

CIMCO
Endurance by Engineering

INTERIM REPORT 1 APRIL TO 30 JUNE 2019

www.oxe-diesel.com

INTERIM REPORT 1 APRIL TO 30 JUNE 2019

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INTERIM REPORT 1 APRIL – 30 JUNE 2019

Second quarter of 2019 (April – June 2019)

- Net Turnover of SEK 24.2 million (SEK 19.5 million)
- Operating Loss/EBIT of SEK -19.4 million (SEK -23 million)
- Result for the period of SEK -22.5 million (SEK -25.3 million)
- Cashflow for the period SEK 1 million (SEK -48.7 million)
- Earnings per share amounted to SEK -0.25 (SEK -0.97)
- Diluted earnings per share amounted to SEK -0.18 (SEK -0.97)
- OXE units sold: 85 (86)

First half of 2019 (January – June 2019)

- Net Turnover of SEK 27.7 million (SEK 27.8 million)
- Operating Loss/EBIT of SEK -46.6 million (SEK -42.8 million)
- Result for the period of SEK -55.6 million (SEK -54.8 million)
- Cashflow for the period SEK 10.3 million (SEK 27.2 million)
- Earnings per share amounted to SEK -0.92 (SEK -2.21)
- Diluted earnings per share amounted to SEK -0.59 (SEK -2.21)
- OXE units sold: 97 (126)

Significant event in the Second quarter

- Successfully concludes rights issue for SEK 101.5 million.
- Relaunch of OXE Diesel 200 tropical compliant.
- Annual General Meeting was held on 14th May 2019.
- Appoints Myron Mahendra as new CEO effective 1st July 2019.
- FNCA appointed as new Certified Advisor.

Significant event after the reporting period

- Enters into a €14 million credit facility agreement with European Investment Bank (“EIB”).
- Appoints Paul Frick as new CFO effective 9th September 2019.
- Obtains Bondholder approval for a waiver in respect to certain terms of up to 200 MSEK
- Obtains shareholder approval following EGM in respect to issuance of share warrants to EIB for tranche A and B loan drawdown

Financial Overview

| CIMCO MARINE AB | 1 Apr 2019 - 30 Jun 2019 | 1 Apr 2018 - 30 Jun 2018 | 1 Jan 2019 - 30 Jun 2019 | 1 Jan 2018 - 30 Jun 2018 | 1 Jan 2018 - 31 Dec 2018 | 1 Jan 2017 - 31 Dec 2017 |
|--------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| (amount in KSEK) | | | | | | |
| Net turnover | 24,153 | 19,483 | 27,728 | 27,793 | 40,578 | 14,602 |
| Net profit/loss for the period | -22,491 | -25,299 | -55,555 | -54,791 | -108,213 | -50,979 |
| Total Equity | 118,786 | 113,151 | 118,786 | 113,151 | 83,781 | 137,901 |
| Total Assets | 264,787 | 237,736 | 264,787 | 237,736 | 248,533 | 182,053 |
| Equity Asset ratio | 45% | 48% | 45% | 48% | 34% | 76% |
| Total shares outstanding | 131,006,184 | 26,101,617 | 131,006,184 | 26,101,617 | 29,506,173 | 24,101,617 |
| Average number of shares | 91,533,958 | 26,101,617 | 60,520,066 | 24,819,425 | 26,760,399 | 18,905,175 |
| Earnings per share basic | -0.25 | -0.97 | -0.92 | -2.21 | -4.04 | -2.70 |
| Earnings per share diluted | -0.18 | -0.97 | -0.59 | -2.21 | -4.04 | -2.70 |
| Number of employees | 30 | 23 | 30 | 23 | 25 | 31 |
| OXE units sold | 85 | 86 | 97 | 126 | 157 | 55 |

COMMENTS BY THE CEO



In this quarter, the company sold 85 units whilst producing 45 units. The company achieved a gross profit of SEK 262,000 (a gross margin of 1.1%) in that period. This was primarily driven by the introduction of the new OXE200 in May 2019. Indeed, the company experienced a rising gross margin trend where in the month of June it achieved a 6% margin on revenues. Whilst I expect the trend to continue, the gross margin growth may not be linear. In the meantime, we are confident of achieving our long-term EBITDA margin target of 20%+.

Our liquidity situation has eased since we received funding from the completed rights issue in May. In July we announced the company has entered into a €14 million credit facility with the European Investment bank (“EIB”), which will help support a more aggressive sales and marketing initiative, finance development projects, operational expenses and working capital needs. This is a very significant endorsement by a well-respected financial institution (backed by EU member states), who had carried out detailed due diligence of the company over the past twelve months. We received approval from both our Shareholders and Bondholders to allow us to draw the first tranche of €4 million from EIB, expected in early September.

My immediate task at hand is to ensure that the company delivers quality in both its products and services. I am delighted that the re-introduction of OXE 200 so far has been very well received by the customers with no quality deviations. In our

service offering we will continue to provide after-sales care including technical support, training whilst increasing our ability to work more closely with our customers and improve on their feedback. This is important because ultimately quality drives sales, and with our disruptive technology, being the only provider of commercial high-powered diesel outboard engines in the world, it is imperative we work close to the end users and understand better their demands and requirements. Profitability will follow through sales volume growth which in turn will allow us to reduce unit costs through economies of scale.

To achieve these goals, my first task is to bring in an appropriately skilled and experienced senior management team who are motivated and share my vision to take Cimco to the next level. Ralf Losch was appointed Chief Commercial Officer (CCO) responsible for sales and after sales in June. He comes from MAN Diesel and has demonstrated his ability to deliver high growth sales in some of its business division in the marine segment. Per Wigren was appointed chief technical officer (CTO) in July. He is project manager of the OXE300 (‘Bison’ project) since early 2017. He is therefore very familiar with our product, capabilities and staff. He is highly knowledgeable and experienced to deliver the full potential of our engineering department. Paul Frick was appointed chief financial officer (CFO), he will commence his employment on 9th September. Further on this year, we will also strengthen our Supply Chain organization as well as sales and business development function.

Our indications going forward, particularly with a number of governmental users, have been very promising (where one of them have achieved 100 hours on four engines without any performance issues). It is however imperative for us to have a balanced ramp-up, to learn from the past and continue to focus on “zero defects” objective. It is extremely pleasing to also be able to write in this report (see below) that we now have customers of OXE 150 with 2500 hours of service. This clearly demonstrates that our efforts in improving quality is paying off.

I am also excited by the recent marketing launch of our OXE300. On my first day as CEO, on 1st July, we commenced the first sea trial run of the OXE300 prototype and was very impressed how it performed close to its maximum potential without any significant issues. Following our marketing campaign, we will start taking orders from our distributors to plan our operations accordingly. We expect to go into production in May 2020.

We have been planning our operations to ensure our production is functioning at an optimal level – we know that we can produce at least 25 units a week - which would allow us to plan production

ramp up as order intakes come in and therefore avoid inventory build-up.

I am more and more confident of our future. Moving into the second half of 2019 we are also confident we are able to perform significantly better than the same period in 2018. I am passionate about the company and its purpose in delivering a world class product and to reduce our carbon footprint in the marine outboard segment.

Myron Mahendra
CEO - Cimco Marine AB

Production

Production was limited to 45 units for this quarter. The company mainly built OXE Diesel 200s with a slow ramp up from May 2019. Production was optimally achieved in June.

We have further organised production with UFAB, our assembly partner, to ensure we are sufficiently resourced to meet our production plan for Q3 and beyond. Our main goal is to continue to focus on “zero defects” and ensure we work closely with our customers and maintain a balanced ramp-up.

Sales and after sales

Following the introduction of the OXE200 into production, we are recruiting more sales and after sales staff to support our Distributors. The purpose is to provide training, after sales care and ensuring our Distributor partners are meeting their minimum obligations. We have noted that certain regions are performing better than others and will focus on those that need further support.

Critically important is how we educate the end customer to make the best use of our product and that it is capable of delivering significant cost savings. A good example is the Duoro river taxi in Portugal:



This taxi boat, which installed twin OXE150s, has now done some 2,500 hours with no major changes to components. The owner's breakeven cost was at 500 hours compared to buying and using gasoline outboards (due to high prices and availability of gasoline fuel). Not only has it reduced its fuel emission and thus reducing its carbon footprint, it has also delivered significant cost savings for its owners.

To further demonstrate the versatility of our product, we tugged a tugboat (whose engine had failed):



The OXE engines quickly powered up accelerating the 120-ton towed vessel to 4.5-knots in head wind. The twin OXE200XXL's were running, in sync mode, at high speed configuration, at 2,800rpm with 85% engine load. The high torque provided by the twin OXE 200 makes it possible for the engines to accelerate a heavy load up to speed and the low fuel consumption of the engines enables the vessel to pull a heavy load for a long period of time.

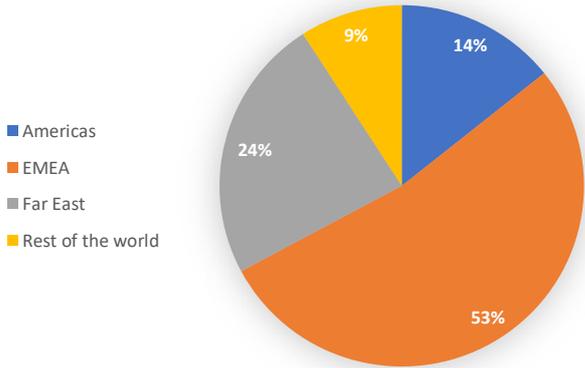
Trend Diesel Ltd, based in Nanaimo, Vancouver Island, operate their landing craft as a rugged work boat navigating through the British Columbia Islands. Their workboat duties involve search and recovery, towing, cargo transportation, vessel repairs and diving.

Andrew Reynolds, president of Trend Diesel states that "OXE's were the obvious work horses for our operations. With 45% less fuel consumption comparative to gasoline outboards, high engine torque and thrust, remote availability of diesel fuels, engine cabin heater options and higher operation cruise speeds makes OXE a great fit".

We have developed a total cost ownership tool to be used by distributors that will clearly demonstrate the economic benefit for the end user. This can be tailored for different regions with different cost/tax base. In the meantime, we continue to work on building our order book as well as several large projects (mainly governmental related). No doubt, the OXE has now validated its "proof of concept", after some challenging years, where we are starting to see clear its versatility and economic benefits for our end users. We have just launched the marketing of the OXE300 and will shortly afterwards be taking orders from our distributors.

The breakdown of sales by region is as follows:

| | TOTAL to | date | Q2 2019 | Q1 2019 | FY 2018 | FY 2017 | FY 2016 |
|-------------------|----------|------------|-----------|-----------|------------|-----------|-----------|
| Americas | | 47 | 5 | 4 | 30 | 8 | - |
| EMEA | | 174 | 41 | 6 | 84 | 22 | 21 |
| Far East | | 78 | 29 | - | 30 | 16 | 3 |
| Rest of the world | | 30 | 10 | 2 | 13 | 5 | - |
| TOTAL | | 329 | 85 | 12 | 157 | 51 | 24 |



Fairs where OXE Diesel has been displayed in Q2, 2019

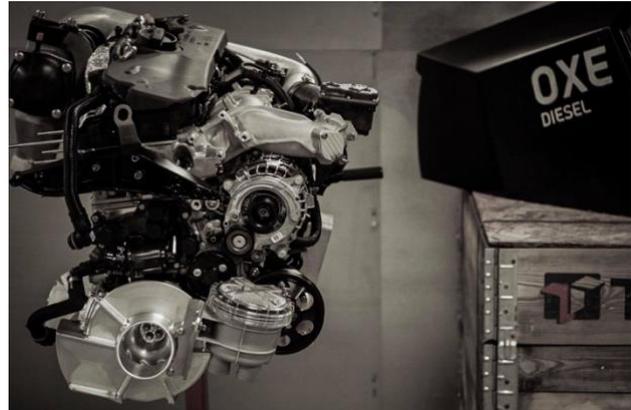
- Apr 18 - Apr 18: Bering Sea Fisheries Conference (USA)
- May 09 - May 12: Korean International Boat Show (KIBS) (South Korea)
- May 17 - May 18: Skipper Expo Int. Aberdeen (UK)
- June 05 - June 07: Integrated safety & Security Exhibition (Russia)
- June 11 - June 13: Seawork International (UK)
- June 21 - June 24: Salon Nautic Tomis Yacht. (Romania)



Pictures from Korean International Boat Show and Seawork International where JMP Network (OXE Diesel distributor Korea) and Proteum UK (distributor UK and Ireland) together with Cimco Marine AB sales representatives displayed the OXE Diesel both on land and on sea.

Product development

Cimco future is with the new generation of engines powered by BMW. The Bison project which focuses on developing the OXE Diesel 300, is 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.



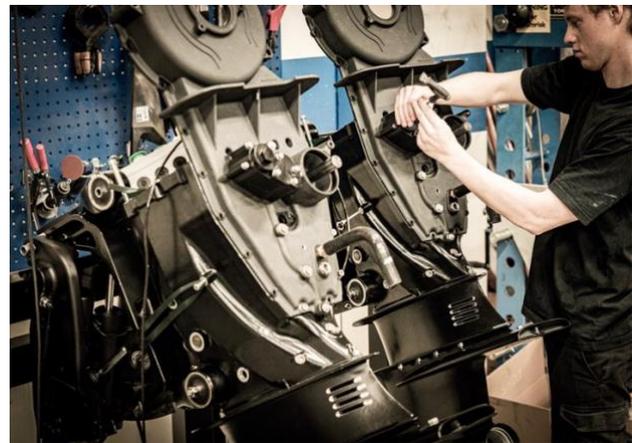
Organisation

Cimco has 30 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 completed a rights issue of SEK 101.5 million. Share warrants has been issued for a total of SEK 51 million and is exercisable in October 2019.

Additionally, the company secured a credit facility of up to €14 million with the European Investment Bank. All conditions have been met and the first loan tranche of €4 million is expected to be drawn in early September.



OXE 300 (The Bison project) is going through the validation and verification process which will complete at the end of this year. Here the two` P1As are being built.

SHAREHOLDERS

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

| The ten largest shareholders 2019-07-31 | Holding | % | Change |
|---|-------------------|--------|--------|
| LINDBERG, PER | <u>25 041 428</u> | 19,11% | ↔ |
| FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION | <u>8 773 281</u> | 6,70% | ↑ |
| TAMT AB | <u>8 000 000</u> | 6,11% | ↔ |
| ANDERSSON, ARNE | <u>6 401 689</u> | 4,89% | ↑ |
| WIKSTRÖM, JONAS | <u>6 385 011</u> | 4,87% | ↑ |
| PRIORITET CAPITAL AB | <u>6 066 801</u> | 4,63% | ↓ |
| LINDEROTH, MAGNUS | <u>5 749 400</u> | 4,39% | ↔ |
| EUROCLEAR BANK S.A/N.V, W8-IMY | <u>3 940 150</u> | 3,01% | ↔ |
| CBLDN-SAXO BANK A/S | <u>3 175 816</u> | 2,42% | ↔ |
| SANDBERG, SVEN | <u>2 760 000</u> | 2,11% | ↑ |

| Largest changes | | | | |
|---|----|-------------------|---------|------------------|
| | | Change | % | Holding |
| PRIORITET CAPITAL AB | AK | <u>-5 829 099</u> | -49,00% | <u>6 066 801</u> |
| FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION | AK | <u>2 309 759</u> | 35,74% | <u>8 773 281</u> |
| ERIKSSON, MAGNUS | AK | <u>1 790 000</u> | 100,00% | <u>1 790 000</u> |
| BJÖRKSTRÖM, LARS | AK | <u>-737 665</u> | -62,09% | <u>450 327</u> |
| WIKSTRÖM, JONAS | AK | <u>241 591</u> | 3,93% | <u>6 385 011</u> |

| Number of shareholders | | |
|---------------------------|--------------|--------------------|
| | shareholders | shares |
| Number of shareholders | 2 828 | <u>131 006 184</u> |
| New shareholders | 208 | <u>3 488 032</u> |
| Discontinued shareholders | 102 | <u>1 349 669</u> |



Sea trials and ongoing tests of the OXE300 prototype over the summer period in Ängelholm

FINANCIALS

Operational and financial review

Second quarter 2019 compared to the Second quarter 2018

The Company's income statement for the second quarter 2019 shows a net loss of SEK 22.5 million, against a net loss of SEK 25.3 million in the corresponding period the year before. Although the company sold a similar number of OXE units (85) compared to the corresponding period (86 units), Net turnover was higher at SEK 24.2 million compared to SEK 19.5 million for the corresponding period. This is mainly due to sales of the OXE200 variants (as opposed to only OXE150s in the corresponding period), increased prices of the OXE product range (effected from November 2018) as well as increased sales in spare parts, servicing kits and accessories.

The company produced gross profit of SEK 262,000 in the second quarter of 2019 against a gross loss of SEK 5.52 million. The turn to gross profit is mainly due to the following factors:

- Higher unit price - increase in prices since November 2018 and introduction of the OXE200 tropical variant in May 2019, as well as favourable exchange rate (products are sold in Euros)
- Spare parts/servicing kits sales increased (which attracts a higher profit margin)
- Lower unit cost –achieved savings through replacing of expensive components
- Optimal assembly/production run, particularly in the final month of Q2 2019
- Lower warranty claims in Q2 2019.

The company achieved a gross margin of 6% in the month of June 2019 – this was primarily due to significant sales of the OXE200 (following a low production ramp up in May 2019).

Operationally, the company has been increasing its marketing activities. There have been significant R&D activities around the development of the OXE300 as well as the introduction of the OXE200 (tropical variant) – SEK 10 million of these costs (in Q2 2019) have been capitalised to intangible assets. We expect a reduction in R&D costs for these activities by Q4 2019.

First half 2019 compared to the first half 2018

The Company's income statement for the first half 2019 shows a net loss of SEK 56 million, against a net loss of SEK 55 million in the corresponding period the year before. Although the company sold fewer OXE units (97) compared to the corresponding period (126 units), Net turnover was similar at SEK 27.7 million compared to SEK 27.8 million for the corresponding period. This is mainly due to sales of the OXE200 variants, increased prices of the OXE product range (effected from November 2018) as well as increased sales in spare parts, servicing kits and accessories.

The company's Cost of goods sold (COGS) is similar to the corresponding period of SEK 38 million, however the trend in COGS per unit during the first half of 2019 has been improving. External cost was reduced to SEK 13.9 million (SEK 18.4 million) whilst personnel cost increased to SEK 13.5 million (SEK 6.7 million). This was mainly due to employing senior employees from previous consultant positions with the company. The company capitalised SEK 20 million of costs in the first half of 2019 to intangible assets relating to development work of the OXE200 and OXE300 (SEK 10 million was capitalised in the corresponding period). Interest expenses is down to SEK 8.9 million (SEK 12 million) and this is due to initial financing cost of raising the corporate bond in February 2018 as well as lower interest rate (from 10.75% pa down to 7% pa) since February 2019.

Assets

Second quarter 2019 compared to the Second quarter 2018

As of the 30th June 2019, total assets amounted to SEK 265 million (SEK 238 million). The Company's non-current assets at the closing date were SEK 142 million (SEK 112 million), out of which R&D and patents

total SEK 136 million (SEK 105 million). The increase spend relates to the product development (in particular the 300hp 'Bison' project).

Inventories relating to parts for production, in course of production and finished goods total SEK 85 million (SEK 65 million). 28% of stock relates to Opel engine powerhead as we have around 650 units in stock due to meeting our supply agreement obligations. This will be reduced accordingly as we ramp up production from Q3 onwards. We have also completed units that makes up 20% of the stock value.

Receivables from contract works amounted to SEK 18 million as of 30th June 2019, in comparison to SEK 7 million as of 30th June 2018. The Company had cash and cash equivalents of SEK 15 million (SEK 41 million) at the closing date 30th June 2019.

Equity and liabilities

Second quarter 2019 compared to the Second quarter 2018

Total equity increased slightly to SEK 119 million (SEK 113 million). Even though the company continue to suffer losses, it continues to maintain its equity base through equity funding from its shareholders. The non-current liabilities & provisions have increased to SEK 113 million (SEK 84 million). This is mainly due to a corporate bond issuance in September 2018.

Current liabilities have reduced to SEK 33 million (SEK 41 million). This is mainly due to reduction in advance payment to customers as sales have further reduced this liability.

Cash flow

Second quarter 2019 compared to the second quarter 2018

Cash flow from operating activities

Cash flow from operations for the period was SEK -23 million (SEK -42 million). The decline in cash flow from operations is related to support for operational activities and Increases in accounts receivable, whilst inventories has decreased. The significant movements within that has been changes in inventory of SEK 13.6 million (SEK -4.6 million) and changes in accounts receivable of SEK-10 million (SEK -4.6 million).

Cash flow from investing activities

Cash flow from investing in the period was SEK -11.6 million (SEK -7.2 million). This is primarily due to increased investments in intangible fixed assets of SEK -10.7 million (SEK -6.6 million), relating to R&D and patents.

Cash flow from financing activities

Cash flow from financing for the period was SEK 35 million (SEK 0.1 million). This relates to funding from the recent rights issue in May 2019 and repayment of the bridge loan.

First half 2019 compared to the first half 2018

Cash flow from operating activities

Cash flow from operations for the period was SEK -62 million (SEK -59 million). The decline in cash flow from operations is related to support for operational activities, reducing trade payable and other current liabilities, whilst inventories has decreased. The significant movements within that has been changes in inventory of SEK 14 million (SEK -2 million) and changes in trade payables of SEK-14 million (SEK 2 million). Other current liabilities were reduced by SEK -9.8 million (SEK 1.2 million).

Cash flow from investing activities

Cash flow from investing in the period was SEK -22 million (SEK -20 million). This is primarily due to increased investments in intangible fixed assets of SEK -21 million (SEK -11 million), relating to R&D and patents.

Cash flow from financing activities

Cash flow from financing for the period was SEK 94 million (SEK 106 million). This relates to funding from the rights issue whilst the comparative period relates to directed share issue and corporate bond issuance.

Financial objectives

Cimco has communicated that it is targeting sales of 600+ units for 2019 and achieve gross margin positive during Q4 2019.

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

- Unit sales of 600+ units for full year 2019
- Gross margin positive during Q4 2019
- Long term EBITDA margin of >20%
- Long term market share of 10% (equivalent to 7 700 units per year) by 2023

Risks and uncertainties

The Risk and uncertainties of Cimco's business is explained in detail within the risk section of the Company's rights issue prospectus issued in March 2019 – the document is 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 calendar

- Q3 2019 interim report due on 29th November 2019.

FINANCIAL STATEMENTS FOR THE PERIOD TO 30th JUNE 2019

Income statement

CIMCO MARINE AB

| | 1 Apr 2019 - 30 Jun 2019 | 1 Apr 2018 - 30 Jun 2018 | 1 Jan 2019 - 30 Jun 2019 | 1 Jan 2018 - 30 Jun 2018 | 1 Jan 2018 - 31 Dec 2018 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| (amount in KSEK) | | | | | |
| Income | | | | | |
| Net turnover | 24,153 | 19,483 | 27,728 | 27,793 | 40,578 |
| Other operating income | | | | | 673 |
| Total income | 24,153 | 19,483 | 27,728 | 27,793 | 41,251 |
| Goods for resale | -23,891 | -25,003 | -38,078 | -38,004 | -57,308 |
| Other external costs | -8,467 | -10,550 | -13,931 | -18,433 | -49,001 |
| Personnel costs | -7,112 | -2,470 | -13,455 | -6,652 | -9,308 |
| Depreciation/amortisation and impairment of property, plant and equipment and intangible assets | -3,345 | -3,198 | -6,609 | -6,103 | -12,792 |
| Other operating expenses | -734 | -1,269 | -2,304 | -1,386 | - |
| Total operating costs | -43,549 | -42,489 | -74,377 | -70,577 | -128,409 |
| Operating profit/loss | -19,396 | -23,006 | -46,649 | -42,785 | -87,158 |
| Other interest income and similar profit/loss items | | | | 2 | |
| Interest expenses and similar profit/loss items | -3,096 | -2,293 | -8,906 | -12,007 | -21,054 |
| Profit/loss after financial items | -22,491 | -25,299 | -55,555 | -54,791 | -108,213 |
| Pre-tax profit/loss | | | | - | |
| Net profit/loss for the period | -22,491 | -25,299 | -55,555 | -54,791 | -108,213 |

Balance sheet statement

Cimco Marine AB

| | 30-Jun-19 | 30-Jun-18 | 31-Dec-18 |
|---|----------------|----------------|----------------|
| (amount in KSEK) | | | |
| Intangible fixed assets | | | |
| Capitalised expenses for reseach and development and similar w orks | 132,722 | 101,690 | 117,207 |
| Patent | 3,296 | 3,469 | 3,317 |
| Total intangible assets | 136,018 | 105,159 | 120,525 |
| Tangible fixed assets | | | |
| Equipment, tools and installations | 5,849 | 6,370 | 5,912 |
| Total fixed assets | 5,849 | 6,370 | 5,912 |
| Total tangible | 141,867 | 111,530 | 126,436 |
| Currents assets | | | |
| Inventories etc | | | |
| Finished goods and goods for resale | 82,915 | 53,806 | 96,759 |
| Advance payments to suppliers | 1,674 | 11,023 | 2,053 |
| Total current assets | 84,588 | 64,828 | 98,812 |
| Currents receivables | | | |
| Accounts receivables | 17,988 | 7,216 | 13,599 |
| Other receivables | 2,021 | 5,796 | 3,258 |
| Deferred expenses and accrued income | 3,079 | 7,017 | 1,456 |
| Total current receivables | 23,088 | 20,029 | 18,313 |
| Cash on hand and in bank | 15,243 | 41,348 | 4,972 |
| Total current assets | 122,920 | 126,206 | 122,097 |
| Total assets | 264,787 | 237,736 | 248,533 |

Continue of balance sheet statement

Cimco Marine AB

| | 30-Jun-19 | 30-Jun-18 | 31-Dec-18 |
|--|----------------|----------------|----------------|
| (amount in KSEK) | | | |
| Equity and liabilities | | | |
| Equity | | | |
| Restricted reserves | | | |
| Share capital | 3,930 | 783 | 885 |
| Reserve for development expenditure | 79,184 | 48,106 | 62,921 |
| Total restricted equity | 83,115 | 48,889 | 63,805 |
| Non-restricted equity | | | |
| Share Premium | 310,489 | 199,025 | 222,975 |
| Retained earnings or losses | -219,263 | -79,972 | -94,786 |
| Profit/loss for the year | -55,555 | -54,791 | -108,213 |
| Total non-restricted equity | 35,672 | 64,262 | 19,976 |
| Total equity | 118,786 | 113,151 | 83,781 |
| Provisions | | | |
| Other provisions | 2,082 | 2,358 | 1,146 |
| Total provisions | 2,082 | 2,358 | 1,146 |
| Long-term liabilities | | | |
| Liabilities to finance institutions | 110,605 | 81,369 | 106,206 |
| Total long-term liabilities | 110,605 | 81,369 | 106,206 |
| Current liabilities | | | |
| Liabilities to finance institutions | - | - | 1,431 |
| Advance payments from customers | 7,248 | 15,948 | 15,147 |
| Accounts payable | 17,281 | 17,485 | 30,950 |
| Current tax liabilities | 399 | 398 | 795 |
| Other liabilities | 3,666 | 4,848 | 5,524 |
| Accrued expenses and other deferred income | 4,719 | 2,178 | 3,552 |
| Total current liabilities | 33,314 | 40,857 | 57,399 |
| Total equity and liabilities | 264,787 | 237,736 | 248,533 |

Changes in Equity Statement
Cimco Marine AB

| | 30-Jun-19 | 30-Jun-18 | 31-Dec-18 |
|-----------------------------------|----------------|----------------|---------------|
| (amount in KSEK) | | | |
| Opening balance equity (1 Jan 19) | 83,781 | 137,901 | 137,901 |
| Loss for the period | -55,555 | -54,791 | -108,213 |
| Issuance of shares | 101,500 | 30,041 | 55,575 |
| Less cost of issuance | -10,941 | - | -1,482 |
| Closing balance equity | 118,786 | 113,151 | 83,781 |

Statement of Cash Flows

Cimco Marine AB

| | 1 Apr 2019 - 30 Jun 2019 | 1 Apr 2018 - 30 Jun 2018 | 1 Jan 2019 - 30 Jun 2019 | 1 Jan 2018 - 30 Jun 2018 | 1 Jan 2018 - 31 Dec 2018 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Operating Activities | | | | | |
| Results before financial items | -19,395 | -23,006 | -46,648 | -42,787 | -87,159 |
| Adjustments for items not included in cash flow | 1,094 | 2,936 | -1,363 | -4,882 | -8,455 |
| Tax paid | | 0 | | 0 | |
| Cash flow from operating activities before changes in working capital | -18,301 | -20,070 | -48,011 | -47,669 | -95,614 |
| Cash flow from changes in working capital | | | | | |
| Change in Inventories | 13,622 | -4,552 | 14,224 | -2,181 | -36,165 |
| Change in accounts receivable | -10,004 | -4,677 | -4,389 | -4,281 | -10,664 |
| Change in other current receivables | 132 | -7,419 | -386 | -8,448 | -350 |
| Change in Trade payables | -1,224 | 1,048 | -13,669 | 2,045 | 15,510 |
| Change in other current liabilities | -6,988 | -5,987 | -9,818 | 1,158 | 1,944 |
| Cash flow from operating activities | -22,763 | -41,657 | -62,049 | -59,376 | -125,339 |
| Investing Activities | | | | | |
| Investments in property, plant and equipment | -835 | -541 | -926 | -1,572 | -1,999 |
| Investments in intangible fixed assets | -10,748 | -6,621 | -21,113 | -10,628 | -31,782 |
| Divestments in intangible fixed assets | 0 | 0 | 0 | -7,496 | -7,509 |
| Cash flow from Investing activities | -11,583 | -7,162 | -22,039 | -19,696 | -41,290 |
| Financing activities | | | | | |
| New share issue | 90,559 | 105 | 90,559 | 30,042 | 54,093 |
| Change of loan | -55,190 | 0 | 3,799 | 76,208 | 103,337 |
| Cash flow from financing activities | 35,369 | 105 | 94,358 | 106,250 | 157,430 |
| Cash flow for the period | 1,023 | -48,714 | 10,270 | 27,178 | -9,199 |
| Cash and bank balances at the beginning of the period | 14,220 | 90,062 | 4,972 | 14,170 | 14,170 |
| Cash and bank balances at the end of the period | 15,243 | 41,348 | 15,243 | 41,348 | 4,972 |

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

Number of employees at the end of the financial period.

Estimates and judgments

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

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



All products developed by Cimco Marine AB is built on the core value Endurance by Engineering. The OXE Diesel product line is no exception. Utilizing modern Diesel power-heads from the automotive industry, heavy duty gearbox design and patented belt transmission system provides for robust outboards with inboard features and high torque capacity.

CIMCO

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