



Crown Energy AB: Interim report, January-June 2017

PRESS RELEASE 31/08/2017

Q2 – April-June 2017

- Revenue amounted to SEK 31,305 thousand (36,634).
- Operating profit excl. effect of reverse acquisition amounted to SEK 17,131 thousand (22,664), corresponding to SEK 0,05 per share (0,06), 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 -157,455 thousand (22,664).
- Loss after tax was SEK -153,767 thousand (17,348), corresponding to SEK -0.43 per share (0.05), before and after dilution.

H1 – January-June 2017

- Revenue amounted to SEK 59,089 thousand (71,147).
- Operating profit excl. effect of reverse acquisition amounted to SEK 35,434 thousand (45,761), corresponding to SEK 0,10 per share (0,13), 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 -139,099 thousand (45,761).
- Loss after tax was SEK -124,952 thousand (-43,771), corresponding to SEK -0.35 per share (-0.12), before and after dilution.

Key events during the quarter

- The acquisition of ESI Group S.A. was completed on 30 June 2017. At the end of the quarter, recalculation of the final consideration and number of shares for conversion to ordinary shares remained to be done. This recalculation was done and press released on 25 August 2017.
- The acquisition of ESI Group S.A. is accounted for as a reverse acquisition, which have had a substantial effect on the financial reports.
- The sale of property in Angola was announced on 13 April 2017 and resulted in that ESI Group S.A. could repay all external loans.
- On 19 April 2017, the signing of consultancy agreements regarding business support for exploration assets in Iraq was announced.

CEO statement

Dear shareholders and investors,

During the first half of 2017, Crown Energy worked intensively to complete the acquisition of ESI Group. Considerable effort has been spent on the process of performing the necessary steps to meet the required conditions of the acquisition agreement that was concluded in November 2016. Now that this is done, we can look forward to developing the new Crown Energy with two business areas: Energy, which covers all assets that have historically formed Crown Energy's operations, and

Property Development and Services, which provides seamless office and housing solutions for companies and organisations mainly operating in the oil industry. As I write this, the Company's market value amounts to just over SEK 2 billion.

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

Crown Energy can now continue to position itself as a unique company in the oil industry, where growth is achieved through the positive development of the two business areas in which we operate and where synergies between them will be utilised in the best possible way to generate new business for the Company. The two business areas together will diversify operations, which means reduced risk. The cash flow generated within Property Development and Services can be used to further develop exploration assets. Establishing customer relationships with some of the world's leading oil and gas companies in this business area also increases Crown Energy's opportunities to capitalise on existing assets. Finally, Crown Energy can also offer exploration and extraction partners related services in the form of customised accommodation and offices close to the assets.

The acquired new Property Development and Services business area has historically been well-managed with excellent client relationships. The entire concept and much of the revenue will come from the service provided in conjunction with property rentals. Long-term relationships and contracts ensure high project profitability. The business' solid profitability is boosted by the fact that most clients are major Western companies while costs are local. Incorporating ESI Group in a European listed company provides better access to the international capital market, which is important for faster growth and further expansion of the business to other markets besides Angola.

It is extremely encouraging to be able for the first time to comment on financial figures from a cash flow generating business. The acquisition of ESI Group is to be seen as a reversed acquisition from an accounting perspective, which means that in the accounting, ESI Group is acquiring Crown Energy. This leads to a more complex report than normally should have been the case, and for a transition period, this will continue. In this first group report a one-off item is also reported as a result of the accounting of the reversed take over that will affect the comparability. An amount of SEK -174,586 thousand is reported on the profit and loss accounts due to the difference in market capitalisation and the net asset base of the time of completion of the transaction. This is however a non-cash flow affecting item.

Property Development and Services generates two sets of revenues, from rent and from services. The standard client is both lease tenant and buyer of services. During the first six months 2017 the revenues amounts to SEK 59,089 thousand compared with SEK 71,147 thousand the same period of last year. The decrease mainly stems from less rental revenues which amounts to SEK 36,511 thousand compared with SEK 46,553 thousand the same period 2016. The reason for the decrease of approximately 20 percent of rental income is mainly due to the fact that one property has undergone a renovation during the reporting period, and was therefore unavailable for rental. The renovation is now done and the tenants is returning and we will see an increase of revenues as a result. It is also partly explained by the sale of property which means that the leasable area decreased during 2017.

Work on the ESI Group transaction has been extensive – incorporating a formerly private-owned business into a public European company has been a demanding exercise. Despite the involvement of several international consulting companies, we had to take advantage of the entire period of time allowed by the acquisition agreement. Company management, including key personnel in the acquired business, has worked very intensively during the period. The transaction was completed satisfactorily and professionally and we are very confident about the future.

In addition to the ESI Group transaction, the Company was able to move forward in the Energy business area as regards exploration licences. Africa Energy has submitted an application to the authorities for entering the next phase in South Africa – the phase that we have long been looking forward to and that will include new licensed drilling. We are waiting for the South African authorities to approve proposed ventures in order to enter the next phase, which covers another two years. We have continued to work commercially with our Iraq licence, which included conducting many meetings with representatives from the region. We are looking forward to further expanding our activities and also announcing operational updates on developments as a result of these efforts.

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 assets. 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 31 August 2017.

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 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