

## Second quarter and half year report - 30 June 2020

### Second quarter 2020 (first quarter 2020)

- Production from Blocks 3&4, Oman, at 10,597 barrels per day (13,032 barrels per day)
- Revenue and other income of MUSD 21.1 (MUSD 37.3)
- EBITDA of MUSD 8.7 (MUSD 21.9)
- Net result of MUSD -3.9 (MUSD 12.1)
- Earnings per share amounted to USD -0.12 (USD 0.35)
- Free cash flow MUSD 0.6 (MUSD 9.2)
- Net cash MUSD 59.8 (MUSD 78.0)
- Distribution of MUSD 17.6 (Q2 2019: MUSD 24.9) paid out to shareholders in the quarter.
- Oil production in Oman is, since May 2020, subject to production limitations under the OPEC+ agreement and production from Blocks 3&4 is subject to the limitations
- Tethys Oil's share of the production quota (before government take) amounts to 9,300 barrels per day during July-December 2020. Production is likely to fluctuate on a monthly basis
- In April Tethys Oil suspended its financial guidance following the introduction of production limitations in Oman

### Subsequent events

- The Sultanate of Oman and Tethys Oil entered into an Exploration and Production Sharing Agreement (EPSA) for Block 58 onshore Oman in July 2020

MUSD (unless specifically stated)	Second quarter 2020	First quarter 2020	Second quarter 2019	First half 2020	First half 2019	Full year 2019
Net daily production from Oman, Blocks 3&4 before government take (barrels per day)	10,597	13,032	12,881	11,815	12,394	12,832
Net entitlement barrels (bbl)	532,325	585,801	609,523	1,118,127	1,166,490	2,383,086
Net entitlement as share of production (percent)	55	49	52	52	52	51
Average selling price per barrel, USD	34.3	63.1	67.8	51.5	64.5	64.2
Revenue and other income	21.1	37.3	41.3	58.4	74.0	150.8
EBITDA	8.7	21.9	27.9	30.6	44.8	92.9
Operating result	-1.7	9.2	16.4	7.5	22.0	37.1
Net result for the period	-3.9	12.1	17.3	8.2	23.7	38.3
Earnings per share (after dilution), USD	-0.12	0.35	0.51	0.24	0.69	1.12
Net cash	59.8	78.0	62.0	59.8	62.0	75.1
Free cash flow	0.6	9.2	6.2	9.8	16.4	31.4
Investments in oil and gas properties	10.4	15.4	12.8	25.8	24.4	65.2

### ***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, Block 56 and Block 58. Tethys Oil has net working interest 2P reserves of 26.1 mmbbl and net working interest 2C Contingent Resources of 13.5 mmbbl 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,

The second quarter 2020 will stand out as an extraordinary quarter in many ways and for a long time to come. For Tethys the principal focus has been to ensure the safety and wellbeing of all our co-workers and partners and maintain an operational momentum as close to normal as possible.

I am extremely pleased and grateful to be able to report that both goals were successfully achieved! And despite the difficult environment caused by the pandemic, we also managed to stay cash flow neutral during the quarter. However, we are fully aware that the situation has not returned to normal, and we maintain a high readiness to be able to continue safe and efficient operations in this surreal world.

At the onset of the quarter it was by no means obvious that either of the aforementioned goals would be achieved. But thanks to the strong dedication from all Tethys people we managed to stay safe and continue operating almost as usual, but under quite unusual circumstances. The operator of Blocks 3&4 managed to deliver functioning operations meeting all safety and production goals while implementing a rigorous anti-covid-19 regime in the field. Our host country, the Sultanate of Oman, implemented strict health measures while managing to assure that the oil sector could continue to function. I would here like to express our thanks and gratitude to both for these outstanding achievements.

Turning to the financial situation, we note with satisfaction that the impact of the fall in oil price was mitigated by cost reductions and deferral of investments. Towards the end of the quarter, oil prices rebounded somewhat following the gradual restoration of demand and responding to the large production cuts effected by the OPEC+ group of oil producers. The OPEC+ agreement has also affected Tethys and in April, after being informed by the operator that our production would be subject to limitations, we subsequently elected to suspend our financial and production guidance for the year. Average production for the second quarter 2020 came in lower than the previous quarter, but we still reached a healthy 10,600 barrels per day. And while the limitations remain, our production is likely to fluctuate on a monthly basis.

Thanks to the rapidly implemented investment deferrals by the operator for Blocks 3&4, we expect our capital expenditures to significantly come down for the remainder of the year, which coupled with the recovering oil price should leave us in a rather comfortable financial situation going forward. Even after a distribution of over MUS\$ 17 to our shareholders during the quarter, our balance sheet remains strong with MUS\$ 60 of cash.

Some of that cash will be put to use in our exploration efforts and not the least in our new Block 58. This Block borders our other operated Block 49 and holds some very interesting geological features that hopefully will translate into oil fields in the not too distant future. But we will do the work by the book. We will start by reprocessing, integrating and further interpreting existing seismic. This will increase our understanding of the block in general, but also aim to firm up the promising leads already identified. When the initial work is completed, we will address the further work programme, which includes the drilling of at least two exploration wells.

Other parts of our cash will go to drill an exploration well on Block 49. We are in final negotiations with several rig contractors and are confident we will drill before the end of the year.

On Block 56, where we hold a non-operated 20 percent interest, we have started the initial planning of a possible new seismic campaign.

While we expect to increase our exploration investments going forward, we will of course continue to look for opportunities to distribute cash to our shareholders.

So stay with us, we offer the opportunity of substantial growth from our promising portfolio of Omani exploration assets Blocks 49, 56 and 58 on top of the solid base provided by Blocks 3&4.

Stockholm, August 2020

Magnus Nordin,  
*Managing Director*

## Production & Operations<sup>1</sup>

Tethys Oil's core area is onshore the Sultanate of Oman ("Oman"), where the Group holds a 30 percent non-operated interest in the exploration and production licence for Blocks 3&4 ("Blocks 3&4"), a 100 percent operated interest in the exploration licence for Block 49 ("Block 49"), and a 20 percent non-operated interest in the exploration licence for Block 56 ("Block 56"). In July 2020 the Government of the Sultanate of Oman and Tethys Oil entered into an Exploration and Production Sharing Agreement (EPSA) for Block 58 ("Block 58") onshore Oman. Tethys Oil holds a 100% license interest and is the operator of Block 58. Tethys Oil also has non-operated interests onshore Lithuania via an associated company.

During March 2020 government authorities in the Sultanate of Oman imposed a variety of restrictions on international travel as well as movement within the country in response to the global COVID-19 pandemic. Measures have been put in place to minimise the risk of contagion while still allowing operations to proceed safely. During the quarter, production and drilling operations, as well as oil exports have continued to be undisrupted.

### *Blocks 3&4*

Tethys Oil's share of production from Blocks 3&4 during the second quarter 2020, before government take, was 964,299 barrels of oil, corresponding to 10,597 barrels of oil per day. Second quarter 2020 average daily production was 19% lower than in the first quarter 2020 mainly due to the OPEC+ production limitations.

### *Production Limitations*

As announced in April 2020, the Sultanate of Oman is party to the OPEC+ agreement on production limitations. Tethys Oil was subsequently informed by the operator that Blocks 3&4 was to be subject to production limitations for the remainder of 2020. Tethys Oil's net share of the production quota, before government take, for May-June 2020 was set to 8,700 barrels per day and 9,300 barrels per day for the period July to December 2020. The production from Blocks 3&4 can, however, deviate from the quotas on a monthly basis.

Production	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
<b>Blocks 3&amp;4</b>					
Production, before Government take, bbl	<b>964,299</b>	1,185,945	1,239,673	1,200,833	1,172,159
Average daily production, barrels per day	<b>10,597</b>	13,032	13,475	13,053	12,881

In April 2020, and as a response to the sharp drop in oil prices in March 2020, increased uncertainty resulting from the effects of the global COVID-19 pandemic and production limitations, plans were put in place to significantly reduce or defer expenditure on Blocks 3&4 for the remainder of 2020. The target is to ensure the operations on Blocks 3&4 remain, at minimum, cash flow neutral for the full year at current market conditions. The plans include a reduction of development activities, such as production drilling, while still ensuring that production could be ramped up quickly should the production limitations be lifted.

In the second quarter of 2020, operations on Blocks 3&4 shifted from the original 2020 work program to a new, reduced scope work program and budget. Aside for completion of already committed upgrades and de-bottlenecking investments, the reduced scope includes reduced production drilling and facility upgrades, with focus primarily on projects critical for safety and asset integrity. The full effect of the reduction in activity is expected to be seen in the third quarter.

A total of eleven wells were completed during the quarter, ten of which were production and appraisal wells. The completed wells were expected to contribute to an increase in production, but following the introduction of production limitations in May the flow from a number of wells had to be reduced. The number of workovers and well interventions declined from eleven to nine in the second quarter compared to the first quarter 2020. Focus was on wells on the Farha South, Shahd and Saiwan East fields. Three rigs and one workover rig were operating at the beginning of the quarter. Two rigs were put on standby in June while one drilling rig and one workover rig remain operational.

<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 second quarter 2020. Segments of the Group are geographical markets.

Wells completed Q2 2020 (primary purpose)	Ulfa, Samha and Erfan Fields	Farha South Field	Shahd and Saiwan East Fields	Near and far field exploration	Total
Appraisal/Production	1	5	4	-	10
Water injection	-	1	-	-	1
Water source	-	-	-	-	-
Exploration	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>6</b>	<b>4</b>	<b>-</b>	<b>11</b>

### *Exploration activities*

The acquisition of the final seismic in the 2019/2020 survey has been completed. More than 4,000 km<sup>2</sup> of new seismic was collected, of which the acquisition of the final 2,500 km<sup>2</sup> section was completed in the first quarter 2020. The new seismic covers the entire license area to the north of the Farha South field in Block 3. Multiple leads have been identified within this area, including leads in previously untested oil plays. The data is being processed and the first set of processed data has been handed over to the partner group for interpretation. Interpretation of previously acquired seismic on Block 3 is ongoing enhancing our understanding of the prospectivity of the area.

#### **Block 49**

On Block 49, the preparations for the drilling of the Thameen (“Precious”) prospect in the north eastern part of the block continues. The Thameen exploration well is planned to be drilled to a depth of close to 4,000 meters to evaluate three potential reservoir targets. The procurement of a majority of equipment and services has been completed, with the exception of the contracting of a drilling rig. Following the recent market developments, prospects for securing a rig at a competitive rate have improved, however the process of finalising a rig contract has been slowed by the restrictions imposed as a result of the Covid-19 pandemic. In parallel seismic interpretations and overall geological modelling of Block 49 has continued during the quarter.

#### **Block 56**

In the fourth quarter 2019, Tethys Oil 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. At the end of March 2020, Tethys Oil received final government approval for the transaction.

Testing operations of three previously drilled wells was successfully completed in the first quarter and a full evaluation of the test results are ongoing. One of the wells confirmed the presence of an active petroleum system with a crude quality of 20-25 degrees API and medium viscosity, although commerciality is yet to be determined. The results would suggest that a proven and producing play in the adjacent Block 6 extends into Block 56. A number of undrilled leads within this oil play have been identified and will be subject to further work.

Evaluation of the existing seismic on the block suggests the presence of numerous leads in several different play concepts, including some familiar from Blocks 3&4. New 3D seismic will likely be necessary in order to test the play concepts and initial planning of a possible new seismic campaign has started.

#### **Block 58**

Tethys Oil announced in early July 2020 that the Government of the Sultanate of Oman and Tethys Oil had entered into an Exploration and Production Sharing Agreement (EPSA) for Block 58 onshore Oman, a royal decree was received shortly after the announcement. Tethys Oil will through its wholly owned subsidiary Tethys Oil Qatbeet Limited be the operator of the block and hold a 100% license interest.

Block 58 is located in the Dhofar Governorate in the southern part of Oman, adjacent to Tethys Oil’s operated exploration licence Block 49. It covers an area of 4,557 km<sup>2</sup>. Block 58 straddles the western flank of the South Oman Salt Basin and the Western Deformation Front. A total of 7,600 km of 2D seismic and 1,100 km<sup>2</sup> of 3D seismic data acquired by previous operators has been made available to Tethys Oil as well as raw logs and well reports from two wells drilled within the block boundaries. Both wells encountered hydrocarbon shows. Multiple play concepts are believed to exist within the block boundaries, including plays familiar to Tethys, with several leads identified.

The EPSA for Block 58 covers an initial exploration period of three years with an optional extension period of another three years. In case of a commercial oil or gas discovery, the EPSA will be transformed in to a 15 year production license which can be extended for another five years. In case of a commercial discovery, an Oman Government Company has a right to acquire up to a 30% interest in Block 58 against refunding of past expenditure. The initial work commitments during the first period include a 3D seismic campaign and drilling of two exploration wells.

***Financial and Production Guidance***

Following the announcement in April 2020 of the introduction of production limitations in Oman, Tethys Oil suspended its previously announced financial guidance for 2020 regarding production (previously 12,600 – 13,400 bopd before government take), investments (previously MUSD 50 – 64) and operating expenses (previously USD 11.5 per barrel).

No new financial or production guidance will be provided. Production updates will continue to be released on a monthly basis.

## Financial Review

### Income Statement

#### Production entitlement and sales

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 second quarter, the level of production, value of recoverable costs incurred, and achieved oil price resulted in a Net Entitlement of 55 percent compared to 49 percent in the first quarter 2020. Under current oil price conditions, production limitations and expected expenditure the Net Entitlement share of production for the full year 2020 is expected to be at the annual maximum 52 percent, albeit with quarterly variations. Under the second quarter Tethys Oil was unable to recover all the costs incurred on Blocks 3&4 leaving a balance of unrecovered cost in the Cost Pool. Under the current conditions the balance of the Cost Pool is expected to increase by year end.

Production entitlement and sales	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
<b>Blocks 3&amp;4</b>					
Production, before Government take, bbl	964,299	1,185,945	1,239,673	1,200,833	1,172,159
Net Entitlement barrels, bbl	532,325	585,801	592,164	624,433	609,523
Net Entitlement share of production, percent	55	49	48	52	52
Oil sales (bbl)	545,986	808,389	449,073	635,947	561,077
Underlift/overlift movement, bbl	-13,661	-222,588	143,091	-11,514	48,446
Underlift/overlift, closing position, bbl	-78,928	-65,267	157,321	14,230	25,744

During the second quarter 2020, Tethys Oil sold 545,986 barrels of oil from Blocks 3&4 compared to 808,389 barrels of oil sold during the first quarter 2020, a decrease of 32 percent.

Oil sale volumes are nominated two months in advance and are not based upon the actual production in a month; as a result, the Group'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. Tethys Oil is contractually obliged to maintain a neutral under-/overlift position over time. Tethys Oil's overlift position increased during the second quarter 2020 to 78,928 barrels at 30 June 2020 from an overlift position of 65,267 barrels at 31 March 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 monthly sales is priced using Oman's Official Selling Price (OSP) which is calculated using 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.

## 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.

The average selling price during the second quarter 2020 amounted to USD 34.3 per barrel, a decrease of USD 28.8, or 46 percent, from USD 63.1 during the first quarter 2020. Due to the 2-month lag in the calculation of the OSP, as outlined above, the sharp drop in oil prices starting March 2020 had an impact on achieved prices starting in May 2020.

Revenue and Other income	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Achieved Oil Price, USD/bbl	34.3	63.1	61.4	65.4	67.8
Revenue, MUSD	18.7	51.0	27.6	41.6	38.1
Underlift/Overlift adjustment, MUSD	2.4	-13.7	8.6	-0.9	3.2
<b>Revenue and other income, MUSD</b>	<b>21.1</b>	<b>37.3</b>	<b>36.2</b>	<b>40.7</b>	<b>41.3</b>

Revenue in the second quarter 2020 was MUSD 18.7 compared to MUSD 51.0 in the first quarter 2020 a decrease of 63 percent compared to the first quarter. The decrease was driven by the combination of 46 percent lower achieved prices as well as a 32 percent lower volume of oil sold. The underlift/overlift adjustment in the second quarter amounted to MUSD 2.4 (MUSD -13.7) as the increased overlift was offset by the effect of the significantly lower oil price at the end of the quarter. Revenue and other income in the second quarter 2020 amounted to MUSD 21.1 compared to MUSD 37.3 in the first quarter 2020. The decrease is primarily due to lower achieved oil price and lower production.

## Operating expenses

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	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Production costs, MUSD	9.6	12.7	12.3	11.0	11.0
Well workovers, MUSD	0.8	1.0	0.9	1.1	1.0
<b>Total operating expenses, MUSD</b>	<b>10.4</b>	<b>13.7</b>	<b>13.2</b>	<b>12.1</b>	<b>12.0</b>
Operating expenses per barrel, USD	10.8	11.6	10.7	10.1	10.2

Operating expenses, including costs for well workovers and interventions, for the second quarter 2020 amounted to MUSD 10.4 and were lower than the first quarter 2020 when operating expenditure amounted to MUSD 13.7. The decrease in operating expenditures is due to the effect of lower production as well as the implementation of cost savings in response to the lower oil price. Lower costs include fuel, throughput fees, business travel, consultancy, and staff benefits. Fewer workovers and well interventions were performed in the second quarter compared to the first quarter 2020.

## Depletion, depreciation and amortisation

DD&A	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
DD&A, MUSD	10.4	12.7	12.6	12.2	11.4
DD&A per barrel, USD	10.7	10.6	10.1	10.1	9.6

Depletion, depreciation and amortisation ("DD&A") during the second quarter 2020 amounted to MUSD 10.4, compared to MUSD 12.7 in the first quarter 2020 due to lower production. DD&A per barrel excludes the depreciation cost relating to leases under IFRS 16.

## Administrative expenses

Administrative expenses for the second quarter 2020 amounted to MUSD 2.0 compared to MUSD 1.7 during the first quarter 2020. Administrative expenses mainly relate to staff, rents, listing costs and external services. A

reduction in administrative costs resulting from lower business travel and external services was offset by the cost of the long-term incentive programme.

### Operating result and EBITDA

The operating result in the second quarter 2020 amounted to MUSD -1.7 compared to MUSD 9.2 in the first quarter 2020. The decrease in operating expenses was not sufficient to offset the even steeper decline in revenues resulting in an operating loss. Earnings before interest and depreciation and amortisation (EBITDA) amounted to MUSD 8.7 in the second quarter 2020 (MUSD 21.9).

### Net financial result

The net financial result during the second quarter 2020 amounted to MUSD -2.2 compared to MUSD 2.9 during the first quarter 2020. The net financial result for the second quarter 2020 primarily related to currency exchange effects and in particular the appreciation of the SEK to the USD. Currency exchange differences recorded on loans between the parent company and subsidiaries are non-cash 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 paid in full, on behalf of Tethys Oil, from the government share of oil. The effect of these taxes are netted against revenue and other income in the income statement.

### Result

Tethys Oil reports a net result after tax for the second quarter 2020 of MUSD -3.9, representing earnings per share (after dilution) of USD -0.12. The result for the second quarter 2020 has decreased compared to the first quarter 2020 when the net result amounted to MUSD 12.1, with earnings per share (after dilution) of USD 0.35.

### Netback

Netback, USD per barrel	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Oil price achieved (sales barrels)	34.3	63.1	61.4	65.4	67.8
Net revenue (after government take)	18.9	31.2	29.3	34.0	35.2
Operating expenses	10.8	11.6	10.7	10.1	10.2
<b>Netback</b>	<b>8.1</b>	<b>19.6</b>	<b>18.6</b>	<b>23.9</b>	<b>25.0</b>

Netback per barrel decreased in the second quarter 2020 compared to the first quarter 2020 mainly due to the lower achieved oil price offset by a higher net entitlement.



## Financial position and cash flow

### Assets and equity

The Group's total assets at 30 June 2020 amounted to MUSD 281.1 (MUSD 308.0) of which MUSD 214.8 was oil and gas assets (MUSD 214.7). Shareholder's equity at 30 June 2020 was MUSD 261.3 compared to MUSD 279.8 at 31 March 2020. The reduction is a result of the dividend and the extraordinary distribution by way of share redemption.

Balance Sheet	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019
<b>Non-current assets</b>					
Oil & Gas Properties (note 5)	214.8	214.7	211.7	204.0	201.7
Other fixed assets	0.4	0.4	0.6	0.7	0.7
<b>Current Assets</b>					
Other current assets (note 6)	5.8	14.7	12.3	19.4	16.2
Cash & Equivalents	60.1	78.2	75.6	72.4	62.5
<b>Total assets</b>	<b>281.1</b>	<b>308.0</b>	<b>300.2</b>	<b>296.5</b>	<b>281.1</b>
<b>Shareholders' equity</b>	261.3	279.8	276.3	273.2	258.3
Non-current liabilities (note 7,8)	10.7	10.7	11.0	9.0	9.1
Current liabilities (note 9)	9.1	17.5	12.9	14.3	13.7
<b>Total Equity &amp; Liabilities</b>	<b>281.1</b>	<b>308.0</b>	<b>300.2</b>	<b>296.5</b>	<b>281.1</b>

### Liquidity and financing

Cash in bank as at 30 June 2020 amounted to MUSD 60.1 compared to MUSD 78.2 as at 31 March 2020. Net cash at 30 June 2020 was MUSD 59.8 compared to MUSD 78.0 at 31 March 2020. See page 16 for reconciliation between cash and net cash.

In May 2020 a dividend of SEK 2.00 per share was paid to shareholders, which in total amounted to MUSD 7.0 and in June 2020 an extraordinary distribution, by way of share redemption, of SEK 3.00 per share was paid to shareholders, which in total amounted to MUSD 10.6.

### Cash flow and investments

Cash flow	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
<b>Cash Flow from Operations</b>	<b>11.2</b>	24.7	27.1	28.9	18.4
Cash flow from Investments	-10.6	-15.5	-22.2	-18.5	-12.2
<b>Free Cash flow</b>	<b>0.6</b>	9.2	4.9	10.4	6.2
Cash flow from Financing Activities	-18.6	-5.8	-1.3	0.0	-27.0
<b>Period Cash Flow</b>	<b>-18.0</b>	<b>3.4</b>	<b>3.6</b>	<b>10.4</b>	<b>-20.8</b>

During the second quarter 2020, cash flow from operations amounted to MUSD 11.2 (MUSD 24.7). Investments decreased to MUSD 10.6 (MUSD 15.5). Cash flow from financing activities amounted to MUSD -18.6 (MUSD -5.8) and consisted of repurchased shares, dividend and extraordinary distribution to shareholders. Investments on Blocks 3&4 during the second quarter 2020 were lower than the first quarter 2020 across all categories in response to the lower oil price. Free cash flow (cash flow after investments) was MUSD 0.6 (MUSD 9.2).

### Total investments

Investments, MUSD	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Drilling	5.4	6.6	6.0	6.3	6.6
G&G	1.7	4.8	4.0	3.6	1.3
Facilities	2.6	3.4	6.0	4.3	4.6
<b>Total investments Blocks 3&amp;4</b>	<b>9.7</b>	<b>14.8</b>	<b>16.0</b>	<b>14.2</b>	<b>12.5</b>
Block 49	0.7	0.4	1.6	0.3	0.1
Block 56	0.0	0.2	8.6	-	-
<b>Total investments in Oil &amp; Gas assets</b>	<b>10.4</b>	<b>15.4</b>	<b>26.2</b>	<b>14.5</b>	<b>12.6</b>
New ventures/Other	0.2	0.1	-4.0	4.0	-0.4
<b>Total investments</b>	<b>10.6</b>	<b>15.5</b>	<b>22.2</b>	<b>18.5</b>	<b>12.2</b>

## Parent Company, Dividend & Share data

### Parent company

The parent company reports a net result after tax for the second quarter 2020 amounting to MSEK -25.7 compared to MSEK 26.2 for the first quarter 2020. Administrative expenses during the second quarter 2020 amounted to MSEK 13.3 compared to MSEK 12.6 for the first quarter 2020. The higher costs in the second quarter relate to the staff long-term incentive programme and the annual general meeting (AGM).

The Net financial result amounted to MSEK -14.3 during the second quarter 2020 compared to MSEK 34.6 for the first quarter 2020. Net financial result consists of currency exchange losses related to intercompany loans of MSEK -19.6 compared to MSEK 28.9 for the first quarter 2020 and interest income MSEK 5.4 compared to MSEK 5.7 for the first quarter 2020.

### Annual General Meeting, Dividend and Distribution

Tethys Oil's AGM on 13 May 2020 approved the boards of directors' proposal for an ordinary dividend of SEK 2.00 per share and an extraordinary shareholder distribution in the form of a mandatory share redemption of SEK 3.00 per share for the fiscal year 2019.

### Share data

In the second quarter 2020, Tethys Oil, in accordance with a resolution on the AGM on 13 May 2020, launched a mandatory share redemption procedure whereby every share in Tethys Oil was split into one ordinary share and one redemption share. As a result, the number of shares and votes in Tethys Oil increased to 72,589,920, of which 36,294,960 were ordinary shares and 36,294,960 were redemption shares. The redemption shares were traded from 25 May 2020 up to and including 5 June 2020 on Nasdaq Stockholm. The redemption shares were automatically redeemed and SEK 3.00 in cash consideration for each redemption share was paid with record date of 9 June 2020. After the redemption, the outstanding number of shares and votes returned to 36,294,960.

During the second quarter 2020 Tethys Oil repurchased 103,086 of its own shares to a value of MUSD 0.6 (MUSD 5.8 in the first quarter).

On 12 June 2020, and as resolved by the AGM 2020, Tethys Oil cancelled its entire holding of treasury shares (3,238,352) previously acquired by the company under its share repurchase program. As a result of the cancellation of treasury shares, the total number of shares and votes decreased from 36,294,960 shares and votes to 33,056,608 shares and votes.

As at 30 June 2020, the number of issued shares in Tethys Oil amounted to 33,056,608, with a quota value of SEK 0.18 (SEK 0.17). All shares represent one vote each. As per 30 June 2020 Tethys Oil held nil treasury shares.

Tethys Oil currently has four active warrant-based incentive programmes for employees, (for further information please see Note 10) which, if exercised can result in the issuance of up to 1,575,500 shares (4.8 percent of current shares in issue). As the share price was below the subscription price of the four tranches of the incentive programme throughout the second quarter 2020, there was no potential dilution effect of the warrants included in the weighted average number of shares after dilution. As a result, in the second quarter 2020, the weighted average number of shares outstanding before dilution and after dilution was 33,059,234.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY**

MUSD	Note	Second quarter 2020	Second quarter 2019	First half year 2020	First half year 2019	Full year 2019
<b>Revenue and other income</b>	3	<b>21.1</b>	<b>41.3</b>	<b>58.4</b>	<b>74.0</b>	<b>150.8</b>
Operating expenses		-10.4	-12.0	-24.1	-26.2	-51.6
<b>Gross profit</b>		<b>10.7</b>	<b>29.3</b>	<b>34.3</b>	<b>47.8</b>	<b>99.2</b>
Depletion, depreciation and amortisation	5	-10.4	-11.4	-23.1	-22.9	-47.6
Exploration costs		-	-0.2	-	-0.2	-8.2
Share of net profit/loss from associates		-	0.7	-	0.7	0.7
Administrative expenses	10	-2.0	-2.0	-3.7	-3.4	-7.0
<b>Operating result</b>		<b>-1.7</b>	<b>16.4</b>	<b>7.5</b>	<b>22.0</b>	<b>37.1</b>
<b>Net financial result</b>	4	<b>-2.2</b>	<b>1.0</b>	<b>0.7</b>	<b>1.7</b>	<b>1.2</b>
<b>Result before tax</b>		<b>-3.9</b>	<b>17.3</b>	<b>8.2</b>	<b>23.7</b>	<b>38.3</b>
Income tax		-	-	-	-	-
<b>Net Result</b>		<b>-3.9</b>	<b>17.3</b>	<b>8.2</b>	<b>23.7</b>	<b>38.3</b>
<b>Other comprehensive result</b>						
Items that may be subsequently reclassified to profit or loss:						
Exchange differences		4.0	-1.7	1.0	-2.4	-1.6
<b>Other comprehensive result</b>		<b>4.0</b>	<b>-1.7</b>	<b>1.0</b>	<b>-2.4</b>	<b>-1.6</b>
<b>Total comprehensive result</b>		<b>0.1</b>	<b>15.6</b>	<b>9.2</b>	<b>21.3</b>	<b>36.7</b>
Attributable to:						
Shareholders in the parent company		<b>0.1</b>	<b>15.6</b>	<b>9.2</b>	<b>21.3</b>	<b>36.7</b>
Non-controlling interest		-	-	-	-	-
Number of shares at period end		33,056,608	35,896,310	33,056,608	35,896,310	36,294,960
Weighted average number of shares (before dilution)		33,059,234	34,145,588	33,599,594	34,200,614	34,222,908
Weighted average number of shares (after dilution)		33,059,234	34,209,417	33,613,196	34,267,301	34,302,768
Earnings per share (before dilution), USD		-0.12	0.51	0.24	0.69	1.12
Earnings per share (after dilution), USD		-0.12	0.51	0.24	0.69	1.12

**CONSOLIDATED BALANCE SHEET IN SUMMARY**

MUSD	Note	30 Jun 2020	31 Dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Oil and gas properties	5	214.8	211.7
Other fixed assets		0.4	0.6
		<b>215.2</b>	<b>212.3</b>
<b>Current assets</b>			
Other receivables	6	5.4	12.0
Prepaid expenses		0.4	0.3
Cash and cash equivalents		60.1	75.6
		<b>65.9</b>	<b>87.9</b>
<b>TOTAL ASSETS</b>		<b>281.1</b>	<b>300.2</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		0.8	0.8
Additional paid in capital		76.3	76.3
Reserves		-0.9	-1.9
Retained earnings		185.1	201.1
<b>Total shareholders' equity</b>		<b>261.3</b>	<b>276.3</b>
<b>Non-current liabilities</b>			
Non-current provisions	7	9.9	9.6
Other non-current liabilities	8	0.8	1.4
		<b>10.7</b>	<b>11.0</b>
<b>Current liabilities</b>			
Accounts payable and other current liabilities	9	9.1	12.9
		<b>9.1</b>	<b>12.9</b>
<b>Total liabilities</b>		<b>19.8</b>	<b>23.9</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>281.1</b>	<b>300.2</b>

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

Attributable to shareholders of the parent company					
MUSD	Share capital	Paid in capital	Reserves	Retained earnings	Total equity
<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>
<b>Opening balance 1 January 2020</b>	<b>0.8</b>	<b>76.3</b>	<b>-1.9</b>	<b>201.1</b>	<b>276.3</b>
Result for six months 2020	-	-	-	8.2	8.2
Currency exchange differences six months 2020	-	-	1.0	-	1.0
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1.0</b>	<b>8.2</b>	<b>9.2</b>
<b>Transactions with owners</b>					
Share issue	-	-	-	-	-
Purchase of own shares	-	-	-	-6.9	-6.9
Dividends paid	-	-	-	-7.0	-7.0
Share redemption	-	-	-	-10.6	-10.6
Incentive programme	-	-	-	0.3	0.3
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-24.2</b>	<b>-24.2</b>
<b>Closing balance 30 June 2020</b>	<b>0.8</b>	<b>76.3</b>	<b>-0.9</b>	<b>185.1</b>	<b>261.3</b>

**CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY**

MUSD	Note	Second quarter 2020	Second quarter 2019	First half year 2020	First half year 2019	Full year 2019
<b>Cash flow from operations</b>						
Operating result		-1.7	16.4	7.5	22.0	37.1
Interest received	4	0.0	0.0	0.0	0.0	0.8
Interest paid		0.0	-0.0	0.0	-0.0	-0.0
Adjustment for exploration costs		-	0.2	-	0.2	8.2
Adjustment for depletion, depreciation and other non-cash related items		12.4	5.4	25.8	17.2	46.0
<b>Total cash flow from operations before change in working capital</b>		<b>10.7</b>	<b>22.0</b>	<b>33.3</b>	<b>39.4</b>	<b>92.1</b>
Change in receivables		8.9	-2.5	6.4	2.1	5.9
Change in liabilities		-8.4	-1.1	-3.8	-1.3	-2.0
<b>Cash flow from operations</b>		<b>11.2</b>	<b>18.4</b>	<b>36.0</b>	<b>40.2</b>	<b>96.0</b>
<b>Investment activity</b>						
Investment in oil and gas properties	5	-10.4	-12.8	-25.8	-24.4	-65.2
Investment in other fixed assets		-0.2	-0.1	-0.3	-0.1	-0.1
Cash from associated companies, net		-	0.7	-	0.7	0.7
<b>Cash flow from investment activity</b>		<b>-10.6</b>	<b>-12.2</b>	<b>-26.1</b>	<b>-23.8</b>	<b>-64.6</b>
<b>Financing activity</b>						
Share issue		-	-	-	-	2.3
Purchase of own shares		-1.0	-2.1	-6.9	-2.1	-2.1
Dividend		-7.0	-3.5	-7.0	-3.5	-7.1
Share redemption		-10.6	-21.4	-10.6	-21.4	-21.4
<b>Cash flow from financing activity</b>		<b>-18.6</b>	<b>-27.0</b>	<b>-24.5</b>	<b>-27.0</b>	<b>-28.3</b>
<b>Period cash flow</b>		<b>-18.0</b>	<b>-20.8</b>	<b>-14.6</b>	<b>-10.6</b>	<b>3.1</b>
Cash and cash equivalents at the beginning of the period		78.2	83.3	75.6	73.1	73.1
Exchange gains/losses on cash and cash equivalents		-0.1	0.0	-0.9	0.0	-0.6
<b>Cash and cash equivalents at the end of the period</b>		<b>60.1</b>	<b>62.5</b>	<b>60.1</b>	<b>62.5</b>	<b>75.6</b>

**KEY RATIOS**

<b>Group</b>	<b>Second quarter 2020</b>	Second quarter 2019	<b>First half year 2020</b>	First half year 2019	Full year 2019
<b>Operational items</b>					
Production before government take, Oman Blocks 3&4, bbl	964,299	1,172,159	2,150,244	2,243,249	4,683,754
Production per day, Oman Blocks 3&4, bbl	10,597	12,881	11,815	12,394	12,832
Oil sales, bbl	545,986	561,077	1,354,375	1,174,829	2,259,849
Achieved oil price, USD/bbl	34.3	67.8	51.5	64.5	64.2
<b>Income statement and balance sheet</b>					
Revenue and other income, MUSD	21.1	41.3	58.4	74.0	150.8
EBITDA, MUSD	8.7	27.9	30.6	45.1	92.9
EBITDA-margin	41%	68%	52%	61%	62%
Operating result, MUSD	-1.7	16.4	7.5	22.0	37.1
Operating margin	-8%	40%	13%	30%	25%
Net result, MUSD	-3.9	17.3	8.2	23.7	38.3
Net margin	-18%	42%	14%	32%	25%
Cash and cash equivalents, MUSD	60.1	62.5	60.1	62.5	75.6
Shareholders' equity, MUSD	261.3	258.3	261.3	258.3	276.3
Balance sheet total, MUSD	281.1	281.1	281.1	281.1	300.2
<b>Capital structure</b>					
Equity ratio	93%	92%	93%	92%	92%
Leverage ratio	neg.	neg.	neg.	neg.	neg.
Investments in oil and gas properties, MUSD	-10.4	-12.8	-25.8	-24.4	65.2
Net cash, MUSD	59.8	62.0	59.8	62.0	75.1
<b>Profitability</b>					
Return on shareholders' equity					14.1%
Return on capital employed					14.7%
<b>Other</b>					
Average number of full-time employees	23	23	23	23	23
Distribution per share, SEK	5.00	7.00	5.00	7.00	8.00
Cash flow from operations per share, USD	0.34	0.51	1.09	1.11	2.64
Number of shares at period end, '000	33,057	35,896	33,057	35,896	36,295
Shareholders' equity per share, USD	7.90	7.20	7.90	7.20	7.61
Weighted average number of shares (before dilution), '000	33,059	34,146	33,600	34,201	34,223
Weighted average number of shares (after dilution), '000	33,059	34,209	33,613	34,267	34,303
Earnings per share before dilution, USD	-0.12	0.51	0.24	0.69	1.12
Earnings per share after dilution, USD	-0.12	0.51	0.24	0.69	1.12

*For definitions of key ratios, please refer to the 2019 Annual Report.*

**Key quarterly data**

	<b>Q2 2020</b>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net daily production before government take, Blocks 3&4, bbl	10,597	13,032	13,475	13,053	12,881	11,901	11,898	11,857
Oil sales, bbl	545,986	808,389	449,073	635,947	561,077	613,752	542,596	579,360
Revenue and other income, MUSD	21.1	37.3	36.2	40.7	41.3	32.7	44.4	42.3
EBITDA, MUSD	8.7	21.9	21.3	26.6	27.9	17.2	30.8	30.1
Cash flow from operations, MUSD	11.2	24.7	27.1	28.9	18.4	21.7	29.3	37.6
Earnings per share after dilution, USD	-0.12	0.35	-0.01	0.44	0.51	0.19	0.65	0.53
Share price, end of period, SEK	45.7	47.7	84.4	78.3	74.5	75.8	64.8	97.8

*For definitions of key ratios, please refer to the 2019 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 2019 Annual Report.

	<b>Second quarter 2020</b>	Second quarter 2019	<b>First half year 2020</b>	First half year 2019	Full year 2019
MUSD					
Operating result	-1.7	16.4	7.5	22.0	37.1
Add: Depreciation, depletion and amortization	10.4	11.4	23.1	22.9	47.6
Add: Exploration costs	-	0.1	-	0.2	8.2
<b>EBITDA</b>	<b>8.7</b>	<b>27.9</b>	<b>30.6</b>	<b>45.1</b>	<b>92.9</b>
Cash and bank	60.1	62.5	60.1	62.5	75.6
Less: Interest bearing debt	-0.3	-0.5	-0.3	-0.5	-0.5
<b>Net cash</b>	<b>59.8</b>	<b>62.0</b>	<b>59.8</b>	<b>62.0</b>	<b>75.1</b>



**PARENT COMPANY INCOME STATEMENT IN SUMMARY**

MSEK	Note	Second quarter 2020	Second Quarter 2019	First half year 2020	First half year 2019	Full year 2019
Other income		1.9	3.4	6.1	5.2	10.7
Share of net profit/loss from associates		-	6.4	-	6.4	6.4
Administrative expenses	10	-13.3	-12.4	-25.9	-20.0	-43.1
<b>Operating result</b>		<b>-11.4</b>	<b>-2.6</b>	<b>-19.8</b>	<b>-8.4</b>	<b>-26.0</b>
Net financial result	4	-14.3	41.7	20.3	52.2	303.6
<b>Result before tax</b>		<b>-25.7</b>	<b>39.1</b>	<b>0.5</b>	<b>43.8</b>	<b>277.6</b>
Income tax		-	-	-	-	-
<b>Result for the period*</b>		<b>-25.7</b>	<b>39.1</b>	<b>0.5</b>	<b>43.8</b>	<b>277.6</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	Note	30 Jun 2020	31 Dec 2019
<b>ASSETS</b>			
Total non current assets		301.4	447.2
Total current assets		24.9	26.3
<b>TOTAL ASSETS</b>		<b>326.3</b>	<b>473.5</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Restricted shareholders' equity		77.1	77.1
Unrestricted shareholders' equity		156.1	382.4
Total current liabilities		93.1	14.0
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>326.3</b>	<b>473.5</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 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 second quarter 2020 report of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The second quarter 2020 report 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 2019 Annual Report have been used in the preparation of this report.

There are no IFRS 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 2019 Annual Report and the relevant reconciliations can be found on 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	30 June 2020		31 December 2019	
	Average	Period end	Average	Period end
SEK/USD	9.65	9.35	9.51	9.48
SEK/EUR	10.66	10.48	10.66	10.55

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 second quarter 2020, 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	30 June 2020			31 December 2019		
	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	-	5.4	-	-	12.0	-
Cash and bank	-	60.1	-	-	75.6	-
Other non current liabilities	-	-	0.8	-	-	1.4
Accounts payables and other current liabilities	-	-	9.1	-	-	12.9

**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 30 June 2020.

In recent years OPEC and associated countries have, from time to time, agreed to voluntary production limitations. Oman has in the past participated in such agreements. As of May 2020 oil production in Oman is subject to production limitations under the OPEC+ agreement. As a consequence of the OPEC+ agreement Tethys Oil's production on Blocks 3&4 is subject to production limitations until December 2020. Going forward Tethys Oil cannot rule out the risk of prolonged or new such limitations impacting its oil and gas 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.

*COVID-19 Risks*

A global pandemic such as the novel coronavirus (COVID-19) can have a severe negative impact on the group and its ability to conduct operations. Given that Tethys Oil is run by a small specialised staff there is limited redundancy if key staff was to fall ill as a result of a viral infection. The group has aimed to mitigate the risk by encouraging staff to work from home, the implementation of virtual meetings and minimise any non-critical meetings and interactions as well as limit exposure from travel on public transport.

The travel restrictions and lockdown measures implemented by governments across the world can impact supply chains, movement of key personnel and ability to utilise external contractors and consultants.

The impact of the COVID-19 pandemic and the restrictions on movement and travel that have been implemented has had a significant effect on global economic activity and demand for oil during the first and second quarters of 2020. Oil producers have been unable to reduce output at the same pace as demand has fallen resulting in a significant imbalance in supply and demand for oil. As a result of the supply/demand imbalance, oil prices have fallen significantly since the start of the year and certain crude oil qualities have traded at negative prices, albeit for short periods of time.

The COVID-19 outbreak's impact on the economy and energy prices, and the risk to Tethys Oil's ability to conduct its operations profitably and without disruption is currently subject to significant uncertainty. The lower oil prices will impact Tethys Oil's profitability and cash flows in 2020 and potentially beyond. Given the uncertainty surrounding how long the current negative conditions will prevail it cannot be ruled out that oil prices remain at or below the current levels and thus have a longer-term impact on the group's profitability and financial standing. Should oil prices decline from current levels and remain lower, the risk of a future impairment of the Group's oil and gas assets cannot be ruled out.

A more detailed analysis of the Group's risks and uncertainties, and how the Group addresses these risks, are detailed in the 2019 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-Jun 2020					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue and other income	58.4	-	-	-	58.4
Operating expenses	-24.1	-	-	-	-24.1
Depreciation, depletion and amortisation	-23.1	-	-	-	-23.1
Exploration costs	-	-	-	-	-
Share of net profit/loss from associates	-	-	-	-	-
Administrative expenses	-0.7	-	-2.0	-1.0	-3.7
<b>Operating result</b>	<b>10.5</b>	<b>-</b>	<b>-2.0</b>	<b>-1.0</b>	<b>7.5</b>
<b>Total financial items</b>					<b>0.7</b>
<b>Result before tax</b>					<b>8.2</b>
Income tax					-
<b>Result for the period</b>					<b>8.2</b>

Group income statement Jan-Jun 2019					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue and other income	74.0	-	-	-	74.0
Operating expenses	-26.2	-	-	-	-26.2
Depreciation, depletion and amortisation	-22.9	-	-	-	-22.9
Exploration costs	-	-	-0.2	-	-0.2
Share of net profit/loss from associates	-	0.7	-	-	0.7
Administrative expenses	-1.0	-	-2.1	-0.3	-3.4
<b>Operating result</b>	<b>23.9</b>	<b>0.7</b>	<b>-2.3</b>	<b>-0.3</b>	<b>22.0</b>
<b>Total financial items</b>					<b>1.7</b>
<b>Result before tax</b>					<b>23.7</b>
Income tax					-
<b>Result for the period</b>					<b>23.7</b>

## Note 3) Revenue and other income

MUSD	Second quarter 2020	Second quarter 2019	First half year 2020	First half year 2019	Full year 2019
Revenue	18.7	38.1	69.8	75.9	145.0
Underlift/overlift adjustments	2.4	3.2	-11.4	-0.9	5.8
Overlift adjustment Export Reporting Error	-	-	-	-1.0	-
<b>Revenue and other income</b>	<b>21.1</b>	<b>41.3</b>	<b>58.4</b>	<b>74.0</b>	<b>150.8</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 is 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	Second quarter 2020	Second quarter 2019	First half 2020	First half 2019	Full year 2019
<b>MUSD</b>					
Financial income:					
Interest income	0.0	0.3	0.1	0.5	0.8
Currency exchange gain, net	0.0	0.8	0.9	1.4	0.9
Other financial income	-	-	-	-	-
Financial costs:					
Interest costs	-0.0	-0.0	-0.0	-0.0	-0.0
Currency exchange loss, net	-2.0	-	-	-	-
Other financial costs	-0.2	-0.1	-0.3	-0.2	-0.5
<b>Net financial result</b>	<b>-2.2</b>	<b>1.0</b>	<b>0.7</b>	<b>1.7</b>	<b>1.2</b>

Parent company	Second quarter 2020	Second quarter 2019	First half 2020	First half 2019	Full year 2019
<b>MSEK</b>					
Financial income:					
Interest income	5.4	4.7	11.2	9.4	18.3
Currency exchange gain, net	-	8.2	9.2	14.1	8.7
Dividend group companies	-	28.9	-	28.9	276.8
Financial costs:					
Interest costs	-	-0.0	-	-0.1	-0.2
Currency exchange loss, net	-19.6	-	-	-	-
Other financial costs	-0.1	-0.1	-0.1	-0.1	0.0
<b>Net financial result</b>	<b>-14.3</b>	<b>41.7</b>	<b>20.3</b>	<b>52.2</b>	<b>303.6</b>

**Note 5) Oil and gas properties**

Country	Licence	Phase	Tethys Oil's share	30 Jun 2020	Investments	Other non-cash adjustments	DD&A	Write-offs	1 Jan 2020
Oman	Blocks 3&4	Prod.	30%	196.6	24.5	-	-22.8	-	194.8
Oman	Block 49	Expl.	100%	9.1	1.1	-	-	-	8.0
Oman	Block 56	Expl.	20%	8.8	0.2	-	-	-	8.6
<b>New ventures</b>				<b>0.3</b>	0.0	-	-	-	0.3
<b>Total</b>				<b>214.8</b>	<b>25.8</b>	<b>-</b>	<b>-22.8</b>	<b>-</b>	<b>211.7</b>

Tethys Oil's interest in the Attila license in France lapsed during 2019 and has not been renewed.

*Impairment Test Blocks 3&4*

In response to the significant decrease in the oil prices during the first six months of 2020 and the reduction in production as a result of the OPEC+ production limitation agreement Tethys Oil conducted an impairment test of its producing asset Blocks 3&4 as at 30 June 2020. As a result of the test, it was determined that no impairment of the carrying value of Block 3&4's oil and gas properties had occurred. For further details regarding impairment testing see note 8 in Tethys Oil's 2019 Annual Report.

To calculate the value of estimated future cash flows a combination of the forward price curve (for the first 6 months) and ERCE's base case price forecast (for the remaining period) as at 30 June 2020 are applied to production and cost profiles based on proven and probable reserves (2P) and contingent resources (2C).

The ERCE (in real terms) base case price forecast estimates Brent oil prices of USD 47, 52, 57 and 57 per barrel for the years 2021-2024, respectively and a long-term price of USD 58 per barrel thereafter.

Key risks and sensitivities in the carrying value include the oil price, reserve and resource development and general macroeconomic factors.

**Note 6) Other receivables**

MUSD	30 Jun 2020	31 Dec 2019
VAT	0.2	0.0
Receivables Oil sales	5.2	2.5
Underlift position	-	9.5
Other	0.0	0.0
<b>Total</b>	<b>5.4</b>	<b>12.0</b>

**Note 7) Provisions**

Tethys Oil estimates that its share of site restoration regarding Blocks 3&4 amounts to MUSD 9.9 (MUSD 9.6). As a consequence of this provision, oil and gas properties have increased by an equal amount.

**Note 8) Other non-current liabilities**

MUSD	30 Jun 2020	31 Dec 2019
Export Reporting Error	0.5	1.0
Leasing	0.3	0.4
<b>Total</b>	<b>0.8</b>	<b>1.4</b>

**Note 9) Accounts payable and other current liabilities**

MUSD	30 Jun 2020	31 Dec 2019
Accounts payable	0.3	0.4
Operator balance. Oman Blocks 3&4	4.6	10.8
Overlift position	1.9	-
Other current liabilities	2.3	1.7
<b>Total</b>	<b>9.1</b>	<b>12.9</b>

**Note 10) Incentive programme**

Tethys Oil has an incentive programme as part of the remuneration package to employees. Warrants have been issued annually since 2015, following a decision by the respective AGM. The number of issued warrants during the second quarter 2020 was 350,000. Issued but not allocated warrants are held by the company. No warrants were exercised during the second quarter 2020.

Warrant incentive programme	Exercise period	Subscription price, SEK	Shares per warrant	1 Jan 2020	Number of warrants			30 Jun 2020
					Issued 2020	Exercised 2020	Expired 2020	
2017 incentive programme	30 May – 2 Oct 2020	69.30	1.24	350,000	-	-	-	350,000
2018 incentive programme	1 Jun – 2 Oct 2021	75.40	1.18	350,000	-	-	-	350,000
2019 incentive programme	1 Jun – 2 Oct 2022	72.80	1.08	350,000	-	-	-	350,000
2020 incentive programme	11 Jun – 6 Oct 2023	54.00	1.00	-	350,000	-	-	350,000
<b>Total</b>				<b>1,050,000</b>	<b>350,000</b>	<b>0</b>	<b>0</b>	<b>1,400,000</b>

As the share price was below the subscription price for all the active tranches of the incentive programme during the second quarter 2020, there was no dilution effect of the warrants included in the weighted average number of shares (after dilution). The weighted average number of shares outstanding (after dilution) was 33,059,234 during the second quarter 2020.

**Note 11) Pledged assets**

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

**Note 12) Contingent liabilities**

There are no outstanding contingent liabilities as at 30 June 2020, nor for the comparative period.

**Note 13) 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 Oman Onshore Limited, Tethys Oil France AB and Tethys Oil Exploration AB.

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

**Note 14) Subsequent events**

Tethys Oil announced on 5 July 2020 that the Government of the Sultanate of Oman and Tethys Oil had entered into an Exploration and Production Sharing Agreement (EPSA) for Block 58 onshore Oman, a royal decree was received shortly after the announcement. Tethys Oil will through its wholly owned subsidiary Tethys Oil Qatbeet Limited be the operator of the block and hold a 100% license interest.

**FINANCIAL CALENDAR:**

- 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
- Report for first quarter 2021 (January – March 2021) on 11 May 2021
- Report for second quarter 2021 (January – June 2021) on 10 August 2021

Stockholm, 11 August 2020

**Tethys Oil AB (publ)**  
Org. No. 556615-8266

**Board assurance**

The Board of Directors and the Managing Director certify that the half-year report gives a fair review of the performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the company and the companies in the Group face.

Geoffrey Turbott  
*Chairman*

Robert Anderson  
*Director*

Klas Brand  
*Director*

Alexandra Herger  
*Director*

Per Seime  
*Director*

Magnus Nordin  
*Managing Director*

**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 Market Act. The information was submitted for publication, through the agency of the contact person set out above, at 7:30 CET on 11 August 2020.*



## AUDITORS' REPORT

Tethys Oil AB (publ), 556615-8266

### Introduction

We have reviewed the condensed interim financial information (interim report) of Tethys Oil AB (publ) as of 30 June 2020 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Gothenburg, 11 August 2020

PricewaterhouseCoopers AB

Ulrika Ramsvik  
Authorized Public Accountant  
Auditor in charge

Sophie Damborg  
Authorized Public Accountant

**CONFERENCE CALL**

**Date:** 11 August 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/dk3xznsq>

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

Sweden: +46 8 566 426 51

Switzerland: +41 225 809 034

UK: +44 333 300 0804

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