

Crown Energy AB: Year-End Report 2018

PRESS RELEASE 21/02/2019

Q4 – OCTOBER-DECEMBER 2018

- ▶ Revenue amounted to SEK 18,885 thousand (24,759).
- ▶ Operating profit amounted to SEK 4,248 thousand (21,208).
- ▶ Unrealised changes in property values amounted to SEK -33,283 thousand (8,714).
- ▶ Profit before tax was SEK 15,859 thousand (12,248), and profit after tax was SEK 16,981 thousand (8,077), corresponding to SEK 0.04 (0.02) per share.

FULL-YEAR 2018

- ▶ Revenue amounted to SEK 76,633 thousand (110,483). The decrease is largely due to the Angolan currency's depreciation in value against the Swedish krona in 2018, which was 40 percent.
- ▶ Operating profit amounted to SEK 22,075 thousand (69,332).
- ▶ Operating profit after effect of reverse acquisition amounted to SEK 22,075 thousand (-105,254).
- ▶ Unrealised changes in property values amounted to SEK -82,612 thousand (35,239).
- ▶ Profit before tax was SEK 264,032 thousand (-67,619), and profit after tax was SEK 186,909 thousand (-67,275), corresponding to SEK 0.39 (-0.17) per share.

KEY EVENTS JANUARY-DECEMBER 2018

- ▶ In early 2018, the central bank of Angola stopped pegging the Angolan currency kwanza to the USD. In 2018, the devaluation resulted in considerable exchange rate effects in Crown Energy's financial statements, especially during the first three quarters, when the devaluation peaked.
- ▶ Angola is a high inflation country, and as of 1 January 2018, the Group adjusted items in both the income statement and the balance sheet for prevailing inflation in accordance with IAS 29. The inflation adjustment has offset the devaluation effects of the Angolan currency somewhat.
- ▶ From March 2018 Crown Energy has a strategic co-operation with the Italian Engineering firm Proger S.p.A. The parties have agreed to work together to seek and identify commercial projects where each company's competencies complement the other and to represent each other in each company's network.
- ▶ During the fourth quarter of 2018, an error was noted in the presentation of the Group's investment properties. The error is of accounting technical nature and has not affected the Group's operating result or liquidity. Due to a misinterpretation of IAS 40, the carrying amount of leased investment properties corresponded to the fair value without adjusting for the payments expected to be paid, which are also recognised as lease liabilities. The effect of this is that the carrying amount of the Group's investment properties has been too low with an amount corresponding to lease liabilities for contracted investment properties. The error was corrected retroactively from the opening balance on 1 January 2017. The 2017 opening balance for investment properties was corrected through an increase in the amount of SEK 117,324 thousand. Adjustment of the 2017 earnings relates to unrealised changes in value in investment properties and amounts to SEK -4,016 thousand. Earnings per share changed after the correction from SEK -0.16 to -0.17. For more information, see Note 10 in the Year-End Report.

CEO STATEMENT

DEAR SHAREHOLDERS AND INVESTORS,

in 2018 Crown Energy had its first full year with its two fully incorporated business areas: Energy and Asset Development and Management. We have worked intensively to integrate the new property operations into Crown Energy's systems and have invested heavily in developing business within both areas. So far, we can see clear progress in attracting partners and customers for the services that we offer. The benefits we had set

out before the acquisition of the Asset Development and Management business continue to take effect. Synergies between the business areas, as well as the much larger size of Crown Energy and the increased capital we currently have access to, have laid the foundation for generating new business for the Company.

The Company's financial position remains stable and the business area for properties has developed cautiously positive in local currency. However, the extensive inflation and devaluation of the Angolan kwanza (AOA) has had a negative impact on full-year 2018 earnings in the conversion to SEK, our reporting currency. Nevertheless, the Company still estimates that there is financial capacity to expand with new investments going forward. Crown Energy reports revenue of SEK 76.8 million (111.3) for the full year. Rental revenue amounted to SEK 53.3 million (67.2) and service revenue SEK 23.3 million (43.3). The Company's EBITDA margins amount to SEK 22.3 million (69.4). The main reason for this decline is that recognised revenues decreased as a result of the devaluation of the AOA. In addition, costs in the Parent Company were charged against full year 2018 earnings. In 2017, only the Parent Company's costs for the second half of the year were recognised as a result of the reverse acquisition that was completed on 30 June 2017. Increased costs for business development in 2018 were also partly responsible for constraining earnings. However, these figures must be seen in the light of the fact that this is the first full financial year in a newly reshaped business, a listed company which meets the highest international standards of reporting, and taking into account the uncontrollable effects of local currency fluctuations. We will, of course, carry on striving to improve operating profit, reduce costs and expand the revenue base.

In view of a more stable currency situation and several major new discoveries and deals in the oil and gas sector in Angola, we are encouraged that 2019 can be a better year for the Company. Increased general investments in Angola should generate greater activity in the Angola property market, where we are positioned well to offer qualitative office and housing solutions with a comprehensive service offering. In this segment, Crown Energy has a good reputation in the market.

Our oil and gas projects have generally developed well during 2018. The price of crude oil mostly fluctuated between USD 60 and USD 80 per barrel during the year. Oil prices at these levels can motivate the market to invest in Crown's projects. Investments in the energy sector in general, and in the oil and gas industry specifically, are expected to continue to increase in 2019. For several years now, the oil industry has invested considerably less than it had previously. A stable oil price at higher levels could trigger further investments in both exploration of new and development of existing discoveries.

BUSINESS DECISIONS THAT AFFECTED THE COMPANY'S PERFORMANCE

Since the acquisition of ESI Group in 2017, a lot of work has been put into incorporating the acquired businesses into Crown Energy's systems. But above all, much time and effort has been invested in establishing Crown Energy's Asset Development concept in new markets, primarily through marketing to new customer. Among other things, we entered an agreement with the Italian engineering consultancy company Proger SPA during the year and are pursuing new customers together.

OUTLOOK

The Company now continues its progress towards having a larger and even more stable foundation to stand on. We will make use of our contacts in the oil industry to generate business in new and existing markets, and future cash flows should ensure faster development of the Company's existing assets. In 2019, we will continue our efforts to optimise the profitability of the existing property portfolio. This can be done by signing new leases, reviewing operational costs and consolidating the portfolio if opportunities arise and the financial conditions are right.

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

Andreas Forssell,
CEO Crown Energy

This information constitutes such information as Crown Energy AB (publ) is required to disclose under the EU Market Abuse Regulation. The information was released for publication through the agency of the contact person below on 21 February 2019 at 8:30 CET.

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