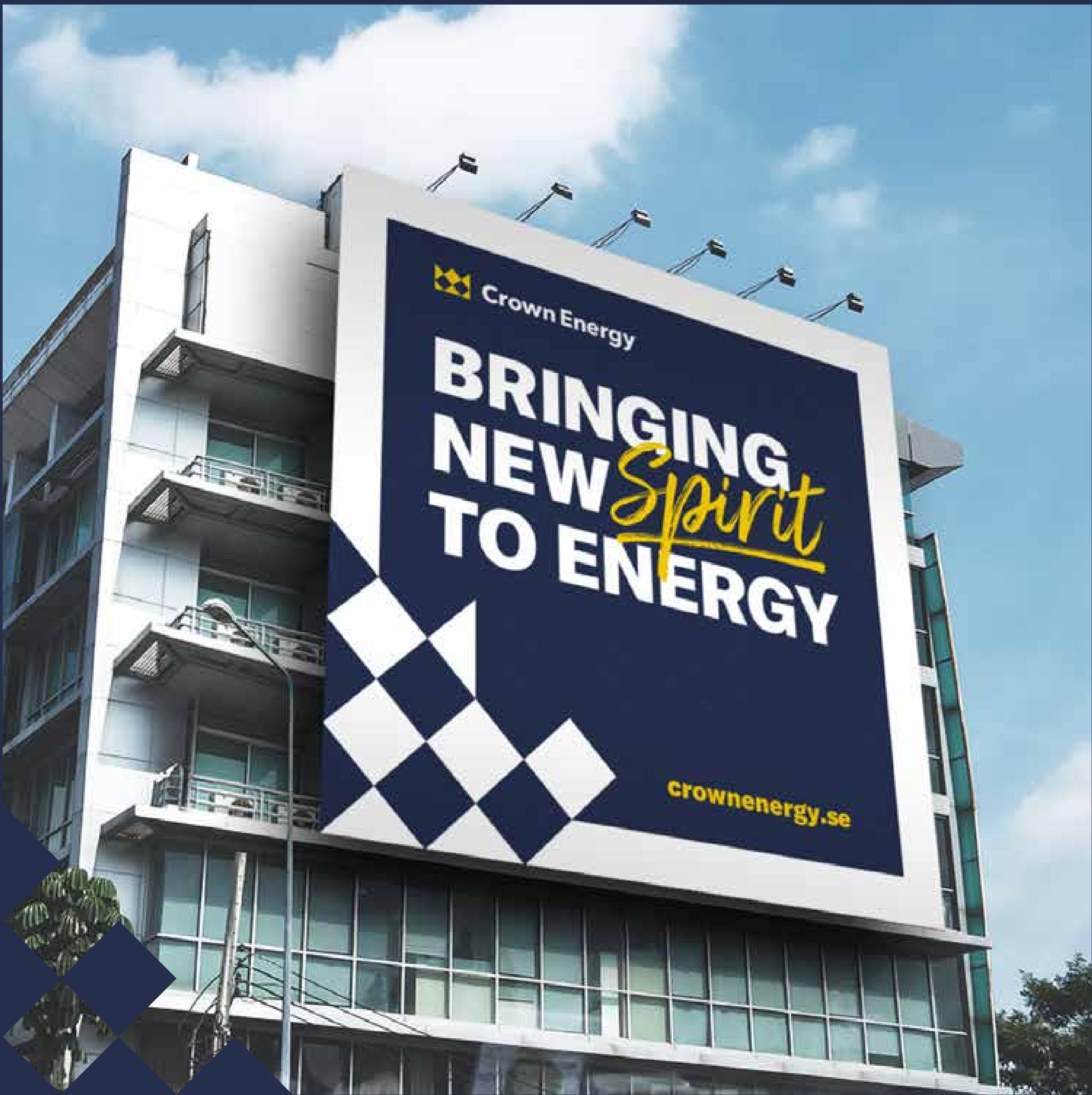
ANNUAL REPORT 2018

Crown Energy



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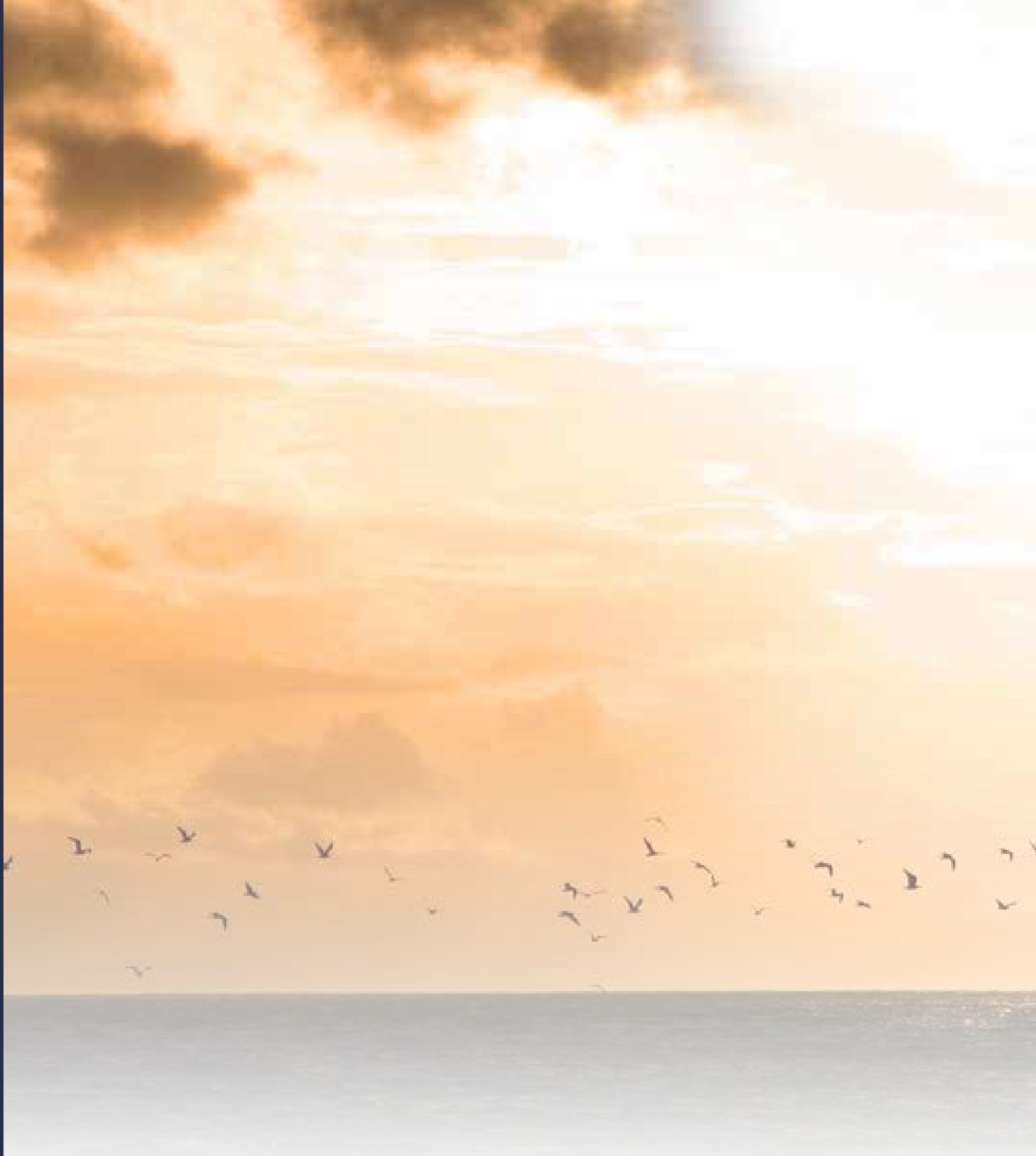

Crown Energy

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. The Company creates value via two business areas: Asset Development and Management and Energy.

The Company creates value by offering international companies a one-stop-shop concept for residential premises, offices and associated services, as well as by finding and developing oil and gas assets in early stages and then introducing an appropriate oil and gas industry player to the projects for further development and production.

Crown Energy has offices in Stockholm, London, Luxembourg and Luanda.

This English Annual Report is a translation of the Swedish Annual Report for 2018. If any discrepancies exist in the translation, the Swedish language shall prevail. The translated English Annual Report has not been audited by the company's auditors.

ASSET DEVELOPMENT AND MANAGEMENT BUSINESS AREA

Crown Energy is a service company to the energy industry. We provide customised residential and office solutions and associated services to international companies. Crown Energy's offering spans the entire chain from needs based design and construction to leasing, property management and added-value services.

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ENERGY BUSINESS AREA

Crown Energy develops and explores oil assets in early stages with great potential for recoverable reserves. In the long term, the assets will be introduced to appropriate players in the oil sector for further development and production.

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2018 IN BRIEF

In 2018, Crown Energy worked intensively to integrate the Asset Development and Management business area into its operations and financial reporting, and it was the first full financial year with two business areas. At the same time, efforts have been made to generate business in both business areas. Establishing the Asset Development and Management concept in new markets was particularly in focus. Through our collaboration with Italian engineering consulting company Proger S.p.a., new markets are opening to us and together we are pursuing new customers.

- In February, South African authorities approved our application to enter the next two-year exploration phase for Block 2B in South Africa. The new phase now extends until February 2020 and includes drilling of a well in the licence area.
- 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.
- Crown Energy entered a strategic cooperation agreement with the Italian engineering company Proger S.p.a in March 2018. The parties are working together to identify and develop commercial projects where each company's expertise complements the other and represents the other in their respective office networks.
- During the fourth quarter of 2018, an error was noted in the presentation of the Group's investment properties. The error is of a technical accounting nature and has not affected consolidated operating profit or liquidity. The error was corrected retrospectively from the opening balance on 1 January 2017. The opening balance for 2017 for investment properties was adjusted by SEK 117,324 thousand. Adjustment of profit for 2017 relates to unrealised changes in value in investment properties and amounts to SEK -4,016 thousand. Earnings per share for 2017 changed after the correction from SEK -0.16 to SEK -0.17.

ABOUT CROWN ENERGY

Crown Energy is an international group with two business areas – customised solutions for housing, offices and associated services, as well as oil and gas exploration. The operations are today conducted in Africa and the Middle East.

In Asset Development and Management business area, the Company offers a one-stop-shop concept for housing, offices and associated services to international companies. The Energy business area focuses on exploration opportunities with high potential for recoverable reserves.

BUSINESS CONCEPT

Crown Energy shall provide customised housing and office solutions, as well as develop oil and gas projects through exploration and processing, initially in Africa and the Middle East. Value is created by offering international companies a one-stop-shop concept for residential premises, offices and associated services as well as developing assets in early stages and then introducing suitable oil and gas industry players to the projects for further development and production.

GOALS

Crown Energy's objective is to generate the highest possible return for shareholders with a balanced risk awareness. The Company aims to have an established service business through property concepts in several geographic markets as well as a balanced portfolio of development and exploration assets.

VISION

To be an established player and an obvious partner in the international energy market, both in exploration and in development of customised residential and office solutions and value-added services.

ADVANTAGES OF COMBINED OPERATIONS

Several advantages are created by the combination of the Asset Development and Management business areas, and the Energy business area. Together, the business becomes more diversified, which means reduced risk. The cash flow generated within the service business can be used to further develop exploration assets. Establishing customer relationships with some of the world's leading energy companies in Asset Development and Management also increases Crown Energy's opportunities to capitalise on existing exploration assets. Crown Energy can also offer exploration and extraction partners related services in the form of customised residential properties and offices close to the assets.

STRATEGY

Crown Energy's strategy is based on the overall objective of generating the highest possible return for shareholders with a balanced risk awareness.

- To establish service operations in more markets requiring residential and office solutions in the oil and gas industry
- To carefully select exploration areas where the chance of oil and gas discoveries is high
- To exploit synergies between the two business areas and reinvest some of the cash flow from service operations to further develop the exploration assets
- To offer exploration and extraction partners tailored residential premises and offices associated with the assets
- To pursue farm-out opportunities as exit strategies to capitalise as much as possible on its assets
- To create a good risk spread through several parallel projects

12 LEASED PROPERTIES

4 OWNED PROPERTIES

4 OIL PROJECTS

SEK **77** MILLION, REVENUE IN 2017

GLOBAL PRESENCE

Crown Energy has a broad international presence with offices in Stockholm, London, Luxembourg and Luanda. The Company also has exploration operations in Iraq, Madagascar, Equatorial Guinea and South Africa. In March 2018, Crown Energy signed a strategic joint operation agreement with Italian engineering and consulting firm Proger, thus further broadening its international presence. The aim of the agreement is joint identification of projects and utilisation of supplementary skills and relationships in the business models and strategies of each company. Crown Energy's business is represented in over 20 countries through this collaboration.

Offices/Operations Representation Offices

WE OPERATE IN MULTIPLE COUNTRIES WORLDWIDE AND ARE PRESENT IN ALL REGIONS WHERE OUR CUSTOMERS ARE ACTIVE. BY COMBINING EXTRAORDINARY INTERNATIONAL SERVICE LEVELS AND EXPERIENCED, SKILLED EMPLOYEES, WE STRIVE TO EXCEED OUR CUSTOMER'S EXPECTATIONS AND DEVELOP LONG-TERM RELATIONSHIPS BASED ON TRUST.

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.

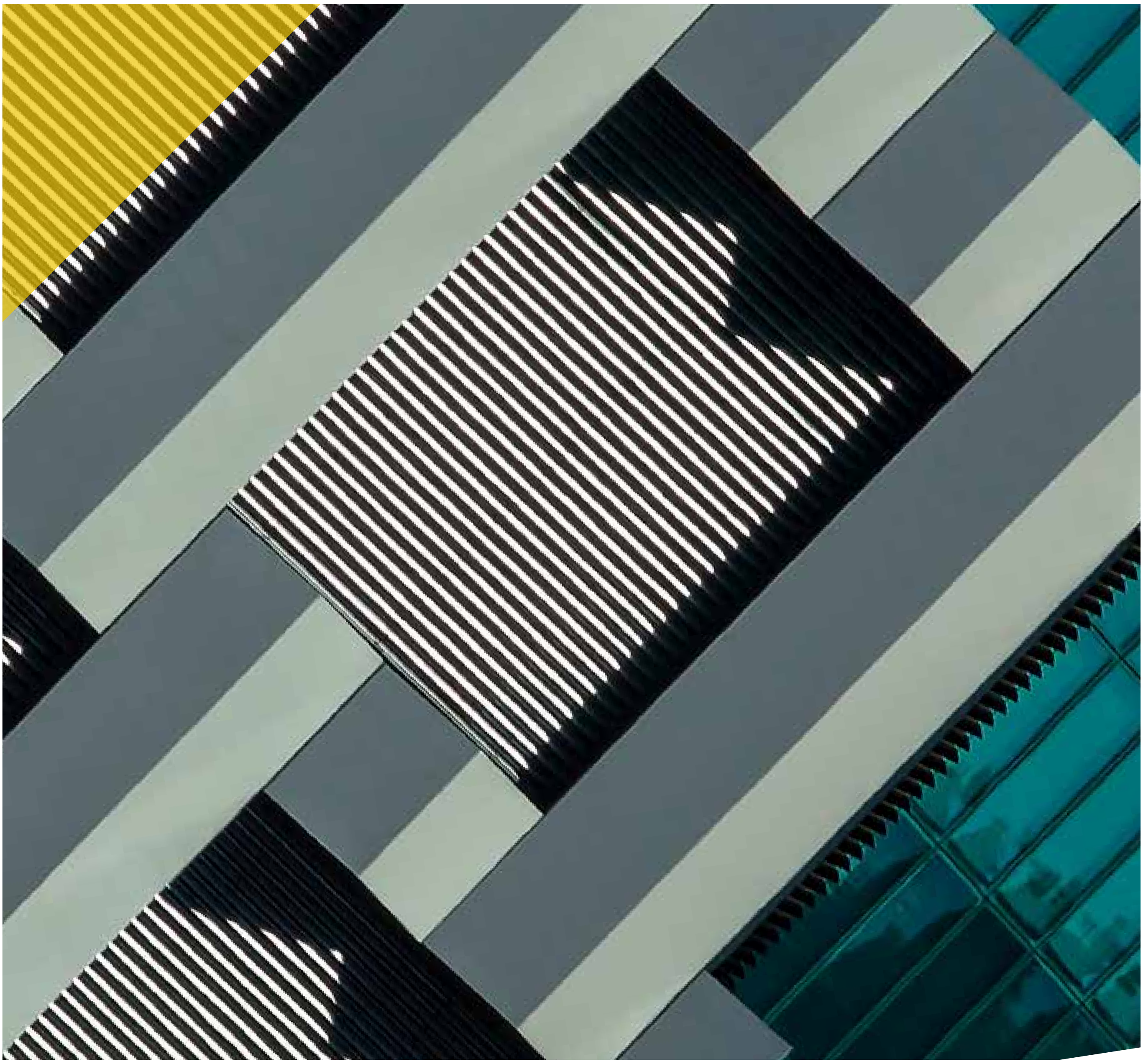
The Company's financial position remains stable and the business area for properties has developed cautiously positive in local currency. However, the extensive inflation and devaluation of the Angolan kwanza (AOA) has had a negative impact on full-year 2018 earnings in the conversion to SEK, our reporting currency. Nevertheless, the Company still estimates that there is financial capacity to expand with new investments going forward. In 2018, the revenue and EBITDA decreased somewhat compared to previous year. 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 S.p.a. 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 value for you, our shareholders.

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.

Andreas Forssell
CEO, Crown Energy

ASSET DEVELOPMENT AND MANAGEMENT

Crown Energy delivers customised residential and office solutions to international companies that need to station staff abroad, primarily in Africa. This comprehensive offering of leasing and associated services enables customers to focus on their core business instead of worrying about major capital investments.

In addition to residential and office lease solutions, Crown Energy's business includes related support services such as security, transport and telecommunications. Crown Energy's offering spans the entire chain from needs-based design and construction to leasing, property management and added-value services. The goal is to provide customers with a smooth overall solution that is easy to administer and where tenants feel comfortable and safe.

This offering caters mainly to international companies in the energy sector, primarily in Africa. These companies need external professionals to meet their foreign workers' needs. Consequently, there is great demand for high-quality residential and office solutions, in which housing and property management and related services are offered. Existing customers include some of the world's leading energy companies with high credit ratings.

Crown Energy's offering is provided by both local and international teams. The focus is to always deliver the best quality to achieve a high level of customer satisfaction and generate new business.

> WE TAKE PRIDE IN CREATING A STREAMLINED TRANSITION FOR INTERNATIONAL COMPANIES IN THE MOST COMPLEX AND CHALLENGING LOCATIONS AROUND THE WORLD AND MEETING ALL THEIR NEEDS ON A DAY-TO-DAY BASIS.
>
> Yoav Ben-Eli, board member

BUSINESS MODEL

The Asset Development and Management business area focuses on providing a comprehensive offering for residential and office solutions and value-added services, primarily to companies operating in the energy industry. The business area is a cash-generating part of the business and customers are well-established in the oil and gas industry.

IDENTIFY CUSTOMER NEEDS

- In-depth understanding of customer needs for offices, housing and services.
- Identify most suitable solution.
- Proposals are presented based on the time frame, geographic location, type of residential/office solution, scope of the project, etc.

FIND SUITABLE LAND OR PROPERTY

- Crown Energy identifies suitable land and evaluates potential property acquisitions in collaboration with partners.
- Negotiations and contracts with landowners.
- Negotiations regarding agreements on real estate acquisition or agreements with landowners for land use-of-rights.
- Permits are obtained for financing, design, function, construction and operation.

CONSTRUCTION OF PROPERTY

- Develop the property in line with the customer's wishes.
- Obtain regulatory approval where required.
- Secure project financing.
- Commence construction with partners.
- Draw up leases with customers. The aim is to establish long-term contracts (10-15 years or longer) so that depreciation can be applied to the property during the same period.

MANAGEMENT AND VALUE-ADDED SERVICES

- One-stop shop with offices, residential properties and all associated additional services.
- Customers are global companies with high credit ratings.
- Payments are made in USD or in local currency indexed to the USD. Most operating costs are paid in local currency.
- ISO 9001:2008 certified business.

CUSTOMISED SOLUTIONS

Rapid Deployment Camps
Project period: 2-5 years

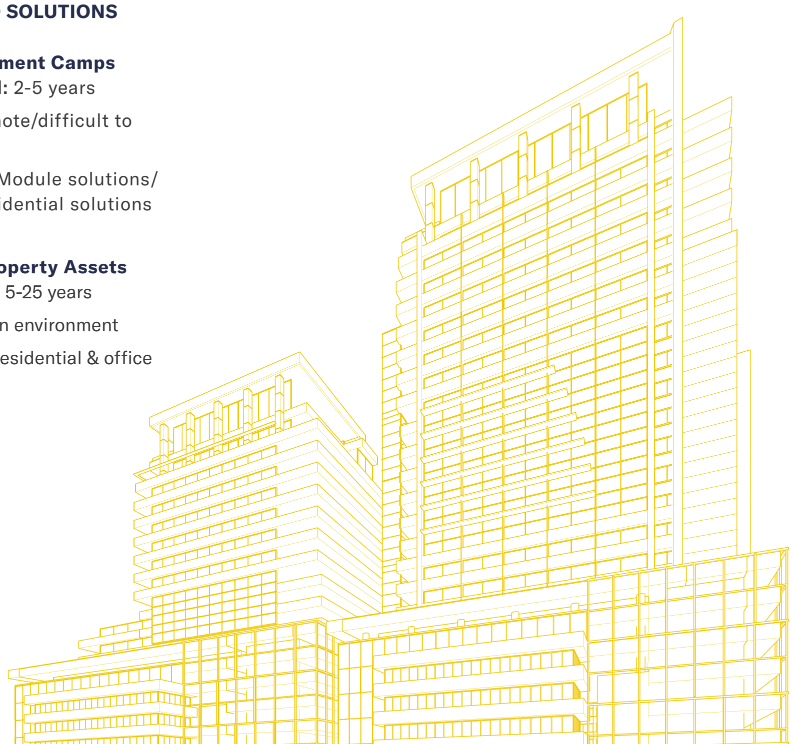
Location: Remote/difficult to access

Project type: Module solutions/ temporary residential solutions

Long-term Property Assets
Project period: 5-25 years

Location: Urban environment

Project type: Residential & office solutions



CUSTOMISED SERVICES

Management and service
- Maintenance
- Security solutions
- Refilling of water and diesel generators
- Caretaker and cleaning services

Value-added services
- Fully equipped and furnished flats, suites, common areas, conference rooms, etc.
- Premises designed for business and recreational activities such as gyms, conference activities, leisure activities, etc.
- IT infrastructure
- Transport solutions
- Support services and 24-hour service

WITH FOCUS ON SERVICE

Crown Energy provides customised residential properties and offices at difficult-to-access locations around the world, primarily in Africa. Crown Energy designs and develops various types of solutions based on customer needs – everything from temporary projects lasting a few years to longer term projects running for several decades. Crown Energy provides property leasing and management as well as support and associated services that add value for both customers and shareholders.

PROJECT DEVELOPMENT IN LINE WITH INTERNATIONAL STANDARDS

Thanks to the acquisition of ESI Group, Crown Energy has vast experience providing a one-stop-shop concept in line with high international standards both in urban environments and in remote and difficult-to-access locations. Crown Energy's concept includes financing, design, construction and subsequent operations, management and value-added services.

In collaboration with partners, Crown Energy has the capacity to establish customised projects at new locations in a time-efficient manner. Various solutions are proposed depending on the geographic location, scope and time frame of the project, either in the form of rapid deployment camps or long-term property assets.

Rapid Deployment Camps

Projects with short to medium time horizons, usually between two and five years, entail the establishment of rapid deployment camps, which include everything from advanced tent solutions designed for small teams to modular buildings for up to 1,000 people. This is mainly for projects in remote and difficult-to-access locations where the customer needs to establish operations for a limited time.

Crown Energy builds tailored buildings and facilities in a timely manner, including comfortable accommodations and reliable electricity, heating, cooling, water, fuel depots, etc.

Long-term Property Assets

In urban environments and projects with longer time horizons, Crown Energy engages in more extensive construction and provides residential and office lease solutions that meet high international standards. The core of this offering is Crown Energy's goal to provide a high level of quality and service while saving customers the trouble of making large investments. Crown Energy coordinates financing, design, construction, operation and management while offering additional services that create pleasant environments for the occupants.

MANAGEMENT AND SERVICE

Regardless of geographic location, Crown Energy aims to provide high-quality housing and services with a high level of service. Within property management and service, Crown Energy provides:

- Maintenance
- Security solutions
- Logistics and transport
- Sanitation solutions and waste management
- Water and fuel depot maintenance
- Caretaker services
- Internet, TV and satellite connection
- Kitchen and laundry facilities

VALUE-ADDED SERVICES

Crown Energy offers an overall solution, enabling customers to focus on their core business and avoid unnecessary administration. This includes fully equipped and furnished apartments, suites, common areas, gyms and conference rooms. Selection of value-added services offered:

- Support services, 24-hour service and maintenance request service
- Catering services
- Security services
- Recreational and conference areas
- Cleaning, washing and domestic services
- Assistance with phone, TV and internet services
- Medical support when needed

CROWN MAKES THE FULL CAPEX INVESTMENT CLIENTS HAVE ONLY OPEX

We save management time for our clients using a unique single annual bill which includes all the services provided: Rent, asset management, maintenance, security, utilities and catering, telecoms, laundry and many more.

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YEARS OF EXPERIENCE

MARKET

THE PROPERTY MARKET AND CURRENCY IN ANGOLA

The development of the Angolan economy in general and also its real estate market is still directly linked to it global price development and demand for oil. Developments of the international oil market has in recent years (mainly 2015–2017) led to less foreign capital flowing into country, which to some extent limited economic activity and the need for premises, both office and residential.

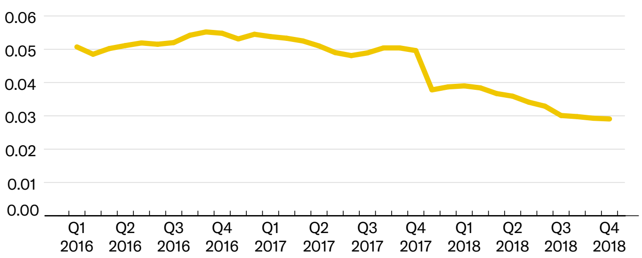
In early 2018, the central bank of Angola decided to unpeg the Angolan currency kwanza ("AOA") free, i.e. it was no longer tied to the US dollar (USD). This resulted in a severe devaluation of the AOA. Since year-end 2017 up until 31 December 2018, the AOA has dropped 40 per cent against the Swedish Krona.

The political situation in the country has stabilised in 2018, but it takes time to implement economic policy decisions and this affects Angola when the country is dependent on public investments. As a result of the devaluation, the fact that investments decreased and the general low real estate market growth, 2018 can be summarised as a challenging year for the real estate market in Angola. In principle, the market has stood still, with few completed transactions, reduced rental levels and lower sales prices.

Regarding the residental market, the demand for housing has generally fallen during 2017–2018, mainly due to the fact that the international companies' reduced activities in the country. However, the demand for buildings which offer a full solution (housing, parking, security, areas for leisure activities etc.) together with a good and qualitative maintenance, is stable. (Source: Abacus / JLL Property Market Report Angola 2019)

Towards the end of 2018, the currency began to stabilise due to lower inflation, and unlike recent years, the oil price remained higher in 2018 and until now. In addition, the Italian oil company ENI, for example, made new oil discoveries in Angola in 2018, which means increased investments in the country, including increased demand for premises. Factors such as these suggest that 2019 could be a better year for the property market in Angola.

Angolan kwanza (AOA) to Swedish Krona (SEK



NEW MARKETS

Crown Energy is pursuing new markets in several countries and has built up a pipeline of several potential new business deals. Many of these projects are being pursued in collaboration with the Company's partner Proger, which is also already involved in the Company's Iraq project in the Energy business area. Crown Energy's collaboration with Proger was strengthened in March 2018, and now includes jointly identifying projects and utilising supplementary skills and relationships in the business models and strategies of each company. Such projects will be analysed in a systematic joint process, ultimately resulting in a joint venture at project start-up. Focus remains on the energy sector where both companies have strong existing relationships.

When assessing new markets, Crown Energy mainly targets international energy companies, primarily those with operations in Africa. The target group also includes companies engaged in mining and infrastructure projects in remote locations and diplomatic delegations or other entities that need to station staff abroad for long periods of time. These companies need external professionals to meet their foreign workers' needs. Consequently, there is a great demand for high-quality residential and office solutions, in which housing and property management and related services are offered.

Crown Energy sees that growth in this business area will primarily occur in new markets and its offering is primarily driven by customer needs. New markets are not limited to specific countries or sectors because Crown Energy actively evaluates new projects in dialogue with partners both in new geographic markets and outside of the energy sector.

Example project
This is an example of how a new potential project is presented to a client based on an initial needs analysis. The image was created in collaboration with Crown Energy's strategic partner Proger.

PROJECT PORTFOLIO

ANGOLA

The project portfolio consists of 16 property assets in Angola, Africa. Three of the properties are owned by Crown Energy and the remainder are held through finance leases with land-owners. The assets comprise 31,683 square metres of residential and office space. The leases signed consist of both long- and short-term contracts with tenants as well as land-owners and are regularly extended.

16 PROPERTIES

31 683 SQUARE METRES OF SPACE

604 MILLION FAIR VALUE

PROPERTY OVERVIEW ANGOLA

Property	Location	Construction year	Leasable area, m²	Proportion apartments, m²	Percentage offices, %	End date, leased asset
OWNED PROPERTIES						
Manhattan	Luanda, ANG	2012	941	100%	0%	n/a
Ponticelli	Luanda, ANG	2011	1,227	66%	29%	n/a
C-View	Luanda, ANG	2016	12,060	21%	79%	n/a
LEASED PROPERTIES WITH OWNER OPTION OR SHARED OWNERSHIP						
Anabela	Luanda, ANG	2007	2,343	100%	0%	31/08/2020
Maria	Luanda, ANG	2009	3,461	31%	69%	31/01/2019
LEASED PROPERTIES						
Abel 1	Luanda, ANG	2008	1,698	100%	0%	21/04/2021
Park	Luanda, ANG	2011	3,092	100%	0%	01/08/2026
Soho	Luanda, ANG	2012	3,060	85%	15%	28/02/2027
Gabriela – GH	Luanda, ANG	2007	400	100%	0%	20/02/2019
Sergio – GH	Luanda, ANG	2008	400	100%	0%	31/12/2019
Carla – GH	Luanda, ANG	2008	1,200	100%	0%	31/03/2021
Natalia – GH	Luanda, ANG	2007	400	100%	0%	31/12/2019
Teresa – GH	Luanda, ANG	2006	350	100%	0%	30/04/2019
Linda – GH	Luanda, ANG	2004	350	100%	0%	31/12/2019
Filipe – GH	Luanda, ANG	2010	350	100%	0%	31/01/2019
Village 2	Luanda, ANG	2009	350	100%	0%	31/12/2019
Total			**31,683**	**60%**	**40%**	

THE PROPERTY BUSINESS IN ANGOLA

The property business in Angola has two revenue streams: rental and service revenue from contracts with tenants. Service revenue comprises of charges for property services and value-adding services such as cleaning, security, catering, etc. In the financial reporting, service revenues have historically accounted for roughly 35 per cent of total revenues from the property portfolio. Based on the remaining contracts the services income represents 25 per cent of total contractual income.

Crown Energy's tenants

Crown Energy's tenants include global and well-reputed companies operating in the oil and gas industry, Angola-based companies, embassies, international schools, etc. Companies in the oil industry account for 70 per cent of total rental and service revenue, and the five biggest tenants account for a total of 66 per cent, distributed among 16 rental contracts and 14 service contracts. Several of our larger tenants have renewed their contracts multiple times, and the contracts that generate the highest contracted annual rent include tenants who signed their initial contracts back in 2009.

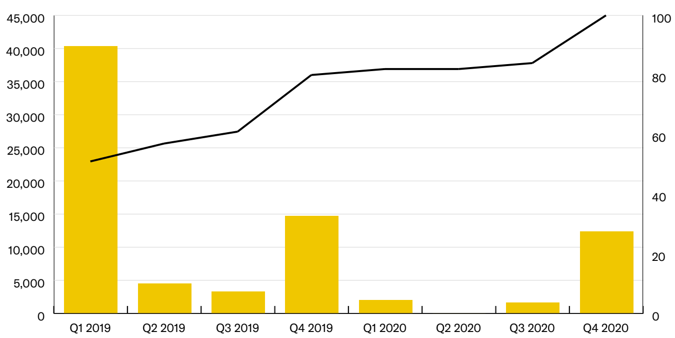
Remaining contract periods

The length of a lease is largely affected by the fact that many of the company's tenants work on project-based assignments and are looking for operators offering flexible lease periods. Crown Energy believes that offering customers flexible lease terms leads to a lower vacancy rate taking the economic situation and prevailing market conditions in the country into account. During periods with lower market rents, shorter lease periods are sought to increase opportunities for upward renegotiation when market rents rise.

For example, the prevailing market conditions and currency risk in Angola have generally meant that shorter contracts have been agreed. The weighted average unexpired lease term (WAULT1) amounted to barely 7 months at 31 December 2018. Under current market conditions in Angola, the company believes that a short WAULT is preferable to retain flexibility in contracts and thus reduce risks associated with currency and inflation. At present, short-term contracts also allow Crown Energy to directly monitor the market trend in Angola.

The average term for a signed lease amounts currently to roughly one year for the entire property portfolio. In general, larger contracts in terms of area and rent have been signed for somewhat longer periods – between two and three years – while smaller contracts are renewed one year at a time.

The chart below illustrates the value of the contracts' maturity over time and the accumulated maturity as it looks on 31 December 2018. The value of the maturity in each period represents each expiring contract's annual rental and service revenues.



Occupancy rate

The average area occupancy rate1 in the property portfolio was 55 per cent at 31 December 2018. The occupancy rate is largely affected by the fact that only 6 per cent of the C-View property, which represents 38 per cent of total leasable area, are leased. The average area occupancy rate in the property portfolio, excluding C-View, is 86 per cent. The letting of C-View is a top priority for Crown Energy and active efforts are under way on the letting side. The goal is to fill the property with a few larger, quality tenants.

The economic occupancy rate indicates rental income in relation to the total value of possible vacant area, and at 31 December 2018 amounted to 44 per cent for the property portfolio. As with the area occupancy rate, this key ratio is affected considerably by C-View. The economic occupancy rate for the portfolio, excluding C-View, is 81 per cent at 31 December 2018.

Rent and Revenue backlog

Based on relevant contracts at 31 December 2018, revenue backlog , i.e. total contracted rental and service revenues on existing contracts up to expiry, amounted to SEK 51,222, thousand.

Rent backlog, i.e. contracted rental revenues on existing contracts up to expiry, amount to SEK 32,646 thousand at 31 December 2018.

Revenue backlog and rent backlog are performance indicators at a given point in time, in this case at 31 December 2018, and are converted into SEK from local currency Kwanza (AOA) and USD. Currency conversion is carried out at the closing rate of exchange at 31 December 2018. Both key ratios will therefore be updated continually as new customer agreements are signed or renegotiated. The key ratios are also affected by exchange rate fluctuations.

FINANCIAL SUMMARY OF THE PROPTERY PORTFOLIO IN ANGOLA AT 31 DECEMBER 2018

ALL AMOUNTS IN SEK THOUSANDS	31/12/2018
Revenue backlog, SEK thousand	51,222
Rent backlog, SEK thousand	32,646
Contracted annual rental and service revenues, SEK thousand	78,865
Contracted annual rental revenues, SEK thousand	60,374
Area occupancy rate, %	55%
Economic occupancy rate, %	44%
WAULT rent and service, months	6.7
Market value of portfolio, SEK thousand	603,703

ENERGY

The Energy business area focuses on exploration opportunities with high potential for recoverable reserves. Crown Energy seeks good risk diversification, both geographical and geological, and pursues farm-out opportunities as exit strategies to capitalise as much as possible on its assets.

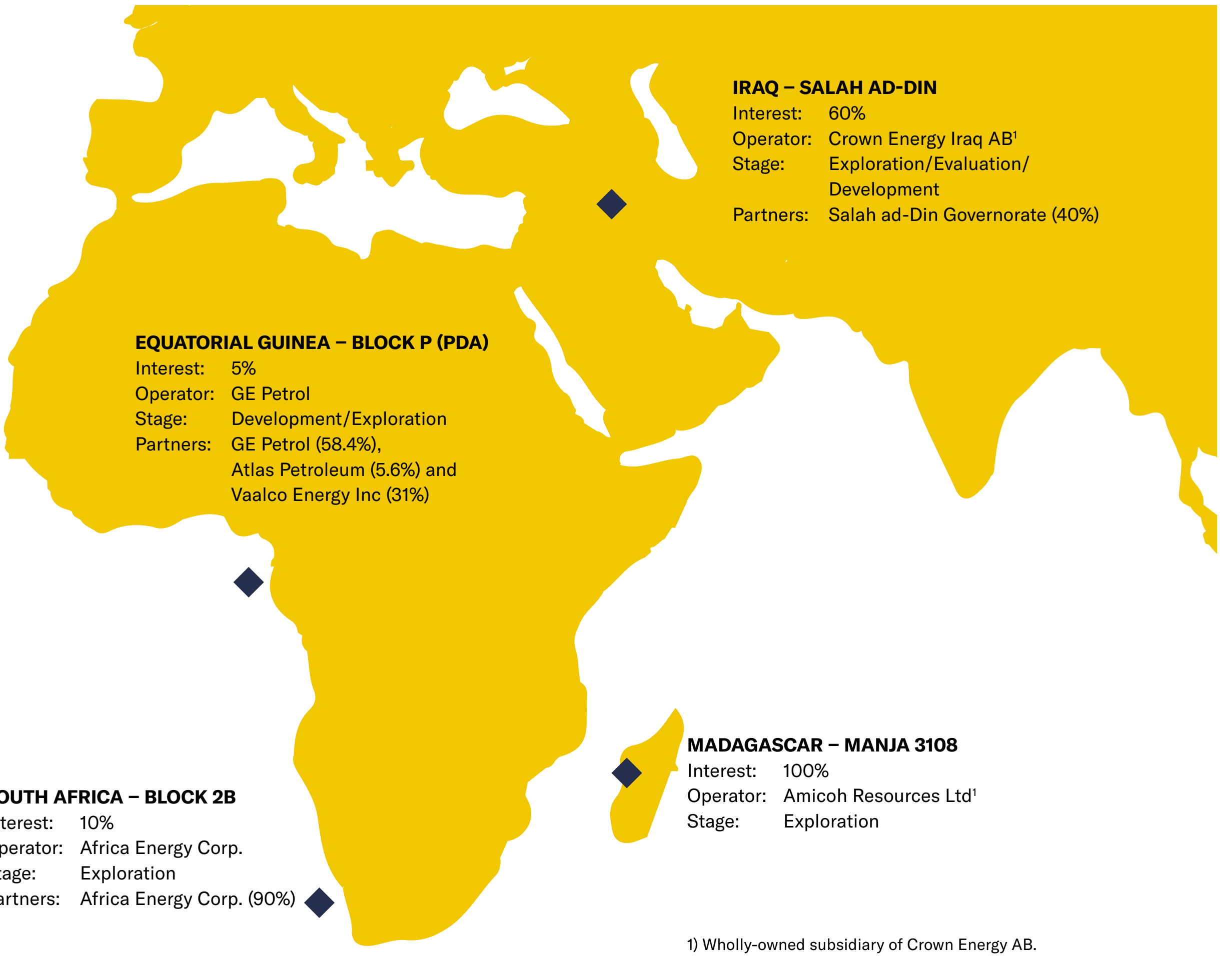
The portfolio consists of assets in Africa and the Middle East:

IRAQ
Onshore exploration licence over an area of approximately 24,000 square kilometres located in northern Iraq south west of Kurdistan. The licence area contains several major discoveries as well as vast unexplored areas with high potential.

SOUTH AFRICA
Offshore exploration licence containing a discovery with contingent resources ready for appraisal well drilling. The licence is considered to have great potential due to additional prospects within the licence area. The Company has entered into a farm-out agreement which means that remaining licence shares are financed for well drilling.

MADAGASCAR
Onshore exploration licence on the western side of the island. After conducting seismic and geological studies, several structures have been identified. Future efforts include drilling, for which Crown Energy is seeking a partner.

EQUATORIAL GUINEA
Offshore exploration licence in the Rio Muni Basin. The licence area contains confirmed discoveries that are also surrounded by several structures with potential for further discoveries.



1) Wholly-owned subsidiary of Crown Energy AB.

BUSINESS MODEL

In the Energy business area, Crown Energy focuses on energy resources in underexplored areas in Africa and the Middle East. With a strategy of early-stage entry and further development of projects through exploration and resource optimisation, great value can be realised from successful results. When a licence or project is ready for production, Crown Energy intends to realise the potential increase in value by selling the project to a major oil and gas player.

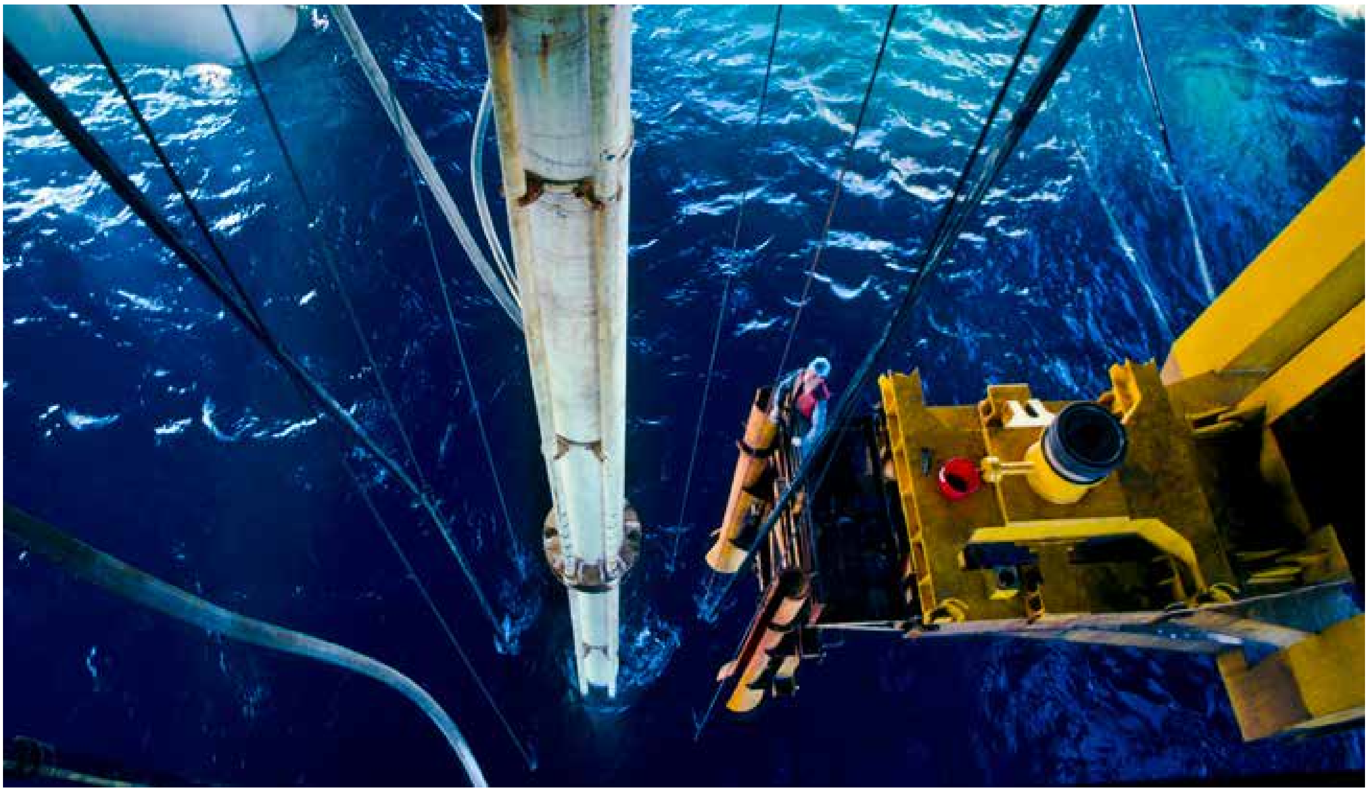
To effectively manage and develop the Company's exploration opportunities, focus will be on the following factors: asset strategy, costs, experience, and expertise. Exploration assets are selected based on a well-defined selection process that encompasses geological and geographical criteria and that is conducive to a balanced risk profile.

MARKET

2018 was a generally positive year for the oil price, which ranged between 60 to 80 USD/bbl, with a brief dip in during the fourth quarter 2018. The industry appears more positive than it has been for a number of years.

The current level of oil prices, i.e. around 60 USD(bbl, continues to be supported by OPEC as well as non-OPEC producing countries jointly maintaining decreased output and by the running of the industry as a whole. The investment in the oil and gas industry have been limited in recent years, but is expected to rise as oil prices continue to firm up. Additionally, due to the US cancellation of the Iran deal, making the export of oil products more difficult for Iran, there has been a reduction of the amount of crude coming to market. However, this has to be balanced with the reality that US domestic shale oil productions remains very strong.

Up to the end of the reporting period, oil prices have remained in the low 60 USD/bbl. The probability remains that oil prices will stay at this general level in the long term as global oil consumption does continue to increase. The smaller investments, which we have referred to before, in developing new oil wells to replace fields currently in production and the inevitable depletion of existing oil fields will also affect prices.



ENERGY ASSETS

Crown Energy's existing projects are in Equatorial Guinea, South Africa, Madagascar and Iraq.

In Madagascar, the project is in an early exploration phase, while Block 2B in South Africa has come further along in the same phase, with a well due to be drilled in a specific area to evaluate the area's commercial potential. The cost of Crown Energy's stake is financed in accordance with the farm-out agreement with Africa Energy of December 2015.

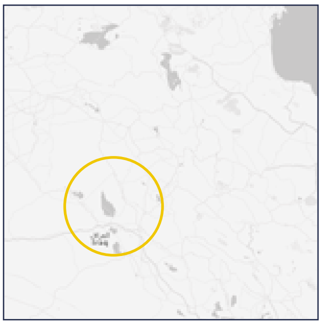
The project in Equatorial Guinea is in an evaluation phase and the partnership there is planning for preparations to develop the oil field. The licence in Salah-ad Din in Iraq extends from the exploration to the development phase and may even encompass areas that are ready for production now. However, regulatory approval and large-scale efforts to evaluate the area are required first. Crown Energy is seeking a financial and operational partner for this.

As of the end of the year, Crown Energy has both contingent resources (2C), and prospective resources, but mainly the latter. Prospective resources are resources estimated to exist in accumulations in the exploration areas that are considered potentially recoverable but where drilling has not yet been done. A contingent resource is one in which deposits have been proven by drilling but for one reason or another they have not yet met the requirements for a reserve.

The table below provides a summary of Crown Energy's project portfolio with the net potential stated in million barrels of oil equivalents (mmboe) based on the most recently updated competent persons report (CPR) of 28 September 2017.

Region	Stake	Stage	Gross contingent resources[1]	Gross prospective resources[1]	Crown Energy's stake in the licence[2]	Most recent update
Equatorial Guinea – Block P (PDA)	5%	Exploration/ development	18	142	8	September 2017
South Africa – Block 2B	10%	Exploration	37	376	41	September 2017
Madagascar – Manja Block 3108	100%	Exploration	–	1,071	1,071	September 2017
Iraq – Salah ad-Din	60%	Exploration/Evaluation/Development	181	2,612	1,567	September 2017
Totalt			**236**	**4,201**	**2,687**	

1) Miljoner fat oljeekvivalenter.
2) Crown Energys andel av de totala betingade och prospektiva resurserna i licensen i miljoner fat oljeekvivalenter.



1 IRAQ

The licence covers the entire Salah ad-Din region – about 24,000 square kilometres in northern Iraq. The licence area includes several existing oil fields, such as Ajeel, Hamrin, Tikrit, and Balad, which potentially contain several billion barrels of oil. Existing discoveries and fields have historically belonged to Iraq's central government and separate negotiations are required for permission to take them over and operate them for Salah ad-Din and the licence holder, i.e. Crown Energy. Despite the large, obvious commercial discoveries, production has been limited. Activities have been hampered due to the political instability of the last 20 years.

The security situation in the region has improved significantly since 2016 and discussions with the regional authorities have confirmed that the region is virtually free from crisis hot spots. The circumstances currently seem much more positive than previously, although some areas are still risky to operate in.

In addition to the oil fields mentioned above, there are many fields that have been drilled and partially tested. We are interested in finding out if these fields can start producing in a simple operation by only drilling a few more times and with equipment suitable for initial production. This would make the asset a considerable success and numerous discussions are under way with government authorities and potential partners for such a project. A couple of structures have been identified to determine if this would be possible. Some of them are located near the main town of Tikrit, which also facilitates the logistics.

The Iraq asset has been incorporated into the Company's CPR since May 2015. Following a technical analysis of new and existing data, both prospective and contingent resources have been found in the Iraq asset. A technical analysis of the licence conditions was conducted in 2016. This resulted in Crown Energy creating an extra margin of safety for a potential participating interest which the region (the Salah ad-Din Governorate) may be entitled to under certain circumstances according to the licence conditions.

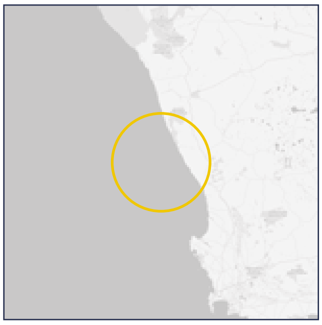
Crown Energy is now working on initiating operating activities by planning for initial geological and technical operations and field project planning in the region covered by the Company's production sharing contract. In collaboration with Crown Energy's strategic partner, Italian engineering firm Proger, the Company is examining existing infrastructure and technical capabilities and is also reviewing present and past geological and geophysical activities.

2 EQUATORIAL GUINEA – BLOCK P (PDA)

The licence area is close to the mainland in the Rio Muni Basin, which contains confirmed discoveries such as the oil-rich Ceiba Field and fields in Block G. These fields, located about 50 kilometres south, have reserves of about 500 million barrels of oil. In the Venus field in Block P, sand reservoirs like those in the Ceiba Field and fields in Block G have been identified and verified. Previous exploration drilling has also indicated potential for oil deposits in the area surrounding the Venus Field. Block P has proven oil discoveries and is therefore in the later phase of Crown Energy's business model.

The best estimate of the combined total prospective resources for these structures is around 150 million barrels of oil, all of which lie within the PDA.

The licence operator continues to conduct technical operations within the licence. Crown Energy has not incurred any costs for the licence during the periods of inactivity aside from the costs of time spent on discussions and analyses of the current situation.

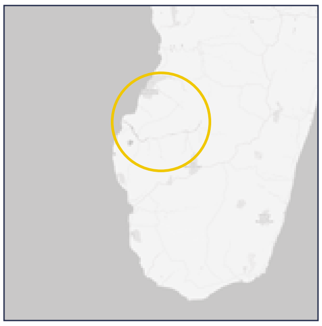


3 SOUTH AFRICA – BLOCK 2B

Exploration Block 2B in South Africa is located offshore on the Atlantic coast just south of the border with Namibia. A small oil discovery was previously made in the exploration area. As a result, the next step in this licence will be to drill an appraisal well to ascertain the size, extent, and production volumes, and thus establish that this is a commercially strong oil project.

An analysis of the A-J1 discovery was completed in June 2015, which found that the reservoir contains contingent 2C resources totalling 37 million barrels, with an average of 56 million barrels of oil and considerable potential beyond that with up to 118 million barrels of oil in the form of 3C resources.

Crown Energy owns a 10 per cent interest and the farm-out agreement stipulates that the licence partner Africa Energy will pay for all costs associated with the next drilling within the licence area, including additional well testing. Africa Energy, which owns the remaining 90 per cent, is the licence operator. In February 2018, the authorities in South Africa approved an application to enter the next two-year phase, which includes drilling. The operator has prepared all the technical work required to identify the optimal location for drilling an appraisal well. The operator has also commenced logistics activities, including early procurement of required equipment.



4 MADAGASCAR – 3108 MANJA

The Manja block is located on the west side of Madagascar and covers an area of 7,180 square kilometres. Several structures were identified and the largest is in the north-western part of the licence area. This structure may contain up to 1,250 million barrels of oil, and it is situated at a depth of 3,500 metres. Gas was found in the southern part of the licence area back in the 1950's. In recent years, major gas finds have been found in an adjoining licence area to the south.

In 2017, Crown Energy agreed with OMNIS, the oil and gas authority in Madagascar, to extend the licence for two years, to 15 November 2019. The production commitment is moved forward from the previous period and continues to include a full tensor gravity (FTG) survey of the licence area followed by additional voluntary 2D seismic data.

SUSTAINABILITY

Crown Energy prioritises sustainability in its business operations, whether in oil and gas exploration or in our service business.

This necessitates that we understand how our operations impact society and the environment in the areas in which we operate and work to meet the requirements and expectations of our operations to ensure they are not conducted in a way that causes a negative impact on the environment, human rights or health.

Based on Crown Energy's current operations, the following aspects of sustainable growth are the most important to us:

- Transparency and ethics
- The environment
- Corporate social responsibility
- Health and safety

SPECIAL DIVISION OF SUSTAINABILITY RESPONSIBILITIES IN OIL AND GAS EXPLORATION

In oil and gas exploration, sustainability responsibilities are divided between operators and partners via an exploration and evaluation licence. The operator is directly responsible for the licence's operations and is governed by the production sharing agreement (PSA) and/or local laws governing oil and gas extraction in the respective country. These PSAs signed with the licensing country/ government agency (and/or laws) govern responsibility for the environment, working conditions, insurance and related areas.

In cases where there are multiple licence partners, the joint operation agreements (JOAs) also govern how decisions are made within the partnership and which party is responsible for what. Depending on the distribution of shares in the partnership, partners may have differing degrees of influence on decisions in areas such as strategies, procedures, suppliers and participation in local social programmes.

POLICIES

In addition to PSAs, JOAs and local legislation, Crown Energy has adopted internal Group policies in the following areas:

- Corporate social responsibility and ethics
- The environment and sustainability
- Finance
- Staff
- Information
- Corporate governance

The Group strives to follow the best available practices, even if they go above and beyond the requirements of local legislation.

TRANSPARENCY AND ETHICS

For Crown Energy, transparency and ethics mean conducting its operations lawfully and professionally and making ethical business decisions. We want our operations to be based on respect, honesty and integrity. Therefore, we strive to prevent corruption and all forms of bribery and facilitation of payments. We expect our counterparties (including government agencies, suppliers and operators of licences) to follow the same standards as well. Therefore, Crown Energy generally selects partners based on both financial strength and core values such as ethics, morals and the environment.

Crown Energy is aware that we are conducting, and may expand, operations in countries characterised by political, social and economic instability, such as war and general social or political turbulence. This includes the occurrence of corruption.

Crown Energy is a small organisation and the Board constantly strives to promote Crown Energy's fundamental view in its operations. The Board has adopted business ethics and anti-corrup-

tion policies with which both staff and consultants are required to comply. For guidance when needed, Crown Energy uses the OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones.

THE ENVIRONMENT

Crown Energy strives to minimise harmful footprints in the implementation of our operations. Therefore, we always conduct an environmental risk assessment before commencing any of our property projects or oil and gas exploration projects. Where possible, we will prevent, or otherwise substantially minimise, reduce or remediate environmental damage resulting from our operations.

Our Business area Asset Development and Management require that we apply for relevant environmental licences from the authorities where the projects are conducted. Our operations are therefore subject to the environmental laws of various countries, but where possible we always attempt to do more than what is required by law.

All of Crown Energy's exploration licences are in the early stages of a normal exploration and production life cycle. There are activities in the exploration and evaluation stage that can result in a negative environmental impact, such as when conducting seismic surveys and test drilling. This type of activity may impact both flora and fauna. However, in exploration, there are extensive requirements in the PSAs to protect the environment, and Crown Energy's environmental responsibility is mainly governed by these agreements. One of the environmental requirements in the PSAs is that companies must conduct environmental impact assessments (EIAs). These are conducted prior to the commencement of large-scale activities in the licence area, such as prior to seismic surveys and test drilling. How drilling is performed and areas are restored is often based on the environmental legislation and oil production laws of the respective country.

Crown Energy invests in initiatives to improve the environment and we have a strong commitment to protect natural resources. We strive to ensure that our business is conducted sustainably via various partnerships.

EITI STANDARD

The Extractive Industries Transparency Initiative (EITI) is a voluntary global reporting standard for companies operating in the extractive industries. The EITI promotes transparency and responsible management of natural resources. Certain countries have chosen to implement the EITI Standard to ensure full disclosure of taxes and other payments to government agencies to prevent corruption and raise transparency. On 1 January 2016, Sweden implemented a law that originated in the EITI requiring reporting of payments to government agencies. Sweden is still not an EITI member. But Madagascar is an EITI candidate country, and Crown Energy therefore annually reports potential payments to government agencies in this country. Iraq is also an EITI member.

CORPORATE SOCIAL RESPONSIBILITY

For Crown Energy, corporate social responsibility means contributing both socially and economically to the growth of the countries and regions where we conduct our operations. It is also important to us that this does not result in segregation and inequality. For Crown Energy, corporate social responsibility also includes safeguarding human rights in all situations, both directly (people associated with our operations) and indirectly (local communities in the regions in which we operate).

In our Business area Asset Development and Management, we strive to always address social problems in the areas we have projects and work to benefit local communities. The social investments Crown Energy makes include both community development projects and strategic entrepreneurship initiatives. We work with local stakeholders to identify social risks and effects in each country and we strive to create tailored social investment plans for the communities we work with based on their priorities and needs.

The oil and gas exploration PSAs include certain requirements concerning responsibility for local communities. The annual licence commitment normally includes a portion earmarked for education. These funds are commonly for education and training of employees at government agencies involved in oil and mineral operations in the respective countries. Crown Energy currently does not have any operational activities on site in the countries and regions where we are the operator and where we are a licence partner.

HEALTH AND SAFETY

Crown Energy is responsible for preventing accidents and other incidents and providing a safe and healthy work environment for employees and contractors. Our health and safety responsibility also extends to local populations who are directly and indirectly affected by our operations.

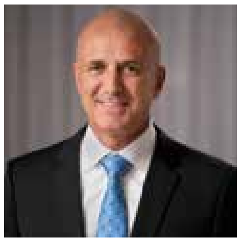
In our Business area Asset Development and Management, we strive to ensure that no accidents occur that harm people or that put our neighbours or facilities at risk. All our employees are therefore fully insured.

As an exploration company in the oil and gas industry, health and safety are very important, because projects can pose major safety risks from time to time, such as fires, oil spills and other accidents. These risks may result in personal injuries, property damage and environmental damage. Safety issues are largely governed in the PSAs and JOAs, which stipulate the responsibilities of each party. If health and safety issues are not governed in these agreements, Crown Energy's internal policies will apply. If Crown Energy's own policies are stricter than a country or region's own regulations, Crown Energy's adopted policies will still apply. In addition to operational risks specific to the industry, there are also risks related to safety in a country or area, i.e. due to war and other turbulence. Crown Energy's projects are in early phases and no activities are being conducted at this time in the licence areas which could directly cause personal injuries or fires. Depending on the progress of projects, this may change in the future. In such cases, Crown Energy will strive for the development of good procedures and their implementation in these projects.

BOARD OF DIRECTORS, SENIOR EXECUTIVES AND AUDITORS

BOARD OF DIRECTORS



	Pierre-Emmanuel Weil	Alan Simonian	Jean Benaim	Yoav Ben-Eli
Function	Chairman of the Board	Board member	Board member	Board member
Year elected	May 2016	2011	May 2016	December 2016
Birth year	1981	1966	1947	1970
Education	Finance degree HEC Paris, law degree Paris XI University	Law degree Southampton University	Robespierre College, and economics and statistics at Arts et Métiers, ParisTech	Science at Tel-Aviv University
Experience	Investment adviser, asset management	Oil sector consultant	Has worked in Africa for many years in coffee export, oil licences and port logistics within the oil industry	Entrepreneur with experience from construction projects within the oil and gas industry
Other Board posts	Director in charge of Cement Fund SCSp, CEO and partner Weil Investissement, Board member and partner Racing Club de Strasbourg Alsace	Board member Simbo Petroleum No 2 Ltd and Simbo Petroleum No 3 Ltd	Board member and chair Intercafa S A	Board member of ESI Group S.A. and YBE Ventures Ltd
Shares in Crown Energy at 31 December 2018	No personal shareholdings, but is responsible for Cement Fund SCSp, which holds 31,500,000 ordinary shares in Crown Energy AB. He is thus not independent of major shareholders	3,429,521 ordinary shares	None	353,267,971 ordinary shares (through companies)
Board meeting attendance 2018	11/11	11/11	8/11	11/11
Annual Board fee, SEK thousand	150	Does not receive a fee anymore because he is now an employee in the Parent Company	75	75 As from July 2017, compensation will also be paid by consulting fees for management services. See further below under the item "Remuneration to the Board"
Independent of the Company and its management[1]	Yes	No	Yes	Yes
Independent of major shareholders[1]	No	Yes	Yes	No

1) As per the definition in the Swedish Corporate Governance Code.

MANAGEMENT

COO, Alan Simonian, who is also member of the Board of Directors; see previous page.

	Andreas Forssell	Jenny Björk	Peter Mikkelsen
Function	CEO	CFO (on parental leave between October 2017 to autumn 2018)	Chief Geologist and Exploration Manager
Employee since	2011, CEO since 2015	2013, CFO since 2015	Not employed, but part of management since 2011
Birth year	1971	1979	1953
Education	Degree in business administration (Civilekonom) Stockholm University and MBA from Cass Business School in London	Degree in business administration (Civilekonom) Linköping University	Bachelor's in geology Oxford University
Experience	Background in corporate finance and M&A consulting and senior positions in the property- and energy sector	Authorised Public Accountant	Senior positions and consultant in the oil sector (mainly exploration)
Other assignements	Board member in Kopy Goldfields AB (publ), AB Krasny Gold Fields and Crown Energy Iraq AB, as well as Board member and owner of Andreas Forssell AB	–	Board member in KEA Petroleum Plc, Management Associate in Simco Petroleum as well as partner in Fastnet Ltd
Shares in Crown Energy at 31 December 2018	8,404,609 ordinary shares (owned privately, via company and capital insurance)	44,750 ordinary shares	100,000 ordinary shares

Auditor

Öhrlings PricewaterhouseCoopers AB, with Bo Lagerström (born in 1966) serving as chief auditor.

Mr Lagerström is an authorised public accountant. Both he and Öhrlings PricewaterhouseCoopers AB are members of FAR, Sweden's association for accountancy professionals.

ADDRESSES

Board of Directors and Senior Executives:
Crown Energy AB
Norrlandsgatan 18
SE-111 43 Stockholm, Sweden

Auditor:
PwC
Torsgatan 21
SE-113 97 Stockholm, Sweden

THE SHARES, SHAREHOLDERS AND SHARE CAPITAL

SHARE CAPITAL
According to Crown Energy's Articles of Association adopted on 17 May 2018, the issued share capital should be no less than SEK 14,000,000 and no more than SEK 56,000,000. The minimum number of shares is 477,000,000 and the maximum is 1,908,000,000. On the AGM in May 17, 2018, it was resolved that C shares no longer can be issued, whereby only one type of share, ordinary shares, will be able to be issued. Each ordinary share confer one vote per share. Every person entitled to vote, may at the AGN vote for the full number of owned and represented shares, without restriction in voting rights. The Company's shares are not subject to an offer submitted on the basis of mandatory bid rules, a right of squeeze out, or a right of sell-out. The Company's shares have not been subject to any public takeover bids during the current or previous financial year. Crown Energy shares are denominated in SEK and are issued in accordance with Swedish law, and the owners' rights related to the shares may only be amended in accordance with the procedures specified in the Swedish Companies Act (2005:551).

Crown Energy's number of registered shares amount to 477,315,350. The quotient value per share is SEK 0.0294. At 31 December 2018, Crown Energy's share capital totals SEK 14,032,865. There are no shares in the Company that do not represent the capital, and the Company does not hold any treasury shares.

SHARE CAPITAL PERFORMANCE
There has not been any changes in share capital during 2018.

Changes in the Company's share capital are reported below in table format from registration of the Company until publication of this report:

Year	Transaction	Increase in number of votes	Change in number of shares	Change in share capital (SEK thousands)	Capitalisation excl. issue expenses (SEK thousands)	Total number of shares	Total share capital (SEK thousands)	Value (SEK)
2010	Incorporation	50,000	50,000	50	50	50,000	50	1.00
2011	Directed share issue	450,000	450,000	450	450	500,000	500	1.00
2011	Share split (3,406:2)	1,702,500,000	1,702,500,000	-	-	1,703,000,000	500	0.00029
2011	Directed share issue	116,820	116,820	0	0	1,703,116,820	500	0.00029
2011	Reverse share split (1:100)	-1,686,085,652	-1,686,,085,652	-	-	17,031,168	500	0.029
2012	Directed share issue	181,666	181,666	5	3,347	17,212,834	505	0.029
2012	Non-cash issue[1]	1,135,411	1,135,411	34	16,987	18,348,245	539	0.029
2012	Preferential rights issue[2]	1,529,020	1,529,020	45	10,703	19,877,265	584	0.029
2012	Directed share issue	4,285,714	4,285,714	125	30,000	24,162,979	709	0.029
2012	Offset issue[3]	1,592,051	1,592,051	48	11,144	25,755,030	757	0.029
2013	Non-cash issue	1,842,715	1,842,715	54	18,611	27,597,745	811	0.029
2014	Redemption of convertibles	246,934	246,934	8	1,845	27,844,679	819	0.029
2014	Redemption of convertibles	298,732	298,732	8	2,398	28,143,411	827	0.029
2015	Redemption of convertibles	100,000	100,000	3	837	28,243,411	830	0.029
2015	Offset issue	25,828,733	25,828,733	759	78,673	54,072,144	1,589	0.029
2015	Preferential rights issue	1,475,229	1,475,229	44	4,869	55,547,373	1,633	0.029
2016	Directed share issue	5,500,000	5,500,000	162	11,000	61,047,373	1,795	0.029
2016	Redemption of convertibles	6	6	0	1	61,047,379	1,795	0.0294
2016	Directed share issue	31,500,000	31,500,000	926	63,000	92,547,379	2,721	0.0294
2016	Change in voting rights, ordinary shares[4]	925,473,790	n/a	n/a	n/a	n/a	n/a	n/a
2016	Directed (discounted) issue, C shares[4]	363,401,823	363,401,823	10,684	1	455,949,202	13,405	0.0294
2017	Conversion of C shares to ordinary shares	3,179,411,739	n/a	n/a	n/a	455,949,202	13,405	0,0294
2017	Redemption of C shares	-10 133 852	-10 133 852	-298	n/a	445,815,350	13,107	0,0294
2017	Redemption of warrants	315,000,000	31,500,000	926	63,000	477,315,350	14,033	0,0294

1) Refers to payment for the acquisition of Amicoh Resources Ltd. The proceeds were offset against the purchase price liability recognised in 2011 in relation to the seller, Mocoh Resources Ltd.
2) SEK 7,245,070 of the total capitalised amount refers to settlement of loan with principal owner.
3) Settlement of loan with principal owner.
4) Registration of the issue was made with Swedish Companies Registration office in 2016. The transfer of the shares and votes of the directed issue to the recipient was made in February 2017.

OWNERSHIP STRUCTURE

As at 31 December 2018, Crown Energy had about 1,500 shareholders. The number of outstanding shares, of which all are ordinary shares, amounted to 477,315,350 on publication of this report. The table below shows the shareholdings of the five largest owners and the combined shareholdings of other owners on publication of this report.

Shareholders	Number of shares and votes	Interest (%)
Yoav Ben-Eli, via companies[1]	343,817,971	72.0
Cement Fund SCSp	63,000,000	13.2
Andreas Forssell, privately and via companies	8,404,609	1.8
Alan Simonian, privately, via company and via family	3,429,521	0.7
Other shareholders	58,663,249	12.3
Total number of shares	**477,315,350**	**100.0**

STOCK EXCHANGE

All of the Company's 477,315,350 outstanding shares, exclusively ordinary shares, are traded on NGM Equity under the ticker symbol CRWN and ISIN code SE0004210854.

AFFILIATION WITH EUROCLEAR IN SWEDEN

Crown Energy is a central securities depository (CSD) Company and the Company's shares are to be registered in a CSD register under the Swedish Financial Instruments Accounts Act (1998:1479). The Company and its shares are affiliated with the securities system of Euroclear Sweden AB, address PO Box 191, 101 23 Stockholm, as the central securities depository and clearing organisation. Instead of issuing physical certificates to shareholders, transactions are done electronically by registering with the CSD system of an authorised bank or other investment manager.

DIVIDEND POLICY

Over the next few years, Crown Energy's Board does not intend to propose a dividend. For now, any profits are reinvested in order to expand the business. The timing and amount of any future dividends are proposed by the Board. In consideration of future dividends, the Board will weigh factors such as the requirements that the nature, scope, and risks of the business place on the Company's equity, its need to strengthen the balance sheet, its liquidity, and its financial position. Crown Energy does not apply any restrictions or special procedures with respect to cash dividends to shareholders residing outside Sweden. With the exception of any limitations resulting from banking and clearing systems, pay-out will take place in the same way as for shareholders residing in Sweden. For shareholders who are not tax resident in Sweden, Swedish withholding tax is not normally charged. There are no rights, except the right to dividends, to share in the Company's profits. Crown Energy has not yet paid any dividends, nor is there any guarantee for any given year that a dividend will be proposed or resolved on by the Company.

SHARE-BASED INCENTIVE PROGRAMME AND WARRANTS ISSUED

The Company does not have any active incentive programmes.

1) The shares are owned by YBE Ventures Ltd, which is controlled by Yoav Ben-Eli.

CHAIRMAN'S STATEMENT

2018 has been a year of integration Crown Energy. The Company successfully completed the integration of the ESI business so that we now have two business arms, Asset Development and Management, and Energy functioning together. 2018 was our first year working as an integrated company in this regard and we are pleased with the way the Company has progressed.

NEW STRUCTURE

Asset Development and Management is our main cash generating business. This continues to be focused on our existing asset portfolio in Angola, where we continue to seek growth opportunities. We are also actively looking at opportunities to expand this business significantly, in accordance with our client requirements, in other international locations that we view as strategically beneficial to us.

The Energy side of the business maintains and develops our existing oil and gas assets in Iraq, South Africa, Madagascar and Equatorial Guinea. We continue to focus on the importance of value creation, and with the current oil price remaining steady in the USD 60 per barrel, we believe our projects to be attractive.

VISION

Our strategic vision is to continue to operate in the oil and gas industry, thus benefiting from the international exposure this provides and to carry on building up our services by supplying tailored residential and office solutions and the attached value-added services. Our contacts and knowledge about the oil and gas business support this strategy.

Our Business area Asset Development and Management's strong relationship with international companies are complementary to our Energy business. During 2018 we have seen that Energy's positions around the world have assisted the services side to follow new projects.

BOARD COMPOSITION AND WORK DURING THE YEAR

Our Board composition has remained unchanged during 2018. Our Board members' skill sets company's orientation and enables the company to benefit from strong synergies between its two business areas.

The most extensive part of the Board's work during 2018 has been to support management with the optimal running of our integrated business

FURTHER GROWTH IN 2018

To conclude, 2018 has been a year of consolidation and integration of our businesses to ensure a positive performance for our shareholders. We have been able to enjoy a year with good cash flows coming into the business.

We have also seen progress on our main projects both in Asset Development and Management, and Energy. Furthermore, the second half of the year has shown that the Angolan economy has been improving and there have been some major oil discoveries in Angola which will have certainly supported this improvement to the economic situation.

We continue to believe that Crown Energy's projects work at the current oil price, and that our existing assets, cash flow, and pipeline of new opportunities will greatly benefit Crown Energy and its shareholders. We look forward to significant further growth for our Company in 2019!

Pierre-Emmanuel Weil
Chairman of the Board

OUR BUSINESS AREA ASSET DEVELOPMENT AND MANAGEMENT'S STRONG RELATIONSHIP WITH INTERNATIONAL COMPANIES ARE COMPLEMENTARY TO OUR ENERGY BUSINESS. DURING 2018 WE HAVE SEEN THAT ENERGY'S POSITIONS AROUND THE WORLD HAVE ASSISTED THE SERVICES SIDE TO FOLLOW NEW PROJECTS.

Pierre-Emmanuel Weil Chairman of the Board

CORPORATE GOVERNANCE REPORT

This report was prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Code of Corporate Governance (the Code)

INTRODUCTON

Crown Energy AB (publ) (Crown Energy or the Company) is a Swedish public company with its headquarters in Stockholm. The Company's ordinary shares are traded on NGM Equity.

Crown Energy's corporate governance is allocated among shareholders, the Board, the CEO, and senior management. Governance is regulated mainly by the Articles of Association, the Swedish Companies Act, NGM's rules for companies whose shares are traded on NGM Equity, the Code, good practice on the stock market and internal guidelines and policies.

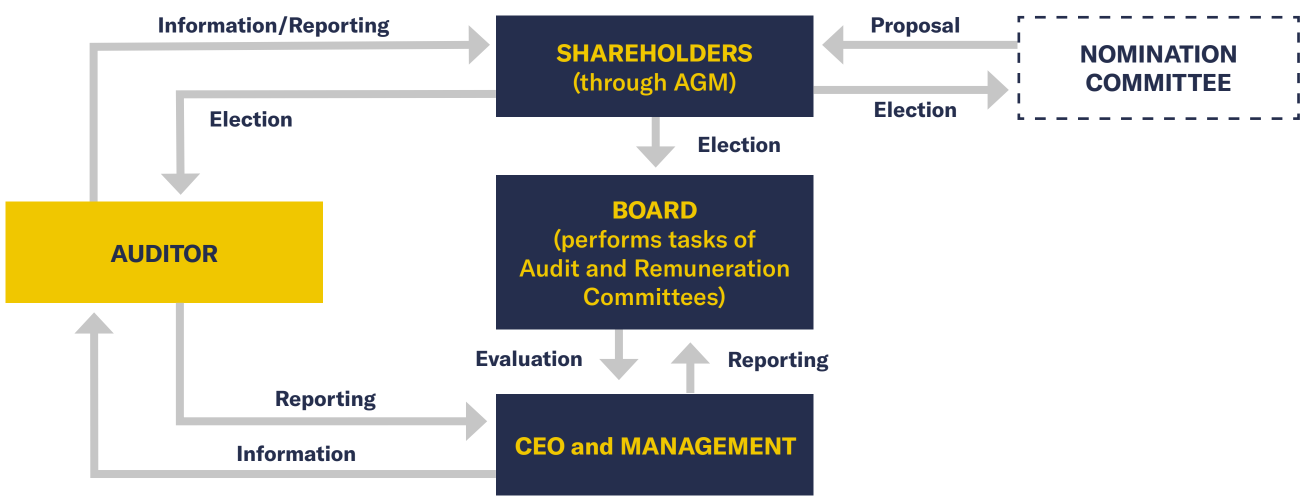
Companies whose shares are traded on a regulated market are required to implement the Code. The Code is part of self-regulation in the Swedish business community and is based on the principle of comply or explain. This means that a company applying the Code may deviate from individual rules but must explain the reason for each deviation and provide a description of the solution that was chosen instead. The Code is available at www.corporategovernanceboard.se. In accordance with the provisions of the Annual Accounts Act and the Code, Swedish companies whose shares are traded on a Swedish regulated market must also prepare a Corporate Governance Report. Crown Energy's 2018 Corporate Governance Report was prepared accordingly.

Rules of the Code from which Crown Energy deviated in 2018 are indicated in this report. Explanations and solutions that were used instead are described in each respective section of the Corporate Governance Report.

The Company did not have any breaches of NGM's rules for companies whose shares are traded on NGM Equity or breaches of good practice on the stock market to report for the year.

GOVERNANCE STRUCTURE AND ACCOUNTABILITY

The shareholders of Crown Energy exercise their influence on the Annual General Meeting, the Company's highest decision-making body, while the Board of Directors and the CEO are responsible for the Company's organisation and management of the Company's affairs in accordance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies, the Articles of Association and the Board's internal control instruments. Crown Energy's governance structure is described in the following organisational chart of the various governing bodies. A description of each governing body follows.



SHAREHOLDERS

As at 31 December 2018, Crown Energy had about 1,500 shareholders. The Company's three largest owners at 31 December 2018, in terms of both share capital and votes, are Yoav Ben-Eli (through YBE Ventures Ltd) with approximately 72.0 per cent of the shares, Cement Fund SCSp with 13.2 per cent and Andreas Forssell with 1.8 per cent. All outstanding shares are ordinary shares.

The three largest shareholders had combined holdings corresponding to 87 per cent of the shares as well as the votes at the end of 2018. According to Chap. 6, Sec. 6, Sub sec. 2, Par. 3 of the Annual Accounts Act, corporate governance reports must present direct or indirect shareholdings that represent at least one-tenth of the number of votes for all shares in the Company. There were two shareholders with shareholdings of this type at 31 December 2018: Yoav Ben-Eli and Cement Fund SCSp. Further information about the Company's shares and shareholders can be found on pages 20–22 of this Annual Report.

GENERAL MEETING

The General Meeting is Crown Energy's highest decision-making body. By law, the Annual General Meeting (AGM) must be held within six months of year-end. Decisions are made at the AGM on such issues as adoption of the income statement and balance sheet, appropriation of profits, discharge of liability and election of Board members and auditors. Decisions are also made at the AGM on the Articles of Association, dividends, and any changes to the share capital.

Notice of the AGM, as well as of an extraordinary general meeting where questions of amending the Articles of Association will be handled, shall be issued no earlier than six and no later than four weeks before the meeting through a press release, a public announcement in Post- och InrikesTidningar (Post and Domestic Times) and on the Company's website. Notice of any other general meeting shall be issued no earlier than six and no later than three weeks before the meeting. In order to attend and vote at the AGM, shareholders must be entered in the register maintained by Euroclear Sweden AB on Crown Energy's behalf no later than five working days before the meeting and must have reported their attendance to the Company as described in the meeting notice. Shareholders may be represented by proxy.

Annual General Meeting

Crown Energy's 2018 Annual General Meeting was held on 17 May 2018 in Stockholm. At the meeting, 85.99 per cent of the Company's total number of votes and shares were represented. The following items and others were resolved at the meeting:

- Adoption of the income statements and balance sheets for the Parent Company and the Group
- Discharge from liability for the Board and CEO
- Adoption of appropriation of profits, resulting in the Company's accumulated earnings of SEK 1,612,512,278 being carried forward
- Adoption of the number of Board members (four) and election of Board members (re-election of all members)
- Adoption of Board fees of SEK 300,000, with SEK 150,000 going to the Chairman and SEK 75,000 going to each non-employed Board member
- Re-election of auditor and adoption of audit fees as per approved invoices
- Adoption of guidelines for remuneration of Group senior executives
- Amendment of the Articles of Association to remove the pre-emption clause.

The 2019 AGM will be held on 14 May 2019 at 10:00 am at the offices of the Company's lawyer (Baker & McKenzie) at Vasagatan 7 in Stockholm. For information on the AGM, see the Company's website at www.crownenergy.se.

Other general meetings

No extraordinary general meetings were held in 2018.

NOMINATION COMMITTEE

A nomination committee's main tasks are to present proposals for election of the Chairman of the Board and Board members, fees to Board members, election of auditors and auditor fees to the AGM. Policies for appointing a nomination committee are resolved on at the AGM.

Historically, Crown Energy has not had a nomination committee, which is a deviation from the Code of Corporate Governance. The Board decided with the principal shareholders that a nomination committee is currently not necessary in view of the composition of shareholders. Depending on any future changes in shareholders, the issue of a nomination committee may need to be raised again and Crown Energy is planning to engage in an ongoing dialogue with the principal shareholders on this issue.

BOARD

The Board's composition, functions, and rules of procedure

The Board's work is conducted in compliance with the Companies Act, the Code, and other applicable rules and regulations prescribed by the Company. The Board's overall function is to manage the Company's affairs and organisation.

According to the Articles of Association, Crown Energy's Board is to consist of at least three and no more than ten members, with no more than five deputies. The composition of the Board was unchanged during the year and consisted of four members.

Board of Directors at 31 December 2018:

- Pierre-Emmanuel Weil (Chairman)
- Alan Simonian (member)
- Jean Benaim (member)
- Yoav Ben-Eli (member)

There is no specific division of duties between Board members. For additional information on the current Board, see the Board of Directors, senior executives and auditors section on pages 18–19 of the Annual Report.

At the statutory Board meeting after the AGM, the Board of Directors of Crown Energy establishes rules of procedure with instructions on the rules of procedure between the Board and the CEO along with instructions for financial reporting. The rules of procedure are reviewed and approved annually. The Board holds at least four regular meetings in addition to the statutory meeting. The meetings are scheduled to coincide with financial reporting and the AGM to the greatest extent possible. Besides regular meetings, the Board convenes for additional meetings as required.

The work is led by the Chairman of the Board, who is responsible for ensuring that it is well organised and efficient. This includes ensuring that the Board has the relevant education to discharge its duties, ensuring that it receives adequate information and supporting documents, and that it is evaluated annually. The Chairman also maintains frequent contact with the Company's CEO. The Chairman is appointed at the AGM. Pierre-Emmanuel Weil was re-elected Chairman of the Board at the 2018 AGM.

The Board may establish committees to delegate certain tasks. Normally these committees consist of audit and remuneration committees. Board committees deal with issues that fall within their respective areas and submit reports and recommendations that form the basis of decisions made by the Board. The Board decides whether a committee should be established. In accordance with the Swedish Companies Act, the Board may decide to perform the duties of a committee themselves, that is, address the issues within the regular Board. In 2018, Crown Energy did not have an audit committee or remuneration committee since the Board found it to be more appropriate to handle these types of issues within the regular Board. Accordingly, the Board performs the duties of each committee.

The Code requires that most Board members be independent of the Company and its management. At least two of the independent Board members must be independent of the Company's major shareholders. Major shareholders are defined as owners who control ten per cent or more of the shares or votes in the Company. The Board's composition was unchanged in 2018. At the AGM in May 2018, all four Board members were re-elected. One of them is independent of the Company, its management and major shareholders. The Company deviates from the Code in that only one person is independent of both the Company's management and its major shareholders.

The work of the Board in 2018
Under the Board's rules of procedure, the Board is to convene at least four times per year in addition to the statutory meeting. The Board held 11 meetings in 2018, including one statutory meeting.

Several Board meetings have been held in 2019 as well, including one in April for a debriefing from the Company's auditors on the 2018 financial year.

A summary of the Board members and their attendance at Board meetings can be found below:

Name	Position	Independent of Company and management	Independent of Company's major shareholders	Board meeting attendance 2018
Pierre-Emmanuel Weil	Chairman	Yes	No	11/11
Alan Simonian	Board member	No	Yes	11/11
Jean Benaim	Board member	Yes	Yes	8/11
Yoav Ben-Eli	Board member	Yes	No	11/11

Authorisation
The Company has no outstanding authorisations.

CEO AND MANAGEMENT
The CEO ensures that operations are conducted in accordance with the Companies Act, other laws and regulations, applicable rules for listed companies, the Articles of Association, and the Board's internal control instruments, and in accordance with the Board's established goals and strategies. In consultation with the Chairman of the Board, the CEO compiles the necessary informational and supporting documents for Board meetings, presents reports and substantiates proposed resolutions. The CEO is Andreas Forssell.

Group management is otherwise comprised of Jenny Björk, CFO, Alan Simonian, COO, and Peter Mikkelsen, chief geologist and exploration manager. Peter Mikkelsen performs his duties as a consultant, not as employees of Crown Energy.

See the presentation of the CEO and other senior executives on pages 18-19 of the Annual Report.

INTERNAL AUDITING
The Company has a relatively simple legal and operational structure along with established management and internal control systems. As a result, the Board determined in 2018 that a separate internal audit function was not necessary. The Board regularly monitors the Company's assessment of internal control through contact with the Company's auditors and by other means. The Parent Company hired a controller in 2018 to increase its internal control resources. In addition, efforts were pursued internally to ensure that the controls and procedures of the incorporated new property business are in line with the Group's guidance and internal control documents.

AUDITOR
The auditor is appointed at the AGM to audit, on behalf of the shareholders, Crown Energy's Annual Report and accounts and the Board's and CEO's management of the Company.

The 2018 AGM re-elected audit firm Öhrlings Pricewaterhouse-Coopers AB as Crown Energy's auditor until the end of the 2019 AGM. As chief auditor, authorised public accountant Bo Lager-ström was appointed to sign the auditor's report.

The audit team had regular contact with the Company in 2018 in addition to the audit procedures performed. The Company's auditors audited the annual accounts and the Company's internal controls for 2018. Apart from this, the auditor also performed statutory audits in conjunction with the year's share issues. The Company's financial nine-month report was reviewed.

REMUNERATION
Remuneration guidelines
Guidelines for remuneration of senior executives at Crown Energy are adopted at the AGM and currently cover the CEO and the Company's CFO, who are in senior management and who are employees of the Company. The policy is that remuneration should be commercially competitive. The remuneration level should be based on position, competence, experience and performance.

Most recently approved remuneration guidelines – 2018 AGM
For the 2018 AGM, the Board proposed the following, essentially unchanged, guidelines, which were later adopted at the AGM on 17 May 2018:

- The Board shall be entitled to deviate from the guidelines in individual cases if there are specific reasons for doing so. In the event of such a deviation, notice of the deviation and the reason for it must be reported at the next AGM.
- The remuneration of the CEO and other senior executives shall consist of a fixed, market-based salary. Any potential benefits shall constitute only a limited portion of the remuneration.
- The CEO and other senior executives shall have defined contribution pension plans, which means that vesting occurs through the Parent Company's annual payments of premiums. The pension provision for the CEO shall be 30% of the CEO's annual salary. Pensions for other senior executives must be in line with the ITP plan.
- Upon termination by the Company, severance pay for senior executives can be paid to a maximum of 24 monthly salaries, including fixed salary, during the notice period.
- Decisions on share and share price related incentive schemes for senior executives shall be taken at the AGM. Share and share price related incentive schemes shall be designed with the aim of achieving greater alignment of interests between the participating executives and the Company's shareholders. Schemes that involve the acquisition of shares shall be designed to promote personal shareholdings in the Company. The vesting period, or the period from the conclusion of the agreement until shares may be acquired shall not be less than three years. Board members who are not also employees of the Company shall not participate in schemes directed to management or other employees. Share options shall not be included in schemes directed to the Board.
- The Company's Board members shall, in specific cases, be allowed to receive fees for services rendered within their respective areas of expertise that are not associated with Board work. Fees for these services shall be market-based, approved by the Board, and disclosed at the AGM.

The Board's proposed remuneration guidelines for the 2019 AGM
The Board's proposed remuneration guidelines for the 2019 AGM are the same as the most recently adopted guidelines (see above).

Remuneration of the Board of Directors
Resolutions on the remuneration of the Board are made at the AGM. At the AGM on 17 May 2018, it was decided that the Chairman of the Board's remuneration would be SEK 150,000 and that the remuneration of other Board members not employed by the Company would be SEK 75,000 each.

Chairmen and Board members who are not also employees of the Company do not receive a salary from the Company and are not eligible to participate in any of the Company's future incentive schemes.

Board fees, all amounts in SEK THOUSAND	2018	2017
Chairman of the Board	150	150
Board member (per person)	75	75

Remuneration of and benefits for senior executives in 2018
Decisions on the remuneration of the CEO are made by the Board. CEO Andreas Forssell receives SEK 130,000 per month. Andreas Forssell also receives pension benefits, which, as far as the Board can determine, are comparable to CEOs of companies like Crown Energy.

The other senior executives of Crown Energy are Jenny Björk, CFO, Alan Simonian, COO, and Peter Mikkelsen, Exploration Manager. Decisions regarding the remuneration of other senior executives are made by the CEO. The CFO and COO receive pension benefits, which, as far as the Board can determine, are comparable to equivalent positions in companies like Crown Energy.

Between the Company and the CEO, CFO and COO, there is a notice period of 24 months from the Company and 6 months from the employee.

Apart from public pension plans, Crown Energy has no contracted pension benefits other than the pension benefits of the CEO, CFO and COO. Unless otherwise stated above, the Company has not entered any agreement with members of the Company's management, governance, or supervisory bodies that entitle such members to any benefits after termination of their positions.

Peter Mikkelsen performs his management obligations to the Company on a consultant basis and is hired as needed. In 2018, Peter Mikkelsen invoiced total fees of SEK 109 thousand.

The remuneration of employed senior executives is summarised below:

Senior executives, all amounts in SEK THOUSANDS	Base salary	Variable remuneration	Other benefits	Pension expenses	Total 2018	2017
Andreas Forssell, CEO	1,589	–	–	433	2,022	2,030
Other senior executives	1,437	–	–	257	1,695	2,254
Total	**3,026**	**–**	**–**	**690**	**3,717**	**4,285**

Remuneration of auditor

The 2018 AGM elected Öhrlings PricewaterhouseCoopers AB as the auditor, with Bo Lagerström serving as chief auditor. Mr Lagerströmis an authorised public accountant and a member of FAR SRS, Sweden's association for accountancy professionals. Remuneration to the auditor is paid on open account. Remuneration paid to Pricewaterhouse Coopers by the Group for fiscal year 2018 totalled SEK 2,331 thousand (1,928), of which SEK 1,504 thousand (1,095) pertained to audit engagements and SEK 828 thousand (833) was for other engagements. An audit involves reviewing the Annual Report and bookkeeping along with the administration of the Board of Directors and CEO, other tasks incumbent upon the Company's auditor to perform and advice or other assistance prompted by observations made during the audit or the performance of other tasks. Everything else is considered other engagements.

INTERNAL CONTROL AND RISK MANAGEMENT OF FINANCIAL REPORTING FOR THE 2018 FINANCIAL YEAR

The Board is responsible for the internal control of the Company and, according to the Annual Accounts Act, the Board must annually submit a description of the key elements of the Company's internal control and risk management regarding financial reporting. Following is a brief description of how internal control and financial reporting works.

Control environment

The control environment forms the basis of internal control of the financial reporting. The Company's internal control structure is based on a clear division of responsibilities and duties between the Board and CEO as well as within operating activities. In addition to guidance documents such as instructions for the Board and CEO, the disclosure policy and the financial reporting policy, there are also guidelines and policies for operating and administrative activities. All guidance documents and process descriptions are communicated within the organisation and are available and known to the personnel concerned.

Risk assessment

The Company identifies, analyses, and makes decisions on how to manage the risk of errors in financial reporting. Currently, the business is relatively small and involves a limited number of persons. The Company has identified the operational processes and income statement and balance sheet items for which there is a risk that errors, omissions or irregularities could occur if the necessary control elements were not built into procedures. The Company's risk assessment analysed how and where errors may occur in the procedures. Issues that are important to risk assessment include whether assets and liabilities exist on a given date, accurate valuation, whether a business transaction occurred and whether items are recognised in accordance with laws and regulations. Currently, the Company's biggest risk is linked to the economic development of the markets in which the Company operates.

Control activities

Several control measures were established based on the Company's risk assessments. These are both of a preventive nature, meaning that they are designed to avoid reporting losses or errors, and of an investigative nature. The controls are also meant to ensure that errors are corrected.

Information and communication

Internal regulations, policies and procedural descriptions are available on the Company's internal network. Regular meetings, either in person or by phone, are used for internal communication to and from the Board and management.

To ensure that external communication with the stock market is accurate, there is a disclosure policy that governs how investor relations are managed.

Follow-up

In 2018, follow-up of operations was mainly done in connection with regular Board meetings.

The Company intends to update procedural descriptions, policies and guidance documents as necessary, but at least annually. The Board shall receive quarterly financial results, including management's comments on operations. The Company's auditor participates in at least one Board meeting to present observations about the Company's internal procedures and control systems.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in Crown Energy AB (publ), corporate identity number 556804-9598

Engagement and responsibility
The board of directors is responsible for the corporate governance statement for the year 2018 on pages 25-29 and for it being prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 paragraph 2 items 2-6 of the Annual Accounts Act and chapter 7 section 31 paragraph 2 of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 12 April 2019

Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorised Public Accountant

DIRECTORS' REPORT

The Board of Directors and CEO of Crown Energy AB (publ), 556804-8598, hereby issue the annual report for the financial year 1 January–31 December 2018.

OPERATIONS

Crown Energy AB (publ) with its subsidiaries (Crown Energy, the Company, or the Group), is an international group in the oil, gas and service industries focused on underexplored areas in Africa and the Middle East.

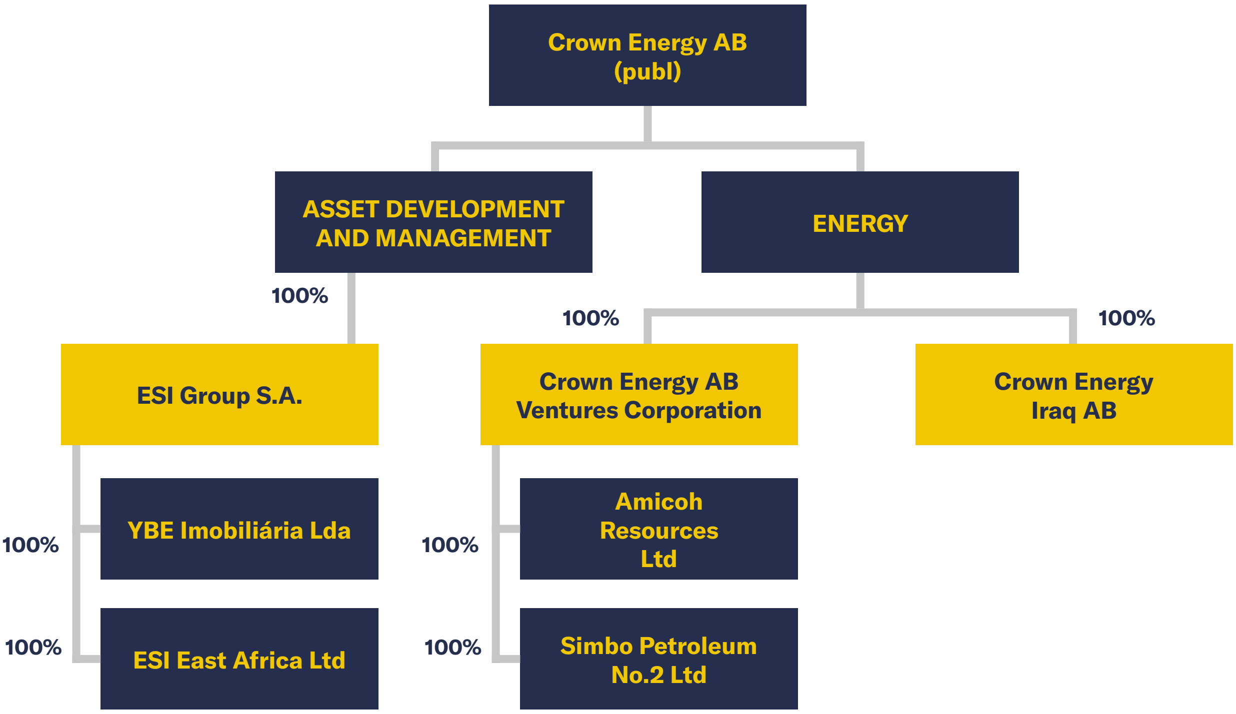
The Energy business area focuses on exploration opportunities with high potential for recoverable reserves. Crown Energy seeks good risk diversification, both geographical and geological, and pursues farm-out opportunities as exit strategies to capitalise as much as possible on its assets. For a more detailed description of the Group's exploration operations and ongoing projects, see the section entitled Energy business area on pages 12-15.

The Company's Asset Development and Management business area delivers customised residential and office solutions to international companies that need to station staff abroad, primarily in Africa. This comprehensive offering of leasing and associated services enables customers to focus on their core business instead of worrying about major capital investments. For a more detailed description of the Group's Asset Development and Management business and business concept, see the section Asset Development and Management business area.

The Parent Company, whose commercial domicile is Stockholm, Sweden, is listed on NGM Equity.

COMPANY STRUCTURE

Below is an overview of the Group's legal structure at 31 December 2018.



SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Angolan currency devaluation

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.

High inflation in Angola leads to inflation adjustment in the accounts

Angola is a high inflation country, and as from 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 in the accounting of the Angolan currency.

Extension of Block 2B South Africa

In February, South African authorities approved our application to enter the next two-year exploration phase for Block 2B in South Africa. The new phase now extends until February 2020 and includes drilling of a well in the licence area.

Strategic co-operation agreement with Proger S.p.a.

Crown Energy entered a strategic cooperation agreement with the Italian engineering company Proger S.p.a in March 2018. The parties are working together to identify and develop commercial projects where each company's expertise complements the other and represents the other in their respective office networks.

Error correction in presentation of investment property

During the fourth quarter of 2018, an error was noted in the presentation of the Group's investment properties. The error is of a technical accounting nature and has not affected consolidated operating profit or liquidity. Due to a misinterpretation of IAS 40, the carrying amount of contracted investment properties corresponded to the fair value without adjusting for the rental 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 retrospectively from the opening balance on 1 January 2017. The opening balance for 2017 for investment properties was adjusted by SEK 117,324 thousand. Adjustment of profit for 2017 relates to unrealised changes in value in investment properties and amounts to SEK -4,016 thousand. Earnings per share for 2017 changed after the correction from SEK -0.16 to SEK -0.17. For more information, please see Note 32 Correction of errors in accounting of leases.

FINANCIAL OVERVIEW

Group, SEK thousands	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Operating income	76,847	111,294
Operating expenses	-54,772	-41,962
Operating profit excl. effect of reverse acquisition	22,075	69,332
Earnings effect from reverse acquisition	0	-174,586
Operating profit/loss incl. effect of reverse acquisition	22,075	-105,254
Net financial items	324,569	2,395
Net profit/loss for the period, after tax	186,909	-67,275
Total assets	980,446	1,070,642
Earnings per share, SEK	0.39	-0.17
Equity per share, SEK	1.70	1.83
Equity/assets ratio	83%	82%
Average number of employees	16.8	15.5

Parent Company, SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Operating income	10,576	10,988
Operating expenses	-23,438	-22,060
Operating profit/loss	-12,862	-11,072
Net financial items	4,749	6,436
Total assets	1,625,372	1,642,569
Number of employees	4	3

See page 90 (Note 36 Key ratios) for key ratio definitions.

COMMENTS ON FINANCIAL PERFORMANCE

Accounting effects of Angolan devaluation/hyperinflation

As mentioned earlier, the central bank of Angola stopped pegging the Angolan currency kwanza to the USD in 2018. This devaluation resulted in considerable exchange rate effects in Crown Energy's financial statements, especially during the first three quarters when the devaluation peaked. Significant exchange rate effects are presented in the respective comments on financial performance below.

Operating profit/loss

During the reporting period, revenue amounted to SEK 76,633 thousand, compared with SEK 110,483 thousand for the same period last year, which is a decrease of 31 per cent. The decrease is largely due to the Angolan currency's depreciation in value against the Swedish krona in 2018, which was 40 per cent during the year.

As mentioned in the Asset Development and Management business area section, general developments in the Angolan property market affected the Group's revenue, which also impacted revenue in local currency. After adjusting for inflation (IAS 29), revenue in local currency increased by approximately six per cent, while with no adjustment for inflation it decreased by about three per cent.

Property costs for the reporting period amounted to SEK -23,883 thousand (-21,089) and include costs for maintenance, operation, purchasing external services such as administration, cleaning etc. Property-related taxes are also included in this item, which includes stamp taxes and local Angolan consumption taxes based on rental and service revenue. Property costs increased compared with the previous year by a total of 13 per cent, which is mainly due to the adjustment for inflation.

Other external costs totalled SEK -21,919 thousand (-13,186). The increase is mainly due to the reverse acquisition since costs attributable to the old Crown Energy Group were added as from 30 June 2017. Also included in 2018 are new types of costs that relate to project development in the Asset Development and Management business area.

Employee benefit expenses for the 2017 comparative period included the Angolan operations for the full year but only two quarters for the Parent Company in Sweden. As a result, Group employee benefit expenses increased by 15 per cent in 2018.

Net financial items

Net financial items for the reporting period amounted to SEK 324,569 thousand (2,395). The financial items consist mainly of unrealised exchange rate effects arising from the translation of assets and liabilities in foreign currency and the fact that the properties were valued in USD, recognised in the Angolan kwanza and then translated to SEK.

Interest income from investments in Angolan government bonds amounted to SEK 3,190 thousand, and interest income attributable to the loan to ESI Angola Lda totalled SEK 2,067 thousand.

Interest expenses attributable to leased property assets amount to SEK -938 thousand (-559).

Changes in value

The Group holds both owned and leased investment properties. The investment properties are measured at fair value and changes in fair value are recognised as unrealised changes in value. Given that leased investment properties are also measured at fair value, the right of use is not amortised. Instead, the minimum lease payment is divided between interest and value changes in the property.

Changes in value in 2018 include unrealised changes in value of SEK -70,257 thousand as well as rent payments (minimum lease payments) to property owners of SEK -12,354 thousand.

For information about the valuation process, see Note 5 Critical accounting estimates and judgements, and for changes between the years, see Note 14 Investment properties.

Tax

During the reporting period, a tax expense of SEK -4,874 thousand (-6,766) and a deferred tax expense of SEK -72,249 thousand (7,111) were recognised. Tax expense for the period relates to wealth tax in Luxembourg of SEK -2,140 thousand, investment tax in Angola of SEK -3,220 thousand, adjustment of income tax in Angola for 2017 of SEK 3,987 thousand and estimated income tax in Angola of SEK -3,500 thousand. The deferred tax expense is attributable to temporary differences between the fair value of the properties and the local taxable residual value.

Inflation adjustment in income statement

As Angola is presently considered a hyperinflationary country, adjustments are made to the Angolan operations' reports taking current inflation into consideration. All items in local currency in the income statement, apart from unrealised changes in property value, were calculated with an index based on the consumer price index in Angola. The index used in the income statement is 1.09. The total net effect on the consolidated income statement of these adjustments amounts to SEK 23,302 thousand. For more information about the inflation adjustment, see Note 2.2.

Other comprehensive income

Other comprehensive income includes translation differences of SEK -249,380 thousand, which arose as a result of revaluation of the subsidiaries' assets and liabilities from local currencies to SEK.

Inflation adjustments in accordance with IAS 29 amount to SEK -6,857 thousand.

COMMENTS ON CONSOLIDATED FINANCIAL POSITION

Non-current assets

The carrying amount of investment properties totalled SEK 653,073 thousand and has decreased compared to the annual accounts for 2017 by SEK -67,524 thousand. The net change consists of capital expenditures amounting to SEK 4,404 thousand, positive exchange rate effects of SEK 10,683 thousand and an unrealised value change of SEK -82,612 thousand. The change in value is mainly based on generally lower market expectations in Angola, given the prevailing Angolan economy. Assumptions about market rents and vacancy rates therefore continue to be cautious, especially in 2019 for which expectations about growth are low. See Note 14 Investment properties for a summary of the period's changes.

Exploration and evaluation assets totalled SEK 204,151 thousand. The change compared with the annual accounts for 2017 consists of investments of SEK 5,975 thousand and translation and revaluation effects of SEK 9,288 thousand. See Note 17 Exploration and evaluation assets for a summary of the changes.

Due to the uncertainty of the Angolan currency, the Angolan subsidiary invested funds in Angolan government bonds indexed against the USD, which reduces the Group's currency risk somewhat. The bonds carry an interest rate of 7-7.75 per cent. Bonds with a maturity of more than one year were recognised as financial assets. For more information, see Note 18 Financial assets recognised at amortised cost.

Current assets

Accounts receivable comprise invoiced rent and service to customers as contracted. See Note 14 Accounts receivable and 4.2 Credit risk for information on provisions for bad debts.

Other receivables primarily concerns a receivable from ESI Angola Lda amounting to SEK 27,741 thousand. For more information about this receivable, see Note 28 Transactions with related parties.

Prepaid expenses and accrued income totalling SEK 4,066 thousand mainly comprise accrued interest income amounting to SEK 2,880 thousand from ESI Angola Lda on the loan mentioned above. Other accrued expenses and deferred income amount to SEK 1,186 thousand.

Non-current liabilities

The financial lease liability refers to leased properties. Decreases in total lease liability since the 2017 year-end accounts are explained by regular rent payments to landowners. The total lease liability is divided into non-current, SEK 176 thousand, and current, SEK 49,194 thousand, components.

Deferred tax liabilities amounted to SEK 85,407 thousand and are attributable to surplus values in properties of SEK 69,834 thousand as well as to surplus values in exploration and evaluation assets of SEK 15,572 thousand.

Current liabilities

Other current liabilities primarily concerns a liability to the Parent Company's former shareholder and CEO. During the fourth quarter of 2018, an agreement was reached with the counterparty, which means that the debt is to be paid off over a three-year period, and the total amount of SEK 5,054 thousand was renegotiated to SEK 4,700 thousand. SEK 354 thousand of the liability was recognised as a write-off of debt under financial income. The first instalment of SEK 1,567 thousand was paid in the fourth quarter of 2018, which means that outstanding debt amounts to SEK 3,133 thousand.

Accrued expenses and deferred income amounts to SEK 15,907 thousand. This is a decrease of SEK 23,126 thousand since the 2017 annual accounts. The change is attributable to currency revaluations as well as to larger reserves in the Parent Company in the 2017 annual accounts regarding the reverse acquisition, which is now dissolved.

COMMENTS ON CHANGES IN EQUITY

During the fourth quarter of 2018, an error was identified regarding the accounting of the Group's leases. This error was corrected retrospectively in equity. For a detailed description of the error and its correction, see Note 32 Correction of error in accounting of leases.

In 2018, the Group applied inflation adjustments in accordance with IAS 29 regarding the operations in Angola. The adjustments affect other paid-in capital and accumulated earnings. See Note 2.2 for a description of IAS 29 application.

COMMENTS ON CASH FLOWS

Cash flow from operating activities in 2018 amounted to SEK -25,881 thousand (102,435). Comparisons with 2017 are not relevant as the reverse acquisition occurred in 2017 and the business grew in 2018 with more ongoing costs attributable to new projects etc.

Expenditures on investment properties are entirely attributable to the completion of the C-View property.

The exchange loss on cash and cash equivalents amounts to SEK -18,643 thousand, which is mainly attributable to the translation of cash and cash equivalents in the Angolan operations and the fact that a sharp devaluation of the Angolan kwanza occurred in 2018.

DISPUTES

There were no disputes between Crown Energy and other parties as at this annual report's publication date.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

Events after the end of the financial year are only presented in notes. See Note 35 Events after end of reporting period.

OUTLOOK

Operations

Crown Energy is well-positioned with a balanced portfolio of exciting projects with great development potential.

The Company continues its expansion to achieve a larger and even more stable foundation to stand on. We will make the most of our contacts in the oil industry, our collaboration with Proger, the positive oil and gas market trend and our cash flows to accelerate the development of Crown Energy's assets and operations. Capital, processes and our organisation will be further adapted to continue these development efforts.

Financing and going concern

Given the acquisition of ESI Group and its operations along with Cement Fund SCSp's redemption of options in December 2017, the Company continues to have adequate working and investment capital to continue operating as a going concern.

The Company's main plan is to fulfil all outstanding obligations, both investments and day-to-day management, using existing funds in the next 12 months. However, it cannot be ruled out that the Company may need or wish to raise capital from existing shareholders for investments beyond those described thus far. This may be done through new share issues, private placements or preferential rights issues, or through other offers to existing shareholders, or by raising loans/issuing corporate bonds, or a combination of these.

SIGNIFICANT RISKS AND RISK MANAGEMENT

See Note 3 Operating risks and Note 4 Financial risk management for a summary of the Group's significant risks and risk management.

SHARES AND OWNERSHIP STRUCTURE

Share capital

For more detailed information about the Company's shares, see the Shares, shareholders and share capital section on page 20-22.

Ownership structure

For information about the Company's ownership structure, see the Shares, shareholders and share capital section on page 20-22.

AGM

The 2019 AGM will be held on 14 May 2019 at 10:00 am at the offices of the Company's lawyer (Baker & McKenzie) at Vasagatan 7 in Stockholm.

PARENT COMPANY

Comments on financial performance

The Parent Company's revenue for 2018 amounted to SEK 10,545 thousand (10,966). The revenue related to re-invoicing of expenses totalling SEK 5,658 thousand and subsidiary management fees of SEK 4,897 thousand.

Other external expenses increased slightly to SEK -17,432 thousand from the previous year's SEK -16,303 thousand. The increase is attributable to various administrative expenses. Of these expenses, SEK -5,658 thousand was re-invoiced to the companies that work within the Asset Development and Management business area. Adjusted for these expenses, external expenses decreased by SEK 4,528 thousand and this is mainly because in 2017 the Parent Company had many expenses attributable to the reverse acquisition, such as expenses for adapting the new Group to IFRS, valuations, legal representatives etc.

Interest income from Group companies decreased by 59 per cent due to the terms of the internal loan agreements being re-written in the fourth quarter of 2017.

Comments on consolidated financial position

Participations in Group companies increased by SEK 1,315 thousand as a result of a shareholder contribution to subsidiary Crown Energy Iraq AB.

PROPOSED APPROPRIATION OF PROFITS

The Board proposes that SEK 1,604,406,734 be carried forward.

SEK	
Accumulated earnings	-34,586,324
Share premium reserve	1,647,105,998
Net profit for the year	-8,112,939
Total	**1,604,406,734**

CONSOLIDATED INCOME STATEMENTS

All amounts in SEK thousand	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Revenue	7		
Rental revenue	7	53,349	67,160
Service revenue	7	23,284	43,323
Other operating income	7	214	811
Property-related expenses		-23,883	-21,089
Other external costs	8	-21,919	-13,186
Employee benefit expenses	9	-8,620	-7,507
Depreciation	15, 16	-273	-42
Other operating expenses		-77	-138
Operating profit before effect of reverse acquisition		**22,075**	**69,332**
Earnings effect from reverse acquisition	30	0	-174,586
Operating profit/loss after effect of reverse acquisition		**22,075**	**-105,254**
Finance income	10, 11	425,060	6,482
Finance expenses	10, 11	-100,491	-4,086
Net financial items		**324,569**	**2,395**
Profit/loss before tax and changes in value		**346,643**	**-102,859**
Changes in value			
Property, unrealised	14	-82,612	35,239
Earnings before tax		**264,032**	**-67,619**
Income tax	12	-4,874	-6,766
Deferred tax	12, 22	-72,249	7,111
Net profit/loss for the period		**186,909**	**-67,275**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Net profit/loss for the period	**186,909**	**-67,275**
Other comprehensive income for the period:		
Translation effects – IAS 29	-12,050	0
Currency translation differences	-237,330	-70,245
Total items that can be reclassified to profit or loss	**-249,380**	**-70,245**
Other comprehensive income, net of tax	**-249,380**	**-70,245**
Total comprehensive income for the period	**-62,471**	**-137,520**
Total comprehensive income attributable to:		
Parent Company shareholders	-62,471	-137,520
Comprehensive income for the period	**-62,471**	**-137,520**

CONSOLIDATED BALANCE SHEET

All amounts in SEK thousand	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
ASSETS			
Non-current assets			
Investment property	14	653,073	720,597
Equipment, tools, fixtures and fittings	15	768	340
Intangible assets	16	54	90
Exploration and evaluation assets	17	204,151	188,888
Financial assets valued at amortised cost	18	7,672	–
Total non-current assets		**865,718**	**909,915**
Current assets			
Trade receivables	18, 19, 26	23,655	29,415
Other receivables	18, 26	29,347	28,489
Prepaid expenses and accrued income		4,066	640
Cash and cash equivalents	20	57,659	102,183
Total current assets		**114,727**	**160,727**
TOTAL ASSETS		**980,446**	**1,070,642**
EQUITY			
Capital and reserves attributable to Parent Company shareholders			
Share capital	21	14,033	14,033
Other contributed capital	21	816,730	775,275
Reserves		-294,299	-51,776
Accumulated earnings		88,526	204,106
Profit/loss for the period		186,909	-67,275
Total equity		**811,899**	**874,363**
LIABILITIES			
Non-current liabilities			
Finance lease liability	24, 27	176	96,837
Deferred tax liabilities	22	85,407	31,929
Other provisions	23	3,272	3,361
Total non-current liabilities		**88,854**	**132,127**
Current liabilities			
Finance lease liability	24, 27	49,194	5,416
Accounts payable	25, 27	6,131	5,597
Current tax		3,905	7,605
Other current liabilities	25, 27	4,555	6,501
Accrued expenses and deferred income	26	15,907	39,033
Total current liabilities		**79,692**	**64,152**
TOTAL EQUITY AND LIABILITIES		**980,446**	**1,070,642**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts in SEK thousands	Note	Share capital	Other contributed capital	Reserves	Accumulated earnings	Total equity
Opening balance at 1 Jan 2017		**–**	**357,339**	**26,439**	**78,812**	**462,590**
Error correction	32			-7,970	125,294	**117,324**
Adjusted opening balance at 1 Jan 2017		**–**	**357,339**	**18,469**	**204,106**	**579,914**
Comprehensive income						
Net profit/loss for the period					-67,275	**-67,275**
Other comprehensive income:						
Exchange rate effects				-70,245		**-70,245**
Total comprehensive income		**–**	**–**	**-70,245**	**-67,275**	**-137,520**
Transactions with shareholders						
Capital contributed by shareholders		–	61,629	–	–	**61,629**
Business combination (reverse acquisition):	31	13,107	356,308	–	–	**369,415**
Conversion of C shares to ordinary shares	31	-298	1,360,082	–	–	**1,359,784**
Hypothetical buy-back of shares	31	13,405	-1,003,774	–	–	**-990,369**
Warrant issue, December 2017		926	–	–	–	**926**
Total transactions with shareholders		**14,033**	**417,937**	**–**	**–**	**431,970**
Closing balance at 31 Dec 2017		**14,033**	**775,275**	**-51,776**	**136,831**	**874,363**
Opening balance at 1 Jan 2018		**14,033**	**775,275**	**-32,753**	**15,555**	**772,110**
Error correction	32	–	–	-19,023	121,277	**102,254**
Adjusted opening balance at 1 Jan 2018		**14,033**	**775,275**	**-51,776**	**136,832**	**874,364**
Comprehensive income						
Net profit for the period					186,909	**186,909**
Other comprehensive income:						
Exchange rate effects		–	–	-242,523	–	**-242,523**
Inflation adjustments – IAS 29		–	41,448		-48,305	**-6,857**
Total comprehensive income		**–**	**41,448**	**-242,523**	**138,604**	**-62,471**
Transactions with shareholders						
Issue expenses (reversed reserve)		–	7	–	–	**7**
Total transactions with shareholders		**–**	**7**	**–**	**–**	**7**
Closing balance at 31 Dec 2018		**14,033**	**816,730**	**-294,299**	**275,435**	**811,899**

CONSOLIDATED STATEMENT OF CASH FLOWS

All amounts in SEK thousand	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Cash flow from operating activities			
Operating profit/loss before financial items		22,075	-105,254
Adjustments for items not included in cash flow:			
Reverse acquisition's effect on earnings		–	174,586
Depreciation		273	42
Exchange rate effects in operating profit/loss		-3,194	–
Interest received		1,936	–
Interest paid		-212	–
Tax paid		–	-5
Cash flow from operating activities before change in working capital		**20,878**	**69,369**
Changes in working capital:			
Increase/decrease in current receivables		-275	-559
Increase/decrease in current liabilities		-14,179	-26,181
Total change in working capital		**-14,455**	**-26,740**
Cash flow from operating activities		**6,423**	**42,629**
Cash flow from investing activities			
Acquisition of subsidiaries, less acquired cash and cash equivalents		–	19,925
Capital expenditures on investment properties	14	-4,404	-6,075
Capital expenditures on exploration and evaluation assets	17	-5,975	-8,415
Capital expenditures on other fixed assets	15, 16	-848	-354
Investments in financial assets	18	-7,783	–
Cash flow from investing activities		**-19,011**	**5,081**
New share issues		–	67,377
Issue expenses for the period		–	-8,077
Repayment of lease liability		-13,292	-4,575
Cash flow from financing activities		**-13,293**	**54,725**
Cash flow for the period		**-25,881**	**102,435**
Cash and cash equivalents at start of period	20	102,183	363
Cash flow for the period		-25,881	102,436
Exchange losses on cash and cash equivalents		-18,643	-615
Cash and cash equivalents at end of period	20	**57,659**	**102,183**

INCOME STATEMENT – PARENT COMPANY

All amounts in SEK thousand	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Revenue	28	10,545	10,966
Other operating income		31	22
Total operating income		**10,576**	**10,988**
Other external costs	8	-17,432	-16,303
Employee benefit expenses	9	-5,821	-5,558
Depreciation	15, 16	-36	-51
Other operating expenses		-149	-149
Total operating expenses		**-23,438**	**-22,060**
Operating profit/loss		**-12,862**	**-11,072**
Interest income and similar items	10	1,596	-1,467
Interest income from Group companies	10, 27	3,274	7,902
Interest expenses and similar items	10	-120	0
Profit from financial items		**4,749**	**6,436**
Earnings before tax		**-8,112**	**-4,637**
Tax	12	0	0
Net profit/loss for the period		**-8,112**	**-4,637**

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

All amounts in SEK thousand	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Net profit/loss for the period		-8,112	-4,637
Other comprehensive income:			
Items that can be reclassified as profit or loss		–	–
Other comprehensive income, net of tax		**–**	**–**
Total comprehensive income for the period		**-8,112**	**-4,637**
Comprehensive income attributable to:			
Parent Company shareholders		-8,112	-4,637
Comprehensive income for the period		**-8,112**	**-4,637**

BALANCE SHEET – PARENT COMPANY

All amounts in SEK thousand	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
ASSETS			
Non-current assets			
Participations in Group companies	29	1,385,798	1,384,483
Intangible assets	16	54	90
Property, plant, and equipment	15	–	–
Receivables from Group companies		213,060	184,805
Total non-current assets		**1,598,913**	**1,569,378**
Receivables from Group companies		2,911	11,928
Other current receivables		229	–
Prepaid expenses and accrued income		672	333
Cash and bank balances	20	22,648	60,929
Total current assets		**26,460**	**73,192**
TOTAL ASSETS		**1,625,372**	**1,642,569**
EQUITY			
Equity			
Restricted equity			
Share capital	21	14,033	14,033
Total restricted equity		**14,033**	**14,033**
Non-restricted equity			
Share premium reserve	21	1,647,106	1,647,099
Accumulated earnings		-34,587	-29,950
Net profit/loss for the period		-8,112	-4,637
Total non-restricted equity		**1,604,407**	**1,612,512**
Total equity		**1,618,440**	**1,626,545**
Current liabilities			-
Accounts payable		1,428	1,419
Other current liabilities		3,469	6,173
Accrued expenses and deferred income		2,036	8,432
Total current liabilities		**6,932**	**16,024**
TOTAL EQUITY AND LIABILITIES		**1,625,372**	**1,642,569**

STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY

All amounts in SEK thousand	Note	Share capital	Other contributed capital	Accumulat-ed earnings	Net profit/loss for the year	Total equity
Opening balance at 1 Jan 2017		**13,405**	**232,722**	**-32,409**	**2,459**	**216,177**
Unappropriated net income as per AGM resolution		–	–	2,459	-2,459	–
Comprehensive income						
Net profit/loss for the period					-4,637	-4,637
Other comprehensive income						
Total comprehensive income					**-4,637**	**-4,637**
Transactions with shareholders						
Business combination (reverse acquisition), June 2017	30	-298	1,360,380	–	–	1,360,082
Conversion of warrants, December 2017		926	62,074	–	–	63,000
Issue expenses		–	-8,077	–	–	-8,077
Total transactions with shareholders		**628**	**1,414,377**			**1,415,005**
Closing balance at 31 Dec 2017		**14,033**	**1,647,099**	**-29,950**	**-4,637**	**1,626,545**
Opening balance at 1 Jan 2018		**14,033**	**1,647,099**	**-29,950**	**-4,637**	**1,626,545**
Unappropriated net income as per AGM resolution		–	–	-4,637	4,637	–
Comprehensive income						
Net profit/loss for the year					-8,112	-8,112
Other comprehensive income						
Total comprehensive income					**-8,112**	**-8,112**
Transactions with shareholders						
Issue expenses (reversed reserve)		–	7	–	–	7
Total transactions with shareholders			**7**			**7**
Closing balance at 31 Dec 2018		**14,033**	**1,647,106**	**-34,584**	**-8,112**	**1,618,440**

STATEMENT OF CASH FLOWS – PARENT COMPANY

All amounts in SEK thousand	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Cash flow from operating activities			
Operating profit/loss before financial items		-12,862	-11,072
Adjustments for items not included in cash flow:			
Depreciation	16	36	51
Exchange rate effects in operating profit/loss		–	-1,486
Interest received		–	7,902
Interest paid		-120	–
Tax paid	12	–	–
Cash flow from operating activities before change in working capital		**-12,946**	**-4,605**
Changes in working capital:			
Increase/decrease in current receivables		-324	3,069
Increase/decrease in current liabilities		-9,327	7,740
Total change in working capital		**-9,651**	**10,809**
Cash flow from operating activities		**-22,597**	**6,204**
Cash flow from investing activities			
Acquisition of ESI Group SA	30	–	-1,363,279
Shareholder contributions to subsidiaries	28	–	-500
Loans to Group companies		-15,685	-21,648
Capital expenditures on other fixed assets	16	–	-90
Cash flow from investing activities		**-15,685**	**-1,385,517**
Cash flow from financing activities			
New share issues		–	1,423,082
Issue expenses for the period		–	-8,077
Cash flow from financing activities		–	1,415,005
Cash flow for the period		**-38,282**	**35,692**
Cash and cash equivalents at start of period		60,929	25,237
Cash flow for the period		-38,282	35,692
Cash and cash equivalents at end of period		**22,648**	**60,929**

NOTES

1 GENERAL INFORMATION

Crown Energy AB (publ) (the Parent Company), corporate identity number 556804-8598, with its subsidiaries (Crown Energy, the Company, or the Group), is an international group in the oil, gas and property industries focused on underexplored areas in Africa and the Middle East. The Parent Company is a public company registered in Sweden and domiciled in Stockholm. The Parent Company is listed on NGM Equity. The street address of the main office is Norrlandsgatan 18, 111 43 Stockholm.

On 12 April 2019, the Board of Directors approved these consolidated accounts for publication. All amounts are recognised in SEK thousands unless otherwise stated. Figures in parentheses refer to the previous year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of the reports

Crown Energy's consolidated accounts were prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Consolidated Accounting Standards, International Financial Reporting Standards (IFRS), and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. The financial statements of the Parent Company were prepared in accordance with RFR 2, Accounting for Legal Entities, and the Swedish Annual Accounts Act. Cases for which the Parent Company applies different accounting policies than the Group are listed separately at the end of this note. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Note 5, Critical accounting estimates and judgements, discloses the areas that require a more thorough assessment, are complex, or for which assumptions and estimates are very significant to the consolidated accounts. The principal accounting policies applied to these consolidated accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Changes in accounting policies and disclosures

The International Accounting Standards Board (IASB) issued new standards that took effect in 2018: IFRS 9 Financial Instruments and IFRS 15 Revenues from Contracts with Customers. In addition, the Group applied the rules in IAS 29 Financial Reporting in Hyperinflationary Economies to the operations in Angola as from 1 January 2018.

New standards that came into force in 2018

IFRS 9 Financial Instruments

The new standard brings together all aspects of the accounting of financial instruments (except for macro-hedging): classification, measurement, impairment and hedge accounting. The categories for classification of financial assets in IAS 39 are replaced by three categories, where measurement is at fair value through the income statement or other comprehensive income or at amortised cost. The impairment model in IAS 39 was based on losses incurred, while in IFRS 9 it is based on expected losses, which requires a timelier accounting of credit losses. Hedge accounting has been improved in IFRS 9 so that the effects of how a company manages the risks of its financial instruments are reflected more clearly in the financial reporting.

The Group's financial assets consist essentially of current receivables and cash and cash equivalents. Financial liabilities consist mainly of interest-bearing liabilities in the form of lease liabilities and other current liabilities. The Group does not currently use hedge accounting. The transition to IFRS 9 has not affected the valuation of the Group's financial assets and liabilities, but they have been classified in new categories. The Group has applied the simplified approach to impairment of financial assets and calculated expected credit losses based on expected credit loss for the remaining term. The Group has established an impairment model based on historical credit losses adjusted for factors specific to the customer/tenant and the financial situation. Provision for expected credit losses over the remaining term instead of based on receivables that have shown objective evidence of impairment loss has not had any material impact on the Group's impairment of financial assets.

The Group applies IFRS 9 retrospectively from 1 January 2018 using the practical relief rules specified in the standard and which the Group considers applicable. The comparative figures for 2017 were not restated.

See Note 2.17 Financial instruments for detailed accounting policies and Note 23 Effects of changed accounting policies as from 1 January 2018 for a presentation of the reclassification of the Group's financial instruments in its transition to IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is a comprehensive policy-based standard for all revenue recognition, regardless of the type of transaction or industry, which supersedes all previously issued standards and interpretations that deal with revenue recognition. IFRS 15 shall apply to all revenue that arises as a result of contracts with customers, apart from the contracts that are covered by other standards (e.g. leases). The new standard introduces a five-step model for reporting revenues arising from contracts with customers. According to IFRS 15, revenue must be recognised at an amount that reflects the compensation that the company is expected to be entitled to in exchange for goods and services to a customer. The standard requires that companies consider all relevant facts and circumstances when assessing each step of the model for its customer contracts. The standard also specifies the accounting of costs for acquiring the contracts and costs directly attributable to the fulfilment of a contract.

The Group has two revenue streams: rental revenue from leases and revenue from separate service contracts with tenants. Rental revenue covered by IAS 17 is excluded from IFRS 15. Most revenue streams are attributable to leases. Although service is linked to the lease, it is not a lease component and must be recognised separately from the lease. This division was already made in the consolidated income statement before the transition to IFRS 15. Service revenues are recognised in the same period as the service is performed, which is why the introduction of IFRS 15 has not had any impact on recognised revenue.

The Group has applied the modified retrospective approach to the transition to IFRS 15, which means that any effects recognised in the opening balance for retained earnings and comparative figures for 2017 are not restated. The transition to IFRS 15 has not had any impact on the Group's revenue streams and thus no financial impact on recognised revenues. However, IFRS 15 entails expanded disclosure of consolidated revenues.

See Note 2.5 Revenue for comprehensive accounting policies.

Other standards with initial application from 1 January 2018

IAS 29 Financial Reporting in High Inflation Countries

The Group has a foreign operation in Angola, whose functional currency is the kwanza (AOA). Angola is considered a high-inflation country due to its inflation trend in recent years. IAS 29 was applied as of 1 January 2018 to the operations in Angola and no translation of comparative figures was made; the recalculations for 2017 were recognised directly in equity.

Note 2 continued

Inflation adjustments must be made using a general price index that reflects changes in purchasing power. In Angola, the consumer price index is used as the basis for the inflation adjustment. The consumer price index in Angola was 241.08 (base: December 2014) at the end of December 2018 compared with 204.79 at 31 December 2017. Inflation from 31 December 2017 to 31 December 2018 was 17.7 per cent, compared with 26.3 per cent for the same period in the previous year.

All amounts in the statement of comprehensive income are adjusted for inflation. However, unrealised changes in value attributable to the Group's investment properties are not adjusted for inflation. An adjustment index of 1.09 was used for the statement of comprehensive income in 2018.

Monetary items in the statement of financial position are not adjusted for inflation. However, non-monetary assets and liabilities are adjusted for inflation if they are not linked to price changes through contracts. Adjustments are made by adjusting the cost of acquisition and any accumulated amortisation/depreciation to changes in the general price index from the acquisition date to the end of the reporting period.

Standards, amendments, and interpretations of existing standards that have not yet become effective and that the Group has not applied early

IFRS 16 Leases

IFRS 16 Leases is compulsory for financial years beginning 1 January 2019. The new standard means that all leases of a lessee are recognised as right-of-use assets and liabilities in the balance sheet, with a few exceptions. Crown Energy will apply the new standard according to a simplified transition approach, which means that comparative figures are not restated.

The Group already recognises its right-of-use regarding investment properties as an asset and a liability (in accordance with IAS 17 Leases and IAS 40 Investment Property), so the introduction of IFRS 16 will not entail any changes to the current accounting of the Group's property leases.

However, the new standard will affect the Group's property, plant and equipment and interest-bearing liabilities as concerns the Parent Company's lease for the head office in Stockholm.

The transition effect on the balance sheet at 1 January 2019 is an increase in property, plant and equipment of SEK 706 thousand and a lease liability of SEK 610 thousand. The Group expects that profit before tax in 2019 will increase by approximately SEK 15 thousand due to application of the standard.

The Group does not hold any other leases that will significantly affect the consolidated accounts.

See Note 2.7 Leases in accordance with IFRS 16 (as from 1 January 2019) for detailed accounting policies from 1 January 2019 and Note 34 Effects of changed accounting policies as from 1 January 2019 for a breakdown of the adjusted opening balance at 1 January 2019.

2.3 Consolidated accounts

Subsidiaries

Subsidiaries are all entities (including structured companies) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and could affect those returns through its power over the entity.

Subsidiaries are included in the consolidated accounts from the date on which the controlling influence is transferred to the Group. They are deconsolidated from the date that control ceases. In the event of the acquisition of a subsidiary, the Group determines whether the acquisition is a business combination, i.e. whether the acquired assets and assumed liabilities are an operation/business. If the acquired subsidiary cannot be defined as an operation/business, the transaction is recognised as an acquisition of assets.

Acquisition of operations

The acquisition method is used to recognise consolidated business combinations. The consideration for acquisition of a subsidiary is defined as the fair value of transferred assets, liabilities that the Group incurs from previous owners of the acquired company and the shares issued by the Group. The consideration includes the fair value of all assets or liabilities that are the result of a contingent consideration agreement. Identifiable acquired assets and liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. For each acquisition, the Group determines whether non-controlling interest in the acquired company should be recognised at fair value or at their proportionate share in the carrying amount of the acquired company's identifiable net assets. Expenditures that are directly attributable to the acquisition are written off as they are incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gain or loss arising from remeasurement is recognised in profit/loss. Each contingent consideration to be transferred by the Group is recognised at fair value on the date of acquisition. Subsequent changes to the fair value of contingent consideration that is classified as an asset or liability is recognised in profit or loss. A contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. Identifiable acquired assets, liabilities assumed and contingent liabilities in a business combination are measured initially at their fair values on the acquisition date regardless of the scope of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable acquired assets, liabilities, and contingent liabilities is recognised as goodwill. If the cost of acquisition is less than the fair value of the acquired subsidiary's assets, liabilities, and contingent liabilities, the difference is recognised directly in the income statement.

Acquisition of subsidiaries that are not operations/businesses

In cases where the acquired subsidiary is not deemed to meet the criteria for an operation/business, the transaction is accounted for as an acquisition of assets and will then follow the accounting for each asset's accounting standard. The cost of acquisition is divided among the individual identifiable assets and liabilities based on their relative fair values at the time of acquisition. Such an acquisition does not give rise to goodwill. Expenses directly attributable to the acquisition are capitalised as part of the cost of acquisition.

Joint arrangements

A holding in a joint arrangement is classified as either a joint operation or a joint venture depending on the contractual rights and obligations of each investor. A joint operation arises when the parties that have joint control over the arrangement have direct rights to the assets and responsibility for the liabilities in an arrangement.

In such an arrangement, assets, liabilities, revenue and expenses are recognised based on the holders' share of these, that is, as per the proportional method. A joint venture arises when the parties that have joint control have rights to the net assets in an arrangement. In such an arrangement, the holder recognises its share as per the equity method.

The Group currently has two joint arrangements that relate to the interest in the Block P (PDA) licence in Equatorial Guinea and Block 2B in South Africa. Based on the joint operating agreements' terms and Crown Energy's working interest, the Group does not have joint control over these arrangements and is thus not a party to a joint operation. In both cases, Crown Energy is deemed party to a joint arrangement.

In both cases, Crown Energy has rights to the assets and obligations with respect to the liabilities originating from the joint operation. As a result, Crown Energy recognises its working

Note 2 continued

interest in these licences in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources.

See section 2.7, Exploration and evaluation assets, for more information about how these joint arrangements are managed in the accounts.

Other

Intra-Group transactions, balance sheet items and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, but any losses are viewed as an indication that assets may be impaired. Accounting policies for subsidiaries were modified as applicable to ensure the consistent application of Group policies.

2.4 Translation of foreign currencies

Functional and presentation currencies

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Company's subsidiaries Amicoh Resources Ltd, Simbo Petroleum No.2 Ltd, ESI Group S.A., as well as the Company's sub-subsidiaries ESI East Africa Ltd, use USD as their functional currency. In addition, the Company's indirectly owned subsidiary YBE Imobiliária Angola Lda uses the Angolan currency kwanza (AOA) as its functional currency.

The consolidated accounts are presented in SEK, which is the Parent Company's functional and presentation currency. The balance sheets and income statements of foreign Group companies are translated using the current rate method. All assets and liabilities of subsidiaries are translated at the closing rate, while the income statements are translated at average rates for the year, except where it is considered more appropriate to use the transaction date rate. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are also translated at the closing rate. Translation differences arising from the translation of foreign operations are recognised directly in the currency translation reserve in other comprehensive income.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date. Exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate are recognised in the income statement. Exchange differences on lending and borrowing are recognised in net financial items, while other exchange differences are included in operating profit/loss.

Exchange rates

The following exchange rates were used to prepare the financial statements (consolidation, annual accounts, etc.) in this report:

Currency	Closing day rate, 2018	Average rate, 2018	Closing day rate, 2017	Average rate, 2017
USD 1 in SEK	8.971	8.6907	8.2322	8.5464
AOA 1 in SEK	0.0291	0.0351	0.0496	0.0515

2.5 Revenue

The Group has two regular revenue streams: rental revenue from leases and revenue from service contracts with tenants. Rental revenue, which makes up most of the Group's revenue, is covered by IAS 17 Leases. Service revenue is strongly linked to leases but originates in separate contracts with tenants and is recognised, from 1 January 2018, in accordance with IFRS 15 Revenue from Contracts with Customers. Other operating income is not significant and refers primarily to exchange rate effects attributable to the business. The Group may also generate revenue from property sales, and this is also recognised, from 1 January 2018, in accordance with IFRS 15.

Rental revenue

Rental revenue is attributable to the Group's operating leases with tenants and is recognised in accordance with IAS 17 Leases. Rental revenue is accrued and recognised as revenue on a straight-line basis over the term of the lease if the terms and conditions of the lease are not of such a nature that another method of accrual reflects the change over time in the economic benefits attributable to leasing the investment property to lessees. Rent payments received in advance are recognised as deferred income.

The Group does not have any revenue-based leases.

Service revenue

Service is normally performed for tenants who have a lease, but this is governed in a separate service agreement. Although the service is strongly linked to the lease, it is not a lease component and must therefore be recognised separately from the lease.

The revenue is recognised when the Group has fulfilled its performance commitment, in other words, over time and as the service is performed, which is normally assessed once a month. In some cases, the service is invoiced immediately after it is performed, and sometimes it is invoiced in advance. In cases where the service has been invoiced in advance, in other words, meaning that the Group has not yet fulfilled its performance commitments, it is recognised as a contract liability.

Compensation for the service is fixed and the revenue is recognised at an amount that reflects the compensation that the Company is expected to be entitled to in exchange for the service rendered.

The Group does not recognise any assets related to contract costs for acquiring the contracts or those directly attributable to fulfilment of the contract.

All service revenues are attributable to the Asset Development and Management segment. At present, this segment only covers the Group's operations in Angola. Since revenues come entirely from Angola, the current service revenues entail a currency risk due to the very high inflation Angola has suffered from in recent years. See the description of currency risks in Note 4 Financial risk management

Revenue from property sales

Revenue generated on disposal of a property asset shall be recognised when control over the property can be considered to have been transferred to the buyer. The revenue is normally recognised on the transfer date unless control (risks and rewards) was transferred at an earlier date. Control of the asset may have been transferred at an earlier date than the closing date and, if so, the revenue from the property sale is recognised at this earlier date. When assessing the revenue recognition date, consideration is given to the agreements between the parties regarding risks and rewards as well as involvement in current administration. In addition, consideration is given to factors that may affect the outcome of the transaction which are beyond the control of the seller and/or buyer. When selling properties with rent guarantees, the present value of the probable outflow of guarantee payments is calculated and recognised as a provision.

Other revenue

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend revenue is recognised when the right of the shareholders to receive payment has been established.

Note 2 continued

2.6 Operating segment
An operating segment is that part of a group that runs operations from which it can generate revenue and incur costs for which independent financial information is available. The performance of an operating segment is monitored by the Company's chief operating decision-maker to evaluate the results and to allocate resources to the operating segment and evaluate its short- and long-term results. Segment information is presented based on the chief operating decision-maker's perspective, which means that it is presented in the same way as in internal reporting. The Group has two segments matching the two business areas: Energy (oil and gas exploration) and Asset Development and Management (property and service operations). The chief operating decision-maker is deemed the Board of the Parent Company.

2.7 Leases in accordance with IAS 17 (until 31 December 2018)
A lease is an agreement where a lessor grants a lessee the right to use an asset in exchange for payment on agreed terms and conditions during an agreed period. Leases are classified in the consolidated accounts as finance or operating leases. When the economic risks and rewards of ownership are substantially transferred to the lessee it is considered a finance lease. If this is not the case, the lease is an operating lease. Crown Energy is a lessor when it leases premises to tenants and a lessee for investment properties and the right of use to premises.

Operating leases
Lessees
Lease expenses related to operating leases are recognised in profit or loss on a straight-line basis over the lease term. Benefits received relating to the signing of an agreement are recognised in profit or loss as a reduction in the lease payments on a straight-line basis over the term of the lease. Benefits received relating to the signing of an agreement are recognised on a straight-line basis as a reduction in the total lease cost in profit or loss. Variable fees are written off in the periods in which they arise.

Lessors
Rental revenue from operating leases is recognised on a straight-line basis over the term of the lease.

Finance leases
Lessees
An asset and a liability are recognised at the beginning of the lease term for finance leases. At the beginning of the lease term, the asset and liability are recognised at the lease object's fair value or at the present value of the minimum lease payment, if this is lower. The discount rate used in the calculation of present value is the implicit rate, if this is known. Otherwise, the lessee's incremental borrowing rate of interest is used. Any direct expenses incurred when entering the lease are added to the amount recognised as an asset. In some cases, there are no minimum lease payments because the payments are based solely on variable parameters.

After initial recognition, the minimum lease payment is divided between interest and debt repayment. Depreciation and interest expenses are recognised in the statement of comprehensive income. Variable payments are recognised as an operating expense in profit or loss. Construction costs for buildings are treated as direct expenses.

Lease of right of use to buildings and land (property)
When a lease includes both buildings and land, the classification of each part is assessed separately as a finance or operating lease. Land and buildings held through a finance lease and leased under one or more operating leases are considered investment properties and shall, in addition to the rules of IAS 17 Leases, comply with IAS 40 Investment Properties. In accordance with IAS 40, an interest in a property held via an operating lease may also be classified as an investment property. In these cases, the interest in the property is recognised as if it were a finance lease and fair value must be used for the recognised asset.

Given that the investment property is measured at fair value, the asset is not amortised. Instead, the minimum lease payment is divided between interest and value changes in the property.

Crown Energy's leases
Crown Energy as lessee
Crown Energy leases premises to tenants under operating leases. Rental revenue from operating leases is recognised on a straight-line basis over the term of the lease. See the description of rental revenue under section 2.5 Revenue.

Crown Energy as lessee
Crown Energy is a lessee in two respects as described below.

Leases for properties
Crown Energy holds several leases covering both buildings and land. Crown Energy's leases for the Group's buildings and land are operational, but is accounted for as financial, as they fall under the defintion of investment properties. Given that leased buildings and land fall under the definition of investment property (see Note 2.11 Investment property), the asset is measured at fair value and the minimum lease payment is divided between interest and value changes in the investment property.

Leases for rights of use to premises/office equipment/machinery
Leases for office premises are operating leases and the lease expense is recognised on a straight-line basis over the term of the lease in profit or loss. Leases for office machines are defined as finance leases, but they are recognised as operating leases because they are not considered significant.

2.8 Leases in accordance with IFRS 16 (as from 1 January 2019)
As from 1 January 2019, IFRS 16 is applied to the accounting of leases.

A lease transfers the right to decide how an identified asset is used in exchange for compensation over a specific period. A lessee must recognise a right-of-use asset and a lease liability. A lessor must classify each lease as either an operating lease or a finance lease. A finance lease essentially transfers the economic risks and rewards incidental to ownership of the underlying asset. These risks and rewards are not transferred under an operating lease.

Crown Energy is a lessor when it leases premises to tenants and a lessee for investment properties and the right of use to premises.

Lessees
A lessee must recognise a right-of-use asset and a lease liability. The right of use is measured at cost on the start date of the lease. The cost includes the total amount the lease liability was originally recognised at, all lease payments paid at or before the start date and the lessee's initial immediate expenses. At the start date, the lease liability is measured at the present value of the lease payments not yet paid at that time. The lease payments are discounted using the implicit interest rate of the lease, if this interest rate can be easily established. Otherwise, the lessee's incremental borrowing rate of interest is used. The lease payments included are the fixed payments (including in-substance fixed payments), variable lease payments that vary depending on an index or price, residual value guarantees that are expected to be paid, exercise prices for options to purchase the asset and any penalties payable upon known termination.

Note 2 continued

After the start date, the right of use is measured at cost less accumulated depreciation and impairment losses along with any revaluations. The depreciation is in line with the provisions of IAS 16 Property, Plant and Equipment.

Given that the Group measures its investment properties at fair value, this method is also used for rights of use and meeting the definition of investment property.

The lease liability is measured after the start date by adding the interest on the lease liability to the carrying amount and subtracting the value of the lease payments made.

After the start date, lease payments are divided between interest and depreciation. Depreciation and interest expenses are recognised in the statement of comprehensive income. Variable payments are recognised as an operating expense in profit or loss. Given that investment property is measured at fair value, the asset is not amortised. Instead, the lease payment is divided between interest and value changes in the property.

Lessors
Rental revenue from operating leases is recognised on a straight-line basis over the term of the lease.

Crown Energy's leases
Leases for right of use to buildings and land (property)
Crown Energy holds several leases covering both buildings and landm which fall under the definition of investment property. This means that the asset is measured at fair value and the lease payment is divided between interest and value changes in the investment property.

Leases for rights of use to office equipment/machinery
Crown Energy has opted to not recognise a right of use and a lease liability for leased office equipment and machinery in consideration of the low values of the underlying assets.

Leases for right of use to premises
The Group recognises a right of use and a lease liability for the Group's head office in Stockholm in accordance with the policies for lessees above.

Lease of premises to tenants
Crown Energy leases premises to tenants under operating leases. Rental revenue from operating leases is recognised on a straight-line basis over the term of the lease. See the description of rental revenue under section 2.5 Revenue.

2.9 Earnings per share
The calculation of earnings per share is based on the consolidated earnings (in total, from continuing and discontinued operations) for the period attributable to the Parent Company's shareholders and on the weighted average number of shares outstanding during the period. When calculating diluted earnings per share, earnings and the average number of shares are adjusted to reflect the effects of diluted potential ordinary shares. Dilution from options arises only when the exercise price is lower than the market price. Convertibles and options are not considered dilutive if they cause earnings per share from continuing operations to be better (larger gain or smaller loss) after dilution than before dilution.

2.10 Employee benefits
Personnel are employed by the Swedish Parent Company as well as in indirectly-owned subsidiary YBE Imobiliiária Angola Lda.

Retirement benefits
The Group only has defined contribution pension plans. In defined contribution plans, the Parent Company pays fixed contributions into a separate legal entity and has no obligation to pay any additional contributions. Expenses are charged to consolidated earnings as the benefits accrue.

Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary termination in exchange for such benefits. A provision is recognised in connection with termination of employment only if the Group is demonstrably committed to terminate employment before the normal retirement date, or when benefits are offered to encourage voluntary termination. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.11 Current and deferred tax
Current tax expense is calculated using the tax rules that at the end of the reporting period were enacted or for all practical purposes enacted in the countries in which the Parent Company's subsidiaries are active and generate taxable income. Deferred tax is recognised in full using the balance sheet method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax is not recognised if it arises from a transaction that constitutes the initial recognition of an asset or liability that is not a business combination and that at the time of the transaction affects neither accounting nor taxable earnings. Deferred income tax is determined using tax rates (and tax laws) that were enacted or substantively enacted by the end of the reporting period and that are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is calculated on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Taxes related to property operations in Angola
In Angola, taxes are deducted from gross income from property management, that is, rental revenue and service revenue. These taxes are recognised as property costs in operating profit. The obligation to pay taxes is based on customer payments and is due one month after payment. If the customer is a company, which most of the Group's customers are, responsibility for making these payments to local tax authorities lies with them. In practice, this means that the landlord receives a net payment after tax from the customer. This type of tax, as well as costs directly attributable to service operations, are counted as deductible costs when calculating income tax for the year, which means that the Angolan service business is expected to have no or very low income tax.
Other property-related taxes, such as local property taxes, are recognised as property costs.

2.12 Investment property
Properties owned or leased and held primarily for the purpose of generating rental revenue and service revenue are classified as investment property. Investment properties include buildings, land, land improvements and fixtures and fittings. Properties under construction and refurbishment intended to be used as investment properties when the work is completed are also classified as investment properties. Investment properties are measured at fair value in accordance with IAS 40. Initially, investment properties are recognised at cost of acquisition, which includes expenditures directly attributable to the acquisition. Fair value is based on market value and represents the estimated amount that would be received in a transaction at the time of the valuation between competent, independent parties who have an interest in the transaction being conducted as is customary on the market and where both parties are expected to have acted insightfully, wisely and without obligation. The valuation

Note 2 continued

is conducted in accordance with level 3 in the IFRS valuation hierarchy.

The valuation model consists of a cash flow model discounting the future cash flows that the investment properties are expected to generate. In the event of significant changes, the valuation is updated at each accounting period. A description of the valuation methods applied and significant inputs in the value assessments can be found in Note 5 Critical accounting estimates and judgements.

Both realised and unrealised changes in value are recognised in profit or loss. Realised changes in value refer to changes in value from the most recent measurement at fair value until the disposal date for properties disposed of during the period, considering capitalised investment expenses for the period. Unrealised changes in value refer to other changes in value that are not due to acquisitions or capitalised investment expenditures.

Property sales and purchases are recognised when the risks and rewards associated with ownership are transferred from the seller to the buyer (see Note 2.5 Revenue).

Subsequent expenditures are added to the carrying amount of investment properties only if it is probable that the future economic benefits associated with the expenditures will flow to the Company and the cost of acquisition can be calculated reliably. All other subsequent expenditures are recognised as expenses in the periods in which they arise. Expenditures for replacement of identified components and the addition of new components are added to the carrying amount when they meet the above criteria. Repairs and maintenance are written off as the expenditures arise.

The fair value of an investment property held through a lease reflects expected cash flows. This means that if a valuation includes the payments that are expected to be paid, any recognised liabilities must be reversed so that they are not double-counted in the accounts. The Group's valuation of properties includes these payments, which is why the double counting must be adjusted.

2.13 Property, plant, and equipment

Property, plant and equipment is measured at cost of acquisition less accumulated depreciation and impairment losses. The cost of acquisition includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditures are added to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of acquisition of the asset can be measured reliably. The residual values and useful lives of the assets are reviewed at the end of each reporting period and adjusted if necessary. The equipment is depreciated on a straight-line basis over its useful life. The depreciable amount is recognised for each period in operating profit or loss.

Leasehold improvements are capitalised as property, plant and equipment. The cost of acquisition includes expenditures that are directly attributable to the acquisition of the asset.

Useful life of property, plant and equipment:	
Equipment, tools, fixtures and fittings	5 years
Leasehold improvements	10 years

2.14 Intangible assets

Intangible assets are measured at cost of acquisition less accumulated depreciation and impairment losses. Intangible assets are measured using the cost method, which means that the asset is recognised following initial recognition at the cost of acquisition less accumulated depreciation and impairment losses. The residual values and useful lives of the assets are reviewed at the end of each reporting period and adjusted if necessary. The asset is amortised on a straight-line basis over its useful life. The depreciable amount is recognised for each period in operating profit or loss. The useful life of current intangible assets is five years.

2.15 Exploration and evaluation assets (intangible assets)

The Group complies with IFRS 6, Exploration for and Evaluation of Mineral Resources, in accounting for any exploration and evaluation expenditures that arise.

Accounting for exploration, evaluation and development costs

Exploration and evaluation assets are initially recognised at cost of acquisition if it is probable that they will generate future economic benefits. All costs for acquiring concessions, licences or working interests in production sharing contracts and for technical surveys, drilling, and development of such interests are capitalised. This includes capitalisation of future decommissioning and restoration costs. Exploration and evaluation assets can be classified as both property, plant, and equipment and intangible assets. Classification is done consistently over time. The Group currently only has intangible assets.

Depreciation

Exploration and evaluation assets classified as intangible assets are not depreciation. Instead, the assets are regularly evaluated to determine whether any impairment exists. As the Group only holds intangible assets, no depreciation occurred during the reported periods.

Impairment

Exploration and evaluation assets are tested for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Examples of circumstances that may indicate an impairment exists are when the deadline for the exploration period has expired or will expire soon, there are no plans for further exploration, exploration and evaluation have not led to any discoveries of commercial size, or when conditions have deteriorated in terms of recovery of value from a sale. Impairment is tested for each cash generating unit, which in the Group's case consists of each individually acquired licence and concession along with stakes in any oil discoveries in the country in which they operate. An impairment loss is recognised in accordance with IAS 36 when an asset or cash-generating unit's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement. If impairment losses were previously taken, then an assessment is made at least once a year to determine whether there are any indications that the impairment loss should be reversed.

Reclassification to oil and gas assets

When the technical feasibility and commercial viability of extracting oil and gas can be proven, assets are no longer classified as exploration and evaluation assets. Instead, they are classified as an oil or gas asset. They are then reclassified, after which they are recognised according to IAS 16 and IAS 38. Oil and gas assets comprise reclassified exploration and evaluation assets and capitalised development costs. Depreciation/amortisation of the relevant asset begins in conjunction with the start of production. The assets are tested for impairment regularly and if it is established that they are impaired, the asset is written off in the form of an impairment loss via the income statement.

Oil and gas assets are categorised as either producing or non-producing. The Company applies the successful efforts method, which means that when the exploration of a project is completed, the project is tested to determine whether it should be transferred to producing assets or be abandoned. If the project is abandoned, all costs incurred are written off at that time. The Group does not hold any assets classified as oil and gas assets at this time.

Jointly owned assets in the form of licences

The Group's working interests in jointly controlled assets in the form of licences are based on the proportion of the licence. Licences that the Group holds are deemed wholly or jointly owned assets. The consolidated financial statements reflect the

Note 2 continued

Group's share of investments in the licences. Exploration and evaluation are mostly managed by the operator. A budget for the licence is set annually, which all partners must approve. Based on these projected expenditures, the operator then performs the agreed-upon work. The expenditures for this work are charged to the other partners based on each partner's working interest. The Group capitalises these expenditures as exploration and evaluation assets.

Farm-outs
Farm-outs are subject to the policies of IFRS 6 in the event they involve exploration and evaluation assets. Crown Energy recognises cash payments directly against the asset and retains the recognised share of the asset less cash payments received. As a result, no revenue is recognised in conjunction with farm-outs unless the cash payment exceeds the carrying amount of the farmed-out asset. Future payments are not recognised at the transaction date. If a farm-out involves oil and gas assets, recognition is subject to the policies of IAS 16. Crown Energy then derecognises the carrying amount of the asset in proportion to the share of ownership farmed out and recognises any future payments in the balance sheet. Once a payment that is part of a transaction is received and posted, a capital gain or loss is recognised in the income statement. After completion of the transaction, Crown Energy assesses whether the cash-generating units are impaired. Impairment losses impact the income statement.

2.16 Non-current assets held for sale
The implication of a non-current asset or disposal group being classified as held for sale is that its carrying amount will be recovered largely through sales and not through use. An asset or disposal group is classified as held for sale if it is available for immediate sale in its current state and it is very likely that the sale will be made. These assets or disposal groups are recognised on a separate line as current assets and current liabilities, respectively, in the statement of financial position. For depreciable assets, depreciation ceases after reclassification to assets held for sale.

Immediately prior to classification as held for sale, the carrying amount of the assets and all assets and liabilities in a disposal group is determined in accordance with applicable standards. At initial classification as held-for-sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less selling expenses. Certain assets, such as financial assets and deferred tax assets, either individually or in a disposal group, are exempt from the above-mentioned valuation rules.

2.17 Financial instruments
Financial instruments recognised on the asset side of the balance sheet include cash and cash equivalents, loans receivable, trade receivables, other current receivables and financial investments. The liability side has loans payable, other provisions, lease liabilities, accounts payable and other current liabilities,

Recognition in and derecognition from the balance sheet
A financial asset or liability is recognised in the balance sheet when the Company becomes a party to the contractual terms and conditions of the instrument. Trade receivables are recognised when an invoice is sent. Liabilities are recognised when the counterparty has delivered and there is a contractual obligation to pay, even if the invoice has not yet been received.

A financial asset is derecognised from the balance sheet when the rights of the contract are realised, lapse or the Company loses control over them. The same applies to part of a financial asset. A financial liability is derecognised from the balance sheet when contractual obligations are fulfilled or otherwise lapse.

A financial asset and a financial liability are offset and recognised at a net amount in the balance sheet only when there is a legal right to offset the amounts and when there is an intention to sell the items at a net amount or to simultaneously realise the asset and settle the liability.

Classification and valuation
At initial recognition, financial assets are to be classified at fair value through profit or loss, amortised cost or fair value through other comprehensive income. This classification is based on the Group's business model for managing financial assets and the characteristics of the contractual cash flows from the financial asset. A financial asset is measured at amortised cost if it is held for the purpose of collecting contractual cash flows and the terms and conditions of the asset give rise to cash flows at certain points in time that are strictly payments of principal and interest on the outstanding principal (hold to collect). If the asset is held for the purpose of collecting contractual cash flows and selling financial assets (hold to collect and sell), then the asset is measured at fair value through other comprehensive income. Financial assets measured neither at amortised cost nor through other comprehensive income are measured at fair value through profit or loss.

All financial liabilities are classified as measured at amortised cost, with one exception. This exception is contingent consideration arising in connection with a business combination in accordance with IFRS 3 Business Combinations, and this provision is measured at fair value through profit or loss.

The Group uses a simplified method with respect to impairment losses on lease assets, contract assets and trade receivables. Crown Energy calculates expected credit losses based on the expected credit loss for the remaining term. The Group has established an impairment model based on the Group's historical credit losses adjusted for factors specific to the customer/tenant and the financial situation. See note 4.2 Credit risk, for a breakdown of trade receivables and credit loss reserves by age.

Financial assets
The following are considered financial assets:
- Financial investments
- Trade receivables
- Other receivables
- Cash and cash equivalents

All financial assets are measured at amortised cost.

Financial liabilities
The following are considered financial liabilities:
- Lease liabilities
- Accounts payable
- Other current liabilities
- Other provisions

All financial liabilities are measured at amortised cost, except for Other provisions, which comprise contingent consideration (business combination), and are measured at fair value through profit or loss.

2.18 Trade receivables
Trade receivables comprise rent and service invoiced pursuant to contracts with customers. Trade receivables are initially measured at fair value and subsequently at amortised cost. The carrying amount of trade receivables is assumed to approximate their fair value, as this item is short-term in nature.

Provisions for credit losses are calculated using a model based on the expected credit loss for the remaining term. The Group has established a provision model based on the Group's historical credit losses adjusted for factors specific to the customer/tenant and the financial situation. Provisions for credit losses on trade receivables are recognised in operating profit or loss. See note 4.2 Credit risk, for a breakdown of trade receivables and credit loss reserves by age.

Note 2 continued

2.19 Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.20 Share capital
Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are recognised in equity as a deduction from the proceeds.

2.21 Provisions
Provisions for contingent considerations that arose in connection with a business combination and are recognised in accordance with IFRS 3 are measured at fair value through profit or loss.

2.22 Lease liabilities
Lease liabilities are measured at amortised cost. See Note 2.6 and 2.7 for more information about the recognition of lease liabilities

2.23 Accounts payable
Accounts payable are recognised initially at fair value and subsequently at amortised cost. The carrying amount of accounts payable is assumed to approximate their fair value, as this item is short-term in nature. This means that accounts payable are measured without discounting at nominal cost.

2.24 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently recognised at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the loan term using the effective interest method.

2.25 Parent Company accounting policies
The Parent Company applies RFR2 Accounting for Legal Entities. The Parent Company applies different accounting policies than the Group in the following cases.

Presentation of income statement and balance sheet
The Parent Company uses the formats listed in the Annual Accounts Act, which among other things means that a different presentation of equity is applied and that provisions are recognised under a separate heading in the balance sheet.

Shares in subsidiaries
Shares in subsidiaries are recognised at cost of acquisition less any impairment losses. Dividends received are recognised as income when the right to receive payment is established. Thereafter, the shares to which the dividend relates are tested for impairment. When there is an indication that shares and participations in subsidiaries have decreased in value, an estimate of the recoverable amount is made. If it is lower than the carrying amount, it is taken as an impairment loss. Impairment losses are recognised under profit/loss from participations in Group companies. The cost of acquisition also refers to transaction-related expenditures, unlike in the Group where transaction expenditures are normally written off in the period in which they occur.

Shareholder contributions
Shareholder contributions are recognised as an increase in the value of shares and participations. An assessment is then made of whether the value of the shares and participations in question is impaired.

Leases (as from 1 January 2019)
The Parent Company does not recognise leases in accordance with IFRS 16. The Parent Company complies with RFR 2 and uses the exception there in respect of IFRS 16, instead recognising leases in accordance with RFR 2.

Financial instruments
The Parent Company does not apply IFRS 9, as per the exemption rule in RFR 2.

Financial instruments are measured based on the cost of acquisition, in consideration of the valuation provisions in the Swedish Annual Accounts Act for current assets and for non-current assets.

Interest income and expenses are recognised using the effective interest method and dividend revenue is recognised when the dividend is established, it is probable that the economic benefits will flow to the Parent Company and the dividend can be measured reliably.

The Parent Company uses the same policies as the Group for recognising and derecognising financial instruments on the balance sheet. In addition, the same IFRS 9 policies are used as for the Group for assessing and calculating whether receivables are impaired.

3 OPERATIONAL RISKS

Crown Energy's operations are subject to all the risks and uncertainties with which businesses focused on exploration and the acquisition, development, production and sale of oil and gas are associated. Even with a combination of experience, knowledge and careful evaluation, these risks cannot be completely avoided.

3.1 Operational and industry-related risks

Description of risks	Risk management	2018 outcome/Sensitivity analysis	Financial impact if risk occurs
>>> Revoked or suspended licences			
The Company's exploration activities depend on concessions and/or permits granted by governments and authorities. Applications for future concessions/permits may be rejected and the current concessions/permits may be subject to restrictions or be revoked by the official body. Although concessions and permits can normally be renewed after they expire, no assurance can be given that this will happen, and if so, on what terms. If the Company fails to meet the obligations and conditions related to operations and costs that are necessary for obtaining concessions and permits, then it may result in a smaller working interest in, or loss of, such permits and claims for damages, which may have a negative effect on the Company's business, earnings and financial position.	Crown Energy has a good dialogue with all the relevant authorities. Clear communication occurs regularly through meetings with the authorities and any other licence partners.	No licences were revoked in 2018 and Crown Energy is not in default on any licence. It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test.	High
>>> Contract risks/joint ownership and partnerships			
The Company's operations are largely based on concession agreements, licences and other agreements. Crown Energy is a partner in several licences with other companies. In these cases, it is difficult to influence how the licence is operated, especially in cases where Crown Energy only holds a small working interest and thus is unable to influence important decisions. The rights and obligations under these concessions, licences and agreements may be subject to interpretation and disputes under Swedish or foreign law and can also be affected by circumstances beyond the Company's control. In the event of a dispute about the interpretation of such terms, it is not certain that the Company would be able to assert its rights, which in turn could have a materially adverse effect on the Company. If the Company or any of its partners should be deemed to have not fulfilled their obligations under a concession, licence or other agreement, it could also cause the Company's rights under them to be fully or partially eliminated, or cause Crown Energy to incur costs or obligations to meet the other party's obligations.	Crown Energy complies with the laws and regulations of the countries in which it operates and with the licence agreements which it has entered. For licences where other partners besides Crown Energy are the operators, there are joint operating agreements containing standards and requirements for how the operator is to conduct operations and how decisions are made within the partnership (e.g. a certain percentage of votes required for a certain type of decision). In cases where Crown Energy farms out assets, the general rule is to only farm out assets to companies that are deemed to have strong business, financial and technical capacity.	There are not any known uncertainties or disputes regarding licences Crown Energy is involved in at this time. It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test.	Medium

Note 3 continued

Description of risks	Risk management	2018 outcome/Sensitivity analysis	Financial impact if risk occurs
>>> Geological risks			
Any valuation of oil and gas reserves and resources contains a degree of uncertainty. In many cases, exploration activities never lead to development and production. Although oil companies try to minimise risks through seismic surveys, they can be very costly and require significant effort without leading to drilling. There is always a risk that the estimated volumes do not correspond to reality. The probability of discovering oil or gas at exploration wells varies. Costly investigations that do not lead to drilling could negatively affect the Company's business and financial position.	Crown Energy has engaged employees that are highly competent in geology to reduce the risk of possible miscalculations. Crown Energy's valuations of reserves and resources are always prepared in accordance with established rules and standards. The probability of the actual existence of the volumes is assessed and the fact that a certain percentage of wells drilled are statistically always dry is considered. Reserves and resources are classified differently depending on this probability, which provides a measure of the geological risk. See the Description of operations section for a more detailed description of this. Internally prepared competent persons reports (CPR) are always certified by an independent appraiser to minimise the risk of incorrect assessments.	Exposure to this type of risk is considered comparable to other companies in the same industry. Crown Energy had an internal CPR prepared in 2017. This CPR encompassed all assets and was based on previous reports, both internal and external. The report was certified by an independent appraiser. It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test.	Medium–High
>>> Oil price risk			
Oil and gas prices are set on the world market and depend on several different factors outside of the control of the Group, such as global economic trends, actions by governments and central banks, geopolitical turbulence, oil supplies, investment costs, access to alternative energy sources etc. Crown Energy is not currently in a production phase, which limits its oil price risk. However, a significant and prolonged decline in prices relative to average historical oil price levels may lead to difficulties in arranging financing for Crown Energy and reduced interest in farm-out projects and similar arrangements. The Company offers customised solutions for staff housing and offices primarily to companies in the oil and gas industry in Angola. The Angolan economy and its development are strongly associated with demand and price trends in the oil market, and low demand for oil and low oil prices have an immediate impact on the Angolan property market. Although oil prices have stabilised and remained relatively steady in recent years, the general economic downturn in Angola in recent years has led to stagnation in the Angolan property market. In other words, the oil price could indirectly impact Crown Energy's financing and refinancing capabilities. See the description of financial risks in Note 4.	As the Company is not currently involved in production, no oil price hedges are taken out. However, investment calculations are reviewed on an ongoing basis considering the current market situation to ensure that the decline in oil prices does not cause the Group's exploration and evaluation assets to be impaired. It is common for investments to be postponed during periods of lower oil prices. Crown Energy regularly tracks developments in Angola and attempts to adapt its operations to the prevailing situation. Among other actions, Crown Energy attempts to achieve flexibility in rental and service agreements in terms of contract periods. At present, short contracts enable Crown Energy to wait and see how the Angolan market performs.	It is difficult to analyse what impact the low oil price has had on Crown Energy in recent years. However, the oil price fluctuations have not caused impairment of any of the Company's exploration and evaluation assets. See the Company's estimates in Note 5, Critical accounting estimates and judgements. As opposed to previous years, the oil price remained higher throughout 2018 and until the publication of this annual report. In addition, the Italian oil company ENI, for example, discovered oil in Angola in 2018, which means increased investments in the country, including increased demand for premises. In addition, the Angolan currency has begun to stabilise. Factors such as these suggest that 2019 could be a better year for the property market in Angola. It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test.	Low–High

Note 3 continued

Description of risks	Risk management	2018 outcome/Sensitivity analysis	Financial impact if risk occurs
>>> Property risk			
The value of the properties is affected by several factors, some of them property-specific, such as operating costs and permitted use of the property, and some of them market-specific, such as required rate of return and capital costs, based on comparable transactions in the property market. The return on the properties depends largely on factors such as the Company's ability to complete the intended leases or divestment of the properties, and the costs and expenditure associated with the development, management and conversion of the properties, and on changes in the market value. Rental revenue and the market value of property in general are affected by general economic conditions, such as GDP growth, employment, inflation and changes in interest rates. Both the property value and rental revenue can also be affected by competition from other property companies, or perceptions of potential buyers or tenants concerning the attractiveness, convenience and security of the properties. If one or more of the above factors were to develop negatively, this could have a material adverse effect on the Group's business, financial position and earnings.	Crown Energy regularly tracks developments in Angola and attempts to adapt its operations to the prevailing situation. Among other actions, Crown Energy attempts to achieve flexibility in rental and service agreements in terms of contract periods. At present, short contracts enable Crown Energy to wait and see how the Angolan market performs.	In 2018, investment properties decreased by SEK -83 million. The change in value is mainly based on generally lower market expectations in Angola, given the prevailing Angolan economy. Assumptions about market rents and vacancy rates therefore continue to be cautious, especially in 2019 for which expectations about growth are low. A sensitivity analysis is conducted in conjunction with valuation of the properties. The value interval of the Group's property portfolio is SEK 554-657 million. The parameters used to produce the value range for the sensitivity analysis are ±0.5 per cent for yield requirements and WACC and ±5 per cent for current market rents.	Medium–High
The Company's property assets are geographically centralised in the Angolan capital Luanda. Rental revenues come mainly from tenants operating in the oil and gas industry, and embassies. Lease contracts with the Company's tenants are signed with differentiated maturities. If one or more of the Company's more important tenants do not renew or extend their leases as they expire, this may result in reduced rental revenue and higher vacancy rates if Crown Energy is not able to replace them with new tenants. A long-term negative trend for current market rents may also have an adverse effect on the Company. Part of the Company's business concept is to allow its customers to pay their rent annually. The Company is dependent on its tenants paying the agreed rents on time and is therefore exposed to the risk that these tenants will not fulfil their obligations properly. If Crown Energy's tenants do not renew or extend their leases as they expire and the Company is not able to replace them with new tenants, or if the Company's tenants do not pay their rent on time, this may have a material adverse effect on the Company's business, earnings and financial position.	Crown Energy regularly tracks developments in Angola and attempts to adapt its operations to the prevailing situation. Among other actions, Crown Energy attempts to achieve flexibility in rental and service agreements in terms of contract periods. At present, short contracts enable Crown Energy to wait and see how the Angolan market performs.	In 2018, investment properties decreased by SEK -83 million. The change in value is mainly based on generally lower market expectations in Angola, given the prevailing Angolan economy. Assumptions about market rents and vacancy rates therefore continue to be cautious, especially in 2019 for which expectations about growth are low. A sensitivity analysis is conducted in conjunction with valuation of the properties. The value interval of the Group's property portfolio is SEK 554-657 million. The parameters used to produce the value range for the sensitivity analysis are ±0.5 per cent for yield requirements and WACC and ±5 per cent for current market rents.	Medium–High

Note 3 continued

Description of risks	Risk management	2018 Outcome/ Sensitivity analysis	Financial impact if risk occurs
>>> Property risk			
The Company's operating costs for property operations in Angola are mainly electricity, water, sanitation, heating, cooling and communications costs. Several of these costs are attributable to goods or services that can only be purchased from one or a few suppliers, which may affect the price. Increased costs in this regard could have an adverse effect on the Company's financial position and earnings if it is not possible to compensate for the increased costs by the adjustment of lease agreements and/or rent increases through renegotiation. The Company's maintenance costs are attributable to measures aimed at upholding the standard of a property in the long term or maintaining and/or modernising the property. The Company's customers require the Company's properties to be of an international standard. This standard may change, which means that the Company's customers may have higher requirements for the Company's properties and premises in the future. These requirements may be significant, resulting in increased maintenance costs, and if it is not possible to compensate for the increased costs by renegotiated leases or the adjustment of lease agreements, this may have an adverse effect on the Company's business, financial position and earnings.	Crown Energy regularly tracks developments in Angola and attempts to adapt its operations to the prevailing situation. Among other actions, Crown Energy attempts to achieve flexibility in rental and service agreements in terms of contract periods. At present, short contracts enable Crown Energy to wait and see how the Angolan market performs.	It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test.	Medium–High

3.2 Political and societal risks

<table>
<tr><th>Description of risks</th><th>Risk management</th><th>2018 outcome/Sensitivity analysis</th><th>Financial impact if risk occurs</th></tr>
<tr><td colspan="4">>>> Political, social and economic instability</td></tr>
<tr><td>Given that Crown Energy is engaged in and may expand its activities in developing countries, the Company may be affected by political, social and economic instability, such as terrorism, military coercion, war and general social or political unrest. This includes the occurrence of corruption. Political, social and economic instability may thus have a very negative impact on the Company's operations, particularly as regards permits and partnerships.</td><td>In terms of new licences/ new countries, Crown Energy attempts to avoid getting involved in countries whose political and security risks are too high.
For existing licences, the risks are assessed as they arise.

Crown Energy uses the OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones to seek guidance where needed.</td><td>It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test. However, below is an overview of political and security risks prepared by Marsch/BMI Research:
<table>
<tr><th></th><th>Political risk</th><th>Operational security risk</th></tr>
<tr><td>Angola</td><td>Medium</td><td>High</td></tr>
<tr><td>Equatorial Guinea</td><td>Medium</td><td>High</td></tr>
<tr><td>Iraq</td><td>High</td><td>High</td></tr>
<tr><td>Madagascar</td><td>High</td><td>High</td></tr>
<tr><td>South Africa</td><td>Medium</td><td>Medium</td></tr>
</table>
Regarding the Company's activities in Iraq, Crown Energy has ongoing discussions with the regional government of Salah ad-Din. Although the security situation has improved in recent years, Crown Energy has put activities in the licence area on hold for security reasons.</td><td>Low–High</td></tr>
</table>

4 FINANCIAL RISK MANAGEMENT

Crown Energy is exposed to various financial risks in its operations. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance and liquidity due to financial risks.

4.1 Description of financial risks

Description of risks	Risk management	2018 outcome/Sensitivity analysis	Financial impact if risk occurs
>>> Financing and refinancing risk			
Financing risk is defined as the risk of the financing of Crown Energy's capital needs and refinancing of outstanding loans becoming more difficult or more expensive. Oil and gas exploration as well property development are capital-intensive businesses. Depending on operational developments in general, Crown Energy may need additional capital to acquire assets, to develop new projects, to further develop the assets under conditions favourable for Crown Energy or to continue its operating activities. If the Group cannot raise enough funds, the extent of its operations may be limited, which in the long run could result in the Company being unable to implement its long-term exploration plan. In addition, new shares may be issued under less favourable market conditions where interest is low and/or the cost of implementing the share issue is too high.	Crown Energy monitors and assesses financing and refinancing options on an ongoing basis to manage this risk.	No additional financing was raised in 2018. The Company's main plan for the next 12 months is to fulfil all outstanding obligations, including investments, day-to-day management and repayment of loans using regular cash flows and share issues already conducted. The annual report was prepared with a going concern assumption in consideration of the Company's current business, its activities for the next 12 months and existing cash and cash equivalents. It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test.	Medium–High
>>> Liquidity risk			
Liquidity risk is defined as the risk of not being able to fulfil commitments and pay debts on time or at a reasonable cost. This risk is related to the financing and refinancing risk.	Management carefully monitors rolling forecasts of the Group's cash and cash equivalents. As mentioned above, Crown Energy reviews financing options on an ongoing basis to be able to meet its obligations.	Through the acquisition of ESI Group S.A., which was completed in 2017, the Group has a positive cash flow from operating activities. Most of this cash flow comes from the property business in Angola. It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test.	Medium–High
>>> Credit risk			
Credit risk is defined as the risk of the Group not receiving payment for recognised trade receivables.	Crown Energy regularly tracks its credit exposure to minimise losses attributable to unpaid trade receivables. This risk is managed via regular contact with the relevant customers and necessary provisions are made for bad debts.	Historically, the property business has not had any substantial bad debt losses. In the context of the market trend and currency devaluation in Angola, Crown Energy has observed that trade receivables have generally been higher in 2018 than in previous years. However, a decrease in older trade receivables was seen in late 2018. Note 4.2 a provision model for credit losses. At present, the Group estimates that the risk of incurred bad debt losses is not high.	Low–Medium

Note 4 continued

Description of risks	Risk management	2018 outcome/Sensitivity analysis	Financial impact if risk occurs
>>> Market risk – interest rate risk			
Net interest expenses are affected by the proportion of financing that has variable and fixed interest rates in relation to changes in market interest rates. The effect of a change in interest rates on earnings depends on the contractual periods of the loans and investments. Future increases in interest rates may therefore have an adverse effect on the Group's earnings and future business opportunities.	Crown Energy has no interest-bearing liabilities with variable interest rates, so there is no interest rate risk related to cash flows. Borrowings with fixed interest rates only expose the Group to interest rate risk in respect of fair value.	As the Group has no borrowings at variable interest rates, interest rate risk is not expected to be significant. Because of this, a sensitivity analysis was not prepared either.	Low
>>> Market risk – currency risk			
Currency risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.	Following the acquisition of ESI Group S.A., the company primarily has a significant exposure to the Angolan currency kwanza (AOA) and directly and indirectly to the USD. The company evaluates on an ongoing basis the needs, opportunities and costs for hedging the Group's currency risks.	At present, the Group has no external borrowing in foreign currency. The Group's main transaction currencies, apart from SEK, are USD and AOA. See the sensitivity analysis of currency exposure in section 4.3 below.	Low–Medium
>>> Translation risk			
Currency exposure arising from holdings in a foreign subsidiary that has a functional currency different from the Group's reporting currency is a translation risk. Translation impacts both earnings and equity (currency translation reserve). Exploration and evaluation assets as well as property assets acquired via a foreign operation are treated as assets of this operation and are therefore translated to the closing day rate. As a result, the acquired exploration and evaluation assets are translated at each reporting period. The translation difference impacts the currency translation reserve in equity.	All translation risks refer to the USD/SEK and AOA/SEK exchange rates. Crown Energy does not currently hedge translation risk. As a result, there may be major fluctuations in the Group's earnings, values of exploration and evaluation assets and in the currency translation reserve in equity between different reporting periods.	The acquisition of ESI Group S.A. added an AOA/SEK translation risk and translation exposure in the Group has increased. In section 4.4, a sensitivity analysis has been prepared for the translation exposure.	High

Note 4 continued

4.2 Credit risk

The Group has been using an impairment model based on historical credit losses adjusted for factors specific to the customer/tenant and the financial situation since 1 January 2018. The age distribution at 1 January 2018 is presented for strictly comparative purposes. Comparative figures were not restated because the introduction of credit losses did not have any substantial impact on the comparative period.

Group All amounts in SEK thousand	Not overdue	1-90 days	91-180 days	Overdue> 180 days	Total
TOTAL TRADE RECEIVABLES					
31 December 2018					
Expected loss level in %	0%	0%	1%	5%	
Gross carrying amount, trade receivables	126	10,506	3,692	9,861	**24,185**
Credit loss reserve	**-**	**-**	**37**	**493**	**530**
1 January 2018					
Carrying amount, trade receivables	8,627	5,733	12,174	2,567	**29,415**
TRADE RECEIVABLES ATTRIBUTABLE TO RENTAL REVENUE					
31 December 2018					
Expected loss level in %	0%	0%	1%	5%	
Gross carrying amount, trade receivables	114	5,733	2,480	4,867	**13,195**
Credit loss reserve	**-**	**-**	**25**	**243**	**268**
1 January 2018					
Carrying amount, trade receivables attributable to rental revenue	2,876	3,270	5,537	1,196	**12,879**
TRADE RECEIVABLES ATTRIBUTABLE TO SERVICE REVENUE					
31 December 2018					
Expected loss level in %	0%	0%	1%	5%	
Gross carrying amount, trade receivables	12	4,772	1,212	4,994	**10,990**
Credit loss reserve	**-**	**-**	**12**	**250**	**262**
1 January 2018					
Carrying amount, trade receivables attributable to service revenue	5,751	2,778	6,637	1,371	**16,537**

4.3 Sensitivity analysis currency exposure

Crown Energy mainly executes transactions in the Swedish krona (SEK), US dollar (USD), Euro (EUR) and Angolan kwanza (AOA). Small transactions are also made on an ongoing basis in other foreign currencies, but they are not expected to have any significant impact on currency exposure. Transactions in foreign currencies mainly involve expenses attributable to the Company's exploration and evaluation assets as well as the service business. There are intra-group receivables and liabilities in foreign currencies but given that settlement is not planned or probably will not occur within the foreseeable future, they are considered to constitute a net investment in a foreign operation. As a result, they are not included in the sensitivity analysis for currency exposure. Crown Energy may from time to time be dependent on available external financing for further development of its business. External capital can be raised in various currencies but will be continuously recalculated and recognised in SEK, resulting in the possibility of an exchange rate risk. There were no liabilities of this type at year-end 2018. The Group's risk exposure in foreign currencies at the end of the reporting period expressed in thousands of SEK was as follows:

	31 December 2018			31 December 2017		
	AOA	USD	EUR	AOA	USD	EUR
Trade receivables	24,177	–	–	29,415	–	–
Other receivables	–	27,741	–	–	25,456	–
Accounts payable	–	5,425	258	–	4,825	122
Net exposure	**24,177**	**22,316**	**-258**	**29,415**	**20,631**	**-122**
Impact on profit/loss after tax						
Change in SEK exchange rate, +10%	2,418	2,232	-26	2,942	2,063	-12
Change in SEK exchange rate, -10%	-2,418	-2,232	26	-2,942	-2,063	12

4.4 Sensitivity analysis translation exposure

Exchange rate changes impact the Group in conjunction with the translation of foreign subsidiary income statements to SEK when the Group's earnings are impacted and when net assets in foreign subsidiaries are translated to SEK, which impacts equity. The Group does not hedge this risk and it cannot be ruled out that fluctuating exchange rates could impact the Group's earnings and financial position negatively. As previously mentioned, the Group has a translation exposure due to an earlier business combination, which resulted in an intangible asset in USD. This is recalculated in all reporting periods and impacts the Group's exploration and evaluation assets, deferred tax and equity. Below is a summary of the Group's translation exposure for 2018:

Group, all amounts in SEK thousand	31 December 2018		31 December 2017	
Exploration and evaluation assets in the financial statements (SEK thousand)	204,151	204,151	188,888	188,888
Change in SEK/USD	+10%	-10%	+10%	-10%
Total impact on exploration and evaluation assets	**15,660**	**-15,660**	**14,177**	**-14,177**
Investment properties in the financial statements	653,073	653,073	720,597	720,597
Change in SEK/AOA	+10%	-10%	+10%	-10%
Total impact on investment properties	**65,307**	**-65,307**	**72,060**	**-72,060**
Deferred taxes in the financial statements	85,407	85,407	31,929	31,929
Change in SEK/USD	+10%	-10%	+10%	-10%
Total impact on deferred tax	**1,557**	**-1,557**	1,429	-1,429
Change in SEK/AOA	+10%	-10%	+10%	-10%
Total impact on deferred tax	**6,983**	**-6,983**	**1,764**	**-1,764**
Equity in the financial statements	811,899	811,899	874,363	874,363
Change in SEK/USD	+10%	-10%	+10%	-10%
Total impact on equity	**-987**	**987**	**40,645**	**-40,645**
Change in SEK/AOA	+10%	-10%	+10%	-10%
Total impact on equity	**58,843**	**-58,843**	**22,755**	**-22,755**
Profit/loss in the financial statements	186,909	186,909	-67,275	-67,275
Change in SEK/USD	+10%	-10%	+10%	-10%
Total impact on net profit/loss for the year	**-1,247**	**1,247**	**-439**	**439**
Change in SEK/AOA	+10%	-10%	+10%	-10%
Total impact on net profit/loss for the year	**18,505**	**-18,505**	**11,682**	**-11,682**

4.5 Liability maturities

The following table presents the non-discounted cash flows of consolidated liabilities in the form of financial instruments based on the remaining contractual periods at the end of the reporting period. As a result, the amounts do not always match the amounts reported in the balance sheet. Amounts falling due within 12 months correspond to their carrying amounts, as the impact of the discount rate is immaterial. Amounts in foreign currency were estimated using the exchange rates and interest rates applicable at the end of the reporting period.

Group All amounts in SEK thousand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2018				
Finance lease liability	49,194	35	141	–
Borrowings	3,133	–	–	–
Other provisions	–	3,588	–	–
Accounts payable	6,131	–	–	–
Other liabilities	4,555	–	–	–
Total	**63,013**	**3,623**	**141**	**–**
At 31 December 2017				
Finance lease liability	5,416	24,099	22,636	50,103
Borrowings	5,054	–	–	–
Other provisions	–	–	3,293	–
Accounts payable	4,887	–	–	–
Other liabilities	1,220	–	–	–
Total	**16,577**	**24,099**	**25,929**	**50,103**

Parent Company All amounts in SEK thousand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2018				
Borrowings	3,133	–	–	–
Accounts payable	1,428	–	–	–
Other liabilities	335	–	–	–
Total	**4,896**	**–**	**–**	**–**
At 31 December 2017				
Borrowings	5,054	–	–	–
Accounts payable	1,419	–	–	–
Other liabilities	1,119	–	–	–
Total	**7,592**	**–**	**–**	**–**

Note 4 continued

4.6 Net debt/equity ratio

The debt/equity ratio is defined as the Group's net debt (interest-bearing liabilities less cash and cash equivalents) relative to adjusted equity. The Group no longer has any interest-bearing loans. The net debt/equity ratio is as follows:

Group, all amounts in SEK thousand Net debt/equity ratio	31/12/2018	31/12/2017
Interest-bearing receivables	35,413	25,456
Interest-bearing liabilities	49,370	102,253
Less: cash and cash equivalents	-57,659	-102,183
Net debt	**27,124**	**25,526**
Total equity	811,899	874,363
Net debt/equity ratio	**3%**	**3%**

Interest-bearing liabilities include lease liabilities.

4.7 Fair value estimation

Crown Energy classifies fair value measurement using a fair value hierarchy that reflects the reliability of the inputs used in making the measurements. In accordance with IFRS 13, disclosures on fair value measurement at each level are required for financial instruments. The fair value hierarchy consists of these levels:
Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly as prices or indirectly as derived prices, for example.
Level 3 – Inputs for the asset or liability that are not based on observable information. The appropriate level is determined based on the lowest level of input that is significant to measuring the fair value.

For a reconciliation between opening and closing balances, see not 14 (Investment property) and 23 (Other provisions)

For information about valuation processes and sensitivity analysis, see not 5 Critical accounting estimates and judgements.

All amounts in SEK thousand Closing balance at 31 Dec 2018	Note	Level 1	Level 2	Level 3	Total
Assets measured at fair value through profit or loss:					
Investment properties held under operating leases	5, 14			175,861	175,861
Total assets		**–**	**–**	**175,861**	**175,861**
Liabilities					
Financial liabilities measured at fair value through profit or loss:					
Provision for additional consideration, commercial discovery	5, 23, 27	–	–	3,272	3,272
Total liabilities		**–**	**–**	**3,272**	**3,272**

All amounts in SEK thousand Closing balance at 31 Dec 2017	Note	Level 1	Level 2	Level 3	Total
Assets measured at fair value through profit or loss:					
Investment properties held under operating leases	5, 14			235,535	235,535
Total assets		**–**	**–**	**235,535**	**235,535**
Liabilities					
Financial liabilities measured at fair value through profit or loss:					
Provision for additional consideration, commercial discovery	5, 23, 27	–	–	3,361	3,361
Total liabilities		**–**	**–**	**3,361**	**3,361**

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The accounting estimates that result from them, by definition, seldom correspond with the actual results.

5.1 Fair value

The fair value of financial instruments not traded in an active market is determined using discounted cash flows. The carrying amount, less any impairment losses, of trade receivables and accounts payable is assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is calculated for disclosure purposes by discounting the future contractual cash flow at the current market interest rate available to the Group for similar financial instruments.

5.2 Deferred tax

The Group recognises a deferred tax liability on acquired exploration and evaluation assets since they are considered an asset to local know-how, which in synergy with the knowledge found within Crown Energy can facilitate exploitation of exploration rights. In addition, the Group reports a deferred tax liability relating to unrealised changes in value of properties. No deferred tax revenue was recognised in the income statement in this financial year or the prior year due to revaluation and capitalisation of tax losses. See Note 22 Deferred tax for detailed information on amounts.

5.3 Classification on acquisition of subsidiaries

When acquiring a company, an analysis must be made to determine whether the acquisition is to be regarded as a business combination or an asset acquisition. It is common for companies to acquire exploration licences. In such acquisitions, an analysis is done to determine whether the acquisition meets the criteria for a business combination. Crown Energy investigates the intention of acquisitions, that is, whether it is a business being acquired or merely an asset. Companies with only one or more exploration licences and no related management/administration are normally classified as asset acquisitions.

Following is a breakdown of Crown Energy's subsidiary acquisitions since 2011:

Date of acquisition	Type of asset	Classification
2011	100% of shares in Crown Energy Ventures Corporation BVI	Asset acquisition
2011	100% of shares in Amicoh Resources Ltd	Business combination
2013	100% of shares in Crown Energy Iraq AB	Asset acquisition
2015	100% of shares in Simbo Petroleum No. 2 Ltd	Asset acquisition
2017	100% of shares in ESI Group S.A.	Business combination

5.4 Provisions related to the acquisition of licences and subsidiaries

In the exploration industry, it is common for the parties negotiating acquisition of a licence to agree on future additional considerations that are dependent on future events. Typically, additional considerations involve payments to the seller in the event of a commercial discovery. A probability assessment must be done every year-end for each potential future additional consideration. Following is a description of the potential future additional considerations that existed at 31 December 2018.

Manja Block 3108 (Madagascar)
Besides the settled consideration for the acquisition of the licence (via Amicoh Resources Ltd) in 2011 and 2012, an additional consideration was agreed upon in the event of a commercial discovery in Madagascar. Under the acquisition agreement, the seller will receive USD 4,000 thousand in the event of a commercial discovery. When calculating the cost of acquisition of the licence, a provision was made for this additional consideration. Based on the geological reports that Crown Energy received, the average probability of a commercial discovery in the licence area is 10%. Based on this report, it was assessed that the probability that an additional consideration will be paid to the seller corresponds to the geological probability of a commercial discovery, i.e., 10%. In calculating the present value of the provision for the additional consideration, a discount factor before tax of 6.0% (6.0) was used. At 31 December 2018, the estimated amount totalled USD 400 thousand (400) corresponding to SEK 3,588 thousand (3,293) at the closing day rate. The portion paid in the event of a commercial discovery is recognised at a value of SEK 3,272 thousand (3,361) after present value calculation. The discount and revaluation effect on the provision for the year was SEK -400 thousand (84). The portion paid in the event of a commercial discovery is recognised at a value of SEK 3,277 thousand (3,361) after present value calculation. The discount and translation effect on the provision for the year was SEK -400 thousand (84).

Block P (Equatorial Guinea)
In connection with the asset acquisition of the 5% working interest in Block P in Equatorial Guinea, a purchase agreement was signed that included several potential future additional considerations. The additional considerations are dependent on several factors. The maximum additional consideration totals USD 9.6 million. Crown Energy estimates at present that it is unlikely that any of these additional considerations will be paid in the future and has therefore not recognised them in the financial statements as a provision or outside of the financial statements as a contingent liability. It should be noted that the assessment of the probability of settlement of the additional consideration has no connection with Crown Energy's commercial assessments of the licence (chance of success, economic models etc.)

Block 2B (South Africa)
A separate agreement was signed in addition to the purchase agreement in connection with the acquisition of Simbo Petroleum No. 2 Ltd (Simbo No.2), which owns the working interest in Block 2B. This agreement stipulates that an additional consideration be paid if the licence leads to production. The additional consideration will be paid to the sellers of Simbo No.2. The first payment is due upon the start of production. The amount of the payment depends on the price of oil at the time of initial production. If oil prices are below USD 50 (minimum) at the start of production, the total payment will be SEK 66,828 thousand. The maximum additional consideration will amount to SEK 102,813 thousand if oil prices are and remain over USD 65. The payments will be made in instalments based on a share of Crown Energy's net revenue from production. There is currently great uncertainty about whether the previously mentioned additional consideration will be paid. There are several factors impacting the probability of settlement of the additional consideration that are outside the control of Crown Energy: the probability of successful drilling (and advancing to production), the fact that the operatorship has changed, and that Africa Energy Plc will essentially have control over the asset. At present, Crown Energy assesses the probability of settlement to be low, and the additional consideration does not meet the requirements for rec-

Note 5 continued

ognition as a provision. Instead, it is recognised as a contingent liability, outside of the statement of financial position. Recognition of the additional consideration will be assessed on an ongoing basis and may change as the conditions of the licence change, e.g. in the event of successful test drilling. It should be noted that the assessment of the probability of settlement of the additional consideration has no connection with Crown Energy's commercial assessments of the licence (chance of success, economic models etc.) The contingent liability is recognised at the maximum possible amount of the additional consideration, i.e. SEK 102,813 thousand.

Impairment losses on exploration and evaluation assets
Exploration and evaluation assets are tested for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Impairment testing is done by cash-generating unit, which in Crown Energy's case consists of each individually acquired licence. Crown Energy has evaluated each individual licence and assessed that the recoverable amounts exceed the carrying amounts. The facts and circumstances considered in this assessment include current oil prices. Following is a summary of Crown Energy's assessments of these circumstances. Following is a summary of Crown Energy's assessment of oil prices.

Oil prices
Oil price and fluctuation factors may indicate that an exploration and evaluation asset is impaired. Since Crown Energy is not currently in production, oil prices have not had a direct impact on asset values, as the carrying amounts are based on costs incurred, not on oil prices. However, oil price declines could impact the entire industry by increasing the uncertainty of future investments. A significant effect of the oil price declines in previous years is the fact that the overall level of costs declined for exploration activities and development of discoveries for production. Provided that supplier agreements are negotiated based on current depressed costs and that long-term oil prices remain at a higher level, development cost estimates could become even more profitable. Based on the nature of Crown Energy's assets, their geographical location, etc. combined with the types of investments currently being made in the industry and the general decline in exploration costs, it has been determined that the current oil price level does not indicate that the fair value of the Company's assets is lower than their carrying amount. See the comments on oil prices in Note 3 Operational risks.

Valuation of investment properties
Valuation process
The property portfolio is valued internally each quarter, whereby independent external valuation consultants and experts in the local property market have quality assured assumptions about market rents, operating costs, vacancies and yield requirements. The portfolio is valued by an independent external valuation consultant at least once a year.

Basis of property valuation
The valuations are based on observable and non-observable inputs. Examples of observable inputs are current rent figures, actual operating and maintenance costs, planned capital expenditures and current vacancy rates. Non-observable inputs include yield requirements, expected rent and vacancy levels and expected inflation and exchange rate trends. Given that the Group conducts property operations in Angola, which is considered a high-inflation country, careful analyses and discussions with independent external consultants are required for assumptions about inflation and future market rent levels.

Valuation method
Each property is valued individually without considering any portfolio impact. The valuation is based on a cash flow model with individually assessed yield requirements for each property. The yield requirement is used to assess the value through a present value calculation during the calculation period and through a present value calculation of the residual value at the end of the calculation period. The calculation period is between two and five years for owned properties, and the calculation period for leased properties is based on the lease period for the right of use. During the calculation period, revenue consists of agreed rent levels until the lease expires or is up for renegotiation. For the period subsequent to this, the rental revenue is calculated at the estimated market rent.

Factors impacting the valuation include existing rent levels and market rent figures, existing tenants and contract structures, current and future vacancies, operating and maintenance costs in the long term (based on actual costs) and assumptions about inflation.

Any project properties are valued based on completed projects less remaining capital expenditures.

Sensitivity analysis property valuation
The valuation was performed by an external independent consultant at 31 December 2018. Required returns were determined separately for housing and office premises and are set at 11.5 and 12.5 per cent respectively. The weighted average cost of capital (WACC) for the market was estimated at 17.7 per cent for the period, before tax.

In connection with preparation of the valuation of the properties, a sensitivity analysis was carried out. According to the most recent valuation, the value range of the Company's property portfolio is SEK 554-657 thousand. The parameters used to produce the value range for the sensitivity analysis are ±0.5 per cent for yield requirements and WACC and ±5 per cent for current market rents.

6 SEGMENT INFORMATION

The Group has two segments matching the two business areas: Energy (oil and gas exploration) and Asset Development and Management (property and service operations). The chief operating decision-maker is deemed the Board of the Parent Company.

Within the operating segment Asset Development and Management, the Group has, during 2018, two customers, each accounting for more than 10 percent of sales. Together these two make up approximatly 47 percent of the total revenue.

Following is a summary of the Group's carrying amounts of non-current assets by segment:

Group, all amounts in SEK thousand	**Energy 2018**	**Asset Development and Management 2018**	**Other and eliminations 2018**	**Total 2018**
Revenue	19	76,639	189	76,847
Operating expenses	-938	-36,187	-17,647	-54,772
Operating profit/loss	**-919**	**40,453**	**-17,616**	**22,075**
Net financial items	5,353	317,898	1,475	324,726
Profit/loss before tax and changes in value	**4,434**	**358,350**	**-16,141**	**346,643**
Changes in value:				
Property, unrealised	-	-82,612	-	-82,612
Earnings before tax	**4,434**	**275,739**	**-16,141**	**264,032**
Income tax	-1	-4,873	-	-4,874
Deferred tax	-	-72,249	-	-72,249
Net profit/loss for the period	**4,433**	**198,617**	**-16,141**	**186,909**
Non-current assets at end of period	204,151	661,514	54	865,718

Group, all amounts in SEK thousand	**Energy 2017**	**Asset Development and Management 2017**	**Other and eliminations 2017**	**Total 2017**
Revenue	17	111,259	17	111,294
Operating expenses	-605	-33,128	-8,228	-41,962
Operating profit/loss before effect of reverse acquisition	**-588**	**78,131**	**-8,211**	**69,332**
Earnings effect from reverse acquisition			-174,586	-174,586
Operating profit/loss after effect of reverse acquisition	**-588**	**78,131**	**-182,797**	**-105,254**
Net financial items	-1,396	4,830	-1,037	2,397
Profit/loss before tax and changes in value	**-1,984**	**82,961**	**-183,834**	**-102,857**
Changes in value:				-
Property, unrealised	-	35,239	-	35,239
Earnings before tax	**-1,984**	**118,200**	**-183,834**	**-67,619**
Income tax	-	-6,766	-	-6,766
Deferred tax	-	7,111	-	7,111
Net profit/loss for the period	**-1,984**	**118,545**	**-183,834**	**-67,273**
Non-current assets at end of period	188,888	720,937	90	909,915

7 REVENUE

The Group has two main revenue streams: rental revenue from leases and revenue from service contracts with tenants. Rental revenue, which makes up most of the Group's revenue, is covered by IAS 17, which is why it is excluded from IFRS 15 and its disclosure requirements. Other operating income is not significant and refers to exchange rate effects.

Below is a summary of the Group's revenue categories, based on revenue from contracts with customers. The summary is based on the Group's operating segments:

Operating segments Group, all amounts in SEK thousand	Energy 2018	Property development and services 2018	Other and eliminations 2018	Total 2018
Rental revenues	-	53,349	-	**53,349**
Service revenues	-	23,284	-	**23,284**
Other revenue	19	6	189	**214**
Total revenue	**19**	**76,639**	**189**	**76,847**
Of which revenue from contracts with customers, subject to IFRS 15	**-**	**23,284**	**-**	**23,284**

Operating segments Group, all amounts in SEK thousand	Energy 2017	Property development and services 2017	Other and eliminations 2017	Total 2017
Rental revenues	-	67,160	-	**67,160**
Service revenues	-	43,323	-	**43,323**
Other revenue	17	776	18	**811**
Total revenue	**17**	**111,259**	**18**	**111,294**
Of which revenue from contracts with customers, subject to IFRS 15	**-**	**43,323**	**-**	**43,323**

8 REMUNERATION OF AUDITORS

Group, all amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
PwC:		
Audit engagements	1,504	1,095
Auditing aside from audit engagements	397	764
Tax consulting	325	69
Valuation services	46	–
Other services	59	–
Other audit firms:		
Audit engagements	150	–
Auditing aside from audit engagements	–	–
Tax consulting	–	–
Other services	–	–
Group total	**2,481**	**1,928**
Of which PwC	*2,331*	*1,928*

Parent Company, all amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
PwC:		
Audit engagements	623	375
Auditing aside from audit engagements	397	763
Tax consulting	325	69
Valuation services	46	–
Other services	59	–
Parent Company total	**1,450**	**1,207**

An audit involves reviewing the Annual Report and bookkeeping along with the administration of the Board of Directors and CEO, other tasks incumbent upon the Company's auditor to perform, and advice or other assistance prompted by observations made during the audit or the performance of other tasks. Everything else is tax consulting or other services.

9 SALARIES, FEES, OTHER REMUNERATION, AND SOCIAL CHARGES

REMUNERATION OF AND TERMS FOR SENIOR EXECUTIVES AND THE BOARD
Remuneration 2018

All amounts in SEK thousand	Base salary/ Board fee	Variable remunera-tion	Other benefits	Pension expenses	Total
Board					
Pierre-Emmanuel Weil, Chairman of the Board	150	–	–	–	**150**
Jean Benaim, member	75	–	–	–	**75**
Alan Simonian, member	–	–	–	–	**–**
Yoav Ben-Eli, member	75	–	–	–	**75**
Senior executives		–	–	–	
Andreas Forssell, CEO	1,589	–	–	433	**2,022**
Other senior executives, 2	1,437	–	–	257	**1,695**
Total Board and senior management	**3,326**			**690**	**4,017**

Note 9 continued

Remuneration 2017

All amounts in SEK thousand	Base salary/ Board fee	Variable remunera-tion	Other benefits	Pension expenses	Total
Board					
Pierre-Emmanuel Weil, Chairman of the Board	150	–	–	–	**150**
Jean Benaim, member	75	–	–	–	**75**
Alan Simonian, Chairman	–	–	–	–	**0**
Yoav Ben-Eli, member	75	–	–	–	**75**
Senior executives		–	–		
Andreas Forssell, CEO	1,596	–	–	434	**2,030**
Other senior executives, 2	1,995	–	–	259	**2,254**
Total Board and senior management	**3,891**	**–**	**–**	**693**	**4,584**

Terms and guidelines relating to remuneration of and benefits for senior executives
See the Corporate Governance Report.

GENDER BREAKDOWN OF BOARD MEMBERS AND OTHER SENIOR EXECUTIVES

	2018		2017	
Gender breakdown of board members and other senior executives	**Number at end of reporting period**	**Of whom men**	**Number at end of reporting period**	**Of whom men**
Group				
Board members	4	4	4	4
CEO and other senior executives	3	2	3	2
Group total	**7**	**6**	**7**	**6**
Parent Company				
Board members	4	4	4	4
CEO and other senior executives	3	2	3	2
Parent Company total	**7**	**6**	**7**	**6**

Note 9 continued

SALARIES, REMUNERATION AND SOCIAL CHARGES

Salaries, remuneration and social charges, all amounts in SEK thousand	Group		Parent Company	
	01/01/2018 31/12/2018	01/01/2017 31/12/2017	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Salaries, fees and benefits				
Board members				
Fee	300	150	300	300
CEO	1,589	801	1,589	1,596
Other senior executives	1,437	971	1,437	1,995
Other employees	3,285	6,478	678	–
Total salaries, fees and benefits	**6,611**	**8,400**	**4,004**	**3,891**
Contractual pension expenses				
CEO	433	217	433	434
Other senior executives	26	130	257	259
Other employees	30	347	30	–
Total pension expenses	**721**	**694**	**721**	**693**
Social charges, incl. special employer's contribution				
Board members		–	–	–
CEO	604	305	604	608
Other senior executives	260	210	260	422
Other employees	412	571	220	6
Total social charges incl. special employer's contribution	**1,277**	**1,086**	**1,085**	**1,035**

AVERAGE NUMBER OF EMPLOYEES

Average number of employees	2018		2017	
	Average number of employees	Of whom men	Average number of employees	Of whom men
Group				
Sweden	4.3	1.5	1.5	1
Angola	14.0	8.5	14.0	8.5
Group total	**18.3**	**10.0**	**15.5**	**9.5**
Parent Company				
Sweden	4.3	1.5	3.0	2.0
Parent Company total	**4.3**	**1.5**	**3.0**	**2.0**

10 FINANCE INCOME AND EXPENSES

Group, all amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Finance income		
Exchange gains	419,004	–
Interest income	5,257	227
Provisions, reversal of discount effect	400	–
Other finance income	398	6,255
Total finance income	**425,060**	**6,482**
Finance expenses		
Exchange losses	-99,341	-2,838
Interest expenses, leases	-938	-559
Other interest expenses	-212	-42
Provisions, reversal of discount effect	–	-84
Other finance expenses	–	-562
Total finance expenses	**-100,492**	**-4,086**
Net profit/loss from financial items	**324,568**	**2,397**

Parent Company, all amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Interest income and similar items		
Exchange differences		
Exchange gains	1,242	–
Interest income, Group Companies	3,274	7,902
Other finance income	354	–
Total interest income and similar items	**4,870**	**7,902**
Interest expenses and similar items		
Exchange losses	–	-1,467
Other finance expenses	-120	
Total interest expenses and similar items	**-120**	**-1,467**
Net profit/loss from financial items	**4,750**	**6,436**

11 NET EXCHANGE DIFFERENCES

Exchange differences are recognised in the income statement as follows:

Group, all amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Exchange differences on operating receivables and liabilities	-27	-138
Net financial items	319,663	-2,838
Total exchange differences	**319,636**	**-2,976**

Parent Company, all amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Exchange differences on operating receivables and liabilities	-118	-149
Net financial items	1,242	-1,467
Total exchange differences	**1,124**	**-1,616**

12 TAX

Tax reported in profit/loss:

Group, all amounts in SEK thousand	31/12/2018	31/12/2017
Current tax	-4,874	-6,766
Deferred tax	-72,249	7,111
Total tax	**-77,123**	**345**

Parent Company, all amounts in SEK thousand	31/12/2018	31/12/2017
Current tax	–	–
Deferred tax	–	–
Total tax	**–**	**–**

Differences between the recognised tax expense and estimated tax expense based on current tax rates are as follows:

Group, all amounts in SEK thousand	01/01/2018 31/12/2018	2017-01-01 31/12/2017
Earnings before tax	264,032	-67,619
Income tax calculated as per the Group's current tax rate	-58,087	14,876
Tax effects of:		
Non-taxable income	19,180	42,504
Non-deductible expenses	-22,790	-7,848
Costs to be deducted but not included in recognised earnings	-743	1,777
Tax losses for which no deferred income tax asset was recognised	-4,649	-42,671
Effect of foreign tax rates	-9,791	-8,293
Adjustment of current tax for previous years	288	–
Other adjustments	-531	–
Recognised tax	**-77,123**	**345**

Parent Company, all amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Earnings before tax	-8,112	-4,637
Income tax calculated as per the current tax rate	1,785	1,020
Tax effects of:		
Non-taxable income	0	0
Non-deductible expenses	-31	-14
Costs to be deducted but not included in recognised earnings	–	1,777
Taxable income not included in recognised profit/loss	-558	
Tax losses for which no deferred income tax asset was recognised	-1,197	-2,783
Recognised tax	**–**	**–**

13 EARNINGS PER SHARE

The Company's earnings per share key ratio is calculated as earnings after tax divided by the average number of shares for the period. This ratio is calculated both with and without dilutive effects.

DILUTIVE EFFECT

At 31 December 2018, the Parent Company did not have any warrants or other equity-related instruments issued.

EARNINGS PER SHARE AND NUMBER OF SHARES

At 31 December 2018, the Parent Company had 477,315,350 shares outstanding and no outstanding warrants or derivatives, resulting in no dilutive effect. The average number of shares in 2018 was 477,315,350. 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.

14 INVESTMENT PROPERTY

The Group's properties are held for the purpose of generating rental revenue and service revenue. The investment properties have been measured at fair value and valued by an external party at 31 December 2018. For more information about how fair value is calculated, see Note 5 Critical accounting estimates and judgements.

At 31 December 2018, four of the Group's 16 properties are owned fully or partially and the rest are held under leases with the property owner. In February 2019, the Maria property went from being leased to being partially owned with the Group now owning 40 per cent. The Group did not pay any compensation for this option.

For information about lease liabilities attributable to the investment properties, see Note 24 Leases. For information about the Group's operating leases where Crown Energy is the lessor, see Note 24 Leases.

Changes in carrying amount:

Group, all amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Opening carrying amount	**720,597**	**748,433**
+ Capital expenditures for the period	4,404	6,075
- Disposals/depreciation for the period	-	-
+/- Unrealised changes in value		
+/- Change in fair value	-70,257	39,255
+/- Change in lease liability	-12,354	-4,016
+/- Exchange rate effects*	10,683	-69,149
Closing carrying amount	**653,073**	**720,597**

*Exchange effects due to the revaluation from the US dollar to Angolan kwanza and then to the Swedish krona.

Group, all amounts in SEK thousand	31/12/2018	31/12/2017
Owned properties	477,212	485,063
Investment property held under lease	175,861	235,535
Total carrying amount	**653,073**	**720,597**

Lease costs for rights of use are included in calculation of fair value, which means that the lease liability is reversed to avoid double counting these costs:

Group, all amounts in SEK thousand	31/12/2018	31/12/2017
Fair value, investment properties	603,703	618,344
Reversal of lease liabilities recognised as lease liabilities	49,370	102,253
Carrying amount at end of reporting period	**653,073**	**720,597**

The amounts recognised in profit or loss are as follows (note that service revenue and expenses attributable to service are included in this breakdown):

Group, all amounts in SEK thousand	31/12/2018	31/12/2017
Rental revenues	53,349	67,160
Service revenues	23,284	43,323
Direct expenses for the investment properties that generated rental revenue during the period	-22,454	-17,768
Direct expenses for the investment properties that did not generate rental revenue during the period	-1,429	-3,321
Amount recognised in profit/loss	**52,750**	**89,394**

15 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

Group, all amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Opening carrying amount	**340**	**-**
Capital expenditures for the year	991	355
Increase through business combination	-	16
Exchange rate changes	-334	-7
Depreciation for the year	-228	-24
Closing carrying amount	**768**	**340**
At 31 December		
Cost of acquisition	1,338	371
Accumulated exchange rate changes	-334	-7
Accumulated depreciation and impairment losses	-235	-24
Carrying amount	**768**	**340**

Parent Company, all amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Opening carrying amount	**-**	**33**
Capital expenditures for the year	-	-
Depreciation for the year	-	-33
Closing carrying amount	**-**	**-**
At 31 December		
Cost of acquisition	165	165
Accumulated depreciation and impairment losses	-165	-165
Carrying amount	**-**	**-**

16 OTHER INTANGIBLE ASSETS

Group, all amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Opening carrying amount	90	-
Increase through business combination	-	108
Depreciation for the year	-36	-18
Closing carrying amount	**54**	**90**
At 31 December		
Cost of acquisition	108	108
Accumulated exchange rate changes	-54	-18
Carrying amount	**54**	**90**

Parent Company, all amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Opening carrying amount	90	-
Capital expenditures for the year	-	108
Depreciation for the year	-36	-18
Closing carrying amount	**54**	**90**
At 31 December		
Cost of acquisition	108	108
Accumulated depreciation and impairment losses	-54	-18
Carrying amount	**54**	**90**

17 EXPLORATION AND EVALUATION ASSETS

Changes in carrying amount:

Group, all amounts in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Opening carrying amount	188,888	-
Capital expenditures for the period	5,975	8,415
Increase through business combination	-	183,133
Translation and revaluation effects	9,288	-2,660
Closing accumulated cost of acquisition	**204,151**	**188,888**

18 FINANCIAL ASSETS MEASURED AT AMORTISED COST

The following is a breakdown of the Group's financial assets measured at amortised cost, with fair values for disclosure purposes.

Due to the uncertainty of the Angolan currency, the Angolan subsidiary invested funds in Angolan government bonds in 2018 that are indexed against the USD, which reduces the Group's currency risk somewhat. The bonds carry an interest rate of 7.0-7.75 per cent. Bonds with a maturity of more than one year were recognised as financial assets.

The receivable from ESI Angola Lda carries a market interest rate, which is recognised as deferred income.

Other current receivables mostly comprise prepaid preliminary tax and VAT receivable.

	31/12/2018		31/12/2017	
Group, all amounts in SEK thousand	**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair Value**
Financial assets:				
Government bonds	7,672	9,024	–	–
Current assets:				
Receivable from ESI Angola Lda	27,742	27,742	25,458	25,458
Other current receivables	1,605	1,605	3,031	3,031
Financial assets measured at amortised cost	**37,020**	**38,371**	**28,489**	**28,489**

19 TRADE RECEIVABLES

Carrying amount, trade receivables:

Group, all amounts in SEK thousand	**31/12/2018**	**31/12/2017**
Trade receivables	24,177	29,415
Allowance for bad debts	-522	–
Carrying amount, trade receivables	**23,655**	**29,415**

Changes in trade receivables:

Group, all amounts in SEK thousand	**2018**	**2017**
1 January	**29,415**	**–**
Net changes during the year	8,698	30,187
Change for the year in allowance for bad debts	-530	–
Exchange rate effects	-13,929	-771
Closing carrying amount at 31 December	**23,655**	**29,415**

Carrying amount of trade receivables by revenue type (rental and service revenue):

Group, all amounts in SEK thousand	**31/12/2018**	**31/12/2017**
Trade receivables attributable to revenue recognised under IAS 17:		
Trade receivables attributable to rental revenue	13,195	12,879
Provisions for credit losses attributable to rental revenue	-268	–
Carrying amount of trade receivables attributable to rental revenue	**12,926**	**12,879**
Trade receivables attributable to revenue recognised under IFRS 9:		
Trade receivables attributable to service revenue	10,990	16,537
Provisions for credit losses attributable to service revenue	-262	–
Carrying amount of trade receivables attributable to service revenue	**10,728**	**16,537**

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in balance sheet and cash flow statement:

Group, all amounts in SEK thousand	31/12/2018	31/12/2017
Cash and bank balances	48,539	102,183
Bank deposits	2,968	–
Short-term investments	6,152	–
Total cash and cash equivalents in balance sheet and cash flow statement	**57,659**	**102,183**

Parent Company, all amounts in SEK thousands	31/12/2018	31/12/2017
Cash and bank balances	22,648	60,929
Total cash and cash equivalents in balance sheet and cash flow statement	**22,648**	**60,929**

21 SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

The share capital consists of 477,315,350 shares with a quotient value of SEK 0.029.

Parent Company, all amounts in SEK thousands	Number of shares	Share capital	Other contributed capital	Total
Opening balance at 1 January 2017	**455,949,202**	**13,405**	**232,722**	**246,127**
Business combination (reverse acquisition)	n/a	–	1,360,380	**1,360,380**
Redemption of C shares	-10,133,852	-298	–	**-298**
Redemption of warrants	31,500,000	926	62,074	**63,000**
Issue expenses			-8,077	**-8,077**
Closing balance at 31 December 2017	**477,315,350**	**14,033**	**1,647,099**	**1,661,132**
Changes 2018:	–	–	–	
Issue expenses	–	–	7	**7**
Closing balance at 31 December 2018	**477,315,350**	**14,033**	**1,647,106**	**1,661,139**

22 DEFERRED TAX

The deferred tax liability recognised is expected to be settled after 12 months. Deferred tax assets and liabilities are allocated in the balance sheet as follows:

Group, all amounts in SEK thousand	31/12/2018	31/12/2017
Deferred tax liability		
Deferred tax on surplus value in exploration assets	15,572	14,290
Deferred tax on surplus value in investment properties	69,834	17,639
Total deferred tax liabilities	**85,407**	**31,929**

The Parent Company has no deferred tax.

Note 22 continued

Changes in deferred tax assets and liabilities for the year:

Deferred taxes, Group, SEK thousand	Surplus values in exploration and evaluation assets	Surplus values in investment properties	Total deferred tax liability
At 1 January 2017	**–**	**24,753**	**24,753**
Recognised in income statement	–	-7,111	-7,111
Recognised in other comprehensive income	-411	-3	-414
Recognised in equity	14,701	–	14,701
At 31 December 2017	**14,290**	**17,639**	**31,929**
At 1 January 2018	**14,290**	**17,639**	**31,929**
Recognised in income statement	–	72,249	72,249
Recognised in other comprehensive income	1,282	-20,054	-18,771
Recognised in equity	–	–	–
At 31 December 2018	**15,572**	**69,834**	**85,407**

23 OTHER PROVISIONS

Group, all amounts in SEK thousand	Additional consideration Amicoh Resources Ltd	Total provisions
At 1 January 2017	**–**	**–**
Recognised in income statement:		
Increase through business combination	3,371	3,371
Discount and revaluation effect	84	84
Exchange differences	-94	-94
At 31 December 2017	**3,361**	**3,361**
At 1 January 2018	**3,361**	**3,361**
Recognised in income statement:		
Discount and revaluation effect	-400	-400
Exchange differences	312	312
At 31 December 2018	**3,272**	**3,272**

Group, all amounts in SEK thousand	31/12/2018	31/12/2017
Long-term component	3,272	3,361
Total provisions	**3,272**	**3,361**

For more information and a detailed description of the Company's assessments and assumptions regarding these provisions, see Note 5 Critical accounting estimates and judgements.

24 LEASING

Crown Energy as lessee

Breakdown of future minimum lease payments and their present value:

Group, all amounts in SEK thousand	2018	2017
Future cumulative minimum lease payments to be paid for finance leases:		
Within 1 year	29,939	15,866
Between 1 and 5 years	35,357	116,169
More than 5 years	6,422	19,213
Total minimum lease payments	**71,718**	**151,247**
Future financial expenses for finance leases	-22,348	-48,993
Present value of liabilities for finance leases	**49,370**	**102,253**

The present value of finance lease liabilities is as follows:

Group, all amounts in SEK thousand	2018	2017
Within 1 year	-25,211	-5,416
Between 1 and 5 years	-19,809	-84,689
More than 5 years	-4,349	-12,148
Total minimum lease payments	**-49,370**	**-102,253**

Expenses attributable to finance leases that are included in net profit/loss for the period:

Group, all amounts in SEK thousand	31/12/2018	31/12/2017
Variable payments included in operating profit/loss for the period	1,627	2,601
Change in lease liability included in unrealised changes in value for the period	12,354	4,016
Financial expenses relating to finance leases for the period	938	559
Expenses attributable to finance leases that are included in net profit/loss for the period	**14,919**	**7,176**

Crown Energy as lessor

Breakdown of future minimum lease payments to be received from tenants:

Group, all amounts in SEK thousand	2018	2017
Future cumulative minimum lease payments attributable to non-terminable operating leases:		
Within 1 year	25,540	63,308
Between 1 and 5 years	7,107	16,903
More than 5 years	–	–
Total minimum lease payments	32,646	80,210

25 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

The following is a breakdown of the Group's financial liabilities measured at amortised cost, with fair values for disclosure purposes.

Group, all amounts in SEK thousand	31/12/2018 Carrying amount	31/12/2018 Fair value	31/12/2017 Carrying amount	31/12/2017 Fair value
Lease liabilities	49,370	49,370	102,253	102,253
Accounts payable	6,131	6,131	5,597	5,597
Other current liabilities	4,555	4,406	6,501	6,260
Financial liabilities measured at amortised cost	**60,056**	**59,906**	**114,351**	**114,110**

Other current liabilities mainly comprise local taxes in the form of employee-related taxes and property-related taxes.

26 ACCRUED EXPENSES AND DEFERRED INCOME

Group, all amounts in SEK thousand	31/12/2018	31/12/2017
Accrued expenses		
Social charges and other employee-related expenses	223	519
Various consultancy expenses	699	980
Audit fees	592	751
Board fees	200	200
Issue expenses	–	6,300
Other accrued expenses	1,471	172
Deferred income	12,722	30,112
Total accrued expenses and deferred income	**15,907**	**39,033**

Parent Company, all amounts in SEK thousand	31/12/2018	31/12/2017
Accrued expenses		
Social charges and other employee-related expenses	500	30
Various consultancy expenses	699	980
Audit fees	592	751
Board fees	200	200
Issue expenses	–	6,300
Other accrued expenses	46	172
Total accrued expenses and deferred income	**2,037**	**8,432**

The Parent Company does not recognise any deferred income.

Note 27 continued

27 FINANCIAL INSTRUMENTS – CLASSIFICATION AND VALUATION CATEGORIES

As from 1 January 2018, the Group applies IFRS 9, which replaces IAS 39. This results in a change in how financial instruments are classified. For Crown Energy, the changes did not result in any difference in how it measures these instruments. However, the Group's financial instruments have been classified in three new categories. See Note 33 Effects of changed accounting policies as of 1 January 2018 for a breakdown of the old and new categories.

All of Crown Energy's financial assets are held for the purpose of collecting contractual cash flows, which means that they are measured at amortised cost. Most of Crown Energy's financial liabilities are measured at amortised cost. However, the provision attributable to additional consideration (in accordance with IFRS 3 Business Combinations) is measured at fair value through profit or loss.

		Valuation category			
Group, all amounts in SEK thousand	**Note**	**Fair value through profit or loss**	**Amortised cost**	**Fair value through profit or loss**	**Fair value through other comprehensive income**
31/12/2018					
Financial assets					
Financial assets measured at amortised cost	18	–	7,672	–	–
Trade receivables	19	–	23,655	–	–
Other receivables	19	–	29,347	–	–
Cash and cash equivalents	20	–	57,659	–	–
Total financial assets		**–**	**118,333**	**–**	**–**
Financial liabilities					
Lease liabilities	24	–	49,370	–	–
Accounts payable	26	–	6,131	–	–
Other current liabilities	26	–	4,555	–	–
Other provisions	23	3,272	–	–	–
Total liabilities		**3,272**	**60,056**	**–**	**–**

		Valuation category				
Group, all amounts in SEK thousand	**Note**	**Financial assets measured at fair value via income statement**	**Loans receivable and accounts receivable**	**Loans receivable and accounts receivable**	**Financial liabilities measured at fair value via the income statement**	**Other financial liabilities**
31/12/2017						
Financial assets						
Trade receivables	19	–	29,415	–	–	–
Other receivables	19	–	28,499	–	–	–
Cash and cash equivalents	20	–	102,183	–	–	–
Total financial assets		**–**	**160,097**	**–**	**–**	**–**
Financial liabilities						
Lease liabilities	24	–	–	–	–	102,253
Accounts payable	26	–	–	–	–	5,597
Other current liabilities	26	–	–	–	–	6,501
Other provisions	23	–	–	–	3,361	–
Total liabilities		**–**	**–**	**–**	**3,361**	**114,351**

28 TRANSACTIONS WITH RELATED PARTIES

The Parent Company and its subsidiaries are deemed to be related parties. Related parties are also defined as Board members, senior executives and their close relatives. Senior executives are defined as individuals who, with the CEO, comprise the management team. At Crown Energy, the senior executives comprise the CEO, COO and CFO, who are employees of the Company.

PURCHASES AND SALES WITHIN THE GROUP

Of the Parent Company's revenue for 2018 (2017), 100 per cent (100) represents re-invoicing to other companies within the Group. Of the Parent Company's total interest income in 2018 (2017), 100 per cent (100) relates to other entities within the Group.

LOANS GRANTED TO RELATED PARTIES

In accordance with the acquisition agreement for ESI Group SA, all financial rights and obligations from properties and leases would be passed on to YBE Imobiliária Angola Lda as from 1 January 2017. Owing mainly to prepaid rent in 2016 for 2017, this resulted in YBE Imobiliária Angola Lda acquiring a receivable from ESI Angola Lda. ESI Angola Lda. is controlled by Yoav Ben-Eli, who is both a board member and principal owner of the Parent Company. At 31 December 2018 (2017), this receivable amounted to the equivalent of SEK 27,741 thousand (25,456) and carries a market interest rate. The interest accrued amounted to SEK 2,880 thousand (240).

PURCHASE OF SERVICES

Peter Mikkelsen works in his management position under a consultancy agreement. The services are purchased on normal commercial terms and work performed is invoiced regularly.

In 2018 (2017), Peter Mikkelsen invoiced GBP 9 thousand (13), which is equivalent to SEK 109 thousand (142) at an average exchange rate.

Crown Energy also purchases technical consulting services from Simco Petroleum Ltd. ("Simco"). Alan Simonian, Board member and Company employee, currently owns 33 per cent of Simco via a family member and sits on Simco's board. Services from Simco are purchased on normal commercial terms. Services were purchased in full year 2018 (2017) in the amount of USD 122 thousand (120), which is equivalent to SEK 1,056 thousand (1,020) calculated using an average rate. The consultancy agreement with Simco expired on 28 February 2019.

As part of the acquisition of ESI Group, the Company entered into an agreement with ESI Angola Lda regarding property services for the properties in Angola. The agreement contains a fixed cost per property and month. Services were purchased in 2018 (2017) in the amount of AOA 520 million (459), which is equivalent to SEK 18,605 thousand (23,501) calculated using an average rate.

The Company also has an agreement with Betco Trading Services International Ltd (Betco) for various management services. Yoav Ben-Eli, Board member and the largest shareholder in the Company, is employed by Betco. In 2018 (2017), Betco invoiced a total of USD 336 thousand (83), which is equivalent to SEK 2,920 thousand (707) calculated using an average rate.

REMUNERATION OF SENIOR EXECUTIVES

For information on the remuneration of senior executives, see Note 9 Salaries, fees, other remuneration and social charges.

Following is a summary of services purchased from related parties in 2018 and 2017. The amounts at 31 December were calculated based on an average exchange rate for the year.

Key personnel in leading positions received the following remuneration:

		Amounts in thousands of the invoicing currency		All amounts in SEK thousand	
Group, all amounts in SEK thousand	Invoicing currency	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Remuneration for consulting (technical services), Peter Mikkelsen	GBP	9	13	109	142
Remuneration for consulting (technical services etc.), Simco Petroleum Ltd	USD	122	120	1,056	1,020
Remuneration for consulting (technical services), ESI Angola Ltd.	AOA	519,732	458,842	18,605	23,501
Remuneration for consulting assignments (management services), Betco Trading Services International	USD	336	83	2,920	707
Total				**22,690**	**25,370**

29 PARTICIPATIONS IN GROUP COMPANIES

Parent Company, all amounts in SEK thousand	31/12/2018	31/12/2017
Opening cost of acquisition	1,384,483	20,704
Shareholder contribution Crown Energy Iraq AB	1,300	500
Acquisition ESI Group S.A. (adjustment of cost of acquisition)	15	1,363,279
Closing carrying amount	**1,385,798**	**1,384,483**

Following is a breakdown of the Parent Company's subsidiaries:

	Corporate identity number	Principle place of business	Share of equity	No. of shares	Carrying amount, all amounts in SEK thousand	
					31/12/2018	31/12/2017
Crown Energy Ventures Corporation	79456	British Virgin Islands	100%	100	500	500
Crown Energy Iraq AB	556673-5329	Stockholm	100%	100	22,004	20,704
ESI Group S.A.	B-179346	Luxembourg	100%	50,000	1,363,294	1,363,279
Closing carrying amount					**1,385,798**	**1,384,483**
Indirectly owned Group companies:						
Amicoh Resources Ltd	667642	British Virgin Islands				
Simbo Petroleum No.2 Ltd	8542642	UK				
YBE Imobiliaria Lda.	2079-17	Angola				
ESI East Africa Ltd.	129923	Mauritius				

30 PLEDGED ASSETS AND CONTINGENT LIABILITIES (PARENT COMPANY)

Contingent liabilities refer to the additional consideration for Simbo Petroleum No.2 Ltd and the Group has recognised it at the maximum amount that may be paid at the time of settlement. For more information on the additional consideration, see Note 5 Critical accounting estimates and judgements. No changes to the estimate of the contingent liability have been made since the previous financial year. Following is a summary of pledged assets and contingent liabilities:

Group, all amounts in SEK thousand	31/12/2018	31/12/2017
Pledged assets	–	–
Contingent liabilities:		
Additional consideration Block 2B	102,813	102,813
Total pledged assets and contingent liabilities	**102,813**	**102,813**

Parent Company, all amounts in SEK thousand	31/12/2018	31/12/2017
Pledged assets	–	–
Contingent liabilities	–	–
Total pledged assets and contingent liabilities	**–**	**–**

31 ACQUISITION OF ESI GROUP SA

On 30 June 2017, the Parent Company acquired all shares in ESI Group SA (ESI Group). The sale entailed that the seller of the business, YBE Ventures Ltd, would receive newly issued shares in the Parent Company. Since the acquired company's (ESI Group) previous owner acquired a controlling interest in the new Group, the transaction was recognised as a reverse acquisition in accordance with the rules stipulated in IFRS 3 Business Combinations. The reverse acquisition impacted equity with a net effect of SEK 356,307 thousand, and a transaction expense was recognised in profit or loss of SEK -174,586 thousand, which represented a premium for the marketplace.

For more information and details about the reverse acquisition and the effect it had on comparative figures prior to 30 June 2017, see Note 29 in Crown Energy's 2017 Annual Report.

32 CORRECTION OF ERRORS IN ACCOUNTING OF LEASES

During the fourth quarter of 2018, it was noted that IAS 40 was misinterpreted as regards the accounting of leases. The fair value of an investment property held through a lease reflects expected cash flows. This means that if a valuation includes the payments that are expected to be paid, any recognised liabilities must be reversed so that they are not double-counted in the accounts. The Group's valuation of properties includes these payments. Due to the misinterpretation, the carrying amount of investment properties corresponded to fair value without adjustment for the lease liability, which was also recognised under liabilities on the balance sheet. 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 occurred at 1 January 2016.

The misinterpretation occurred as a result of an incorrect Swedish translation of IAS 40 in FAR's IFRS volume. The incorrect translation involves the treatment of fair value of a rented investment property and results in a specific point (in IAS 40) being possible to interpret as the exact opposite of what the English original says.

The error was corrected by recalculating all affected items retrospectively.

Consolidated balance sheet (excerpt), all amounts in SEK thousand	31/12/2017	Correction	31/12/2017 After correction
Investment property	618,344	102,253	720,597
Total assets	**968,389**	**102,253**	**1,070,642**
Reserves (exchange rate effects)	-32,753	-19,023	-51,776
Retained earnings	78,812	125,294	204,106
Net profit/loss for the period	-63,257	-4,018	-67,275
Total equity	**772,110**	**102,253**	**874,363**

The total finance lease liability at 31 December 2017 amounted to SEK 102,253 thousand.

Consolidated balance sheet (excerpt), all amounts in SEK thousand	01/01/2017	Correction	01/01/2017 After correction
Investment property	631,108	117,324	748,433
Net assets	**672,996**	**117,324**	**790,320**
Reserves (exchange rate effects)	26,439	-7,970	18,469
Net profit/loss for the period	32,803	125,294	158,097
Total equity	**462,589**	**117,324**	**579,913**

The total finance lease liability at 1 January 2017 amounted to SEK 117,324 thousand.

Consolidated income statement (excerpt), all amounts in SEK thousand	01/01/2017	Correction	01/01/2017 After correction
Changes in value:			
Property, unrealised	39,255	-4,016*	*35,239
Earnings before tax	-63,602	-4,018*	-67,619
Net profit/loss for the period	**-63,257**	**-4,018***	**-67,275**

All quarters and interim periods for 2016–2018 have been restated. Correction of errors for these periods can be found in Appendix 1 to the 2018 year-end report.

The Group has chosen to convert the key ratios that were affected for all comparative periods since 1 January 2016.

33 EFFECTS OF CHANGED ACCOUNTING POLICIES AS OF 1 JANUARY 2018

As of January 1, 2018, the Group applies IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement. The transition to IFRS 9 has not affected how the Group's financial instruments are measured, however how they are classified. The re-classification of financial instruments at the transition to IFRS is presented in the table below.

Group, all amounts in SEK thousand	Closing balance 31 December 2018 in accordance wih IAS 39			Opening balance 1 Jan 2018 in accordance with IFRS 9		
Valuation category	Financial assets measured at fair value via income statement	Loans receivable and trade receivables	Financial assets available for sale	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income
ASSETS						
Trade receivables	–	29,415	–	–	29,415	–
Other receivables	–	28,489	–	–	28,489	–
Cash and cash equivalents	–	102,183	–	–	102,183	–
Total assets	**–**	**160,087**	**–**	**–**	**160,087**	**–**

Group, all amounts in SEK thousand	Closing balance 31 December 2018 in accordance wih IAS 39		Opening balance 1 Jan 2018 in accordance with IFRS 9	
Valuation category	Financial liabilities measured at fair value via the income statement	Other financial liabilities	Fair value through profit or loss	Amortised cost
LIABILITIES				
Lase liabilities[1)]	–	102,253	–	102,253
Accounts payable	–	5,597	–	5,597
Other current liabilities	–	3,501	–	3,501
Other provisions	3,361	–	3,361	–
Total liabilities	**3,361**	**111,351**	**3,361**	**111,351**

1) In the 2017 annual report, lease liabilities were incorrectly within the valuation category "Financial liabilities measured at fair value via the income statement". Leasing liabilities in 2017 were not measured at fair value via the income statement, but at amortised cost.

34 EFFECTS OF CHANGED ACCOUNTING POLICIES AS OF 1 JANUARY 2019

As from 1 January 2019, IFRS 16 is applied to the accounting of leases. The change from IAS 17 to IFRS 16 has not had impact on the Group's accounting for use-of-right-assets regarding buildings and land (investment property). However, the change impacts the Group's property, plant, and equipment and interest-bearing liabilities as concerns the Parent Company's lease for the head office in Stockholm. The effects are presented as of 1 January 2019 below.

Consolidated balance sheet (excerpt), all amounts in SEK thousand	Closing balance at 31 Dec 2018	Adjustment for IFRS 16	Opening balance at 1 Jan 2019
ASSETS			
Rights of use premises (intangible assets)	–	711	711
Deferred tax assets	–	9	9
Total property, plant, and equipment	**865,718**	**720**	**866,438**
Prepaid expenses and accrued income	4,066	-142	3,924
Total current assets	**114,727**	**-142**	**114,585**
Total assets	**980,446**	**579**	**981,025**
EQUITY AND LIABILITIES			
Accumulated earnings	88,526	-37	88,489
Total equity	**811,899**	**-37**	**811,862**
Lease liability (non-current)	176	–	176
Total non-current liabilities	**88,855**	**–**	**88,855**
Lease liability (current)	49,194	616	49,810
Total current liabilities	**79,692**	**616**	**80,308**
Total equity and liabilities	**980,446**	**579**	**981,025**

35 EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events have occurred after the end of the reporting period.

36 KEY RATIOS

All amounts in SEK thousand unless otherwise stated	01/01/2018 31/12/2018 Full year	01/01/2017 31/12/2017 Full year	01/01/2016 31/12/2016 Full year
EARNINGS			
Rental and service revenues	76,633	110,483	150,161
Other operating income	214	811	-
Operating profit/loss	22,075	-105,254	99,191
Operating profit/loss before items affecting comparability	22,075	69,332	99,191
Net profit/loss for the period, after tax	186,909	-67,275	158,097
PROPERTY-RELATED KEY RATIOS			
Rental revenues	53,349	67,160	99,332
Service revenues	23,284	43,323	50,829
Property-related expenses	-23,883	-21,089	-39,436
Operating net	52,750	89,394	110,725
Operating surplus, property portfolio, %	69%	81%	74%
Revenue backlog	51,222	**	**
Rent backlog	32,646	**	**
Contracted annual rental and service revenues	78,865	**	**
Contracted annual rental revenues	60,374	**	**
Area occupancy rate, %	55%	73%	87%
Economic occupancy rate, %	44%	**	**
WAULT rent and service, months	6.7%	14.3%	**
Market value of portfolio	603,703	618,344	631,108
Leasable area, thousands of square meters*	31.7	40.1	30.2
Number of properties at end of period	16.00	16.00	19.00
FINANCIAL KEY RATIOS			
Return on equity (ROE), %	22%	neg.	7%
Return on assets (ROA), %	18%	neg.	5%
EBITDA	22,348	-105,212	99,191
Adjusted EBITDA	22,348	69,374	99,191
EBITDA margin, %	19%	neg.	66%
Adjusted EBITDA margin, %	19%	62%	66%
Equity/assets ratio, %	83%	82%	72%
Total assets	980,446	1,070,642	790,320
Equity	811,900	874,363	579,913
Average equity	843,132	727,138	499,339
Average assets	1,025,544	930,481	678,763
RATIOS PER SHARE			
Basic and diluted shares outstanding, thousand	477,315	477,315	353,268
Average number of basic and diluted shares, thousand	477,315	401,297	353,268
Basic and diluted earnings per share, SEK	0.39	-0.17	0.09
Equity per share, SEK	1.70	1.83	1.64
EMPLOYEES			
Average number of employees	16.8	15.5	15.0

*Leasable area does not include investment properties under construction. Therefore, until 30 June 2017, the C-view property's appr. 13,000 square metres is not included.
**The remaining contract term was not calculated for 2016 because the time required and cost of producing the information was not reasonable.

The Board and CEO ensure that the consolidated accounts were prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and earnings. The Annual Report was prepared using generally accepted accounting practices and provides a true and fair view of the Parent Company's financial position and earnings. The Directors' Report for the Group and Parent Company provides a true and fair summary of the performance of Group and Parent Company operations, along with their financial positions and earnings, and describes significant risks and uncertainties faced by the Parent Company and Group companies.

Earnings from Group and Parent Company operations and their financial positions at the
end of the financial year are indicated in the income statements, balance sheets, cash flow statements and related notes.

Balance sheets and income statements will be up for approval at the AGM to be held on 14 May 2019.

Stockholm, 12 April 2019

Pierre-Emmanuel Weil
Chairman of the Board

Alan Simonian
Board member

Jean Benaim
Board member

Yoav Ben-Eli
Board member

Andreas Forssell
CEO

Our audit report was submitted on 12 April 2019
Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Crown Energy AB (publ), corporate identity number 556804-8598

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Crown Energy AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 31-84 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The Swedish operations include Crown Energy AB and four subsidiaries located in Sweden and Great Britain. The companies are managed, administrated and supervised by the head office in Stockholm, Sweden. The subsidiaries operate only as the legal owner of the oil and exploration rights. We have, therefore, focused our audit on the operations conducted by the Parent Company taking into consideration the company's control environment, existing business processes and the Group management's monitoring of controls.

The operations in Angola consist of one company owning, leasing-in and leasing-out apartments and offices to other legal entities in Angola. The Angolan operations is owned through a holding company in Luxembourg. We have visited the business in Angola during 2018.

We have audited the annual financial statements for Crown Group, including the Parent Company, consolidation and the subsidiaries. We also conducted a limited review of the interim report as of September 30 and performed an assessment of the key controls over financial reporting based on the size of the company's operations and organization. The Group audit team has also performed statutory audit procedures in Sweden for all Swedish subsidiaries. The statutory audit of the subsidiary in the UK are carried out by local auditors. The operations in Angola have been audited by local audit team based on group instructions from the Group audit team. The units covered by the audit of the Group procedures represent 100 per cent of the Group's assets, revenues, costs and results.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of exploration and evaluation assets We refer to note 2.14 Exploration and evaluation assets, note 5 Critical estimates and assessments for accounting purposes and note 17 Exploration and evaluation assets. The consolidated balance sheet include valuation and exploration assets in the amount of SEK 204.2 million. The assets comprise almost 20% of the consolidated balance sheet. Reported assets refer to four different regions and include both contingent and prospective assets. Crown Energy´ s valuation of exploration and evaluation assets is based on the so-called Competent Person Report (CPR) regarding Crown Energy´ s assets. The most recent available report is dated 28 September 2017, and covers all assets. The report has been prepared by Dunmore Consulting and is based on earlier reports from 2016 and updated data provided by Experts from Crown Energy Group, ERC Equipoise and Netherland, and Sewell & Associates, Inc. (NSAI). The CPR reports and the company's assessment show that the valuation of the company's oil and gas assets is unchanged compared with the valuation in corresponding reports from Dunmore Consulting from July 2016. During 2018, the company assessed whether there has been an indication of impairment of the assets in any of the regions. The company's assessment has not indicated a need for an impairment charge on the exploration and evaluation assets in any of the regions.	In our audit, we have undertaken procedures to verify that the assessment performed by Crown Energy in testing to determine any impairment requirements has been executed on the basis of generally accepted valuation methods, is mathematically correct and is based on reasonable assumptions as regards, amongst other things, future cash flows and discount rates. Our audit procedures have included a review of the company's forecasts and assumptions regarding oil prices and exploration costs. We have verified that the assumptions used in the projection of future cash flows are consistent with the information provided in the CPR report from September 2017. We also evaluated the company's analysis of the sensitivity of the valuation to changes in key parameters, which could result in an impairment requirement.
Valuation investment properties We refer to Crown Energy's discussion on valuation of investment properties in the Directors report, in note 2.11 Investment properties and in note 14 Investment properties. The fair value of investment properties per 31 December 2017 amounted to SEK 618 million. Investment properties comprise a significant item of the balance sheet. Valuation of investment properties is also subject to management judgements and estimates including properties location, condition and future cash flow from rental income. All investment properties have been valued by external valuation experts during 2018. When determining the fair value of the property, the valuation experts take into consideration the latest available information about the specific property, such as the current rental agreements, rental income and operating costs. In order to obtain the final valuation, the valuation experts use assumptions and make assessments of future cash flows, operating results and estimated market rent, as well as assumptions about yield requirements and comparable market transactions. The significance of the estimates and assessments used determining the fair value of the properties, together with the fact that the amounts are significant, makes the valuation of investment properties a key audit matter in the audit.	The audit team, including our valuation experts in Sweden, has reviewed the valuation reports for all properties and that the method used in the valuation is in accordance with accepted valuation methods. Furthermore, we have tested and challenged the management data and assumptions in the valuation model. Those procedures aimed to ensure that the information used in the external valuations is correct, complete and verifiable. We have held meetings with those responsible for the valuation and discussed the significant assumptions and assessments made. Our work has included all the investment properties in the portfolio. We have assessed the reasonableness of the yield requirements used by the external valuation experts and compared these with estimated range of yield requirements and other benchmarks and available market data for Angola. The valuations are based on judgments and are subject to inherent uncertainty. Based on our audit, we have assessed the assumptions used by Crown Energy Group to be within a reasonable range.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-26. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´ s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Crown Energy AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´ s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed as auditor of Crown Energy AB (publ) by the general meeting of the shareholders on May 17 May, 2018 and has been the company's auditor since August 27, 2010.

Stockholm 12 April 2019

Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorized Public Accountant

GLOSSARY AND KEY RATIO DEFINITIONS

ALTERNATIVE PERFORMANCE MEASURES

The Company applies the European Securities and Markets Authority's (ESMA) guidelines on alternative performance measures. The alternative key financial performance indicators are defined as financial measures of historical or future earnings trends, financial position, financial performance or cash flows that are not defined or specified in the applicable regulations for financial reporting, IFRS and the Annual Accounts Act. These measures should not be regarded as a substitute for measures defined in accordance with IFRS.

If an alternative performance measure cannot be identified directly from the financial statements, a reconciliation is required.

All indicators are alternative unless stated otherwise.

DEFINITIONS OF KEY RATIOS

Financial key ratios

Total assets
Total assets at the end of the period. Total assets is a measure of the value of assets at the end of the period.

Return on equity (ROE)
The amount of net income returned as a percentage of shareholders' equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Return on assets (ROA)
This ratio measures profitability relative to total assets. Return on assets is used to highlight a company's ability to generate profit on the group's assets, unaffected by the group's financing.

EBITDA
Earnings before interest, taxes, depreciation and amortisation. EBITDA is used to measure earnings from operating activities, independently of depreciation, amortisation and impairment losses.

Adjusted EBITDA
Earnings before financial items, tax, depreciation/amortisation and impairment, adjusted for effects of reverse acquisition. EBITDA is used to measure earnings from operating activities, independently of depreciation, amortisation and impairment losses.

EBITDA margin
Measurement of a company's operating profitability as a percentage of its total revenue. The EBITDA margin is used to compare EBITDA in relation to revenue.

Equity
Equity at end of period.

Average equity
Calculated as opening balance equity + closing balance equity divided by two. Used to calculate return on equity.

Average capital
Calculated as opening capital employed + closing capital employed divided by two. Used to calculate return on equity.

Average assets
Calculated as opening balance assets + closing balance assets divided by two. Used to calculate return on capital employed.

Operating profit/loss excl. effect of reverse acquisition
Earnings before financial income and expenses and taxes, adjusted for the effect of the reverse acquisition. Used to measure operating profitability.

Operating profit/loss incl. effect of reverse acquisition
Earnings before financial income and expenses and taxes. Used to measure operating profitability.

Equity/assets ratio
Equity including the minority as a percentage of total assets. Used to highlight the Company's interest rate sensitivity and financial stability.

Ratios per share

*Total number of shares outstanding**
Number of shares outstanding at end of period.

*Weighted average number of shares**
Weighted number of shares outstanding during the year.

Equity per share, SEK
Equity at end of period divided by number of shares at end of period. Used to highlight the shareholders' portion of the company's total assets per share.

*Earnings per share, SEK**
Earnings after tax divided by average number of shares for the period. Used to show the shareholders' share of the Group's earnings per share.

Employees
*Average number of employees***
Average number of employees during the period.

PROPERTY-RELATED DEFINITIONS AND GLOSSARY

Economic occupancy rate**
Calculated by dividing contracted annual rental revenue in relation to the rental value. This figure is used to help facilitate the assessment of rental revenue in relation to the total value of available, unleased area. Note that this calculation does not include service revenues.

Relates to contracted annual rent plus assessed market rent for vacant premises.

Operating net
Total revenue less property costs.

Rental revenue*
Billed rents, rent surcharges and rental guarantees less rent discounts.

Rent backlog**
Outstanding rental revenues during remaining contract period. Rent backlog is used to highlight the Group's remaining contract value for rental revenues to be invoiced to the tenant, at a given point in time. Cannot be derived from the Company's financial reporting.

Revenue backlog**
Outstanding rental and service revenues during remaining contract period. Revenue backlog is used to highlight the Group's total remaining contract value to be invoiced to the tenant, at a given point in time. Cannot be derived from the Company's financial reporting.

Service revenue*
Service in accordance with client contract. Service may, depending on how the contract is designed, include everything from operating costs to internet and catering costs.

Weighted average unexpired lease term (WAULT)**
Used to illustrate the average lease term until expiry for the entire property portfolio, weighted after total contractually agreed rental and service revenues. Calculated by dividing contracted revenue (rent and service) until expiry by annual contracted rents and service. Normally expressed in years, but Crown Energy uses months.

Area occupancy rate**
Leased area in relation to total leasable area at the end of the period.

Leasable area, sqm**
Leased area plus leasable vacant area.

Surplus ratio**
Operating net divided by total revenue.

CONCEPTS AND MEASUREMENTS RELATED TO THE OIL INDUSTRY

Block/Concession/Licence
A country's exploration and production areas are divided into different geographical blocks. Agreements are entered with the host country that grant the company the right to explore and produce oil and gas within the specified area in exchange for the company paying a licence fee and royalties on production.

Farm-in
Farm-in means that a company reaches an agreement with another company concerning the financing of part or all of the other company's project in return for a participating interest in the project.

Farm-out
Farm-out means that a company reaches an agreement with a partner that bears the cost of part or all of a project in return for a participating interest in the project.

MBOE/MMBOE
Thousand barrels of oil equivalents/Million barrels of oil equivalents.

Onshore
Refers to operations on land.

Offshore
Refers to operations at sea.

Operator
A company that has the right to explore for oil in an area and to pursue production at an oil discovery. Small operators often let other companies buy working interests in their rights to reduce the risk and share costs.

Prospect
A geographical exploration area in which commercial quantities of oil or gas have been found.

Exploration
Identification and investigation of areas that may contain oil or natural gas reserves.

Reserves and resources
Oil assets are divided into reserves and resources. The difference is in how far the oil company has come in working on the licence, if the discoveries are of a commercial nature, etc. In short, resources are considered reserves when they are deemed commercially recoverable and a development plan has been approved by the local licensing authority. Reserves are divided into proven, probable and possible. Resources are divided into contingent and prospective categories. Crown Energy calculates reserves and resources in accordance with the Society of Petroleum Engineers Petroleum Resources Management System of 2007.

Reservoirs
Accumulated oil or gas in a porous type of rock with good porosity, such as sandstone or limestone.

Seismic data
Seismic surveys are conducted to describe geological structures in the bedrock. Sound signals (blasts) are sent from the surface of the ground or the sea and the reflections are captured by special measuring instruments. Used to localise hydrocarbons.

*Measure defined by IFRS/IAS.
**Measure not covered by ESMA's guidelines for alternative performance measures (physical, non-financial or not based on information from the financial reports).

Crown Energy

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