

## Fourth quarter and year-end report – 31 December 2019

### Fourth quarter 2019 (third quarter 2019)

- Record Production from Blocks 3&4, Oman, at 13,475 bopd (13,053 bopd)
- Record Reserves at year-end 2019 (see below)
- Revenue and other income of MUSD 36.2 (MUSD 40.7)
- EBITDA of MUSD 21.3 (MUSD 26.6)
- Net result of MUSD -0.3 (MUSD 14.9)
- Earnings per share amounted to USD -0.01 (USD 0.44)
- Exploration cost of MUSD 8.0 (MUSD 0.0)
- Blocks 3&4: Net entitlement 48 percent (52 percent) following the full recovery of the historic cost pool in the third quarter
- Blocks 3&4: Two exploration wells drilled and tested
- Block 56: Testing of three exploration wells ongoing
- Block 49: Preparations for exploration well proceeding

### Reserves and Contingent Resources

- 2P internal reserve replacement ratio of 116 percent
- Year-end 2019 2P Reserves of 26,112 mbo and 2C Contingent Resources of 13,458 mbo

### Dividend & Distribution

- The board of directors proposes an ordinary dividend of SEK 2.00 per share (2019: SEK 2.00), to be paid in two instalments of SEK 1.00 per share each in May and November 2020
- The board of directors proposes an extraordinary distribution of SEK 6.00 by way of a mandatory share redemption programme following the 2020 AGM (2019: SEK 6.00)

MUSD (unless specifically stated)	Fourth quarter 2019	Third quarter 2019	Fourth quarter 2018	Full year 2019	Full year 2018
Net daily production from Oman, Blocks 3&4 before government take (bbl)	13,475	13,053	11,898	12,832	11,767
Net barrels produced, after government take (bbl)	592,164	624,433	569,177	2,383,086	2,233,323
Net barrels sold, after government take (bbl)	449,073	635,947	542,596	2,259,849	2,163,148
Average selling price per barrel, USD	61.4	65.4	77.9	64.2	70.5
Revenue and other income	36.2	40.7	44.4	150.8	157.3
EBITDA	21.3	26.6	30.8	92.9	106.6
Operating result	0.7	14.5	19.1	37.1	60.7
Net Result	-0.3	14.9	19.9	38.3	62.2
Earnings per share (after dilution), USD	-0.01	0.44	0.58	1.12	1.82
Net cash	75.1	71.9	73.1	75.1	73.1
Investments in oil and gas properties	26.2	14.5	16.2	65.2	55.8

### ***Tethys Oil AB (publ)***

*Tethys Oil is a Swedish oil company with focus on onshore areas with known oil discoveries. The company's core area is the Sultanate of Oman, where it holds interests in Blocks 3&4, Block 49 and Block 56. Tethys Oil has net working interest 2P reserves of 26.1 mmbo and net working interest 2C Contingent Resources of 13.5 mmbo and had an average oil production of 12,832 barrels per day from Blocks 3&4 during 2019. The company's shares are listed on Nasdaq Stockholm (TETY). Website: [www.tethysoil.com](http://www.tethysoil.com)*

## Letter to shareholders

### Dear Friends and Investors,

To start, we would like to offer our sincere condolences to the people of our host country Oman for the loss of Sultan Qaboos bin Said, peace be upon his soul. Sultan Qaboos passed away on the 10th of January after having governed for 50 years, an era of immense progress for Oman. He will be greatly missed. He has been succeeded by his cousin Sultan Haitham bin Tarik, whom we wish every success in continuing to lead Oman on the path towards happiness and prosperity.

Looking at Tethys Oil's operation and our progress in 2019 it is a delight to report the operational numbers for the fourth quarter and the full year 2019. We have produced more oil than ever before, on average 12,832 bopd which is nine percent higher than in 2018. In the fourth quarter, we produced even more and reached an all-time high of 13,475 bopd. Our strong cash generation continued in 2019 and we ended the year with net cash of MUS\$ 75.1. And reflecting the strong operational and financial position of Tethys Oil, the board of directors is repeating last year's proposal of a distribution to shareholders of SEK 8.00 per share through dividend and extraordinary distribution.

We are also delighted to report our highest reserve numbers ever, and an increase in 2P reserves for the eighth consecutive year. At the end of 2019, 2P reserves stood at 26.1 million barrels, with the 2P reserves replacement ratio reaching 116 percent. Our main asset, Blocks 3&4 continues to deliver solid results!

Financially, the higher production was offset by a decrease in oil prices by nine percent. Despite that, for 2019 we report revenues and other income of MUS\$ 150.8 almost in line with 2018. Our EBITDA for the year amounted to MUS\$ 92.9, the second highest we have ever had. Our revenues and EBITDA dropped in the fourth quarter, mainly as a result of lower oil prices, higher operational expenditures and slightly lower entitlement.

The record production in the second half of 2019 has resulted in Tethys Oil reaching the point where all historic capital investment has been recouped, resulting in our net entitlement from the oil production reducing to 48 percent in the fourth quarter. This drop in entitlement marks perhaps the second most important milestone of any upstream oil and gas development; the first milestone being the selling of the first barrel of oil. From the first geological study through early speculative seismic and the first tentative exploration well, the early production system, the building of pipelines and facilities until the establishment of a permanent commercial production stream – all the costs for those investments have now been recovered, this is further evidence of the project's quality and profitability. Future investments, depending on production and oil prices levels, can now be recovered faster and any cost cutting will go straight to the bottom line.

The outlook for 2020 remains strong with continued high production levels in the range of 12,600 to 13,400 bopd expected from Blocks 3&4 as well as increased exploration activities on the Blocks. Following the somewhat disappointing exploration drilling results in 2019, with unsuccessful flow tests from three wells in the fourth quarter, a full rig year will be dedicated in 2020 to drilling exploration and appraisal wells. The seismic acquired in 2019 is being interpreted and new seismic is being collected so that by the end of 2020 we expect more than 80 percent of the most prospective areas of Blocks 3&4 will be covered by high resolution 3D seismic.

Considerable efforts to further upgrade infrastructure and optimise production capabilities will continue in 2020. The implementation of a pilot 'gas to electricity' project at the Shahd production facility is particularly notable. This project is a first step in planning and evaluating a comprehensive gas project that aims to lower flaring and cut diesel consumption used in power generation. It will be important in optimising fluid production, cutting operating costs, and perhaps most importantly, in reducing the 'carbon footprint' of Blocks 3&4.

For 2020 we expect investments on Blocks 3&4, Block 49 and Block 56 to amount to MUS\$ 64-71. We do also foresee operating expenses of USD 11.5 per barrel in 2020. The opex is somewhat higher than in fourth quarter 2019 and average for 2019, and is primarily related to a transition to a higher proportion of local staff and broadening of technical capabilities. Based on the envisaged production, investments, operating costs, and with an assumed oil price of USD 60 per barrel, we expect our 2020 production entitlement to be between 51-52 percent, albeit with quarterly variations. Any increase in oil price or production levels could result in costs being recovered more quickly and the entitlement volume dropping, but with a positive cash flow effect.

So, to summarise Block 3&4: It is now a fully repaid cash machine with remaining strong exploration potential to enable stable to growing production and continued reserves increase.

After more than 10 successful years on Blocks 3&4, we are happy to also look outside these Blocks to our 100 percent held exploration Block 49 and our newly acquired (though subject to final government approval) 20 percent interest in Blocks 56.

Block 49 is pure exploration, meaning it could create substantial value if hydrocarbons are found or it may turn into nothing. We have so far defined one drillable prospect, for which we are actively seeking a drilling rig. Drilling activity is, however, high in Oman, with a tight rig market, but we are working as hard as we can to secure a rig. And while we wait for a rig, geological and geophysical work continues on Block 49 and we hope to define further prospects for future work irrespective of the outcome of our first well.

In Block 56 the operator is busy carrying out the planned work programme of testing a number of previously drilled wells. We hope to be able to return to the result of the well testing, and what the future plans for this potentially very prolific block will be in a near future.

So, stay with us – I hope it's clear why!

Stockholm, 11 February 2020

Magnus Nordin  
Managing Director

## Operational and Financial Review<sup>1</sup>

Tethys Oil's ("the Company") core area is onshore the Sultanate of Oman ("Oman"), where the Company holds a 30 percent non-operated interest in the exploration and production licence for Blocks 3&4 ("Blocks 3&4"), a 20 percent non-operated interest in the exploration licence for Block 56 ("Block 56")<sup>2</sup> and a 100 percent operated interest in the exploration licence for Block 49 ("Block 49"). Tethys Oil also has non-operated interests onshore Lithuania via an associated company and in one licence onshore France.

### Reserves and Contingent Resources

#### *Oman, Blocks 3&4*

Tethys Oil's net working interest Reserves in Blocks 3&4, Oman as per 31 December 2019 amount to 17,336 thousand barrels of oil ("mbo") of proven Reserves (1P), 26,112 mbo of proven and probable Reserves (2P) and 36,919 mbo of proven, probable and possible Reserves (3P). The Company's 2019 and 2018 year-end Reserves reports were audited by ERC Equipose Limited ("ERCE") as independent qualified Reserves evaluator.

<b>Development of Reserves, Blocks 3&amp;4 (audited)</b>			
mbo	1P	2P	3P
Total 31 December 2018	16,735	25,357	35,884
Production 2019	-4,684	-4,684	-4,684
Additions and revisions	5,285	5,439	5,719
<b>Total 31 December 2019</b>	<b>17,336</b>	<b>26,112</b>	<b>36,919</b>
Reserve replacement ratio, %	113	116	122

Additions and revisions include maturation of Contingent Resources to Reserves from the ongoing appraisal program of the Ulfa, Samha and Erfan fields as well as upside revisions of the Reserves on the Farha South and Shahd fields and a small amount of Reserves attributable to the Masarrah-1 exploration well drilled in 2019.

Based on ERCE's model and current oil price assumptions, Tethys Oil's net entitlement Reserves (Reserves after government take) amount to 8,444 mbo of 1P, 11,437 mbo of 2P and 12,719 mbo of 3P.

In addition to Reserves, Tethys Oil also announces net working interest Contingent Resources. The bulk of the estimated Contingent Resources are contained in Ulfa, Samha and Erfan fields. Development of the Contingent Resources in the discoveries is continued contingent upon the on-going appraisal programme, a committed work programme as well as budget to access these resources.

<b>Contingent Resources, Blocks 3&amp;4 (audited)</b>			
mbo	1C	2C	3C
<b>Total 31 December 2019</b>	<b>5,094</b>	<b>3,458</b>	<b>26,468</b>

The audit of the Reserves in Oman has been conducted using 2018 Petroleum Resources Management System (PRMS2018), sponsored by the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE).

<sup>1</sup> The consolidated financial statements of the Tethys Oil Group (hereafter referred to as "Tethys Oil", "Tethys" or the "Group"), in which group Tethys Oil AB (publ) (the "Company") with organisational number 556615-8266 is the parent company, are hereby presented for the fourth quarter 2019. Segments of the Group are geographical markets.

<sup>2</sup> The finalisation of the farm-in to Block 56 is subject to final government approval.

## Production

Tethys Oil's share of production during the fourth quarter 2019, before government take, was 1,239,673 barrels of oil, corresponding to 13,475 barrels of oil per day ("bopd"). Fourth quarter 2019 average daily production was three percent higher than the third quarter 2019, which averaged 13,053 bopd.

Tethys Oil's share of quarterly volumes, before government take	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
<b>Oman, Blocks 3&amp;4</b>					
Production before government take (bbls)	1,239,673	1,200,833	1,172,159	1,071,089	1,094,572
Average daily production (bopd)	13,475	13,053	12,881	11,901	11,898

## Production entitlement

Tethys Oil's revenue derives from its 30 percent interest in Blocks 3&4. The basis for the revenue is its share of the joint operation's entitlement production, which is the oil net of the government's take. The production entitlement ("Net Entitlement") is made up of Cost Oil and Profit Oil. The Cost Oil is determined by the availability of recoverable costs spent in the period and the balance of unrecovered historical cost ("the Cost Pool") and capped to a fixed share of total production in the period. What remains after the deduction of Cost Oil is Profit Oil, the majority of which is the government's take according to a fixed percentage.

During the third quarter 2019 the joint operation recovered the outstanding balance of historical costs in the Cost Pool. Thus, going forward the joint operation's Cost Oil, and by extension level of Net Entitlement, will be determined by the level of ongoing expenditure of operating and capital costs associated with Blocks 3&4, together with its fixed share of Profit Oil.

During the fourth quarter 2019 the value of recoverable costs incurred by Tethys Oil and its partners fell below the Cost Oil cap and hence the Net Entitlement amounted to 48 percent of total production compared to 52 percent in the third quarter 2019. Furthermore, a minor adjustment carried over from the third quarter had a negative impact on fourth quarter entitlement. On a full year basis net entitlement was 51 percent in 2019 (2018: 52 percent).

Full year entitlement for 2020, on the basis of expected operating and capital expenditure, expected production range, and an oil price assumption of USD 60 per barrel is anticipated to be between 51-52 percent. The exact share of entitlement will vary from quarter to quarter.

## Revenue and other income

Tethys Oil's Revenue and other income is comprised of revenue from oil sold in the period and an overlift/underlift adjustment.

Revenue and other income	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Oil sold, bbl	449,073	635,947	561,077	613,752	542,596
Underlift/overlift movement, bbl	143,091	-11,514	48,446	-56,785	26,581
<b>Entitlement barrels produced, bbl</b>	<b>592,164</b>	<b>624,433</b>	<b>609,523</b>	<b>556,967</b>	<b>569,177</b>
Oil price, USD/bbl	61.4	65.4	67.8	61.6	77.9
Revenue, MUSD	27.6	41.6	38.1	37.8	42.2
Underlift/overlift adjustments, MUSD	8.6	-0.9	3.2	-4.1	2.2
Overlift adjustment Export Reporting Error	-	-	-	-1.0	-
<b>Revenue and other income, MUSD</b>	<b>36.2</b>	<b>40.7</b>	<b>41.3</b>	<b>32.7</b>	<b>44.4</b>

During the fourth quarter 2019, Tethys Oil sold 449,073 barrels of oil from Blocks 3&4 compared to the third quarter 2019 when 635,947 barrels of oil were sold. Part of the December lifting, 180,351 barrels, was completed in early January 2020 resulting in lower sales volumes recorded in the fourth quarter 2019 with a corresponding increased underlift position.

Underlift/overlift, bbls	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Underlift/overlift, movement during period	143,091	-11,514	48,446	-56,785	26,581
Underlift/(overlift), closing position	157,321	14,230	25,744	-22,702	34,083

Oil sale volumes are nominated two months in advance and are not based upon the actual production in a month; as a result, the Company's oil sales volumes can be above or below production entitlement volumes. Where the oil sales volume exceeds the volume of entitlement barrels produced, an overlift position occurs and where it is less, an underlift position occurs. Underlift/overlift positions are taken into account for future oil sales nominations, aiming at balancing the position. Tethys Oil increased its underlift position during the fourth quarter 2019, which as at 31 December 2019 amounted to 157,321 barrels, mainly due to a considerable portion of nominated December sales carrying over into 2020.

Tethys Oil sells all of its oil from Blocks 3&4 on a monthly basis to Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. Tethys Oil's average selling price is based on the monthly average price of the two-month future contract of Oman blend as traded on the Dubai Mercantile Exchange, including trading and quality adjustments.

The average selling price during the fourth quarter 2019 amounted to USD 61.4 per barrel, down USD 4.0 from USD 65.4 during the third quarter 2019.

Revenue in the fourth quarter 2019 was MUS\$ 27.6 compared to MUS\$ 41.6 in the third quarter 2019. The adjustment for the increased underlift position in the fourth quarter 2019 amounted to MUS\$ 8.6. Revenue and other income in the fourth quarter 2019 amounted to MUS\$ 36.2 compared to MUS\$ 40.7 in the third quarter 2019. The decrease is primarily due to the lower production entitlement.

### Operating expenses

Operating expenses	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Production costs, MUS\$	12.3	11.0	11.0	12.8	11.3
Well workovers, MUS\$	0.9	1.1	1.0	1.4	0.9
<b>Total operating expenses, MUS\$</b>	<b>13.2</b>	<b>12.1</b>	<b>12.0</b>	<b>14.2</b>	<b>12.2</b>
Operating expenses per barrel, USD	10.7	10.1	10.2	13.3	11.1

Production costs relate to oil production on Blocks 3&4, and comprise expenses for throughput fees, energy, consumables, equipment rental, field staff and maintenance, as well as administration, including operator overhead.

Operating expenses, including costs for well workovers and interventions, for the fourth quarter 2019 amounted to MUS\$ 13.2 and were higher than the third quarter 2019 when operating expenditure amounted to MUS\$ 12.1. The increased cost is a result of increased maintenance and third-party services in the quarter.

### Netback

Netback, USD per barrel	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Oil price achieved (sales barrels)	61.4	65.4	67.8	61.6	77.9
Net revenue (after government take)	29.3	34.0	35.2	32.1	40.5
Operating expenses	10.7	10.1	10.2	13.3	11.1
<b>Netback</b>	<b>18.6</b>	<b>23.9</b>	<b>25.0</b>	<b>18.8</b>	<b>29.4</b>

Netback per barrel decreased in the fourth quarter 2019 compared to the third quarter 2019 mainly due to the lower net entitlement and lower oil price achieved.

### Depletion, depreciation and amortisation

DD&A	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
DD&A, MUS\$	12.6	12.2	11.4	11.5	11.7
DD&A per barrel, USD	10.1	10.1	9.7	10.8	10.7

Depletion, depreciation and amortisation ("DD&A") during the fourth quarter 2019 amounted to MUS\$ 12.6, compared to MUS\$ 12.2 in the third quarter 2019 due to higher production.



### Exploration Costs

Exploration costs amounting to MUSD 8.0 (MUSD -) were recorded in the income statement for the fourth quarter 2019 and are related to the cost of the Luja-1, Yamin-1, Yusr-1, Maather-1 and Mahamid-1 exploration wells which following drilling and testing were all deemed uneconomic. Exploration and appraisal costs are capitalised as they are incurred and subject to regular review. Dry or uneconomic wells are expensed when the recoverability of the costs is deemed highly unlikely.

### Administrative expenses

Administrative expenses for the fourth quarter 2019 amounted to MUSD 1.7 compared to MUSD 1.9 during the third quarter 2019. Administrative expenses mainly relate to staff, rents, listing costs and external services.

### Net financial result

The net financial result during the fourth quarter 2019 amounted to MUSD -1.0 compared to MUSD 0.4 during the third quarter 2019. The net financial result for the fourth quarter 2019 is primarily related to currency exchange effects. Currency exchange differences recorded on loans between the parent company and subsidiaries are non-cash related items.

### Tax

Tethys Oil's oil and gas operations in Oman are governed by an Exploration and Production Sharing Agreement for each licence ("EPSA") whereby Tethys Oil receives its share of oil after government take. Under the terms of each EPSA, Tethys Oil is subject to Omani income taxes and royalties, which are paid in full, on behalf of Tethys Oil, from the government share of oil. The effect of these taxes is netted against revenue and other income in the income statement.

### Result

Tethys Oil reports a net result after tax for the fourth quarter 2019 of MUSD -0.3, representing earnings per share (after dilution) of USD -0.01. The result for the fourth quarter 2019 has decreased compared to the third quarter 2019 when the net result amounted to MUSD 14.9, with earnings per share (after dilution) of USD 0.44. The main reason for the decreased result in the fourth quarter is lower oil prices achieved, exploration costs written off and a lower net production entitlement.

### Investments and work programme

During the fourth quarter 2019, total investments in oil and gas properties amounted to MUSD 26.2 compared to MUSD 14.5 in third quarter 2019. Of this MUSD 16.0 related to Blocks 3&4, MUSD 1.6 to Block 49 and MUSD 8.6 to Block 56.

#### *Blocks 3&4, Oman*

Investments Blocks 3&4, MUSD	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Drilling	6.0	6.3	6.6	6.1	6.6
G&G	4.0	3.6	1.3	1.2	1.7
Facilities	6.0	4.3	4.6	4.0	3.3
<b>Total investments Blocks 3&amp;4</b>	<b>16.0</b>	<b>14.2</b>	<b>12.5</b>	<b>11.3</b>	<b>11.6</b>

Investments on Blocks 3&4 during the fourth quarter 2019 were higher than during the third quarter 2019 due to increase in acquiring additional 3D seismic data and increased facilities investments.

### Operations

Tethys Oil holds interests in three license areas covering four Blocks onshore Oman. The majority of investments and all income relate to the Blocks 3&4 exploration and production licence, where the Company holds a 30% non-operated interest. Tethys Oil holds 100% interest and is operator of exploration license Block 49 and a 20% non-operated interest in the newly acquired exploration license Block 56 (subject to final government approval).

Blocks 3&4 operations for the fourth quarter 2019 have continued advancing the main objectives of the 2019 work programme and focused on production enhancement from all fields, optimisation of the Ulfa field production facilities ("Ulfa EPF"), maturation of contingent resources, and continued exploration activities. On Block 49

preparations are well underway for the drilling of Tethys Oil's first exploration well on the block. Block 56 operations are focused on evaluation of exploration wells and production testing.

### **Blocks 3&4**

Production for the quarter was at record levels achieving an average daily production 13,475 bopd, over three percent higher than in the third quarter 2019. The increase over the previous quarter is primarily due to optimisation at the Ulfa field facilities and successful completion of infill wells in the Shahd field with one additional producer drilled during the quarter. Ongoing production optimisation through maintenance and upgrading activities, including work overs in the Farha South, Shahd and Saiwan East fields has also contributed to the increase in production. In addition, two new production/appraisal wells were drilled on the Ulfa field and one new production/appraisal well was drilled on the Erfan field. Three rigs and one workover rig have been operating during the quarter and a total of eight wells were completed.

Wells completed Q4 2019 (primary purpose)	Ulfa, Samha and Erfan Fields	Farha South Field	Shahd and Saiwan East Fields	Near and far field exploration	Total
Appraisal/Production	3	-	1	-	4
Water injection	-	-	1	-	1
Water source	-	-	1	-	1
Exploration	-	-	-	2	2
<b>Total</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>2</b>	<b>8</b>

### *Other infrastructure development*

A gas-powered generator has been installed and commissioned on the Shahd field. This pilot project is part of an ambitious plan aimed at materially reducing flaring and diesel consumption.

In the fourth quarter of 2019, a heater treater was installed at the Ulfa EPF that will be commissioned in the first quarter 2020. The heater treater will further increase the total oil and gas handling capacity of the Ulfa EPF.

An API tank has been installed to further enhance the water handling capacity at the Farha South production facility.

### *Exploration activities*

The quarter has seen a lot of exploration activity with two major seismic surveys ongoing targeting more than 4,000 km<sup>2</sup> of new seismic data. 1,650 km<sup>2</sup> of 3D seismic has been acquired east of Farha South, ahead of schedule, allowing the 2020 seismic programme to be launched already in 2019. The ongoing 2020 programme will cover the complete license area north of the Farha South field. In parallel interpretation of previously acquired seismic is ongoing generating a number of leads for further study.

Two exploration wells were drilled during the quarter and one previously drilled well was tested. All wells had oil shows while drilling, but none flowed oil to surface. The results are similar to some previously drilled wells on Blocks 3&4 where virtually all of the now hundreds of wells that have been drilled have encountered oil shows but have also displayed varying reservoir characteristics. Although none of the exploration wells resulted in a commercial discovery, all wells have increased the geological understanding of the respective areas and will be valuable to the continued exploration activity on the Blocks and in de-risking other leads and prospects. The wells have been suspended to enable further work in the future if warranted. The well costs have been expensed in the fourth quarter of 2019 (see section “*Exploration cost*”).

Drilled or tested exploration wells in fourth quarter 2019:

- Maather-1 was drilled 13km southeast of Samha-1 to test the Buah and Khufai potential to the east of the Ulfa and Samha fields. Secondary targets were the Masirah Bay formation and the underlying older Cryogenian formations
- Yamin-1, was drilled 10km east-southeast of Saiwan East-2 to test the Khufai formation
- Yusr-1, which had inconclusive test results when tested in the third quarter, underwent additional testing



**Block 49**

On Block 49 the first phase of the seismic interpretation was completed in the third quarter 2019 resulting in the identification of a drillable prospect in the north eastern part of the Block. The prospect, known as Thameen (“*precious*”) has been further delineated during the fourth quarter and currently the drilling of a well is being planned to a depth of close to 4,000 meters to evaluate three potential reservoir targets. Drilling preparations are well underway and Tethys Oil is actively seeking a suitable rig. In parallel seismic interpretations and overall geological modelling of Block 49 continues.

**Block 56**

In late October 2019, Tethys Oil announced having entered into an agreement to acquire a 20 percent interest in the Exploration and Production license covering Block 56 onshore Oman from Biyaq Oilfield Services (“Biyaq”). Tethys Oil has paid Biyaq the initial consideration for the acquisition in the fourth quarter of 2019. The transaction is, however, awaiting the final governmental approval.

Block 56 covers an area of 5,808 km<sup>2</sup> in the south-eastern part of Oman some 200 km south of Blocks 3&4. The license is operated by a subsidiary to Medco Energi. To date 11 wells have been drilled on the Block and all but one has encountered oil or oil shows, although none has yet been determined to be a commercial discovery. The current operator has successfully drilled three of these wells. A work programme to test up to three wells is currently ongoing.

The Block lies at the intersection of different geological provinces including the prolific South Oman Salt Basin. It offers exploration potential in multiple play concepts, both proven and unproven, many of which are familiar to Tethys Oil from its current operations in the country.

The license for Block 56 is governed by an Exploration and Production Sharing Agreement signed in November 2014. Its initial three-year exploration phase has been extended until December 2020 and the partners have the option to enter into a second exploration phase ending in December 2023.

**Investments and work program 2020**

Tethys Oil expects total investments in oil and gas properties for 2020 of between MUSD 64-71, of which investments on Blocks 3&4 are expected to amount to MUSD 55-62.

The focus of the work program in Blocks 3&4 is continued development and appraisal drilling, upgrading of production facilities and other infrastructure, new seismic acquisition and drilling of exploration wells.

The investments for the Company’s operations on Blocks 49 and Block 56 are expected to amount to MUSD 9. The main activity on Block 49 is to drill a first exploration well, and on Block 56 activity is centred on a three well test program.

**Associated companies**

Tethys Oil AB holds an interest in the Gargzdai licence in Lithuania. A dividend of MUSD 0.7 was received from the holding company during the second quarter 2019.

**Liquidity and financing**

Cash in bank as at 31 December 2019 amounted to MUSD 75.6 compared to MUSD 72.4 as at 30 September 2019 (MUSD 73.1 as at 31 December 2018).

During the fourth quarter 2019, cash flow from operations amounted to MUSD 27.1 (MUSD 28.9). Cash investments in oil and gas properties increased to MUSD 26.2 (MUSD 14.5) in part due to the investment in Block 56. Cash flow from financing activities amounted to MUSD -1.3 (MUSD 0.0) following the payment of the second instalment of the ordinary dividend of SEK 1.00 per share and the exercising of employee-held warrants (see Share data section below).

Tethys Oil’s operations on Blocks 3&4, Block 49 and Block 56, including the investment programme, are expected to be funded from cash flow from operations and available funds. Tethys Oil’s operations in Lithuania are expected to be funded from cash flows from operations and available cash in the associated Lithuanian company.

**Parent company**

The parent company reports a net result after tax for the fourth quarter 2019 amounting to MSEK 204.3 compared to MSEK 29.5 for the third quarter 2019. Administrative expenses during the fourth quarter 2019 amounted to MSEK 13.1 compared to MSEK 9.9 for the third quarter 2019. The increase was primarily staff and consultancy costs.

The “Net financial result” amounted to MSEK 214.3 during the fourth quarter 2019 compared to MSEK 37.1 for the third quarter 2019. Net financial result mainly consists of dividends from Group companies of MSEK 218.6 (MSEK 29.3), currency exchange loss related to intercompany loans of MSEK -9.3 (gain of MSEK 3.9) and interest income MSEK 5.0 (MSEK 3.9).

**Share data**

As at 31 December 2019, the number of outstanding shares in Tethys Oil amounted to 36,294,960, with a quota value of SEK 0.17. All shares represent one vote each. In October 2019, the number of shares and votes in Tethys Oil increased by 398,650 due to the exercise of warrants under the long-term incentive programme that was approved by the annual general meeting on 18 May 2016.

Tethys Oil has a warrant-based incentive programme for employees, for further information please see Note 11. As the average subscription price for three tranches of the incentive programme were partly below the average share price during the fourth quarter 2019, dilution effects of the warrants are included in the weighted average number of shares after dilution, which amounted to 34,374,526 during the fourth quarter 2019.

As at 31 December 2019, Tethys Oil held 1,954,163 of its own shares, which have been purchased since commencement of the programme during the fourth quarter 2014. During the third quarter 2019 the number of shares held was reduced by 416,500 as a result of Tethys Oil lending shares to an investment bank in order to facilitate the exercise of 2016 warrants by employees as part of the Company’s long-term incentive programme. The shares were returned to Tethys Oil at the beginning of the fourth quarter.

The purpose of the share repurchase programme is to optimise the capital structure and to enable any repurchased shares to be used as payment in connection with or financing of, acquisitions of companies or businesses. No shares were purchased during the fourth quarter 2019. The repurchased shares are still included in the total number of shares but are not included in the weighted average number of shares. The weighted average number of shares during the fourth quarter 2019 before dilution is 34,343,964 and after dilution 34,374,526. From 31 December 2019 and to the date of publication of this report, Tethys Oil has not acquired any further shares.

**Seasonal effects**

Tethys Oil has no significant seasonal variations.

**Risks and uncertainties**

A statement of risks and uncertainties are presented in Note 1.

**Dividend and Distribution**

The board of directors proposes a dividend of SEK 2.00 per share (AGM 2019: SEK 2.00). The board of directors also proposes the dividend to be paid in two equal instalments of SEK 1.00 per share each, payable in May and November 2020.

The board of directors proposes an extraordinary distribution to shareholders of SEK 6.00 per share by way of a mandatory share redemption programme following the AGM 2020 (AGM 2019: SEK 6.00). Further details are to follow in the proposal to the 2020 AGM.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY**

MUSD	Note	Fourth quarter 2019	Third quarter 2019	Fourth quarter 2018	Full year 2019	Full year 2018
Revenue		27.6	41.6	42.2	145.0	152.6
Underlift/overlift adjustments		8.6	-0.9	2.2	5.8	4.7
<b>Revenue and other income</b>	3	<b>36.2</b>	<b>40.7</b>	<b>44.4</b>	<b>150.8</b>	<b>157.3</b>
Operating expenses		-13.2	-12.1	-12.2	-51.6	-45.9
<b>Gross profit</b>		<b>23.0</b>	<b>28.6</b>	<b>32.3</b>	<b>99.2</b>	<b>111.4</b>
Depletion, depreciation and amortisation		-12.6	-12.2	-11.7	-47.6	-45.9
Exploration costs		-8.0	-0.0	-	-8.2	-
Share of net profit/loss from associates		0.0	0.0	0.0	0.7	0.9
Administrative expenses	11	-1.7	-1.9	-1.5	-7.0	-5.7
<b>Operating result</b>		<b>0.7</b>	<b>14.5</b>	<b>19.1</b>	<b>37.1</b>	<b>60.7</b>
<b>Net financial result</b>	4	<b>-1.0</b>	<b>0.4</b>	<b>0.8</b>	<b>1.2</b>	<b>1.5</b>
<b>Result before tax</b>		<b>-0.3</b>	<b>14.9</b>	<b>19.9</b>	<b>38.3</b>	<b>62.2</b>
Income tax		-	-	-	-	-
<b>Net Result</b>		<b>-0.3</b>	<b>14.9</b>	<b>19.9</b>	<b>38.3</b>	<b>62.2</b>
<b>Other comprehensive result</b>						
Items that may be subsequently reclassified to profit or loss:						
Exchange differences		1.2	-0.4	-0.9	-1.6	-3.7
<b>Other comprehensive result</b>		<b>1.2</b>	<b>-0.4</b>	<b>-0.9</b>	<b>-1.6</b>	<b>-3.7</b>
<b>Total comprehensive result</b>		<b>0.9</b>	<b>14.5</b>	<b>19.0</b>	<b>36.7</b>	<b>58.4</b>
Attributable to:						
Shareholders in the parent company		<b>0.9</b>	<b>14.5</b>	<b>19.0</b>	<b>36.7</b>	<b>58.4</b>
Non-controlling interest		-	-	-	-	-
Number of shares at period end		36,294,960	35,896,310	35,896,310	36,294,960	35,896,310
Weighted average number of shares (before dilution)		34,343,964	33,942,147	33,925,541	34,222,908	34,010,616
Weighted average number of shares (after dilution)		34,374,526	34,052,138	34,150,178	34,302,921	34,140,318
Earnings per share (before dilution), USD		-0.01	0.44	0.59	1.12	1.83
Earnings per share (after dilution), USD		-0.01	0.44	0.58	1.12	1.82

**CONSOLIDATED BALANCE SHEET IN SUMMARY**

MUSD	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Oil and gas properties	5	211.7	200.0
Other fixed assets	8	0.6	0.1
		<b>212.3</b>	<b>200.1</b>
<b>Current assets</b>			
Other receivables	6	12.0	17.9
Prepaid expenses		0.3	0.3
Cash and cash equivalents		75.6	73.1
		<b>87.9</b>	<b>91.3</b>
<b>TOTAL ASSETS</b>		<b>300.2</b>	<b>291.4</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		0.8	0.8
Additional paid in capital		76.3	74.0
Reserves		-1.9	-0.3
Retained earnings		201.1	193.1
<b>Total shareholders' equity</b>		<b>276.3</b>	<b>267.6</b>
<b>Non-current liabilities</b>			
Non-current provisions	7	9.6	8.9
Other non-current liabilities	8, 9	1.4	-
		<b>11.0</b>	<b>8.9</b>
<b>Current liabilities</b>			
Current provisions	7	-	1.0
Accounts payable and other current liabilities	8, 10	12.9	13.9
		<b>12.9</b>	<b>14.9</b>
<b>Total liabilities</b>		<b>23.9</b>	<b>23.8</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>300.2</b>	<b>291.4</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY**

Attributable to shareholders of the parent company					Total equity
MUSD	Share capital	Paid in capital	Reserves	Retained earnings	
<b>Opening balance 1 January 2018</b>	<b>0.8</b>	<b>71.0</b>	<b>3.4</b>	<b>153.3</b>	<b>228.5</b>
<b>Comprehensive income</b>					
Result for twelve months 2018	-	-	-	62.2	62.2
Currency exchange differences twelve months 2018	-	-	-3.7	-	-3.7
<b>Total comprehensive result</b>			<b>-3.7</b>	<b>62.2</b>	<b>58.5</b>
<b>Transactions with owners</b>					
Share issue	0.0	2.9	-	-	2.9
Dividend	-	-	-	-7.5	-7.5
Share redemption	-	-	-	-15.1	-15.1
Incentive programme	-	-	-	0.2	0.2
<b>Total transactions with owners</b>	<b>0.0</b>	<b>2.9</b>	<b>0.0</b>	<b>-22.4</b>	<b>-19.4</b>
<b>Closing balance 31 December 2018</b>	<b>0.8</b>	<b>74.0</b>	<b>-0.3</b>	<b>193.1</b>	<b>267.6</b>
<b>Opening balance 1 January 2019</b>	<b>0.8</b>	<b>74.0</b>	<b>-0.3</b>	<b>193.1</b>	<b>267.6</b>
Result for twelve months 2019	-	-	-	38.3	38.3
Currency exchange differences twelve months 2019	-	-	-1.6	-	-1.6
<b>Total comprehensive result</b>	<b>0.0</b>	<b>0.0</b>	<b>-1.6</b>	<b>38.3</b>	<b>36.7</b>
<b>Transactions with owners</b>					
Share issue	0.0	2.3	-	-	2.3
Purchase of own shares	-	-	-	-2.1	-2.1
Dividend	-	-	-	-7.1	-7.1
Share redemption	-	-	-	-21.4	-21.4
Incentive programme	-	-	-	0.3	0.3
<b>Total transactions with owners</b>	<b>0.0</b>	<b>2.3</b>	<b>0.0</b>	<b>-30.3</b>	<b>-28.0</b>
<b>Closing balance 31 December 2019</b>	<b>0.8</b>	<b>76.3</b>	<b>-1.9</b>	<b>201.1</b>	<b>276.3</b>

**CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY**

MUSD	Note	Fourth quarter 2019	Third quarter 2019	Fourth quarter 2018	Full year 2019	Full year 2018
<b>Cash flow from operations</b>						
Operating result		0.7	14.5	19.1	37.1	60.7
Interest received		0.8	-	0.3	0.8	0.3
Interest paid		-0.0	0.0	0.0	-0.0	0.0
Adjustment for exploration costs		8.0	0.0	-	8.2	-
Adjustment for depletion, depreciation and other non-cash related items		15.9	12.9	11.2	46.0	41.7
<b>Total cash flow from operations before change in working capital</b>		<b>25.4</b>	<b>27.4</b>	<b>30.6</b>	<b>92.1</b>	<b>102.7</b>
Change in receivables		3.1	0.8	-6.4	5.9	-7.2
Change in liabilities		-1.4	0.7	5.1	-2.0	9.9
<b>Cash flow from operations</b>		<b>27.1</b>	<b>28.9</b>	<b>29.3</b>	<b>96.0</b>	<b>105.4</b>
<b>Investment activity</b>						
Investment in oil and gas properties	5	-26.2	-14.5	-16.2	-65.2	-55.8
Investment in other fixed assets		-	0.0	-0.1	-0.1	-0.1
Other		4.0	-4.0	-	-	-
Cash from associated companies, net		0.0	0.0	0.0	0.7	0.9
<b>Cash flow from investment activity</b>		<b>-22.2</b>	<b>-18.5</b>	<b>-16.3</b>	<b>-64.6</b>	<b>-55.0</b>
<b>Financing activity</b>						
Share issue		2.3	-	-	2.3	2.9
Share redemption		-	-	-	-21.4	-15.1
Dividend paid		-3.6	-	-3.7	-7.1	-7.5
Purchase of own shares		-	-	-	-2.1	-
<b>Cash flow from financing activity</b>		<b>-1.3</b>	<b>0.0</b>	<b>-3.7</b>	<b>-28.3</b>	<b>-19.7</b>
<b>Period cash flow</b>		<b>3.6</b>	<b>10.4</b>	<b>9.3</b>	<b>3.1</b>	<b>30.7</b>
Cash and cash equivalents at the beginning of the period		72.4	62.5	63.7	73.1	42.0
Exchange gains/losses on cash and cash equivalents		-0.4	-0.5	0.1	-0.6	0.5
<b>Cash and cash equivalents at the end of the period</b>		<b>75.6</b>	<b>72.4</b>	<b>73.1</b>	<b>75.6</b>	73.1



**KEY RATIOS**

<b>Group</b>	<b>Fourth quarter 2019</b>	<b>Third quarter 2019</b>	<b>Fourth quarter 2018</b>	<b>Full year 2019</b>	<b>Full year 2018</b>
<b>Operational items</b>					
Production before government take, Oman Blocks 3&4, bbl	1,239,673	1,200,833	1,094,572	4,683,754	4,294,852
Production per day, Oman Blocks 3&4, bbl	13,475	13,053	11,898	12,832	11,767
Net sales after government take, bbl	449,073	635,947	542,596	2,259,849	2,163,148
Achieved oil price, USD/bbl	61.4	65.4	77.9	64.2	70.5
<b>Income statement and balance sheet</b>					
Revenue and other income, MUSD	36.2	40.7	44.4	150.8	157.3
EBITDA, MUSD	21.3	26.6	30.8	92.9	106.6
EBITDA-margin	59%	65%	69%	62%	68%
Operating result, MUSD	0.7	14.5	19.1	37.1	60.7
Operating margin	2%	36%	43%	25%	39%
Net result, MUSD	-0.3	14.9	19.9	38.3	62.2
Net margin	1%	37%	45%	25%	40%
Cash and cash equivalents, MUSD	75.6	72.4	73.1	75.6	73.1
Shareholders' equity, MUSD	276.3	273.2	267.6	276.3	267.6
Balance sheet total, MUSD	300.2	296.5	291.4	300.2	291.4
<b>Capital structure</b>					
Equity ratio	92%	92%	92%	92%	92%
Leverage ratio	neg.	neg.	neg.	neg.	neg.
Investments, MUSD	26.2	14.5	16.2	65.2	55.8
Net cash, MUSD	75.1	71.9	73.1	75.1	73.1
<b>Profitability</b>					
Return on shareholders' equity (Annual)				14.1%	25.1%
Return on capital employed (Annual)				14.7%	25.7%
<b>Other</b>					
Average number of full-time employees	23	24	20	23	20
Distribution per share, SEK	1.00	-	1.00	8.00	6.00
Cash flow from operations per share, USD	0.75	0.69	0.82	2.64	2.94
Number of shares at period end, '000	36,295	35,896	35,896	36,295	35,896
Shareholders' equity per share, USD	7.61	7.61	7.45	7.61	7.45
Weighted average number of shares (before dilution), '000	34,344	33,942	33,926	34,223	34,011
Weighted average number of shares (after dilution), '000	34,375	34,052	34,150	34,303	34,140
Earnings per share before dilution, USD	-0.01	0.44	0.65	1.12	1.83
Earnings per share after dilution, USD	-0.01	0.44	0.65	1.12	1.82

*For definitions of key ratios, please refer to the 2018 Annual Report.*

**Key quarterly data**

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net daily production before government take. Blocks 3&4, bbl	13,475	13,053	12,881	11,901	11,898	11,857	11,733	11,574
Barrels sold, bbl	449,073	635,947	561,077	613,752	542,596	579,360	529,194	511,998
Revenue and other income, MUSD	36.2	40.7	41.3	32.7	44.4	42.3	36.4	34.2
EBITDA, MUSD	21.3	26.6	27.9	17.2	30.8	30.1	24.3	21.5
Cash flow from operations, MUSD	27.1	28.9	18.4	21.7	29.3	37.6	14.4	24.1
Earnings per share after dilution, USD	-0.01	0.44	0.51	0.19	0.65	0.53	0.44	0.27
Share price, end of period, SEK	84.4	78.3	74.5	75.8	64.8	97.8	101.4	67.2

*For definitions of key ratios, please refer to the 2018 Annual Report.*

**Relevant reconciliations of alternative performance measures**

Alternative performance measures are used to describe the development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by executive management and the board of directors to measure Tethys Oil's financial performance. Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement. Besides the definitions below, definitions of alternative performance measures can be found in the 2018 Annual Report.

	Fourth quarter 2019	Third quarter 2019	Fourth quarter 2018	Full year 2019	Full year 2018
MUSD					
Operating result	0.7	14.5	19.1	37.1	60.7
Add: Depreciation, depletion and amortization	12.6	12.2	11.7	47.6	45.9
Add: Exploration costs	8.0	-0.0	0.0	8.2	0.0
<b>EBITDA</b>	<b>21.3</b>	<b>26.6</b>	<b>30.8</b>	<b>92.9</b>	<b>106.6</b>
Cash and bank	75.6	72.4	73.1	75.6	73.1
Less: Interest bearing debt	-0.5	-0.5	-	-0.5	-
<b>Net cash</b>	<b>75.1</b>	<b>71.9</b>	<b>73.1</b>	<b>75.1</b>	<b>73.1</b>

**PARENT COMPANY INCOME STATEMENT IN SUMMARY**

MSEK	Note	Fourth quarter 2019	Third quarter 2019	Fourth quarter 2018	Full year 2019	Full year 2018
Other income		3.1	2.3	2.0	10.7	9.7
Share of net profit/loss from associates		-	-	-	6.4	8.0
Administrative expenses	11	-13.1	-9.9	-8.1	-43.1	-32.8
<b>Operating result</b>		<b>-10.0</b>	<b>-7.6</b>	<b>-6.1</b>	<b>-26.0</b>	<b>-15.1</b>
Net financial result	4	214.3	37.1	242.3	303.6	259.5
<b>Result before tax</b>		<b>204.3</b>	<b>29.5</b>	<b>236.2</b>	<b>277.6</b>	<b>244.4</b>
Income tax		-	-	-	-	-
<b>Net Result*</b>		<b>204.3</b>	<b>29.5</b>	<b>236.2</b>	<b>277.6</b>	<b>244.4</b>

\* As there are no items in the parent company's other comprehensive income, no separate report on total comprehensive income is presented.

**PARENT COMPANY BALANCE SHEET IN SUMMARY**

MSEK	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>		
Total non-current assets	445.7	223.1
Total current assets	26.3	243.4
<b>TOTAL ASSETS</b>	<b>472.0</b>	<b>466.5</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Restricted shareholders' equity	77.1	77.0
Unrestricted shareholders' equity	382.4	373.3
Total current liabilities	12.5	16.2
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>472.0</b>	<b>466.5</b>

## NOTES

### General information

Tethys Oil AB (publ) (the “Company”), corporate identity number 556615-8266, and its subsidiaries (together the “Group” or “Tethys Oil”) are focused on exploration for and production of oil and natural gas. The Group has interests in exploration and production licences in Oman, France and Lithuania. The Company is a limited liability company incorporated and domiciled in Stockholm, Sweden. The Company is listed on Nasdaq Stockholm.

### Accounting principles

The fourth quarter 2019 report of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The fourth quarter report 2019 of the Company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2 “Accounting for legal entities”, issued by the Swedish Financial Accounting Standards Council.

The accounting principles as described in the 2018 Annual Report have been used in the preparation of this report together with the implementation of IFRS 16.

On 1 January 2019, Tethys Oil adopted IFRS 16 Leases, which was issued in January 2016 and replaces IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognised on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after 1 January 2019.

Tethys Oil has chosen the modified retrospective method, applying the short-term lease and the asset of low value exceptions. The standard has impacted the accounting of the Group’s operational leases. The current interpretation is that IFRS 16 does not relate to leases within the Group’s joint operations and at present the group only has office leases and IT-servers/-programs and other leases concerning items of lesser value. The IFRS 16 impact on the group accounts for the twelve months 2019 is shown in Note 8.

IFRIC 23 Uncertainty over Income Tax Treatments that came into effect on 1 January 2019 does not have an effect on the Group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Tethys Oil applies the ESMA’s (European Securities and Markets Authority) guidelines for alternative performance measures. Definitions of performance measures are provided in the 2018 Annual Report and the relevant reconciliations can be found on page 16 of this report.

### Exchange rates

For the preparation of the financial statements for the reporting period, the following exchange rates have been used.

Currency	31 December 2019		31 December 2018	
	Average	Period end	Average	Period end
SEK/USD	9.51	9.48	8.75	9.14
SEK/EUR	10.66	10.55	10.32	10.42

The Group is exposed to fluctuations in the foreign exchange markets as fluctuations in exchange rates can negatively affect the result, cash flow and equity. The major proportion of the Group’s assets relate to international oil and gas discoveries valued in USD and which generate revenues in USD. During the fourth quarter 2019, all of Tethys Oil’s oil sales and operating expenditures were denominated in USD.

**Fair value**

The nominal value of Accounts payables and other current liabilities, Cash and bank and Other receivables is a fair approximation of those line items as they are short term in nature.

*IFRS 9 valuation categories and related balance sheet items*

MUSD	31 December 2019			31 December 2018		
	Financial assets and liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial assets and liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
Other receivables	-	12.0	-	-	17.9	-
Cash and bank	-	75.6	-	-	73.1	-
Other non-current liabilities	-	-	1.4	-	-	-
Accounts payables and other current liabilities	-	-	12.9	-	-	13.9

**Note 1) Risks and uncertainties**

The Group's activities expose it to a number of risks and uncertainties, which are continuously monitored and reviewed. The main risks and uncertainties are the operational and financial risks described below.

*Operational risk*

At its current stage of development, Tethys Oil is commercially producing oil and also exploring for and appraising undeveloped known oil and/or natural gas accumulations. The operational risk is different in these parts of Tethys Oil's operations. The main operational risk in exploration and appraisal activities is that the activities and investments made by Tethys Oil will not evolve into commercial reserves of oil and gas. The oil price is of significant importance to Tethys Oil in all parts of operations as income and profitability is and will be dependent on prevailing prices. Significantly lower oil prices will reduce current and expected cash flows and profitability in projects and can make projects sub economic. Lower oil prices could also decrease the industry interest in Tethys Oil's projects regarding farm-out or sale of assets. There are no oil price hedges in place as at 31 December 2019. In late 2018, OPEC and certain non-OPEC members reached a new agreement on production cuts. The production recommendation may affect the Company's oil production and sales.

Another operational risk factor is access to equipment in Tethys Oil's projects. In the drilling/development phase of a project the Group is dependent on advanced equipment such as rigs, casing, pipes etc. A shortage of these supplies can present difficulties for Tethys Oil to complete projects. Through its operations, Tethys Oil is also subject to political risk, environmental risk and the risk of not being able to retain key personnel.

*Financial risk*

The Group's activities expose it to a variety of financial risks, mainly categorised as exchange rate and liquidity risk. The Group's risks are continuously monitored and analysed by the management and board of directors. The aim is to minimise potential adverse effects on the Group's financial performance.

A more detailed analysis of the Group's risks and uncertainties, and how the Group addresses these risks, are detailed in the 2018 Annual Report.

**Note 2) Segment reporting**

The Group's accounting principle for segments describes that operating segments are based on geographic perspective. The operating result for each segment is presented below.

Group income statement Jan-Dec 2019					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue and other income	150.8	-	-	-	150.8
Operating expenses	-51.6	-	-	-	-51.6
Depreciation, depletion and amortisation	-47.6	-	-	-	-47.6
Exploration costs	-7.9	-	-0.3	-	-8.2
Share of net profit/loss from associates	-	0.7	-	-	0.7
Administrative expenses	-2.5	-	-4.5	-	-7.0
<b>Operating result</b>	<b>41.2</b>	<b>0.7</b>	<b>-4.8</b>	<b>-</b>	<b>37.1</b>
<b>Total financial items</b>					<b>1.2</b>
<b>Result before tax</b>					<b>38.3</b>
Income tax					-
<b>Net Result</b>					<b>38.3</b>

Group income statement Jan-Dec 2018					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue and other income	157.3	-	-	-	157.3
Operating expenses	-45.9	-	-	-	-45.9
Depreciation, depletion and amortisation	-45.9	-	-	-	-45.9
Exploration costs	-	-	-	-	-
Share of net profit/loss from associates	-	0.9	-	-	0.9
Administrative expenses	-2.3	-	-2.7	-0.6	-5.7
<b>Operating result</b>	<b>63.2</b>	<b>0.9</b>	<b>-2.7</b>	<b>-0.6</b>	<b>60.7</b>
<b>Total financial items</b>					<b>1.5</b>
<b>Result before tax</b>					<b>62.2</b>
Income tax					-
<b>Net Result</b>					<b>62.2</b>

**Note 3) Revenue and other income**

MUSD	Fourth quarter 2019	Third quarter 2019	Fourth quarter 2018	Full year 2019	Full year 2018
Revenue	27.6	41.6	42.2	145.0	152.6
Underlift/overlift adjustments	8.6	-0.9	2.2	5.8	4.7
<b>Revenue and other income</b>	<b>36.2</b>	<b>40.7</b>	<b>44.4</b>	<b>150.8</b>	<b>157.3</b>

Tethys Oil sells all of its oil to Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. All oil sales come from Blocks 3&4 Oman and made on a monthly basis. Tethys Oil's average selling price based on the monthly average price of the two-month future contract of Oman blend as traded on the Dubai Mercantile Exchange, including trading and quality adjustments.



**Note 4) Net financial result**

Group	Fourth quarter 2019	Third quarter 2019	Fourth quarter 2018	Full year 2019	Full Year 2018
<b>MUSD</b>					
Financial income:					
Interest income	0.1	0.2	0.3	0.8	0.3
Currency exchange gain, net	-	0.3	0.6	0.9	1.6
Other financial income	-	-	-	-	-
Financial costs:					
Interest costs	0.0	0.0	0.0	-0.0	-0.0
Currency exchange loss, net	-1.0	-	0.0	-	-
Other financial costs	-0.1	-0.1	-0.1	-0.5	-0.4
<b>Net financial result</b>	<b>-1.0</b>	<b>0.4</b>	<b>0.8</b>	<b>1.2</b>	<b>1.5</b>

Parent company	Fourth quarter 2019	Third quarter 2019	Fourth quarter 2018	Full year 2019	Full Year 2018
<b>MSEK</b>					
Financial income:					
Interest income	5.0	3.9	4.5	18.3	15.8
Currency exchange gain, net	-	3.9	7.7	8.7	13.8
Dividend group companies	218.6	29.3	230.1	276.8	230.1
Financial costs:					
Interest costs	0.0	-	0.0	-0.2	-0.2
Currency exchange loss, net	-9.3	-	0.0	-	-
Other financial costs	-	-	0.0	0.0	0.0
<b>Net financial result</b>	<b>214.3</b>	<b>37.1</b>	<b>242.3</b>	<b>303.6</b>	<b>259.5</b>

**Note 5) Oil and gas properties**

Country	Licence	Phase	Tethys Oil's share	31 Dec 2019	Investments	Other non-cash adjustments Jan-Dec 2019	DD&A	Write-offs	31 Dec 2018
<b>Oman</b>	Blocks 3&4	Prod.	30%	<b>194.8</b>	54.0	2.2	-47.6	-7.9	194.0
<b>Oman</b>	Block 49	Expl.	100%	<b>8.0</b>	2.3	-	-	-	5.7
<b>Oman</b>	Block 56	Expl.	20%	<b>8.6</b>	8.6	-	-	-	-
<b>France</b>	Attila	Expl.	40%	<b>0.0</b>	0.0	-	-	-	0.0
<b>New ventures</b>				<b>0.3</b>	0.3	-	-	-0.3	0.3
<b>Total</b>				<b>211.7</b>	<b>65.2</b>	<b>2.2</b>	<b>-47.6</b>	<b>-8.2</b>	<b>200.0</b>

Oil and gas properties have been increased by a MUSD 2.2 non-cash adjustment reflecting the increased estimates site restoration provision (see note 7).

**Note 6) Other receivables**

MUSD	31 Dec 2019	31 Dec 2018
VAT	0.0	0.3
Receivables Oil sales	2.5	14.9
Underlift position	9.5	2.7
Other	0.0	0.0
<b>Total</b>	<b>12.0</b>	<b>17.9</b>

**Note 7) Provisions**

Tethys Oil has calculated that the discounted cost for its share of site restoration regarding Blocks 3&4 amounts to MUSD 9.6 (MUSD 6.9). As a consequence of the revised site restoration provision oil and gas properties have been increased by an equal amount.

Tethys Oil initially reported on an Export Reporting Error in a press release on 14 February 2017 which was finally determined and reported in the first quarter 2019 report. Since final settlement has been agreed in the first quarter 2019, the outstanding amounts are now treated as liabilities as opposed to provisions in previous year.

#### Note 8) Leasing

Leasing	31 Dec 2018		1 Jan 2019		Jan-Dec 2019			31 Dec 2019	
MUSD	Right of use assets	Lease liabilities. interest bearing	Right of use assets	Lease liabilities. interest bearing	Payment of leasing debt	Depreciation	Interest costs	Right of use assets	Lease liabilities. interest bearing
Fixed assets (incl. in Other fixed assets)	-	-	0.7	-	-	-0.2	-	0.5	-
Short term leasing debt (incl. in Accounts payable and other current liabilities)	-	-	-	-0.2	0.2	-	-	-	-0.0
Long term leasing debt (incl. in Other non-current liabilities)	-	-	-	-0.5	-	-	-	-	-0.5
Interest costs	-	-	-	-	-	-	0.0	-	0.0
<b>Total</b>	<b>-</b>	<b>-</b>	<b>0.7</b>	<b>-0.7</b>	<b>0.2</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.5</b>	<b>-0.5</b>

#### Note 9) Other non-current liabilities

Tethys Oil has a non-current liability of MUSD 1.0 relating to the Export Reporting Error. Since final settlement has been agreed in the first quarter 2019, the outstanding amounts are now treated as liabilities as opposed to provisions in previous year.

#### Note 10) Accounts payable and other current liabilities

MUSD	31 Dec 2019	31 Dec 2018
Accounts payable	0.4	0.1
Operator balance. Oman Blocks 3&4	10.8	9.9
Dividend to shareholders	-	-
Other current liabilities	1.7	3.9
<b>Total</b>	<b>12.9</b>	<b>13.9</b>

#### Note 11) Incentive programme

Tethys Oil has an incentive programme as part of the remuneration package to employees. Warrants have been issued annually since 2015 following approval by the respective AGM. The cost of the 2019 incentive programme following allotment of 350,000 warrants, of MUSD 0.7 was accounted for in the third quarter 2019.

The number of warrants issued during the second quarter 2019 was 350,000 which were allocated to the employees during the third quarter 2019. No warrants were issued during the fourth quarter 2019. The 15,000 warrants of the 2016 programme that remained outstanding following the exercise of 335,000 warrants expired and were cancelled during the fourth quarter 2019.

Warrant incentive programme	Exercise period	Subscription price, SEK	Shares per warrant	Number of warrants				31 Dec 2019
				1 Jan 2019	Issued 2019	Exercised 2019	Expired 2019	
2016 incentive programme	28 May - 4 Oct. 2019	55.00	1.19	350,000	0	335,000	15,000	0
2017 incentive programme	30 May - 2 Oct. 2020	75.10	1.14	350,000	0	0	0	350,000
2018 incentive programme	1 Jun - 2 Oct. 2021	81.70	1.09	350,000	0	0	0	350,000
2019 incentive programme	1 Jun - 2 Oct. 2022	78.50	1.00	0	350,000	0	0	350,000
<b>Total</b>				<b>1,050,000</b>	<b>350,000</b>	<b>335,000</b>	<b>15,000</b>	<b>1,050,000</b>

As the subscription price for some tranches of the incentive programme is below the average share price during the fourth quarter 2019, the dilution effects of the warrants of these tranches are included in the weighted average number of shares after dilution which amount to 34,374,526 during the fourth quarter 2019.

**Note 12) Pledged assets**

Pledged assets in the parent company amounts to MSEK 0.5 and relate to a pledge in relation to office rental.

**Note 13) Contingent liabilities**

There are no outstanding contingent liabilities as at 31 December 2019 nor for the comparative period.

**Note 14) Related party transactions**

In the Tethys Oil Group, Tethys Oil AB (publ) with organisational number 556615-8266 is the parent company. Material subsidiaries include Tethys Oil Oman Limited, Tethys Oil Block 3&4 Limited, Tethys Oil Montasar Limited, Tethys Oil France AB and Tethys Oil Exploration AB.

During 2019 the Company has not had any transactions with related parties outside the group.

**FINANCIAL CALENDAR:**

- Annual Report 2019 is expected to be published first week in April 2020
- Report for first quarter 2020 (January – March 2020) on 5 May 2020
- Annual general meeting 2020 will be held in Stockholm on 13 May 2020. CET 15:00
- Report for second quarter 2020 (January – June 2020) on 11 August 2020
- Report for third quarter 2020 (January – September 2020) on 3 November 2020
- Report for fourth quarter/year-end report 2020 (January – December 2020) on 9 February 2021

Stockholm, 11 February 2020

**Tethys Oil AB (publ)**

Org. No. 556615-8266

The Board of Directors

*This report has not been subject to review by the auditors of the Company.*

**For further information, please contact:**

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*This information is information that Tethys Oil AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 7:30 CET on 11 February 2020.*

**CONFERENCE CALL**

**Date:** 11 February 2020

**Time:** 10.00 CET

To participate in the conference call, you may choose one of the following options:

Link to webcast: <https://edge.media-server.com/mmc/p/hf5hvex6>

**To participate via phone, please call:**

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