786	-21 296
Profit/loss for the year		-108 213	-50 979
		19 976	96 769
Total equity		83 782	137 901
Provisions			
Other provisions	7	1 146	1 336
		1 146	1 336
Long-term liabilities			
Liabilities to finance institutions	9	106 206	2 876
		106 206	2 876
Current liabilities			
Liabilities to finance institutions		0	1 195
Advance payments from customers		15 147	19 327
Accounts payable		30 950	15 440
Current tax liabilities		795	130
Other liabilities		5 524	979
Accrued expense and other deferred income		4 982	2 869
		57 398	39 940
TOTAL EQUITY AND LIABILITIES		248 532	182 053

CHANGE IN EQUITY

	<i>Restricted equity</i>		<i>Non-restricted equity</i>		Total	
	Share capital	Development fund	Share premium	Retained profit/loss		Profit/loss this year
Amount at the opening of 2017	67	20 451	32 889	-7 172	-27 088	19 147
Development fund	-	19 958	-	-19 958	-	0
Rights issue	223	-	169 043	-	-	169 266
Bonus issue	433	-	-	-433	-	0
earnings per decision of AGM	-	-	-	-27 088	27 088	0
Share premium reserve	-	-	-32 889	32 889	-	0
Option premium	-	-	-	202	-	202
Share-based remuneration to staff	-	-	-	265	-	265
Profit/loss for the year	-	-	-	-	-50 979	-50 979
Amount at the closing of 2017	723	40 409	169 043	-21 295	-50 979	137 901
	-	-	-	-	-	-
Development fund	-	22 511	-	-22 511	-	0
Rights issue ¹	162	-	53 930	-	-	54 092
Earnings per decision of AGM	-	-	-	-50 979	50 979	0
Profit/loss for the year	-	-	-	-	-108 213	-108 213
Amount at the closing of 2018	885	62 920	222 973	-94 785	-108 213	83 780

¹ Reported net after deduction transaction costs 1547 TSEK.

NOTES

NOTE 1 ACCOUNTING POLICIES, ETC.

GENERAL ACCOUNTING POLICES

This annual report has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and Swedish Accounting Standards Board (BFNAR) regulation 2012:1 on 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.

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.

INTANGIBLE 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.

The following depreciation periods are applied:

Intangible assets

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

PPE

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

Internally-developed intangible assets

The company applies the so-called "activation model" for internally-developed intangible assets. This method involves capitalization of all expenditure fulfilling BFNAR 2012:1 criterion as intangible asset 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 capitalized 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 amortized cost.

INVENTORY

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

OTHER PROVISIONS

Other provisions are reported when the company has an 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.

NOTE 2 BALANCED EXPENDITURE ON RESEARCH AND SIMILAR

	2018-12-31	2017-12-31
Opening acquisition values	98 629	76 391
Acquisitions for the year	31 667	22 238
Reclassifications	8 875	0
Closing accumulated acquisition values	139 171	98 629
Opening depreciation	-9 948	-2 512
Depreciations for the year	-12 016	-7 436
Closing accumulated acquisition values	-21 964	-9 948
Closing reported value	117 207	88 681

NOTE 3 PATENTS

	2018-12-31	2017-12-31
Opening acquisition values	4 092	3 173
Acquisitions for the year	115	919
Closing accumulated acquisition values	4 207	4 092
Opening depreciation	-474	-106
Depreciations for the year	-416	-368
Closing accumulated acquisition values	-890	-474
Closing reported value	3 317	3 618

NOTE 4 IMPROVEMENT EXPENDITURE ON LEASEHOLDS

	2018-12-31	2017-12-31
Opening acquisition values	394	0
Acquisitions for the year	16	394
Closing accumulated acquisition values	410	394
Opening depreciation	-64	0
Depreciations for the year	-199	-64
Closing accumulated acquisition values	-263	-64
Closing reported value	147	330

NOTE 5 EQUIPMENT, TOOLS AND INSTALLATIONS

	2018-12-31	2017-12-31
Opening acquisition values	6 695	4 350
Acquisitions for the year	1 983	2 345
Closing accumulated acquisition values	8 678	6 695
Opening depreciation	-1 388	-290
Depreciations for the year	-1 526	-1 098
Closing accumulated acquisition values	-2 914	-1 388
Closing reported value	5 764	5 307

NOTE 6 PROPOSED DISTRIBUTION OF THE COMPANY'S PROFIT OR LOSS

The board of directors proposes that the company's unrestricted equity, SEK 19 975 854, is distributed as follows:

Held in new account	19 975 854
	19 975 854

NOTE 7 OTHER PROVISIONS

	2018-12-31	2017-12-31
Guarantees	1 146	1 336
	1 146	1 336

NOTE 8 AVERAGE EMPLOYEES"

	2018-12-31	2017-12-31
Average number of employees	25	25
	25	25

NOTE 9 PLEDGED ASSETS

	2018-12-31	2017-12-31
Corporate mortgage	102 456	10 000
Ownership reservation fixed assets	1 750	0
Mortgage on bank account	50	0
	104 256	10 000

NOTE 10 EMPLOYEE STOCK OPTIONS

During 2017, employees were awarded stock options at a price of SEK 1.06 per subscribed option. From 1 June 2020 to 14 June 2020, option-holders may subscribe to a new share in the company for each option held at a price of 41.70 per share. The subscription price may not be less than the book value of the share. During 2018, there are no new stock options issued.

NOTE 11 SIGNIFICANT EVENTS AFTER FINANCIAL YEAR

A rights issue is planned during March 2019, including shares and warrants. Through the rights issue, 103 MSEK will initially be supplied to Cimco and another 51 MSEK if the warrants are fully subscribed.

During 2019, the terms for the bond financing will be changed, which means that interest for the bond will be capitalized quarterly and added to the nominal value of the bond. No current interest payments will take place after that. The interest for the bond will be adjusted from 10,5% to 7% yearly rate. The proposed changes include a condition that the offer must be completed no later than 31 May 2019.

Ängelholm _____

Andreas Blomdahl
CEO

Anders Berg
Chairman of the board

Luke Foster

Mats Säterberg

Karl Oskar Fridh
Employee

Our audit report has been submitted _____
Ernst & Young AB

Henrik Nilsson
Authorized accountant

Magnus Folin

Thomas Jakobsson

Anders Brändström
Employee



The OXE Diesel is the only outboard engine built particularly with commercial users in mind. It is designed for those who use their boat every day no matter the conditions, and have to rely on the units for many hours every year. The innovation fills a new segment in the marine industry and cannot be compared to anything on the market today. Efficiency, Endurance, Power and Control

CIMCO

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