

# Crown Energy AB: Interim report January- September 2019

**PRESS RELEASE 08/11/2019**

## **Q3 – JULY-SEPTEMBER 2019**

- ▶ Revenue amounted to SEK 13,327 thousand (18,260).
- ▶ Operating profit amounted to SEK 2,528 thousand (5,468).
- ▶ Net financial items amounted to SEK 27,361 thousand (21,546).
- ▶ Unrealised changes in property values amounted to SEK 796 thousand (-2,957).
- ▶ Profit before tax amounted to SEK 30,686 thousand (24,057), and profit after tax amounted to SEK 28,569 thousand (-3,759), corresponding to SEK 0.06 (-0.01) per share.

## **INTERIM PERIOD– JANUARY-SEPTEMBER 2019**

- ▶ Revenue amounted to SEK 38,865 thousand (57,920).
- ▶ Operating profit amounted to SEK 7,392 thousand (17,827).
- ▶ Net financial items amounted to SEK 66,982 thousand (279,674).
- ▶ Unrealised changes in property values amounted to SEK 104,709 thousand (-49,329), of which SEK 141,877 thousand (0) relates to unrealised changes in value of property assets held for sale.
- ▶ Profit before tax amounted to SEK 179,083 thousand (248,173), and profit after tax amounted SEK 114,902 thousand (169,928), corresponding to SEK 0.24 (0.36) per share.

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

- ▶ On 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 30 September 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 514,922 thousand.

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

- ▶ During October and November 2019, the Angolan currency kwanza depreciated, following a relatively stable first nine months 2019. At the time of the publishing of this report, the kwanza has depreciated by approx. 31 per cent since 30 September against the Swedish krona. This will likely have a significant impact on the Group's earnings and financial position during the fourth quarter. Revenues and property valuations (including the C-View asset held for sale) will be adversely affected. In addition, we expect positive effects within the financial items due to exchange rate differences.

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.

Crown Energy will closely follow this development during the fourth quarter and will return with information once we are able to assess the effects in more detail.

## **CEO STATEMENT**

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

During the period, Crown Energy has continued the efforts to generate new business. In order for these businesses to develop and for us to inform the market about this, it is required that some external factors are fulfilled. We have several tenders out there which decisionmakers at potential clients will need to take a position on and in some cases also require board approvals. The lead times are long and before we can communicate further about these processes, we can only consider ones where both parties have taken final decisions.

Since we announced the sale of the C-View property in Angola at the end of April this year, we are awaiting payment from the buyer (who is the Angolan state, via the Ministry of Finance). Some bureaucracy and registrations have since then been cleared, and therefore the first payment, in accordance with the agreement with the Angolan state, of the total six payments over three years for the property will be due shortly. At the time of publication of this report, however, we await receipt of the first payment, and will be providing further updates on this.

Within the Asset Development and Management business, as previously advised, our business development team has a number of potential projects in pipeline. As of yet, our work has not reached a status that can be communicated to the market, partly due to the counterparties' requirements for confidentiality, and partly due to the negotiation process itself.

In May, we published information that we are holding meetings with investors regarding interest-bearing instruments. As a result of the delays, mentioned above, with processes that are important to the Company, we have decided, in consultation with our financial advisor ABG Sundal Collier, to await, inter alia, receipt of the first payment for the property C-View, before continuing this exploration of the investor market.

However, the situation has been relatively stable in the energy market as a whole and we continue to have a positive outlook for new business and thus to substantial growth for the Company.

Our property operations have continued with relatively unchanged scope and earnings, when compared to the previous reporting period. After the reporting period, though, the Angolan currency kwanza has sharply fallen in value against the Swedish krona, which of course will have effects on the financial reporting in the coming reporting period. The revenues will be adversely affected, as we, so far, only have revenues from operations in Angola. In return, the depreciation will have positive effects on the net financial items. Furthermore, it is also important to mention two measures taken which affect and counteract the effects of kwanza devaluation. First, we are actively working to place cash in local currency in interest-bearing government securities, indexed to the US dollar, which actively balance negative effects. The other measure taken is in our contract regarding the sale of the property C-View, where the contract contains a clause on compensation for inflation over the payment period. This means that when we submit the final invoice, we adjust for registered inflation over the entire payment period of three years, which should provide good protection against the negative development of the local currency.

We have not disclosed anything concrete about our oil and gas projects during the period, but with a relatively stable price of crude oil, which has fluctuated around USD 60 per barrel during the quarter and until today, the market can definitely continue to be stimulated for new investments. During the next reporting period, our exploration license in Madagascar will be subject to review in accordance with the licence rights terms. Depending on whether the authorities intend to give Crown Energy a continued period to try to find a partner for the license, we will see how this asset could continue to be managed by us. Taking a longer-term perspective, there is the risk that we will face increased demands from the Madagascar authority, and we will have to decide on whether such requirements are financially justifiable for us to meet and continue to invest in the license.

### **BUSINESS DECISIONS THAT AFFECTED THE COMPANY'S PERFORMANCE**

Crown Energy's development plan includes the sale of a larger asset during the year, which in turn will contribute to release capital for future investments in Asset Development and Management business. A great deal of work is invested to establish Crown Energy's Asset Development concept in new markets, primarily through new customer sales.

**OUTLOOK**

We are now continuing our development towards a larger and more stable foundation to stand on. We will utilize contacts within the oil industry and internationally to develop business in new and existing markets and future cash flows are planned to ensure faster development of our existing assets.

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**

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**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)