

Crown Energy AB: Interim report, January-March 2018

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Q1 – JANUARY-MARCH 2018

- ▶ Revenue amounted to SEK 20,629 thousand (27,783).
- ▶ Operating profit amounted to SEK 7,029 thousand (18,303), corresponding to SEK 0.01 per share (0.05).
- ▶ Unrealised changes in Property values amounted to SEK -16,516 (-10,288) thousand.
- ▶ Profit before tax was SEK 44,310 thousand (8,060), corresponding to SEK 0.09 per share (0.02) and profit after tax was SEK 11,390 thousand (28,816), corresponding to SEK 0.02 per share (0.08).

KEY EVENTS DURING THE QUARTER

- ▶ Crown Energy's financials have been influenced substantially by the devaluation in Angola that occurred during the quarter. The Central Bank of Angola released the pegging of the Angolan Kwanza against the US dollar, which resulted in a devaluation effect of approximately 22.5 percent during the quarter.
- ▶ On 26 February 2018 the Company announced that the extension to move into the second period of the Exploration Right over Block 2B offshore South Africa was granted by the South African authorities. The exploration rights period now runs until February 2020 and includes drilling of a well on the licence. Crown Energy holds a 10 per cent equity position in licence Block 2B in South Africa.
- ▶ On March 8 2018, Crown Energy announced that it had entered into an Areas of Mutual Interest Co-operation agreement with the Italian Engineering firm Proger S.p.A. ("Proger"). By this agreement Crown Energy continues to strengthen its Asset Development and Management business area. Crown Energy and Proger have agreed to work together to seek and identify commercial projects, where each company's competencies complement each other. Both companies agreed to represent each other through their respective office net- works, thus enhancing their presence in the international market.

CEO STATEMENT

DEAR SHAREHOLDERS AND INVESTORS,

Following Crown Energy's substantial transaction acquiring ESI Group in 2017, we have now entered into 2018 and can publish the first quarter report. Our financials have been influenced substantially by the devaluation in Angola that occurred during the quarter. The Central Bank of Angola released the pegging of the Angolan Kwanza against the US dollar, which resulted in a devaluation effect of approximately 22.5 percent during the quarter.

A positive thing however is that Crown Energy's underlying operating business in Angola has done better during the first quarter. The revenues, in local currency, increased compared to the same period last year as well as against the previous quarter. Revenues increased by 1.7 percent compared to the fourth quarter 2017 and by 7.2 percent compared to the first quarter 2017. Converted to our reporting currency, the Swedish Krona, we however see how the devaluation has had a negative effect on the revenues. However, due to other currency conversions, we are reporting a significantly higher before tax profit compared to previous periods.

Crown Energy reports revenues of SEK 20.6 million (27.8) for the first quarter 2018. The rental incomes amounted to SEK 13.0 million (18.1), and our service incomes to SEK 7.6 million (9.6). The profit before tax (EBIT) amounted to SEK 44.3 million (8.1) and was affected by the substantial fluctuations in currencies, which is mainly recorded in the financial items. Our comparison figures must be seen in the light of last year's ESI Group reverse take-over and therefore the "old" Crown Energy group's costs are not reported during the first six months 2017.

In the longer run, the effects of the devaluation and the ongoing inflation in Angola, are counteracted by the fact that Crown Energy has a built-in index to the US dollar in almost

half of our client contracts. In order to mitigate the currency risks, our subsidiary in Angola also signed two hedge agreements in October 2017. One of the instruments is hedging against the US dollar and the other one is an interest bearing instrument running with 22 percent interest.

The situation in Angola definitely reinforces our strategy going forward – to spread our Asset development concept to new markets, to continue to negotiate our client contracts in dollar or Euro as well as sign new rental and service contracts in existing properties. The increasing oil price is also positive for the underlying economy in Angola, and will likely cool off the inflation in the country.

It is the Company's absolute determination and goal to secure business development and growth going forward. New projects within the Asset Development and Management business and also to capitalise on the oil and gas assets in the Energy business are our highest priorities. The company sees that the effects of currency changes in the Angolan economy, further increase the value for us to establish cash flow generating activities in new markets to diversify and hedge currency risks. We also see an improved situation within the oil industry due to the positive oil price development.

Our oil and gas projects have generally developed very well until today. An increase in oil prices may eventually be very positive for Crown Energy, as investments in the energy sector in general, and in the oil and gas industry specifically, are expected to speed up going forward. Investments in the oil industry has had a substantial dip in recent years. This usually creates a need for new investments in the industry and together with a steady oil price at higher levels this can definitely trigger such investments. It is impossible to predict exactly when such investments will begin to increase. But we can already read about several oil and gas fields that are put into operation and general investments have been announced. There might be a need for a longer period of higher oil price in order for the effect to be further noticeable in the market. But we believe that it will affect our assets positively in both our business areas.

BUSINESS DECISIONS THAT AFFECTED THE COMPANY'S PERFORMANCE

Since the acquisition of ESI Group in 2017 much work has been invested to implement the acquired business into Crown Energy. And more importantly, a massive amount of efforts has been invested in order to establish our asset development concept on new markets, mainly through new customer sales. That is something that we look forward to see materialise into a firm business growth for Crown Energy.

OUTLOOK

The Company now continues its progress towards a larger and even more stable foundation to stand on. We will make use of our prominent contacts in the oil industry to develop our business on both existing and new markets, and future cash flows should guarantee faster development of the Company's existing assets. Capital and organisation will be further adapted as part of the exciting continuation of Crown Energy's development work.

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

Andreas Forssell,
CEO Crown Energy

This information is information that Crown Energy AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 08.30 AM CET on 17 May 2018.

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