



# Crown Energy AB: Interim report, January-September 2017

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## Q3 – July-September 2017

- Revenue amounted to SEK 27,466 thousand (38,852).
- Operating profit excl. effect of reverse acquisition amounted to SEK 12,689 thousand (28,492), corresponding to SEK 0,03 per share (0,08), before and after dilution.
- Unrealised changes in Property values amounted to SEK 58,402 (0) thousand.
- Profit after tax was SEK 53,781 thousand (28,492), corresponding to SEK 0.12 per share (0.07), before and after dilution.

## Nine-month period – January-September 2017

- Revenue amounted to SEK 86,535 thousand (109,998).
- Operating profit excl. effect of reverse acquisition amounted to SEK 48,123 thousand (74,253), corresponding to SEK 0.13 per share (0.21), before and after dilution.
- The reporting period includes a one-off profit and loss item amounting to SEK -174,586 thousand. This item is a result of accounting regulation for reverse acquisitions and does not affect the cash flow. Operating loss incl. effect of reverse acquisition amounted to SEK -126,462 thousand (74,253).
- Loss after tax was SEK -71,170 thousand (-18,789), corresponding to SEK -0.18 per share (-0.05), before and after dilution.

## Key events during the quarter

- On 25 August 2017, the Company announced final accounts regarding the acquisition of ESI Group S.A. and conversion of class C-shares into ordinary shares following final adjustment of the purchase price as well as redemption of C-shares.
- On 28 September 2017, the Company announced updated Competent Persons Report for the business area Energy.

## CEO statement

### *Dear shareholders and investors,*

During the first nine months of 2017, Crown Energy has gone through a huge change and the business has grown substantially. This includes the acquisition of ESI Group, which added an entirely new business area, while the Company has also advanced its position in exploration.

These developments are the result of a long-term strategy to expand the Company's services and offers so we can be a stable player in several segments of the energy industry. Efforts to develop our new Property Development and Services business area really gained momentum in the third quarter, partly through development of the existing project portfolio, but mainly through expansion of this business area into new geographic markets. We have a very interesting line-up of potential projects in several new markets that we are working with now.

The Company's shares were traded under observation flags for exactly one year, which was the period from publication of the ESI Group transaction until the stock exchange decided to return the Crown Energy AB share to its regular listing. Crown Energy's share was re-registered without any reservation on 10 November.

After last year's transactions, the Company now has a stronger financial base as well as a profitable and developable business with positive cash flows that further strengthens the Company's financial and operational position. The consequences are valuable for Crown Energy and will help grow the Company.

The Company is currently working on a large corporate communication project that will redefine Crown Energy both graphically and visually. The purpose is to more strongly communicate our strategy and the Company's business areas and introduce the new Crown Energy to the market. A new website and a new graphic profile will be launched around year-end 2017.

In our new Property Development and Services business area, major steps have already been taken to launch the ESI concept in new markets. There is currently an exciting pipeline of new potential projects. Some of them are in the existing Angolan market, but most of them are in new geographic markets. We count more than half a dozen projects in as many markets, some of which are being worked on in cooperation with our engineering partner Proger. This is a strong partnership which offers potential customers comprehensive and competitive services and solutions.

The existing portfolio of property assets, both leased and owned properties, is going according to plan and with existing contracts. However, the currency situation and the rental market in Angola has been less favourable in 2017, mainly for the housing segment. The portfolio contains some properties that lost tenants in 2017 and the sale of properties in the beginning of the year explains decreased revenues. But then again, new tenants have signed leases and moved into the recently completed C-view property located in the Talatona district of Luanda. Negotiations are also being held on additional new rentals in the C-view property in significant volumes.

Even if new leases have been slow in Luanda during the year, growth for Property Development and Services will mainly occur in new markets. The acquisition of ESI Group thus has a greater value for Crown Energy than the existing portfolio which, when acquired, was valued with existing contracts and business. Crown Energy now owns the entire ESI concept, with its know-how, rights and key personnel – all essential components for the expansion into new markets that is at hand. Of course, with that said, new rentals in the existing portfolio are also important, especially since the business is firmly established in Angola with its organisation and a strong history as a good reputable landlord. With an improved situation in the oil industry, we will no doubt also see an upturn in that market.

The appreciation in value of the C-view property since the external valuation at market value is very positive and is reflected in this past quarter's results. The reason for this increase, that is, the difference between the recognised acquisition value at 30 June 2017 and the reporting date, is that at the acquisition date, C-view was valued only at costs incurred. Since we are now recognising this property at fair value, the full market value is reported. This resulted in a gross appreciation of approximately SEK 67 million, which is reflected in the income statement.

After the reporting period, the Company announced that the subsidiary Crown Energy Iraq achieved significant success with the signing of an amendment to the licence agreement that the Company has had with Salah ad-Din Province in Iraq since 2013. This is a revision of the agreement with a view primarily to extending the contract by five years from September 2018 to September 2023. Some other terms of the licence agreement were also revised to adapt them to current industry standards and practices. As a result, the revised agreement clarifies the way forward for contractual obligations along with technical and commercial development of the Salah ad-Din contract area, which will benefit all stakeholders involved.

Other projects in the Energy business area are holding steady. In South Africa, the operator, Africa Energy, is waiting for regulatory approval from the South African authorities on proposed work program for the next phase, which covers another two years duration. This is the phase we have been looking forward to for a long time that will include new drilling in the licence area. In Madagascar, we are in the process of negotiating a two-year extension of the licence. In Equatorial Guinea there are also discussions about an extension and establishment of a clear way forward for the licence development.

***Business decisions that affected the Company's performance***

We have now acquired a well-run company that is profitable and has great growth potential. The strong cash flow also increases our ability to develop existing operations in Crown Energy, as the end market in exploration operations and in the property services business consists largely of the same companies and customers, i.e. the oil and gas industry. As a larger joint company, we see new opportunities for generating future business in both business areas.

***Outlook***

The Company now continues its progress towards a larger and even more stable foundation to stand on. Through the merger with ESI Group, we will make use of prominent contacts in the oil industry, and future cash flows should guarantee faster development of the Company's existing Energy assets. Growth from Property Development and Services is to be generated from new projects in new markets. Our capital and organisation are and will continue to be adapted to accommodate an exciting continuation of Crown Energy's development efforts.

***Financing***

With the acquisition of ESI Group and its operations as well as the issue of shares and warrants to Cement Fund in 2016, the Company will continue to have adequate working and investment capital going forward.

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

Andreas Forssell  
CEO, Crown Energy AB

*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 30 November 2017.*

**MORE INFORMATION**

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**ABOUT CROWN ENERGY**

Crown Energy is an international company engaged in oil and gas exploration and production and property development and management services. The portfolio consists of assets in Africa and the Middle East. For more information please visit [www.crownenergy.se](http://www.crownenergy.se)