

# Crown Energy AB: Year-End report 2019

**PRESS RELEASE 21/02/2020**

## **Q4 – OCTOBER-DECEMBER 2019**

- ▶ Revenue amounted to SEK 9,923 thousand (18,713).
- ▶ Operating profit amounted to SEK -8,388 thousand (4,248).
- ▶ Net financial items amounted to SEK 45,999 thousand (44,894).
- ▶ Unrealised changes in property values amounted to SEK -10,511 thousand (-33,283).  
Profit before tax amounted to SEK 27,100 thousand (15,859), and profit after tax amounted to SEK 18,696 thousand (16,981), corresponding to SEK 0.04 (0.04).

## **FULL YEAR– JANUARY-DECEMBER 2019**

- ▶ Revenue amounted to SEK 48,788 thousand (76,633).
- ▶ Operating profit amounted to SEK -996 thousand (22,075).
- ▶ Net financial items amounted to SEK 112,981 thousand (324,569).
- ▶ Unrealised changes in property values amounted SEK 94,198 thousand (-82,612), of which SEK 141,877 thousand (0) relates to unrealised changes in value of property assets held for sale.
- ▶ Profit before tax amounted to 206,183 thousand (264,032), and profit after tax amounted SEK 133,599 thousand (186,909), corresponding to SEK 0.28 (0.39) per share.

## **KEY EVENTS DURING REPORTING PERIOD JANUARY-DECEMBER 2019**

- ▶ 30 April 2019 Crown Energy concluded an agreement for the sale of the C-View property in Angola. Buyer is the Angolan State via the Ministry of Finance. The property is to be paid over three years in a total of six equal instalments.

The property is accounted for as an asset held for sale up until the ownership is transferred to the buyer. As per 31 December 2019, the asset is valued at fair value, which equals to the agreed purchase price, discounted over the payment period of three years. The fair value, at the end of the reporting period, amounts to corresponding SEK 383,586 thousand.

- ▶ During the fourth quarter 2019, the Angolan currency kwanza depreciated, following a relatively stable first nine months 2019. The devaluation had impact on the 2019 Group earnings and financial position. For example, the value in SEK of the C-View property decreased from SEK 514,922 thousand in Q3 to SEK 383,586 thousand in Q4, a decrease isolated to the FX rate effects of 26 per cent. Comparing the Q4 revenues towards the Q3 revenues, they are more or less unchanged in kwanza, but also decreased in SEK by 26 per cent.

As the currency situation has been volatile in Angola the past three years, Crown Energy has taken preventive measures in order to reduce the currency risks. For example, cash in local currency is deposited in USD indexed governmental bonds and in accordance with the sale contract for C-View the transaction has an inflation adjustment. Additionally, some rental contracts are indexed towards the USD.

## **EVENTS AFTER THE END OF THE REPORTING PERIOD**

- ▶ No significant events have occurred after the end of the reporting period.

## **CEO STATEMENT**

### **DEAR SHAREHOLDERS AND INVESTORS,**

2019 was an interesting year with some significant positive events for the Company and otherwise continued work on creating new business and revenue, primarily within the Asset Development and Management business area, but also within Energy. We made a large transaction by selling one of the real estate properties in the portfolio in Luanda, Angola. On April 30, we announced that the Angolan state will acquire the C-View property worth 19,541 million kwanza, at the time corresponding to approximately SEK 575 million before tax and agreed inflation compensation. This was a premium over the acquisition price of 55 percent, or about SEK 200 million. This is a very good deal for Crown Energy which is debt free and therefore can see the payments from the sale of the property significantly strengthen the cash balance during the coming three-year period. This transaction also justifies the acquisition of the Asset Development business that we completed in 2017. The transaction will contribute capital for future investments, and is in line with our business model. During the fourth quarter, we received an initial payment from the buyer. Within the Energy business area, we also work intensively to capitalize on existing assets. We are awaiting news from our partner and also the operator - Africa Energy - for our South Africa project Block 2B on the application to enter the next exploration phase which will include the drilling commitment, and for which they are also currently seeking partners to implement. It will be very exciting to follow that story in 2020. The cost of Crown Energy's 10 percent interest in a future drilling is financed in accordance with previous farmout agreements with Africa Energy.

It was very important to receive initial payment from the buyer (Angolan state through the Ministry of Finance) for the C-View property, albeit with some delay. Some bureaucracy and registrations of the sales agreement with the relevant authorities have been cleared and we expect the buyer to continue to pay according to the agreement, i.e. a total of six payments over three years. The devaluation of the Angolan currency has of course temporarily eroded some of the value of this payment in our Swedish accounting currency.

It is important to mention measures and existing contractual conditions that counteract the effects of the kwanza devaluation. On the one hand, we are actively working to invest cash in local currency in Angola in interest-bearing, and indexed, government securities, which actively balance any negative effects. The second measure concerns our contract for the sale of the property C-View, with the clause for compensation for inflation over the payment period, which means that when final invoicing is made we adjust for registered inflation over the entire payment period of three years, which should provide good protection against negative development of the local currency.

Crown Energy continues to operate with two business areas, Energy and Asset Development. So far, we can see progress in attracting partners and customers to our offerings, even though this process is taking longer than we hoped. The arguments we had prior to the acquisition of the Asset Development business are still valid. Synergies between the business areas, as well as the much larger size of Crown Energy as a whole and the capital we have access to today, create the conditions for new business for the Company.

Property operations continued during the quarter with relatively unchanged scope and earnings compared with the previous quarter. However, during the reporting period, the Angolan currency kwanza has fallen in value against the Swedish krona, which has had negative effects in the financial reporting during the current reporting period. For the full year 2019 this will of course have the same consequences. This, together with the loss in the occupancy rate for one of the properties in the portfolio, which we reported in the first quarter report of 2019, and that during the year we gradually phased out tenants we have had in the C-View property in anticipation of the transfer of the property to the buyer, revenue has fallen 36 percent to SEK 48.8 million (76.6). In local currency, revenues fell 18 percent for the full year 2019. During the year, property-related costs decreased by 28 percent to SEK 17.1 million (23.9), and we are working to further streamline property management to reduce these costs. Other external costs have continued to be relatively high for the Company. The Board of Directors has chosen to invest for new business and at the same time adapt the legal structure to handle future new business. In practice, this means that we had higher costs during 2018 and 2019, which we can capitalize on in the future, and which in the long term can therefore be assumed to decrease while we work to expand the revenue base. In addition, it should be mentioned that we had non-recurring costs attributable to the sale of the C-View property in 2019. About SEK 4 million was paid to an Angolan authority to have the sales contract for C-View formally stamped and approved and which is reported as an expense under the other external

costs 2019. As a result of the transaction with the property C-View in 2019, the change in value is reported as an unrealized result of SEK 142 million.

We continue to work with our oil and gas projects to develop these to generate economic growth for the Company and we are working on specific processes that we hope we can communicate to the market. But we are not in a position to give a time perspective on this. The price of crude oil has fluctuated between USD 60 to USD 65 per barrel during the fourth quarter of 2019 and at one point the oil price went up significantly as a result of political tensions around the Persian Gulf. The market estimates that the oil price will continue just under USD 60 per barrel during the first six months of the year to have a slightly longer-term view of an oil price of USD 65 per barrel. Oil prices at such levels can continue to stimulate the market to invest in projects such as Crown Energy. At present, the Company holds four exploration licenses, located in Iraq, South Africa, Equatorial Guinea and Madagascar. For South Africa, we are very much looking forward to what our partner and also the operator of the license, Africa Energy, will be able to communicate regarding their farmout that they are seeking to their interest in the licence. A farmout, together with an approved renewal of the license into a new exploration rights period to include drilling commitments, gives us a concrete schedule for further activities on the license. As for Madagascar, the current licensing period expired in November 2019. Crown has applied for an extension and is discussing this with the authorities. However, Crown Energy continues to evaluate the value of the license. Crown will await feedback from the authorities before deciding on the best way forward for the Company regarding this license. If the authorities do not approve the extension application, this means that the license can be withdrawn by the authority and then the need for impairment would be 100% of the value. The value of the license at December 31 was SEK 96 million.

New business remains the Company's most important focus. However, it has taken longer than we hoped. There are a number of factors that this is due to, but it is possible to summarize the situation such that if a first transaction can be completed, then we have several additional transactions that are likely to be realized thereafter. We see it as a chain of events that can be triggered if we get a positive outcome in any of the ongoing sales processes in which we are involved. We work to see progress for that part.

We look forward to continuing our efforts to capitalise on our assets, thus creating value for you, our shareholders.

Andreas Forssell  
CEO, Crown Energy

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#### **MORE INFORMATION**

Please contact Andreas Forssell, CEO, Crown Energy AB  
+46 8 400 207 20  
+46 760 15 15 95

#### **ABOUT CROWN ENERGY**

Crown Energy is an international group providing customised solutions for housing, offices and associated services, as well as oil and gas exploration in Africa and the Middle East. For more information please visit [www.crownenergy.se](http://www.crownenergy.se)