



Cimco Marine AB



SEK 25.5 million rights issue

4 September 2018

CIMCO
Endurance by Engineering

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Transaction summary

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The board of directors of the Company has resolved on a share issue of approximately SEK 25.5 million with preferential rights for the Company's existing shareholders. Each existing share entitles to one (1) subscription right. Twenty-three (23) subscription rights entitle the holder to subscribe for three (3) new shares. If not all new shares are subscribed for with preferential rights, allotment of the remaining shares shall be made to subscribers who have subscribed for shares without preferential rights. Firstly, such allotment shall be made to those who have subscribed for shares with subscription rights and, in the event of oversubscription, pro rata in relation to the number of subscription rights used for subscription of shares, and to the extent that this is not possible, by drawing of lots. Secondly, allotment shall be made to shareholders and others who have notified their interest to subscribe for shares without subscription rights, and in the event of oversubscription, pro rata in relation to the number of shares that each such applicant has applied to subscribe for, and to the extent that this is not possible, by drawing of lots. The rights issue is covered by subscription and guarantee undertakings to an amount corresponding to 100 per cent of the issue proceeds.

Issue amount:	SEK 25,534,170
Record date:	4 September 2018
Subscription rights:	Each existing share entitles to one (1) subscription right. Twenty-three (23) subscription rights entitle the holder to subscribe for three (3) new shares
Subscription price:	SEK 7.5 per new share
Subscription period:	6 – 20 September 2018
Trading in subscription rights:	6 – 18 September 2018
Trading in paid subscribed shares (BTA):	6 September 2018 until the rights issue has been registered with the Swedish Companies Registration Office
Announcement of the outcome of the issue:	on or around 24 September 2018
ISIN codes:	Shares: SE0009888613 BTA: SE0011642727 Subscription rights: SE0011642719
Terms and conditions:	Full terms and conditions for the rights issue are available on www.oxe-diesel.com

Summary Risk Factors

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The risks listed below are just a summary of the headlines of the risks related to an investment in this rights issue. For a more extensive description of the risk factors that may adversely affect the Company, please see the section "Risk Factors" below.

COMPANY-RELATED AND INDUSTRY RELATED RISKS

Dependence on key individuals
Damage to the Company's brands
Development of products and delays in production.
Sales
Interruptions in the supply chain
Risks associated with suppliers
Risks associated with international operations
Ability to manage growth
Intellectual property rights
Customer preferences
Dependence on distributors
Disputes, claims, investigations and legal action
Credit risk
Book value of intangible assets
Ability to obtain financing and future capital needs
Market growth and future expansion
Competition
Diesel as fuel
Tax
Global economic conditions
Political risks
Currency risk

RISKS RELATING TO THE SHARES

There may not be an active and liquid market for the shares and the price of the shares may be volatile

Certain shareholders may exercise considerable influence over the Company and its operations and the interests of these shareholders may conflict with those of other shareholders

Future offerings of debt or equity securities by the Company may adversely affect the market price of the shares and lead to substantial dilution of existing shareholders

The Company's ability to pay dividends in the future may be constrained and depends on several factors

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Why a high powered Diesel Outboard?

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- ✚ Since its introduction in the 1920's, the marine outboard motor has not changed its configuration of using a bespoke gasoline engine which sits vertically and a crankshaft that drives a small dog clutch and bevel gear. This is suitable for low powered outboards.
- ✚ The engine is developed only for outboard marine application. Compared to the automotive engine, the cost of developing a new lighter, stronger and particularly lower emission outboard engine is too prohibitive – this would run to millions of Euros, something which the automotive industry has continually invested. For the outboard manufacturer, such an investment would be unviable given the size of the their market and lack of alternative use of its engine. As a result, the industry has been given dispensation to allow it to continue producing engines that are highly pollutive.
- ✚ For higher powered units, the conventional outboard is reaching its technical capabilities of delivering power to the dog clutch and bevel gears – its size is limited (almost to the size of a tennis ball) due to the gear being under the water line and therefore causing drag, alongside the prop shaft. In addition, higher torque is limited as it could cause the gear to fail. The engines are rated with limited warranty and not for commercial use (i.e. pleasure rated only). Most commercial users tend to use diesel inboards, which are expensive to build.
- ✚ Gasoline is a highly combustible fuel and there has been many accidents causing explosion on marine vessels. A US Navy ship crash in 1995, which resulted in an explosive gasoline fire, spawned the 'single fuel directive' for all gasoline powered engines and gasoline fuel tanks be removed from Naval ships by 2010, The mandate called for engines to be developed to operate on fuels that meet the following criteria: Improve ship safety by minimizing fire hazards, more economical and more efficient, and readily available as a single space fuel. Diesel fuel would be the only option.
- ✚ There is a massive latent demand for a diesel outboard from commercial and governmental users. The current manufacturers could not fulfil this need based on the conventional outboard layout.

Cimco Marine AB

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- ✚ Cimco has developed and launched the world's first 200hp Diesel outboard motor for the commercial market.
- ✚ Key technology, which was spun out from Volvo-Penta and VW, includes the following:
 - ~ Patented Belt Propulsion Unit ("BPU")
 - ~ Automotive engine with a horizontal mounting
 - ~ Hydraulic clutch/gear system
- ✚ Production commenced during autumn 2016 with significant order book - customers include Hurtigruten with US Navy and Coastguard currently testing OXE units. 239 units produced to date (August 2018)
- ✚ Future product roadmap includes larger and smaller diesel engines in the range of 100hp to 400hp.
- ✚ Listed on First North stock exchange in Stockholm following a highly successful IPO in July 2017.
- ✚ 150hp engine introduced January 2018.

Key Benefits of the OXE Diesel Outboard (compared to a conventional gasoline outboard)

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- 🏆 Durable engine
- 🏆 Low fuel consumption
- 🏆 Reduced service cost
- 🏆 Reduced lifecycle cost
- 🏆 Torque & Power
- 🏆 Safety
- 🏆 Single fuel compliance



Boat by Cheetah Marine

Why is the OXE Diesel Outboard a success?

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- Very strong patent family protecting our product competitiveness with 25+ years in US & EU – also providing future license fee opportunities
- There is no competition at present and unlikely for a number of years
- Massive demand for its product - Strong order book with minimum orders of 1,141 units
- The company has outsourced its production and sales allowing it to be agile and focus on further innovation and development of its product range
- Legislation such as Single Fuel directive by Nato and more stringent emission regulations driving interest in the OXE as there are no alternatives



A triple installation of the OXE 150hp. The current work boat to be used on the River Thames where regulations only permit new boats to be powered by diesel engines



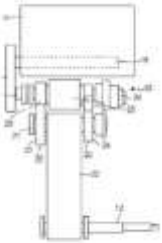
Tony Kortens, MD of Landing Craft UK Ltd, said, "The OXE is faultless; the smoothness; power; and thrust of the engines are amazing. We can achieve speeds of 20 knots in a boat that weighs in excess of ten tonnes. The OXE's excellent fuel economy shows with all three engines running to their maximum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



OXE History and market plan

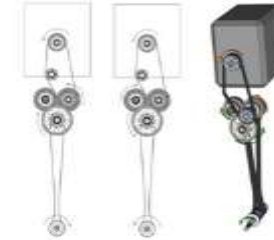
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1995 – 2007



- Technology development started in 1995 by GIL Marine together with Volvo Penta
- In 2003 Marine Diesel Sweden AB signed a license agreement for the technology
- In 2007 a pilot study of a horizontally mounted diesel engine was launched with a belt drive propulsion system

2008 - 2012



- Patent applications are submitted
- Financial partner, Camco Private Equity (the Happy Bunch Trust), invests
- Cimco is formed
- The patent application is approved and lifted into Cimco

2013 - 2015



- Completed prototype is ready
- Concept validation is achieved
- Design validation of the complete outboard engine
- Positive sustainability testing of the subsystems
- Manuals are completed
- Comprehensive operating tests are carried out

2016 – 2019



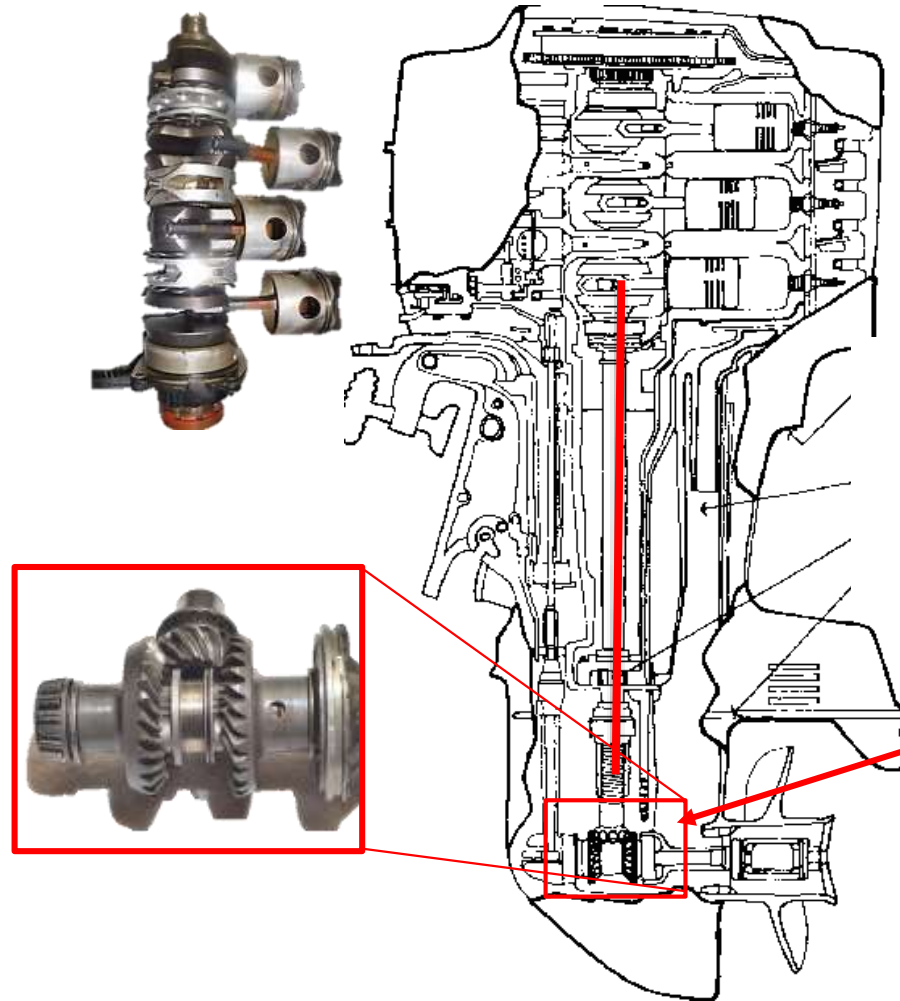
- Production commences in autumn 2016 of the 200hp OXE, ramp up in 2018
- 150hp OXE introduced in January 2018
- Cimco produces 220 units to date (to Q2 2018)
- Development of next-generation OXE Diesel begins for higher output
- Commencement of Marinisation of BMW 3 litre engine producing 300hp in 2018



Conventional outboard technology

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- ✚ Outboard technology has remained unchanged.
- ✚ Majority petrol driven.
- ✚ Special designed engine for outboard application only.
- ✚ Vertical position to be able to transfer power from engine crankshaft to propeller
- ✚ Crucial service items at the back of the engine and below waterline
- ✚ Special dispensation granted to allow 300% more emissions than standard Inboard motor.

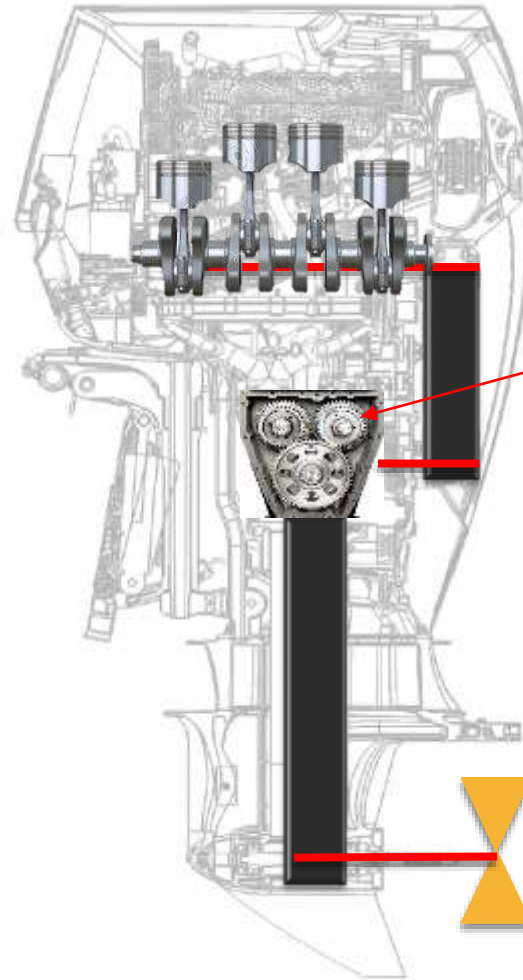


- ✚ Many attempts has been made to develop a diesel engine for outboard application to get reduced fuel consumption, high torque and reliability
- ✚ BUT dog clutch with bevel gears, unable to cope with a diesel engines high torque.
- ✚ Improving gear strength will not do the trick since it increases gear box size and i.e. drag force resistance.

Cimco Marine outboard technology

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- ✚ Horizontal position enables use of standard automotive diesel engine.
- ✚ Belt drive technology is strong enough to transferring force from crankshaft to propeller shaft.
- ✚ Belt drive enables horizontal positioning of the engine.
- ✚ Passed generations of development under strict emission regulations.
- ✚ Produces approx. 45% less CO₂ than conventional best-in-class outboards.
- ✚ All service items at the front of the engine for ease of access and serviceability.
- ✚ Gear box above the waterline means drag is no longer a consideration.



- ✚ Gearbox, industrial type with hydraulic multi-friction plate clutch.
- ✚ Trolling mode capability which allows the operator to reduce the propeller speeds down to 1 rpm.

Who's the end customer?

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- Operators that require **many driving hours** in **heavy duty** such as
 - Commercial users; fishing harvest, transport, oil off shore, research expeditions, polar cruises...
 - Governmental fleets; coast guard, rescue, police, military defence...



Our addressable market is **77,000** new engines a year excluding military defence

Tenderboat servicing Hurtigruten Polar Cruise

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Very happy customers meant repeat business with purchases of 15 new 150hp OXE by Hurtigruten in June 2018.

Compliant with NATO Single-fuel Policy (SFP)

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Department of Defense INSTRUCTION

NUMBER 4140.25
June 25, 2015

USD(AT&L)

- ✚ SFP requires all governmental units in the US to purchase diesel powered propulsion systems instead of gasoline powered propulsions systems, when commercially available.
- ✚ **Cimco Marine's OXE 200hp and 150hp** are the only diesel powered outboard available on the world market in that power range.
- ✚ 2 engine shipped to US Coast guard in 2017 and a further 2 engines shipped to the US Navy in January 2018 for testing
- ✚ NATO allies will adopt the technology following US Navy acceptance – creating a new and sustainable market for Cimco



The US Coast Guard with twin OXEs at the July 2018 MACC show in Baltimore

US Navy research test boats with twin OXE 150hp

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EPA certification Tier III

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- ✚ The OXE Diesel outboard has been approved by the United States Environmental Protection Agency (EPA).
- ✚ The OXE is the first diesel outboard engine approved by EPA Tier 3, for commercial use.



Demonstrating this twin 200hp at the high speed boat operations show (HSBO) in Gothenburg 5-7 June 2018 and Seaworks show in Southampton 3-5 July 2018

Patented drive system, BPU

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In summary Cimco Marine AB is considered to have a strong patent portfolio for protecting various aspects of the Oxe technology and more of the pending patents is expected to be approved during 2016, which will further strengthen the portfolio. The approved patents provide a strong position on the global outboard market within the field of belt technology.

HANSSON THYRESSON PATENTBYRÅ AB

Albin Persson

Currently 32 patents approved and 6 pending approval



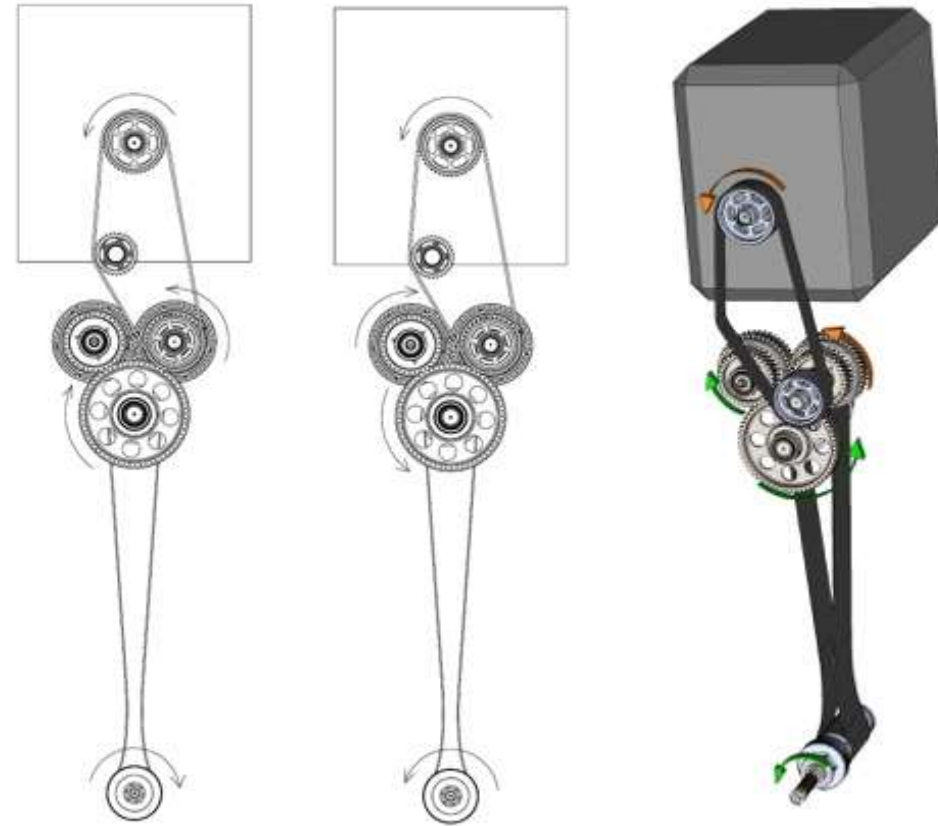
Patent overview

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US2015/0353177

An outboard with a

- horizontal engine,
- a power transfer device,
- a transmission with the forward and reverse gears on separate shafts in the transmission
- and an endless loop flexible drive connected to the propeller shaft.



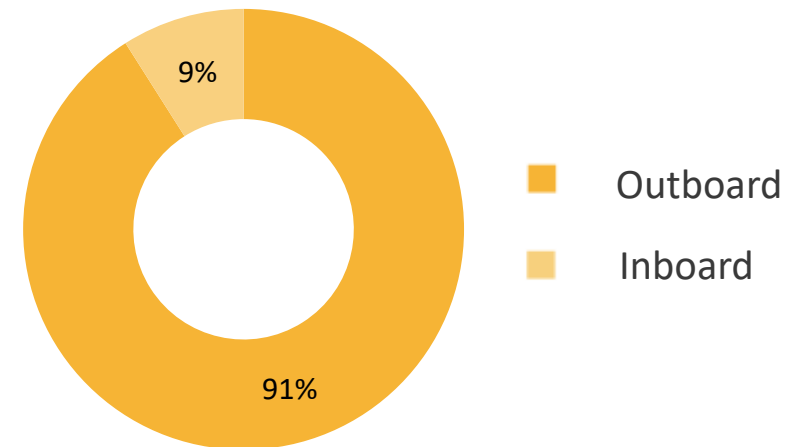
The market

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✦ The marine market consists of two engine types, Inboard- and Outboard engines. The market trend is that outboard engines is replacing the inboard installations due to cost and complexity.

✦ Four (4) categories:

- ✦ Leisure
- ✦ Commercial
- ✦ Governmental
- ✦ Other (luxury yachts etc.)



The market

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- ✚ Cimco Marine AB main focus on commercial and governmental market.
- ✚ Huge demand on the market for a diesel outboard engine that matches performance of petrol equivalents.
- ✚ Cimco's distributors and Cimco has been approached by several large governmental organisations such as Coast Guard and Research and Development organisations.
- ✚ Large commercial organisations such as Exxon Mobile and BP are constantly replacing boats in the field as they age as well as refitting and refurbishing boats to keep them in service.
- ✚ The large interest for the OXE diesel comes from the possibility to have "single fuel" fleets.

The market

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- 🏆 In 2015, 91 % of all marine engines sold were outboard engines. This corresponds to approx. 844 000 units
- 🏆 Demand for outboard engines is expected to increase.
- 🏆 Average price for an outboard engine is \$14 500. Sold engines 2015 corresponds to 13,5 billion USD.
- 🏆 The cost of diesel engines is approximately 1,5-3 times a petrol engine depending on power.

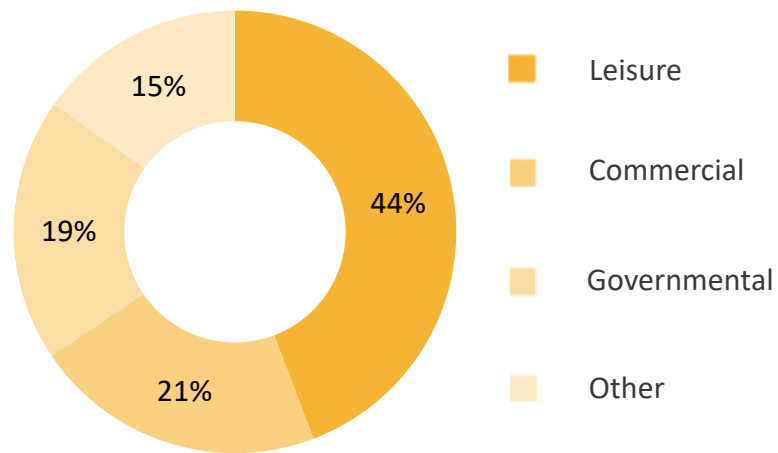


Source: Technavio, Global Outboard Engine Market 2016-2020

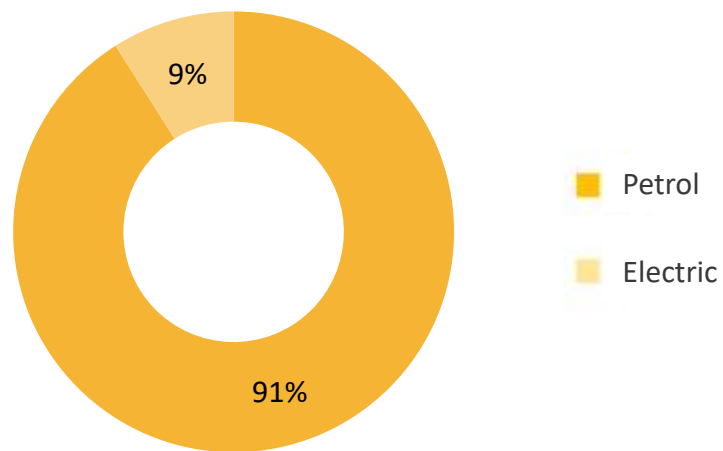
The market

23

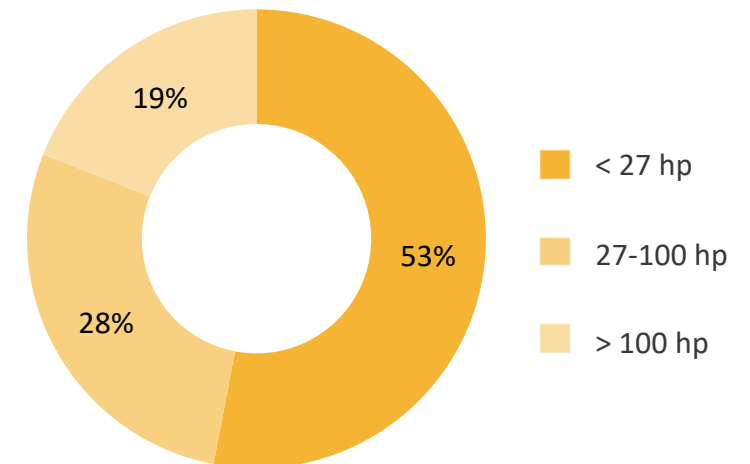
Market distribution by application



Fuel distribution for outboard engines



Distribution of engine power

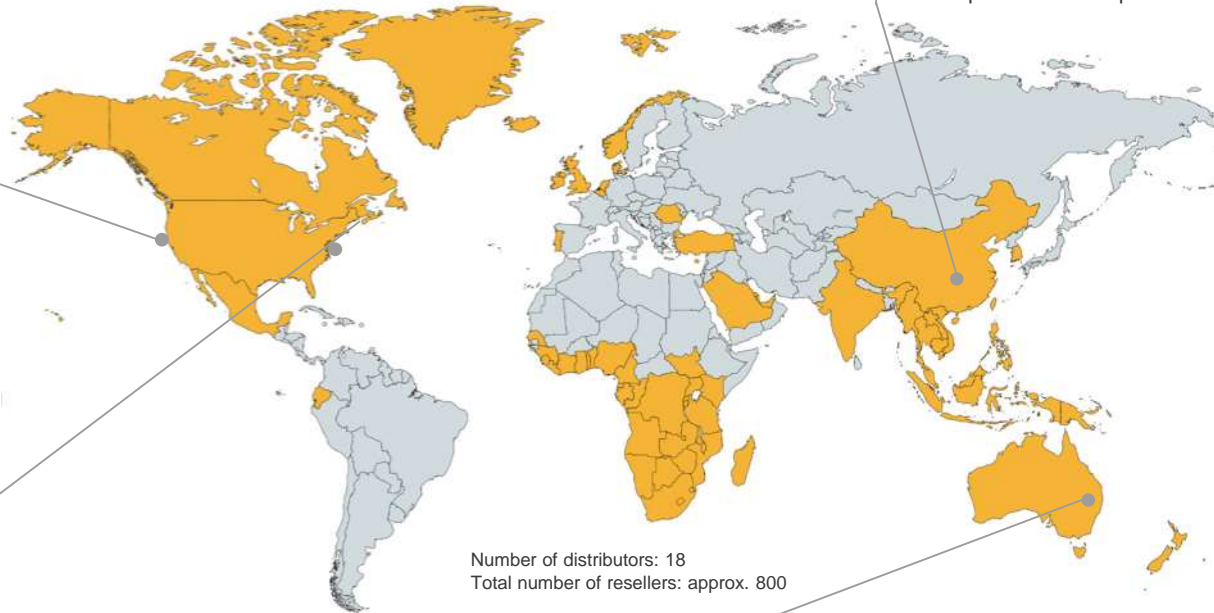


Cimco Marine AB distribution network

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Cascade Engine Center – distributor on the American West Coast. Cascade is one of the largest engine distributors in North America (on the West Coast), annual sales exceed SEK 500m with more than 60 resellers. Cascade is one of the few engine distributors which have a cooperation with the US Navy and US Coast Guard within their territory

Tractors Ltd (part of the Sime Darby Group) – distributor for Southeast Asia and China. Sime Darby was established in 1929 and is today a multinational group with offices in 26 countries and more than 100 000 employees. Their sales network of resellers and branches covers all of Southeast Asia and China with headquarters in Singapore, annual sales of the group amounts to approx. \$13,8bn and Cimco's products are expected to have a strong demand within the coming years



Number of distributors: 18
Total number of resellers: approx. 800



Mack Boring & Parts Company – distributor on the American East Coast. Mack Boring is situated in New Jersey and has a turnover of approx. SEK 400m. The region has an intensive marine sector and several of the larger OEM boat manufacturers are in their territory, which also has expressed interest in OXE Diesel outboarders. Mack Boring also has a vast experience in government procurement and has cooperation with the US Navy and US Coast Guard

Power Equipment – distributor for the Australian market. Power Equipment is the regions oldest and largest Yanmar-distributor, with a wide network of resellers In Australia, New Zealand and the South Pacific region. The distributor has a turnover of approx. SEK 400m. As of now Power Equipment delivers diesel inboarders to a wide range of customers, from police authorities to fishermen and shipping companies

Distributor committed volumes

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Distributor	Geographic area	Min Vol
Cascade Engine Center	US West Coast	80
Laborde Products	US Gulf	60
Mack Boring	US East Coast & Canada	30
Power Equipment	Australia & NZ	20
Proteum	UK	40
Southern Products	Sub-Sahara Africa	90
Exalto Emirates	UAE	152
Link Norway	Norway	10
Diesel Outboard Benelux	Netherlands/Belgium	10
JMP leverans	South Korea	25
Marinescu	Romania	5
Sopromar	Portugal	6
Fred Rasmussen	Denmark	25
Tractor Singapore	Far East (excl Korea)	500
Litmus Marine Innv	India	75
Motores del Pacifico	Ecuador	3
Bukh Bremen	Germany	TBC
Ogem	Turkey	10
	TOTAL	1 141

OXE production

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- ‡ **Cimco Marine AB** has commenced production and delivery of the **OXE 200hp** units. The first 15 units has been delivered to a large Norwegian Cruise liner – Hurtigruten.
- ‡ The OXE 200hp and 150hp is assembled by a specialist manufacturing and assembly company called UFAB.
- ‡ UFAB is a part of the Mattsson Group.
- ‡ UFAB is an experienced manufacturing company with customers like Tetra Pak, GE, Siemens and Kverneland.
- ‡ UFAB has large facilities and the capability to handle our production volumes. They are also open-minded about establishing manufacturing facilities abroad if required.
- ‡ UFAB currently increasing staff numbers to meet ramp up production targets



Current diesel competitors

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- Mercury/Brunswick – Currently runs a gasoline engine on diesel using spark ignition
- Cox – Developed diesel outboard motor but not ready for production and lacks lower leg capacity.
- Neander – Produces low output diesel outboard (50hp), heavy and more expensive than the OXE 150hp
- Caudwell – Converted inboard
- Yamaha – Currently has no diesel engine

Board and management

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Anders Berg

Born: 1972. Chairman of the Board

- **Education and experience:** M.Sc. In Industrial Engineering, Luleå University of Technology and Curtin University in Perth (Australia). Previously a number of board assignments as well as President and CEO of Lindab AB (public, 800 MEUR in Sales), vP SSAB Group (Shanghai), CEO Plannja AB (Sweden) and various positions at ABB Group in Sweden and USA. Currently Chairman in Cimco Marine as well as Runway Safe, member of the board in Symbrio (co-founder), advisor Odin Forvaltning AS, industrial advisor in Backgatan Industri as well as member of the board at the Swedish Wrestling Foundation and operational role in Diab Group in North- and South America.
- **Ongoing assignments:** Board member of Symbrio, Runway Safe (chairman) and Bruks group. Advisor to Odin forvaltning AS.
- **Holdings:** 35 400 shares



Magnus Folin

Born: 1960. Board member

- **Education and experience:** Naval Officer, Stockholm Maritime Academy, Previously CEO of Cimco Marine AB, Sales and product manager at Scania worldwide.
- **Ongoing assignments:** Head of Service Market Development, Scania. Board member of Dolprop AB and Nira Controls AB.
- **Holdings:** 500 shares



Thomas Jakobsson

Born: 1959. Board member

- **Education and experience:** Technical Upper Secondary High in Ängelholm. Many years of experience from the marine market within international sales
- **Ongoing assignments:** Board member and owner of Marinediesel Sweden AB. Deputy director at Blomdahl Holding AB, MDEPT AB and Unmanned Sweden Vessel Technology AB
- **Holdings:** 3 826 821 shares through Marinediesel Sweden AB

Board and management (cont'd)

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Mats Säterberg

Born: 1963. Board member

- **Education and experience:** LL.M from Lund University. Previous experience as law clerk. Involved in the design of the new insurance act (sw: försäkringsrörelselagen) in 1996. In 1998 Mats worked at law firm Vinge and then in 2004 at law firm Lindahl. Since 1998, Mats has been engaged in qualified legal advisory, in particular towards procedural law, insurance law, insolvency law and general business law, especially fields towards automation in the automotive industry
- **Ongoing assignments:** Board member at United Sun Systems Ltd and Attorney at Law Firm Lindahl KB
- **Holdings:** -



Luke Foster

Born: 1986. Board member

- **Education and experience:** Aeronautical engineer and BSc degree in trade at Monash University. In recent years, Luke has worked as a General Manager at Power Equipment PTY Ltd, which in volume is the largest distributor of diesel engines throughout Australia, New Zealand and the South Pacific region focusing on the marine market for outboarders with both diesel and electric power
- **Ongoing assignments:** General Manager at Power Equipment PTY Ltd and chairman of the board at FOS Global PTY Ltd
- **Holdings:** 94 776 shares by FOS Global PTY Ltd Aft for Luke Foster Family Trust



Andreas Blomdahl

Born: 1971. CEO and Board member

- **Education and experience:** Technical upper secondary school at Tychobraheskolan in Helsingborg and 80 ECTS at LTH as construction engineer. As the President of Marinediesel Sweden AB, Andreas has over 20 years experience within the marine industry and engine development
- **Ongoing assignments:** Member of the Board in Blomdahl Industrifastigheter AB, Blomdahl Holding AB, Blomdahl Invest AB, Outboard Motor Platforms AB, Scandinavian Sterndrive Systems AB and Unmanned Sweden Vessel Tech AB. Deputy member of the board Hässleholms brunnsborring AB and Hässleholms kontorsfastighet AB. CEO and member of the board in Marinediesel Sweden AB. Completed assignments (last 5 years): Former member of the board in Safe at Sea AB (publ)
- **Holdings:** 3 826 821 shares through Marinediesel Sweden AB

Board and Management

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Myron Mahendra

Born: 1966. CFO and Executive vice President

- **Education and experience:** MSc Degree in Accounting at University of East Anglia, Norwich, UK. Myron has over 25 years of extensive experience from leading positions in fast growing business. Previous experience as a CFO at two companies, Chanceryagte and EPGI, as both started with about 4 employees and currently has about 200 employees. As CFO, Myron also has great experience from capital raising, both equity and debt. Myron has previously been an authorized by the British FCA
- **Ongoing assignments:** Owner SKMM Associates
- **Holdings:** 35 880 shares and 119 459 call options



Per Engelsson

Born: 1975. CTO

- **Education and experience:** Per is an expert in quality assurance on engineered focused machines. He has been project manager, group manager and R&D manager in project-intensive companies such as Getinge Group AB
- **Ongoing assignments:** -
- **Holdings:** -



Sofie Johansson

Born: 1975. Supply Chain Director

- **Education and experience:** Sofie has vast experience in Supply Chain and has formerly been employed by the Getinge Group and Hafa Bathroom Group. Her primary assignments at Cimco is to help in the production ramp up-process, secure supply of components from suppliers and develop long-term strategies for Cimco
- **Ongoing assignments:** -
- **Holdings:** -

Financial Targets

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Financial Targets	
Weekly production target of +25 units	2018
Long term EBITDA margin	> 20%
Long term market share	10% by 2021 (7 700 units)

Summary

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- 🏆 A unique opportunity to invest in a proven solution
- 🏆 Huge market demand
- 🏆 Established distributor network with minimum commitments
- 🏆 Experienced management
- 🏆 Platform for multi-engine applications
- 🏆 Licensing model



OXE
DIESEL

Summary Financial results

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CIMCO MARINE AB	1 Apr 2018 - 30 Jun 2018	1 Apr 2017 - 30 Jun 2017	1 Jan 2018 - 30 Jun 2018	1 Jan 2017 - 30 Jun 2017	1 Jan 2017 - 31 Dec 2017	1 Jan 2016 - 31 Dec 2016
(amount in KSEK)						
Net turnover	19,483	6,819	27,793	13,076	14,602	6 878
Net profit/loss for the period	-25,299	-12,216	-54,791	-21,725	-50,979	-27,088
Total Equity	113,151	103,298	113,151	103,298	137,901	19,148
Total Assets	237,736	170,668	237,736	170,668	182,053	118,240
Equity Asset ratio	48%	61%	48%	61%	76%	16%
Total shares outstanding	26,101,617	19,768,290	26,101,617	19,768,290	24,101,617	13,311,920
Average number of shares	26,101,617	17,348,290	24,819,425	15,330,105	18,905,175	11,294,410
Earnings per share	-0.97	-0.70	-2.21	-1.42	-2.70	-2.40
Number of employees	23	30	23	30	31	14
OXE units produced	90	23	140	48	55	25
OXE units sold	86	23	126	48	55	25

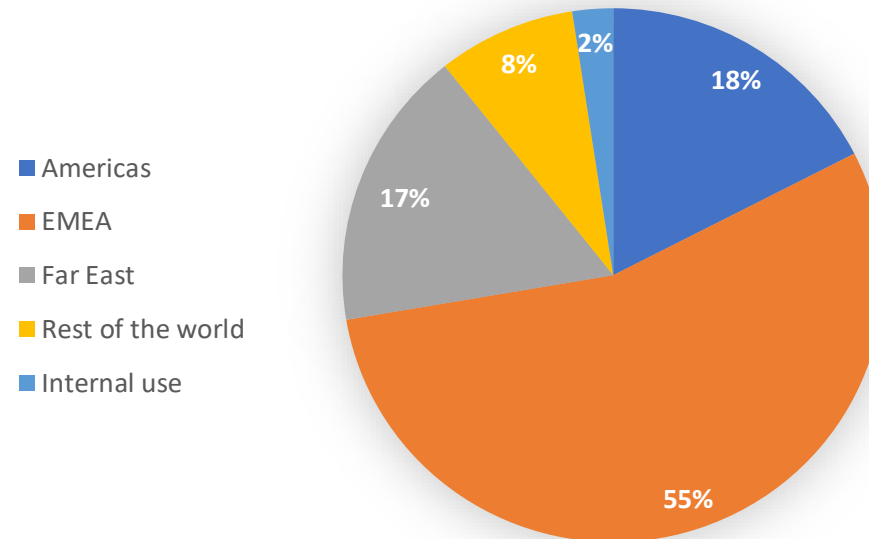
See Appendix 3 for full financial results



Geographical Sales

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

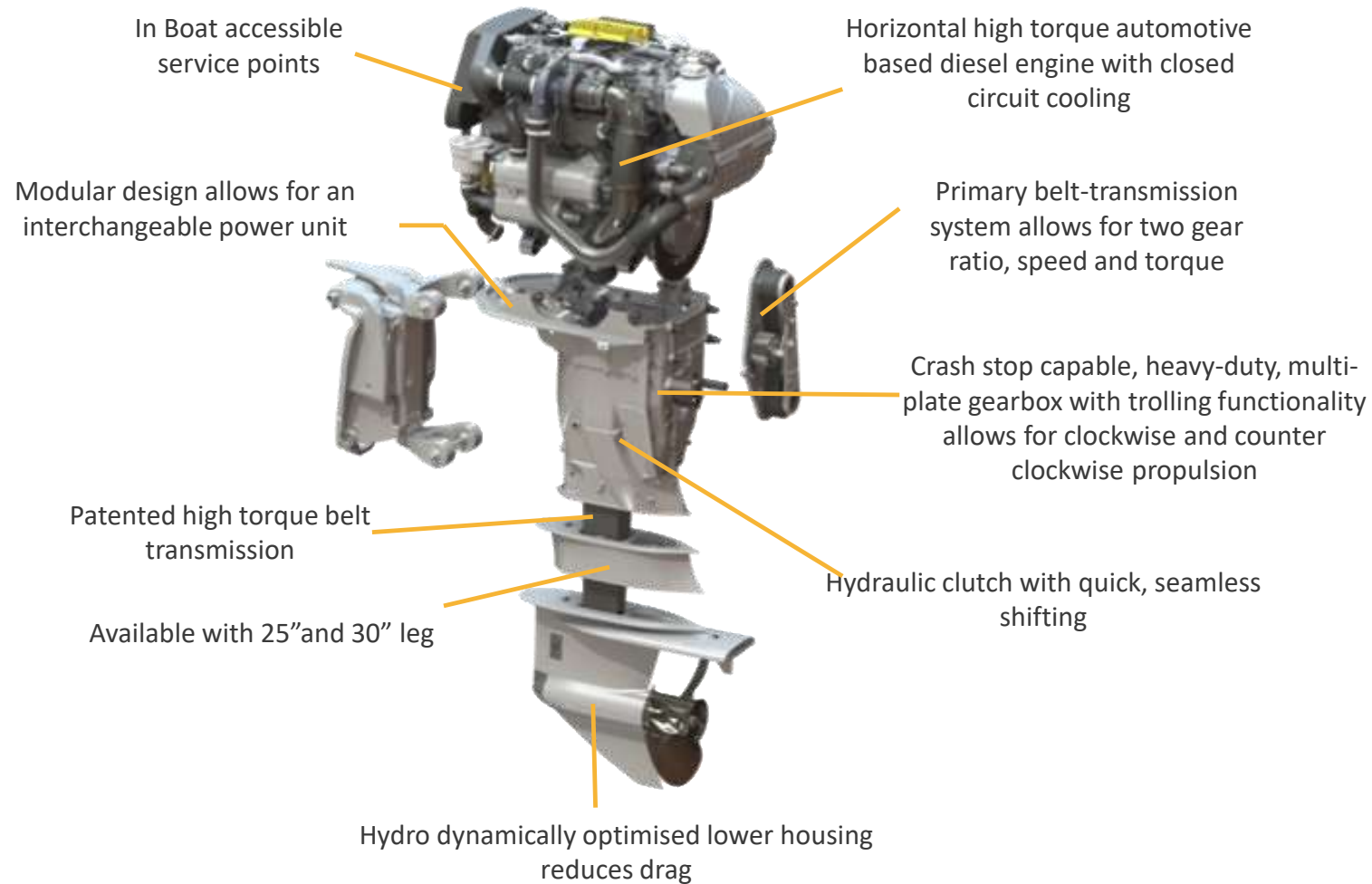


APPENDIX II – OXE engine breakdown

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Video below has engineers describing the modular concept:

<https://www.youtube.com/watch?v=Kr9IDQ95rjA>



The first high-performance diesel outboard

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Fuel: Diesel

Engine type:	Inline 4 – Production since 2004 – sold 5m
Displacement:	2.0 L
Intake:	Turbocharged, intercooled
Power:	200 HP at 4100 rpm
Torque:	400 Nm at 2500 rpm
Weight:	350 kg
Alternator:	Up to 140 Amp
Cooling:	Closed cooling circuit
Shift:	Electro-hydraulic
Clutch:	Hydraulic multi-friction plate
Rig length:	20", 25 or 33"



APPENDIX III - Financial operating results

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

Balance sheet

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Balance sheet statement

Cimco Marine AB

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

Balance sheet (cont'd)

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Continue of balance sheet statement

Cimco Marine AB

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

Cashflow statement

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Statement of Cash Flows

Cimco Marine AB

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

Risk Factors

These risk factors have been prepared by the Company in connection with the rights issue. The investment in the rights issue involves inherent risks. Financial performance of the Company is an important factor to consider when making a decision whether to invest in the rights issue and there is a number of other risk factors and uncertainties that may adversely affect the Company. If any of these risks or uncertainties materialize, the business, operating results and financial position of the Company could be materially and adversely affected, which ultimately could affect the value of the Company's shares. In this section, a number of risk factors are illustrated, both general risks pertaining to the Company's business operations and material risks relating to the rights issue. There could also be other risks not discussed herein, not currently known or not currently considered to be material, that may also affect the Company's future operations, performance and financial position, and consequently the value of the Company's shares. The risk factors are not ranked in order of importance. Potential investors should consider carefully the information contained in this section and make an independent evaluation before making any investments in the rights issue.

COMPANY-RELATED AND INDUSTRY-RELATED RISKS

Dependence on key individuals

The Company is a small organisation and is dependent on the knowledge, experience and commitment of the directors, management and other key individuals. If key individuals leave the Company, this could have an adverse effect on the business. Furthermore, the recruitment of employees who can be successfully integrated into the organization is of major importance for the Company's future development. There is a risk that The Company will be unable to recruit or retain individuals who are necessary to carrying on and developing the business, which could have adverse effects on the Company's business, results of operations and financial position.

Damage to the Company's brands

The Company considers that the OXE Diesel brand is important for the Company's business. The Company is seeking to expand the brand globally, as is also the case with the Cimco brand. As the Company expands, it believes that the brands will increase in importance for the Company. A company's brand and what it stands for are important in relation to both new and existing customers. For example, quality problems, operational or logistical problems, or the loss of a well-known distributor could damage the Company's brands, which could lead to difficulties in retaining existing distributors and/or attracting new distributors. In addition, the Company is exposed to the risk that its employees or other individuals involved in the Company could commit acts that are unethical, illegal or in violation of the Company's internal guidelines and policies. This could result in customers, distributors and suppliers associating the Company with these acts, which could have a material adverse effect on the Company's brands. If the Company's brands are damaged, this could lead to the Company losing sales or growth opportunities, and have a material adverse effect on the Company's business, future prospects, results of operations and financial position.

Development of products and delays in production.

The Company's products are based on continuous technological developments and improvements. It is of major importance that the Company's technological solutions are developed in such a way that their functionality meets customers' demands and requirements. The Company intends to continue to develop its products and range of products. The amount of time and costs involved in developing existing and new products can be difficult to establish in advance with any degree of precision. Accordingly, there is a risk that a planned development of a product will be more expensive and take longer to adapt to the needs of the market than planned. If the Company is either fully or partly unable to carry out its continuous development in accordance with established plans, this could have an adverse effect on the Company's future earnings and profitability. There is a risk that future technological developments will not be successful or accepted by customers and consumers, and there is also a risk that any new technology will not be able to be implemented without causing disruptions to the business. Further, during the third and fourth quarter of 2017, the Company experienced delays in setting up the added capacity in the supply chain as well as related quality assurance programs with suppliers which negatively affected the Company production ramp-up. The production was temporarily stopped and further delayed due to technical issues with one of the components for the 200 hp OXE diesel outboard resulting in that that the Company did not meet its production targets for 2017. Should the Company fail to ramp up production as planned, or if the production of the 200hp OXE is delayed for a longer period than planned, there is a risk that the Company will not meet its production, and subsequently, financial targets which could have a material adverse effect on the Company's financial position. There is also a risk that further delays in production ramp-up results in cancellation of orders from distributors and customers which could have a material adverse effect of the Company's sales and earnings.

Risk Factors

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Sales

Since the Company began production in the autumn of 2016, sales have been limited. There is a risk that potential customers are hesitant in investing in new technology, which could result in the selling-in period being longer than the Company expected. Acquiring customers requires significant time and resources, since customers are careful when evaluating new technology. The Company has entered into a number of distribution agreements under which the distributor has agreed to order a minimum number of engines. However, a larger order or an acceleration/postponement of an order could have a significant effect on the Company's annual sales and earnings. As a result, there could be significant variations in the Company's sales and earnings between quarters. The Company's performance is dependent on the market demanding diesel engines. There is a risk that market penetration could be delayed, which could have an adverse effect on the Company's sales and earnings.

Interruptions in the supply chain

The Company does not manufacture its products in-house. The supplier selected for assembling products and performing final inspections is Uddevalla Finmekanik AB ("**UFAB**"). The Company has a contractual relationship with UFAB. If the cooperation with UFAB were to be subject to adverse change in the future, the Company could be exposed to risks relating to the development of production, which partly takes place in cooperation with UFAB. A change of this nature could result in the loss of know-how about the product, the production technology and other details, which could have a material adverse effect on the Company's business, future prospects, results of operations and financial position. The Company is also exposed to risks concerning changes in production prices, transportation costs and delivery capacity, and the quality of the production. A general increase in sales prices and/or transportation costs, or the loss of one or more suppliers and delays in delivery or non-delivery could have an adverse effect on the Company's business, results of operations and financial position. Demand for the Company's products and confidence among end customers and other interested parties in the Company could also be adversely affected if suppliers are in breach of the provisions of the cooperation agreements.

Risks associated with suppliers

The Company does not manufacture its products in-house, but uses a number of suppliers that manufacture and assemble the Company's products. It is important to the Company that these suppliers perform their contractual obligations relating to quantity, quality and delivery. The engines for the

Company's outboard engines are supplied by Adam Opel AG ("**Opel**"). The loss of Opel as a supplier would mean that the Company would have to adapt an engine from a different supplier to the marine environment. This is a complicated and time-consuming process. Therefore, the loss of Opel as a supplier, as well as defective delivery, delays in delivery or non-delivery could adversely affect the Company's business. In general, the Company does not consider that any individual supplier is of material importance to the Company's business. However, the loss of a supplier could have an adverse effect on the Company's business in the short term.

Risks associated with international operations

The Company's business is exposed to risks arising from the fact that the products are sold in different countries. Therefore, future earnings could be affected by a number of factors, including statutory, tax or financial charges imposed on the Company, changes in a country's political, legal or economic conditions, restrictions on trade and requirements for import or export licences, and insufficient protection of intellectual property rights. There is a risk that the Company's business could be adversely affected by these types of factors.

Ability to manage growth

The Company is in the launch phase with rapid growth expected, which imposes demands on both the management of the Company and the operational and financial infrastructure. The business is expected to grow significantly and, as it does, the Company needs to gain assurance that effective planning and management processes are implemented to develop the Company on a market that is undergoing rapid development. If these planning and management processes are not in place, this could affect the ability for the Company to attract new customers, and could consequently have an adverse effect on the Company's business, results of operations and financial position.

Intellectual property rights

The Company's business is based largely on the patented solutions that form part of the Company's products. The Company's business is largely dependent on the Company protecting its technology by means of patents or other intellectual property rights. The Company has a patent strategy the purpose of which is to protect the key elements of the technology. There is a risk that the Company will be unable to protect patents obtained and that patent applications filed will not be granted. On some of the larger markets on which the Company intends to sell its products, for example the Asian, Australian and Norwegian markets, the Company currently has no protection for its key patents. There is also a risk that new technologies will be developed that circumvent the Company's patents. In the Company's view, its technology is not infringing any third-party intellectual property rights in any respect such as to limit the Company's current use of its patented solutions. Nonetheless, there is a risk that competing companies

Risk Factors

could be of the view that the Company is infringing third-party patents or intellectual property rights. The Company considers that the OXE Diesel and Cimco brands will be of greater importance to the Company's business in the future. The brands are currently not protected as trademarks. Furthermore, the protection for the OXE Diesel logo is limited. The opportunity to expand on and into new markets could be limited if, for example, a third party in a country registers a trademark that could be confusingly similar to any of the Company's trademarks. In the event the Company is unable to protect its technology by means of patents or other intellectual property rights or could be regarded as infringing third-party patents or intellectual property rights, this could have an adverse effect on the Company's business, results of operations and financial position.

Customer preferences

The Company is largely dependent on final customers' preferences as regards design, quality and price, and the way in which the Company's products and brands position themselves in relation to competitors. A misjudgment as to demand or customer preferences could result in a decline in, or total lack of, demand for the Company's products, which could have an adverse effect on the Company's business, results of operations and financial position.

Dependence on distributors

The Company's products are sold via distributors with exclusivity on their respective geographical markets. The agreements between the Company and relevant distributors have been entered into on market terms and, among other things, provide for the right for the Company to terminate the agreement if minimum volumes are not met. There is a risk that the Company's distributors will fail to perform their contractual obligations relating to, for example, their marketing efforts and exposure of the Company's products and brands, which could constitute a risk. The Company is largely dependent on their knowledge, experience and commitment to meet sales targets on the local markets. In the event the Company's distributors fail to act and perform in accordance with expectations, this could have an adverse effect on the Company's business, results of operations and financial position. Terminating agreements with existing distributors and replacing them could also give rise to increased costs and a decline in sales for a certain period of time.

Disputes, claims, investigations and legal action

The Company could become involved in disputes within the scope of its day-to-day business and there is a risk that legal action could be brought against the Company relating to contracts, product liability and

other claims on the grounds that products it has sold are defective or have caused personal injury or property damage, or alleged breaches in deliveries of goods or the performance of services. Disputes and claims of this nature can relate to large sums of money and significant legal expenses. Insurance policies have been taken out to cover property and liability risks (such as product liability) to which the Company is exposed. Since the scope of and amounts covered by the insurance policies are limited, there is a risk that the insurance policies will not provide sufficient coverage in the event a claim is brought against the Company. In the event extensive claims are brought against the Company in the future based on defects in its products, there is a risk that the Company will incur costs relating to claims for defects in products the Company has delivered to customers. Furthermore, the Company (or the Company's officers, directors, employees or related parties) could be the object of criminal investigations and legal action. Disputes, claims, investigations and actions of this nature could be time-consuming, disrupt normal operations, involve a large amount of damages, and result in the incurrence of significant costs. In addition, it could be difficult to predict the outcome of complex disputes, claims, investigations and actions. Future disputes, claims, investigations and actions could have a material adverse effect on the Company's business, future prospects, results of operations and financial position.

Credit risk

In relation to the Company's sales of products, there is a risk of payment defaults. Even if some of the Company's distributors pay for products prior to delivery and the Company has drawn up guidelines to ensure that products are only sold to distributors with an appropriate credit background, there is a risk that the Company's credit risks could have an adverse effect on the Company's business, results of operations and financial position.

Book value of intangible assets

The Company's intangible assets consist of capitalized expenditure for R&D and patents. The assets are reported at cost less accumulated depreciation and write-downs. If the Company's valuation of the intangible assets were to prove inaccurate, the Company would need to write down the value of intangible assets, which could have an adverse effect on the Company's financial position and results of operations. The procedure for examining whether there is a write-down requirement consists of many assessments, assumptions and estimates, which in themselves reflect a high level of uncertainty. If future tests indicate a decline in the value of intangible assets, resulting in write-downs, this could have an adverse effect on the Company's results of operations and financial position.

Ability to obtain financing and future capital needs

There is a risk that the Company will have insufficient revenues in the future to finance its business. The Company could be compelled to seek additional external financing in order to carry on its business. Financing of this nature

Risk Factors

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could derive from third parties or existing shareholders by way of public or private financing initiatives. There is a risk that new capital will not be able to be obtained when required, that new capital will not be able to be obtained on satisfactory terms, or that capital obtained will be insufficient to finance the business in accordance with established development plans and objectives. This could have a material adverse effect on the Company's business, results of operations and financial position. If the Company is unable to obtain sufficient financing or take advantage of attractive business opportunities, the Company's ability to retain its market position or competitive edge in its offering could be limited, which could have an adverse effect on the Company's business, profitability and financial position. The terms of the financing available could also have an adverse effect on the Company's business or the rights of shareholders. If the Company decides to obtain additional financing by issuing shares or equity-related securities, shareholders who choose not to participate will incur dilution effects. Any loan financing could contain terms that limit the Company's flexibility. The Company's future capital requirements could prove to differ from management estimates. Miscalculations relating to the Company's future capital requirements could have adverse effects on the Company's business, financial position and profitability.

Market growth and future expansion

A lower rate of growth than expected could have an adverse effect on the Company's business, financial position and results of operations. Furthermore, over the next few years the Company intends to expand into new markets. Any delays or complications in the existing expansion plans could have an adverse effect on the Company's business, results of operations and financial position.

Competition

The outboard engine market for boats is largely characterized by strong competition and there are currently a small number of operators that control the majority of the market. Some of the Company's current and potential future competitors could have competitive advantages in the form of, for example, a longer period of time operating on the market, a more established brand, more established relationships with end customers, and greater financial, technical and marketing resources. If the Company is unable to adapt its business and products to these market conditions, there is a risk that the Company will lose its competitive edge, which could have an adverse effect on the Company's opportunities for growth.

Diesel as fuel

The Company's outboard engines currently use diesel as fuel. Companies that operate in the fossil fuels sector or, alternatively, manufacture products that use fossil fuels, are all subject to both international and domestic rules and regulations relating to emissions into the environment. Burning fossil fuels, such as

diesel, creates, among other things, carbon dioxide, sulphur dioxide and nitric oxide. Sales of products that burn fossil fuels could contribute to an increase in the total amount of carbon dioxide in the atmosphere and cause soil and water contamination. Notwithstanding that the rules and regulations governing the marine industry are currently comparatively generous, there is a risk that using diesel as fuel could be limited or prohibited in the future. Furthermore, there is a risk that companies operating in the market will prefer products powered by fuel other than diesel. These factors could have an adverse effect on the Company's business, results of operations and financial position.

Tax

The Company sells its products on a number of markets outside Sweden. Therefore, the Company's business requires well-established and appropriate procedures for accounting and auditing, monitoring and paying taxes, customs duties and charges, and any failure to comply in these respects could have adverse effects on the business. The Company's assessments and compliance with tax legislation, international tax treaties and rules could prove to be incorrect. Furthermore, the Company is subject to tax rules concerning deductions for interest on loans granted to the Company by major shareholders, as well as tax issues relating to consultants engaged by the Company. Decisions of relevant tax authorities could impair the Company's previous or current tax situation, which could have an adverse effect on the Company. The Company has also accumulated tax losses. Both historic and future changes in the ownership of the Company, resulting in a change of control of the Company, could result in (full or partial) restrictions on the use of these losses. The possibility to use the losses could also be affected by changes in legislation or case law.

Global economic conditions

The state of the global economy affects the general willingness of The Company's current and potential customers to make investments. Weak economic growth worldwide or in certain parts of the world could cause lower market growth for boat engines than expected. Consequently, there is a risk that the Company's anticipated sales could be adversely affected by weak economic growth, which could have an adverse effect on the Company's business, results of operations and financial position.

Political risks

The Company sells its products on a number of markets outside Sweden. Changes in legislation and other rules and regulations concerning, for example, foreign ownership, state participation, taxes, royalties, customs duties or exchange rates could have an effect on the Company's business, results of operations and financial position. Furthermore, the Company's business, results of operations and financial position could be affected by war, terrorism and other political and economic factors.

Risk Factors

Currency risk

Since it sells its products on a number of markets outside Sweden, the Company is exposed to fluctuations in a number of currencies. Consequently, there is a risk that exchange-rate fluctuations could have an adverse effect on the Company's results of operations and financial position.

RISKS RELATING TO THE SHARES

There may not be an active and liquid market for the shares and the price of the shares may be volatile

A prospective investor should be aware that an investment in the Company's shares is associated with a high degree of risk, and that the price of the shares may not develop favourably. There is no guarantee for an active or liquid trading market in the Company's shares. If such market fails to develop or be sustained, it could have a negative impact on the liquidity and price of the shares, and could increase the price volatility of the shares. Investors may not be in a position to sell their shares quickly or at the market price if there is no active trading in the Company's shares. The share prices of publicly-traded companies can be highly volatile and, after the rights issue, the price of the shares could fluctuate substantially due to various factors, some of which could be specific to the Company and its operations, and some of which could be related to the industry in which the Company operates or equity markets generally. As a result of these and other factors, the shares may trade at prices significantly below the price per share in the rights issue. The market price of the shares may decline, and the shares may trade at prices significantly below the price per share in the rights issue, regardless of the Company's actual operating performance, and there can be no assurances as to the liquidity of any market of the shares, an investor's ability to sell their shares or the prices at which investors would be able to sell their shares.

Certain shareholders may exercise considerable influence over the Company and its operations and the interests of these shareholders may conflict with those of other shareholders

Before the rights issue, the four largest shareholders own approximately 60 percent of the shares and the votes in the Company. These shareholders may continue to retain a controlling interest in the Company and could consequently have the power to control the outcome of most matters to be decided by vote at a shareholders' meeting. Such matters include the issuance of additional shares or other equity related securities, which may dilute holders of the Company's shares, and the payment of any future dividends. These shareholders may also be able to exercise control over the Company's Board of Directors through their representation on the Board of Directors, thus influencing the direction of the Company's operations and other affairs.

Future offerings of debt or equity securities by the Company may adversely affect the market price of the shares and lead to substantial dilution of existing shareholders

In the future, the Company may seek to raise capital through offerings of debt securities (potentially including convertible debt securities) or additional equity securities. An issuance of additional equity securities or securities with rights to convert into equity could reduce the market price of the shares and would dilute the economic and voting rights of existing shareholders if made without granting subscription rights to existing shareholders. Because the timing and nature of any future offering will depend on market conditions at the time of such an offering, the Company cannot predict or estimate the amount, timing or nature of any future offering. Thus, holders of the shares bear the risk of any future offerings reducing the market price of the shares and/or diluting their shareholdings in the Company.

The Company's ability to pay dividends in the future may be constrained and depends on several factors

If declared by a shareholders' meeting, holders of the shares will be entitled to receive future dividends. Swedish law limits the ability of the Board of Directors and the Company to propose and declare dividends to certain funds legally available for that purpose. As the amount of future dividend payments the Company may make, if any, will depend upon future earnings, financial condition, cash flows, working capital requirements and other factors, it cannot be predicted whether a dividend will be proposed or declared in any given year.