

# TETHYS OIL

Fourth quarter report 2015



# Fourth quarter report 2015<sup>1</sup>

- Production amounted to 10,956 barrels per day, up 9 per cent compared to the third quarter 2015
- Revenue amounted to MSEK 222, down 13 per cent compared to third quarter 2015
- Net result amounted to MSEK 27, down 65 per cent compared to the third quarter 2015
- Earnings per share amounted to SEK 0.78 during fourth quarter 2015
- The board of directors propose to the annual meeting a dividend of SEK 1.00 per share
- As per 31 December 2015 audited reserves Block 3&4 Oman net to Tethys:
  - 1P reserves 12,905 thousand barrels (11,794)
  - 2P reserves 18,244 thousand barrels (17,779)
  - 3P reserves 27,863 thousand barrels (25,080)
- The increase in 2P reserves represents an internal reserve replacement ratio of 113 per cent
- Seven new wells completed during the quarter on Blocks 3 and 4
- New reservoir, the Lower Khufai in the Shahd field, boosts production

Fourth quarter 2014	Third quarter 2015	Fourth quarter 2015	MSEK (unless specifically stated)	Full year 2015	Full year 2014
8,350	10,087	<b>10,956</b>	Net daily production before government take (bbl)	<b>9,804</b>	7,692
434,035	584,399	<b>366,746</b>	Net barrels sold, after government take (bbl)	<b>1,805,056</b>	1,464,228
97.09	61.77	<b>47.90</b>	Average selling price per barrel, USD	<b>58.09</b>	103.87
281	255	<b>222</b>	Revenue	<b>905</b>	1,027
181	153	<b>113</b>	EBITDA	<b>496</b>	743
-5	76	<b>30</b>	Operating result	<b>194</b>	393
-1	78	<b>27</b>	Result for the period	<b>198</b>	340
372	485	<b>436</b>	Net cash	<b>436</b>	372
101	85	<b>79</b>	Investments in oil and gas properties	<b>324</b>	259
-0.02	2.23	<b>0.78</b>	Earnings per share, SEK	<b>5.66</b>	9.56

1 Tethys Oil has made changes to its accounting principles with regard to valuation of underlift and allocation and presentation of over- and underlift compared to previous reports, which has had an effect on current as well as historic financial data. Historical financial data has been restated in accordance with the new accounting principles. Please see page 16 and section "Accounting principles" for more information.

# Dear Friends and Investors

Also in this fourth quarter report, events outside of our control – movements in the oil price – have had a large impact on our results. The oil price has fallen for 18 months and as we entered January 2016, the fall accelerated before bouncing in mid January. At the time of writing, there are signs that the week of January 15 saw the bottom of the downturn. Irrespective of whether we have seen the low of the cycle or not, I strongly believe we are close in time to the end of the down turn. Prices will bottom out and stabilize. At what level prices will stabilize and how quickly they rise again is a different matter. In any case, Tethys will be able to continue to generate a positive gross profit also at prices below 30 dollars per barrel!

## Strong production growth

Now, turning to more pleasant subject, namely events that are under our control. A year ago, we believed that we had every reason to expect our production to continue to increase also in 2015. And in fact, in 2015 we produced more oil than ever before. Our oil production increased at an average pace of over seven per cent each quarter, and by the end of the year, we had produced 31 per cent more oil in the fourth quarter 2015 than we did in the last quarter 2014. And, just like the oil price but in the opposite direction, the rate of increase accelerated in January and average daily production for the year's first month surpassed 12,000 barrels!

The recent surge is primarily related to the successful bringing on stream of a new reservoir within the Shahd field, the Lower Khufai Carbonates. This new reservoir has responded very well to horizontal drilling, and is dramatically complementing the other primary producer in Shahd field, the Buah layer.

## Reserves continue to increase

A year ago we were also optimistic that our reserve numbers would continue to increase also in 2015. And indeed our 2P reserve replacement ratio stands at 113 per cent. The 1P number is even better showing an increase in absolute numbers of more than one million barrels underscoring the robustness of our producing reserves. So

having moved reserves from 3P into 2P and 1P we are happy to note a 3P number of 27.9 million barrels as we enter 2016, showing an increase of almost 3 million barrels for the year after taking account of the 3.5 million barrels produced in 2015.

## Continued positive financial results

Our average selling price fell 22 per cent quarter on quarter down to USD 47.9 per barrel. In the fourth quarter, we report revenues of MSEK 222. Our EBITDA for the quarter amounted to MSEK 113. Our cash flow from operations amounted to MSEK 23, and our net result amounted to MSEK 27. Our net cash stood at MSEK 436 as per 31 December 2015.

## Outlook

Our two Blocks onshore the desert of the Sultanate of Oman have turned into a world class asset. A few years ago we described the Blocks as a smorgasbord of opportunity – and what a buffet they have turned into. With the addition of production from the Lower Khufai, we have shown that the Blocks hold massive potential for growth. The Buah overlays the Khufai and both reservoirs are present in large parts at least of the eastern area of the Blocks.

As exploration and appraisal continues in 2016 within and close to the producing areas in all three fields, we have every reason to believe that much more oil can be found. With the successful bringing on stream of the new reservoir within the Shahd field, a water injection programme in the Buah layer showing signs of working combined with a steady production on Farha South field, we also believe that production will continue to increase during 2016. As the production from the new reservoirs is optimized, the production for individual months will fluctuate, and possibly show more volatility than during 2015. And commencing in April, planned maintenance work at first in Farha South and then in Shahd will lead to temporary production disruption. Our focus on cash flow will continue, and the work programme will be continually monitored to stay optimized in relation to oil prices.



Our balance sheet remains one of the strongest of our peer group and as the oil price has fallen further, our relative strength has increased. There is a lot of opportunity out there. We are well positioned and are continuously evaluating new projects. We continue to be a cash dividend company, and propose a dividend of SEK 1 per share. Depending on how oil prices, production levels investments and other events unfold we will continually evaluate the sense in distributing more cash to shareholders in accordance with our long term financial goals.

So stay with us, we expect that Tethys will produce a fair amount of oil, at least in relativity terms, but most likely not enough to influence the international oil price.

Stockholm in February 2016

Magnus Nordin  
*Managing director*

# Financial and operational review<sup>2</sup>

## Production, reserves and net sales

### Production

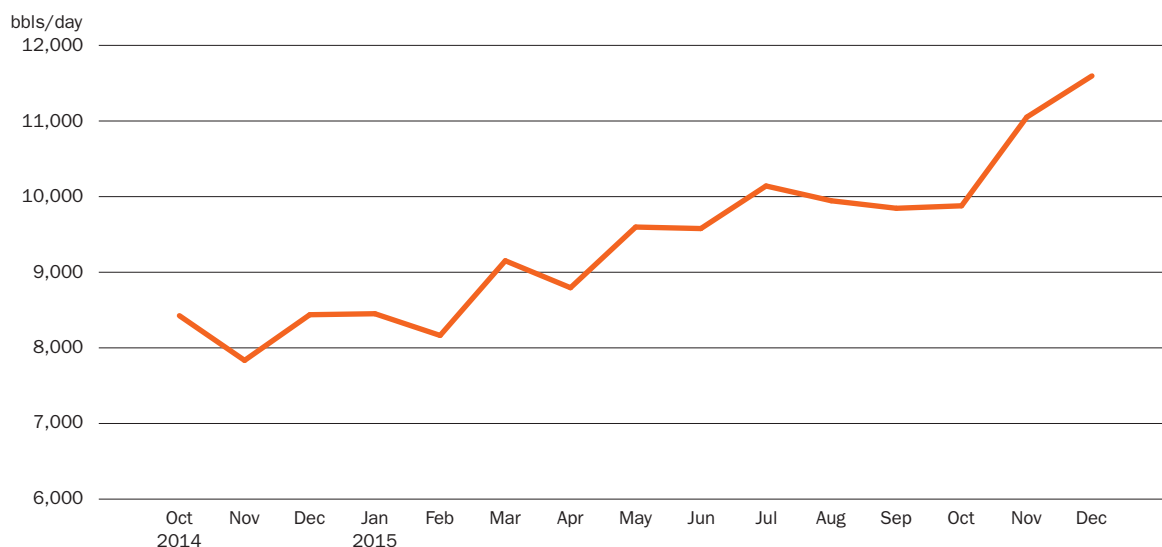
Tethys Oil's core area is the Sultanate of Oman, where the company holds a 30 per cent interest in Blocks 3 and 4. Tethys Oil also has interests in three licenses onshore Lithuania and two licenses onshore France. The primary production comes from the three fields; Farha South, Shahd and Saiwan East in Oman. The

production growth of around 9 per cent quarter on quarter and 31 per cent year on year has been in line with expectations and has mainly been driven by the on-going implementation of the water injection programme on Farha South and from the successful exploration and appraisal results on the Shahd oil field. Tethys Oil has additional production in Lithuania.

Tethys Oil's share of quarterly volumes, before government take*	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
<b>Oman, Block 3 and 4</b>					
Production	997,904	918,474	848,939	774,315	757,730
Average daily production	10,847	9,983	9,329	8,604	8,236
<b>Lithuania, Gargzdai</b>					
Production	10,007	9,573	9,514	9,892	10,496
Average daily production	109	104	105	110	114
<b>Total production</b>	<b>1,007,782</b>	<b>928,047</b>	<b>858,453</b>	<b>784,207</b>	<b>768,226</b>
<b>Total average daily production</b>	<b>10,956</b>	<b>10,087</b>	<b>9,434</b>	<b>8,713</b>	<b>8,350</b>

\* Tethys Oil's share of production from Blocks 3 and 4 is currently 52 per cent after government take of total net production. The basis of production sharing is further explained in the Annual Report 2014.

### Tethys Oil's monthly average of daily production



The above graph shows the company's growth in average daily production from 1 October 2014 to 31 December 2015.

<sup>2</sup> The consolidated financial statements of the Tethys Oil Group (Hereafter referred to as "Tethys Oil" "Tethys" or the "Group"), where Tethys Oil AB (publ) (the "Company") with organisational number 556615-8266 is the parent company, are hereby presented for the fourth quarter of 2015 and twelve months period ending 31 December 2015. Segments of the Group are geographical markets. The numbers in the tables in this report may not add exactly due to rounding.

The interest in the three Lithuanian licences are indirectly held through a shareholding in two Danish private companies, which in turn hold shares in Lithuanian companies holding 100 per cent of the licences. The two companies are not consolidated in Tethys Oils financial statements and are therefore only presented in the balance sheet under Investments in associates and in the income statement as Net profit/loss from associates.

## Reserves

### Oman

Tethys Oil's net working interest reserves in the Sultanate of Oman as per 31 December 2015, amounted to 12,905 thousand barrels of oil ("mbo") of proven reserves (1P), 18,244 mbo of proven and probable reserves (2P) and 27,863 mbo of proven, probable and possible reserves (3P).

### Development of reserves

(Audited by DeGolyer and MacNaughton Canada Limited)

mbo	1P	2P	3P
Total 31 Dec 2014	11,794	17,779	25,080
Production 2015	-3,540	-3,540	-3,540
Revisions	4,651	4,005	6,323
<b>Total 31 Dec 2015</b>	<b>12,905</b>	<b>18,244</b>	<b>27,863</b>

In 2015 Tethys Oil added 1P reserves of 4,651 mbo, representing an increase of 39 per cent. The company added 2P reserves 4,005 mbo, representing an increase of 23 per cent. The 3P reserves increased with 6,323 mbo, representing an increase of 25 per cent. The increase in 2P reserves represents an internal reserve replacement ratio of 113 per cent.

### Reserves, 31 December 2015

(Audited by DeGolyer and MacNaughton Canada Limited)

mbo	1P	2P	3P
Farha South Field, Oman	7,581	10,249	12,683
Shahd Oil Field, Oman	4,947	6,841	11,984
Saiwan East Field, Oman	377	1,154	3,196
<b>Total*</b>	<b>12,905</b>	<b>18,244</b>	<b>27,863</b>

\* Numbers may not add up due to rounding.

The review of the reserves in Oman has been conducted by independent petroleum consultant DeGolyer and MacNaughton Canada Limited ("DMCL"). The report has been estimated using 2007 Petroleum Resources Management System (PRMS), Guidelines of the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE).

## Revenue\*

Revenue	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Barrels sold, bbl	<b>366,746</b>	584,399	545,019	308,892	434,035
Underlift (overlift) movement, bbl	<b>152,164</b>	(106,793)	(103,571)	93,752	(40,015)
Oil price, USD/bbl	<b>47.90</b>	61.77	57.77	63.80	97.09
Implied SEK/USD exchange rate	<b>8.61</b>	8.50	8.41	8.29	7.35
Net sales, MSEK	<b>151</b>	307	265	163	310
Underlift (overlift), MSEK	<b>70</b>	-52	-42	41	-29
Revenue, MSEK	<b>222</b>	255	223	205	281

\* Please see note 1 for information regarding change in accounting principles.

Fourth quarter revenue is down 13 per cent compared to third quarter revenue and the main reason is the decline in oil prices which are down 22 per cent between the quarters. There has been a significant anticipated reduction in overlift during the fourth quarter, as opposed to an increase in overlift during second and third quarter 2015.

During the fourth quarter 2015, Tethys Oil sold 366,746 barrels of oil from Blocks 3 and 4 in Oman, representing 37 per cent decrease in comparison with the third quarter of 2015 when 584,399 barrels of oil were sold. This resulted in net sales during the fourth quarter 2015 of MSEK 151 compared to MSEK 307 during the third quarter 2015. In addition to Net sales, there has been an adjustment for underlift amounting to MSEK 70, which together with Net sales adds up to Revenue of MSEK 222.

Sale quantities for oil sales are nominated two months in advance and are not based upon the actual production in a month; as a result, sales quantities can be above or below production quantities. Where the sales quantity exceeds the quantity of barrels produced an overlift position occurs and where it is less, an underlift position occurs. The overlift position increased during the second and third quarters, but was significantly reduced during the fourth quarter. The total underlift position as per 31 December 2015 is 22,725 barrels. The valuation of both over and underlift is based on market price as from the fourth quarter 2015. (for more information please see page 16 under section Accounting principles). The comparative periods have been restated to reflect the change in accounting principle.

Tethys Oil sells all of its oil through Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. All oil sales come from Blocks 3 and 4 Oman and are made on a monthly basis. The selling price is the monthly average of the two month future price for Omani blend.

The average selling price amounted to USD 47.90 per barrel during the fourth quarter 2015, 22 per cent lower than in the third quarter 2015. The average price for Dated Brent oil for the

period amounted to USD 43.66 per barrel. The average exchange rate of US dollar in relation to SEK during the fourth quarter has been stable and amounted to SEK 8.56 per USD.

## Result

Tethys Oil reports a net result after tax for the fourth quarter 2015 of MSEK 27, representing earnings per share of SEK 0.78. The result for the fourth quarter 2015 is down 65 per cent compared to the third quarter 2015. Net result is mainly down due to lower oil prices, which has created lower results on all levels as expenditures are in line or higher compared to the previous quarter.

### Operating expenses

Operating expenses	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Production costs, MSEK	89	84	60	81	81
Well workovers, MSEK	13	11	14	11	11
<b>Total operating expenses, MSEK</b>	<b>102</b>	<b>95</b>	<b>74</b>	<b>92</b>	<b>92</b>
Operating expenses per barrel, USD	11.9	12.1	10.3	14.4	16.9

Operating expenses during the fourth quarter 2015 amounted to MSEK 102 compared to MSEK 94 during the third quarter 2015. Operating expenses are related to oil and gas production on Block 3 and 4 in Oman, and comprise expenses for field staff, expenses related to maintenance, well workovers and interventions and administration.

Operating expenses per barrel throughout 2014 and 2015 is in the range USD 10–16 per barrel. Of these costs, around 50–60 per cent is field related production costs, i.e. excluding costs for work over rigs, office costs etc.

The increase in operating expenses is in line with the increased levels of production although this has resulted in the operating costs per barrel decreasing over a twelve month period. Tethys Oil expects to see operating expenses per barrels to decrease in 2016 as most operating expenses are fixed and that production is expected to continue to grow.

### Depletion, depreciation and amortisation

DD&A	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
DD&A, MSEK	83	77	70	63	50
DD&A, MUSD	10	9	8	8	8
DD&A per barrel, USD	9.8	9.8	9.8	9.8	10.3

Depletion, depreciation and amortisation (“DD&A”) for the fourth quarter 2015 amounted to MSEK 83 compared to MSEK 77 for the third quarter 2015. The DD&A charge relates to Blocks 3 and 4 Oman and the increase is explained by higher production.

### Net back

Net back, USD/bbl	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Oil price achieved (sales barrels)	47.9	61.8	57.8	63.8	97.1
Revenue (after government take)	24.9	32.1	30.0	33.2	50.5
Operating expenses	11.9	12.1	10.3	14.3	16.9
<b>Net back</b>	<b>13.0</b>	<b>20.0</b>	<b>19.7</b>	<b>18.8</b>	<b>33.6</b>

The net back per barrel has mainly been driven by the oil price development, which has continuously declined since second half of 2014.

### Net profit from associated companies

Tethys Oil holds indirect interest in the three Lithuanian licences; Gargzdai, Rietavas and Raseiniai, through associated companies Jylland Olie and Odin Energi. The result from Tethys Oil’s share in these associated companies during the fourth quarter 2015 amounted to MSEK 3 compared to MSEK -2 during the third quarter 2015. There has been a long term trend of declining production from Gargzdai, which is in line with expectations. Reduced revenues following the fall in oil price has led to cost reduction measures being introduced.

### Administrative expenses

Administrative expenses amounted to MSEK 10 for the fourth quarter 2015 compared to MSEK 7 during the third quarter 2015. Administrative expenses are mainly salaries, rents, listing costs and external services. Administrative expenses have been relatively stable between the quarters during the year with the exception of the second quarter 2015 where costs related to the incentive programme for employees increased the administrative expenses.

### Tax

In Oman, Tethys Oil’s oil and gas operations are governed by an Exploration and Production Sharing Agreement (EPSA) whereby Tethys Oil receives its share of oil after government take. Under the terms of the 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. As Omani income tax is not paid directly by Tethys Oil but is taken in kind, these taxes are not presented in the income statement.

### Net financial result

The result for the full year 2015 has been impacted by net foreign exchange losses and fees on long term debt. The net currency

exchange effect of the group amounts to MSEK 21 and most of the effect relates to the stronger US dollar in relation to the Swedish krona. Currency translation differences recorded on loans between the parent company and subsidiaries are non-cash related items. Interest and fees related to the credit facility amounted to MSEK 8 and other financial expenditures amounted to MSEK 10. The currency exchange effect and fees on long term debt is part of net financial result amounting to MSEK 4 for the full year.

### Investments and work programme

Summary of oil and gas interests (MSEK):

Country	Book value 31 Dec 2015	Book value 31 Dec 2014	Investments Jan-Dec 2015
Oman	1,625	1,303	348
Lithuania	-	-	-
France	-	-	-
New ventures	1	-	1
<b>Total</b>	<b>1,625</b>	<b>1,303</b>	<b>348</b>

#### Blocks 3 and 4

During the fourth quarter 2015, total investments amounted to MSEK 79 of which almost all relate to Blocks 3 and 4. Investments during the fourth quarter have been in line with the third quarter. There has been an increased focus on development and production drilling during the year.

Investments Block 3 and 4, MSEK	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Drilling – Exploration/ Appraisal	7	7	4	30	35
Drilling – Development	50	36	38	16	17
G&G	7	9	45	21	38
Facilities	23	22	14	15	29
Pipeline	3	7	4	16	18
Other capex	-12	7	-55	33	-39
<b>Total investments Blocks 3 and 4</b>	<b>79</b>	<b>88</b>	<b>50</b>	<b>130</b>	<b>98</b>

In the fourth quarter 2015, the drilling programme were focused on the Shahd oil field with four rigs in operations on the field. A total of seven wells were completed during the quarter on the Shahd Oil field, including three production wells, three water injection wells and one water source well. Horizontal legs were also drilled in one production well and one injection well. All production wells have encountered oil. The water injection programme on the Shahd field is showing signs of working, but the evaluation of the impact of the injection programme will continue.

In the end of the fourth quarter, a new reservoir within the Shahd field, the Lower Khufai Carbonates, was successfully brought on stream. This new reservoir has responded very well to horizontal drilling, and was a major reason for the production increase in December 2015 and after the reporting period in January 2016.

A new rig was put in operations in November 2015, making it a total of five rigs including a work over rig in operations on the Blocks.

The data from the seismic acquisition in the northwest corner of Block 4 has been processed and the interpretation will now start.

### Associated companies

#### Lithuania

As per 31 December 2015 the shareholding in the two associated Danish companies holding the interest in Lithuanian licenses, amounted to MSEK 15 (MSEK 41). For more information regarding the ownership structure, please refer to Annual report 2014. The reduction in book value is an effect of the net result for the full year 2015 and more importantly the received dividend during the period, which amounted to MSEK 23. The book value related to Minijos Nafta (Gargzdai) is zero and as there are no liabilities related to Minijos Nafta. Tethys Oil does not recognize any negative net result. Unrecognized net result during 2015 from Minijos Nafta amounted to MSEK -8.

The long term production testing of the exploration well Tidikas-1 on the Raseiniai licence has continued. Tidikaas-1 was successfully completed in the third quarter 2015. Cores taken from both Tidikas-1 and Bedgunis-1, the other well drilled on the licence in 2015, have been sent for analysis to further study the active petroleum systems within this license. The location of further wells on the licence will be determined after more information has been gained through the long term production test of the Tidikas-1 well and the analysis of the cores.

In the Rietavas licence, mapping of the 30 square kilometres 3D and 15 square kilometres 2D seismic surveys has been completed.

### Liquidity and financing

Cash and bank and Net cash<sup>3</sup> as per 31 December 2015 amounted to MSEK 436 compared to MSEK 372 as per 31 December 2014. During the quarter the company has repaid MSEK 85 to the company's credit facility which was temporarily utilized at the end of the third quarter 2015.

Tethys Oil distributed MSEK 106 to shareholders in the form of a dividend (SEK 1 per share) and share redemption (SEK 2 per share) in line with the approval granted at the AGM 2015. Furthermore, the share repurchase programme added MSEK 42 to the distribution of capital to shareholders.

<sup>3</sup> Net cash equals cash and bank less interest bearing debt.

During the full year 2015, the cash flow from operations amounted to MSEK 503 and investments in oil and gas amounted to MSEK 348. Including the dividend received from Lithuanian assets, the cash flow from operations after investments amounted to MSEK 179. For the fourth quarter 2015 the cash flow from operations after investments amounted to MSEK -56 related mainly through the anticipated reduction in sales in the fourth quarter due to the reversal of the overlift position.

The Blocks 3 and 4 investment budget 2016 will continue to focus on development and appraisal. Following the oil price development, Tethys Oil's investment plans, including the capex budget, for 2016 will be closely monitored and subject to on-going revisions. The target is to fund investments on Blocks 3 and 4 from available funds and from cash flow from operations.

Tethys Oil's operations in Lithuania are expected to be self-financed from available cash in the associated Lithuanian companies.

A large part of cash and cash equivalents are held in USD which has appreciated against SEK during the full year 2015. The currency exchange effect on cash and cash equivalents amounted during the full year 2015 to MSEK 32.

#### **Parent company**

The Parent company reports a net result after tax for the fourth quarter 2015 amounting to MSEK 311 compared to MSEK 4 for the third quarter 2015. Administrative expenses amounted to MSEK 5 for the fourth quarter 2015 compared to MSEK 4 for the third quarter 2015. Administrative expenses have been stable between the quarters during the year with the exception of the second quarter 2015 where costs relating to the incentive programme for employees were included. Net financial result amounted to MSEK 311 during the fourth quarter 2015 compared to MSEK 6 for the third quarter 2015. The reason behind the strong net financial result and the equivalently strong net result is an anticipated dividend from the wholly owned subsidiary Tethys Oil Blocks 3&4 Ltd.

#### **Share data**

As per 31 December 2015, the number of outstanding shares in Tethys Oil amount to 35,543,750, with a quota value of SEK 0.17. All shares represent one vote each. The company has the same number of shares at 31 December 2015 as at 31 December 2014.

As per 31 December 2015, Tethys Oil held 1,083,669 of its own shares which have been purchased since commencement of the programme during the fourth quarter 2014. During the fourth quarter 2015 the company repurchased 219,519 shares at an average price of SEK 58.9. Repurchased shares are still part of the total number of outstanding shares but however not included in the number of weighted shares in circulation, which amount to 34,964,288 for the twelve months period ending 31 December 2015 and 34,574,539 shares for the three months period ending 31 December 2015.

There have been no further repurchase of shares after 31 December 2015.

#### **Seasonal effects**

Tethys Oil has no significant seasonal variations.

#### **Risks and uncertainties**

A statement of risk and uncertainties are presented in note 1, page 16.

#### **Transactions with related parties**

There have been no transactions with related parties during the full year 2015, nor for any comparative periods.

#### **Dividend**

The board of directors propose to the annual meeting a dividend of SEK 1.00 per share.

#### **Subsequent events**

Tethys' share of the production, before government take, from Blocks 3 and 4 onshore the Sultanate of Oman amounted in January 2016 to 391,534 barrels of oil, corresponding to 12,630 barrels of oil per day.

As per 31 December 2015 audited reserves Block 3&4 Oman net to Tethys:

- 1P reserves 12,905 thousand barrels (11,794)
- 2P reserves 18,244 thousand barrels (17,779)
- 3P reserves 27,863 thousand barrels (25,080)



# Consolidated statement of comprehensive income in summary

Fourth quarter 2014	Third quarter 2015	Fourth quarter 2015	MSEK	Note	Full year 2015	Full year 2014
281	255	222	Revenue	3	905	1,027
-92	-94	-102	Operating expenses		-362	-255
<b>189</b>	<b>161</b>	<b>120</b>	<b>Gross profit</b>		<b>543</b>	<b>772</b>
-50	-77	-83	Depletion, depreciation and amortisation		-293	-214
-1	-	-	Exploration costs		-9	-1
-134	-2	3	Net profit/loss from associates		-3	-133
-8	-7	-10	Administrative expenses	8	-44	-31
<b>-5</b>	<b>76</b>	<b>30</b>	<b>Operating result</b>		<b>194</b>	<b>393</b>
<b>4</b>	<b>2</b>	<b>-3</b>	<b>Net financial result</b>	4	<b>4</b>	<b>-53</b>
<b>-1</b>	<b>78</b>	<b>27</b>	<b>Result before tax</b>		<b>198</b>	<b>340</b>
-	-	-	Income tax		-	-
<b>-1</b>	<b>78</b>	<b>27</b>	<b>Result for the period</b>		<b>198</b>	<b>340</b>
			<b>Other comprehensive result</b>			
			Items that may be subsequently reclassified to profit or loss:			
131	42	11	Currency translation differences		136	245
<b>131</b>	<b>42</b>	<b>11</b>	<b>Other comprehensive result for the period</b>		<b>136</b>	<b>245</b>
<b>130</b>	<b>120</b>	<b>38</b>	<b>Total comprehensive result for the period</b>		<b>334</b>	<b>585</b>
35,543,750	35,543,750	35,543,750	Number of shares outstanding		35,543,750	35,543,750
35,543,750	35,543,750	35,543,750	Number of shares outstanding (after dilution)		35,543,750	35,543,750
35,466,648	34,903,423	34 574 539	Weighted number of shares		34,964,288	35,524,316
-0.02	2.23	0.78	Earnings per share, SEK		5.66	9.56
-0.02	2.23	0.78	Earnings per share (after dilution), SEK		5.66	9.56

# Consolidated balance sheet in summary

MSEK	Note	31 Dec 2015	30 Sep 2015	31 Dec 2014
<b>ASSETS</b>				
<b>Non current assets</b>				
Oil and gas properties	5	1,625	1,489	1,303
Office equipment		1	1	1
Investment in associates		15	11	41
Other long term receivables		3	3	-
		<b>1,644</b>	<b>1,502</b>	<b>1,345</b>
<b>Current assets</b>				
Other receivables		69	69	80
Prepaid expenses		16	2	19
Cash and cash equivalents		436	570	372
		<b>521</b>	<b>640</b>	<b>471</b>
<b>TOTAL ASSETS</b>		<b>2,165</b>	<b>2,142</b>	<b>1,816</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital		6	6	6
Additional paid in capital		552	552	552
Other reserves		295	294	200
Retained earnings		1,012	986	917
<b>Total shareholders' equity</b>		<b>1,864</b>	<b>1,838</b>	<b>1,675</b>
<b>Non current liabilities</b>				
Loan facility	6	-	70	-
Other non current liabilities	7	34	30	25
		<b>34</b>	<b>99</b>	<b>25</b>
<b>Current liabilities</b>				
Accounts payable		1	1	2
Accrued expenses		167	200	112
Other current liabilities		99	4	0
		<b>267</b>	<b>205</b>	<b>115</b>
<b>Total liabilities</b>		<b>300</b>	<b>304</b>	<b>141</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>2,165</b>	<b>2,142</b>	<b>1,816</b>
Pledged assets	9	1,813	1,773	1,789
Contingent liabilities	10	-	-	-

# Consolidated statement of changes in equity in summary

MSEK	Share capital	Paid in capital	Other reserves	Retained earnings	Total equity
<b>Opening balance 1 January 2014</b>	<b>6</b>	<b>552</b>	<b>-27</b>	<b>569</b>	<b>1,100</b>
Change in accounting principles (note 1)	-	-	-	9	9
<b>Restated opening balance 1 January 2014</b>	<b>6</b>	<b>552</b>	<b>-27</b>	<b>578</b>	<b>1,109</b>
<b>Comprehensive income</b>					
Result full year 2014	-	-	-	340	<b>340</b>
<b>Year end result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>340</b>	<b>340</b>
<b>Other Comprehensive income</b>					
Currency translation differences 2014	-	-	245	-	<b>245</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>245</b>	<b>-</b>	<b>245</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>219</b>	<b>919</b>	<b>1,694</b>
<b>Transactions with owners</b>					
Purchase of own shares	-	-	-20	-	<b>-20</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-20</b>	<b>-</b>	<b>-20</b>
<b>Closing balance 31 December 2014</b>	<b>6</b>	<b>552</b>	<b>200</b>	<b>919</b>	<b>1,675</b>
<b>Opening balance 1 January 2015</b>	<b>6</b>	<b>552</b>	<b>200</b>	<b>919</b>	<b>1,675</b>
<b>Comprehensive income</b>					
Result for the first quarter 2015	-	-	-	63	<b>63</b>
Result for the second quarter 2015	-	-	-	30	<b>30</b>
Result for the third quarter 2015	-	-	-	78	<b>78</b>
Result for the fourth quarter 2015	-	-	-	27	<b>27</b>
<b>Period result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198</b>	<b>198</b>
<b>Other Comprehensive income</b>					
Currency translation differences first quarter 2015	-	-	177	-	<b>177</b>
Currency translation differences second quarter 2015	-	-	-94	-	<b>-94</b>
Currency translation differences third quarter 2015	-	-	42	-	<b>42</b>
Currency translation differences fourth quarter 2015	-	-	11	-	<b>11</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>136</b>	<b>-</b>	<b>136</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>136</b>	<b>1,117</b>	<b>1,253</b>
<b>Transactions with owners</b>					
Purchase of own shares	-	-	-42	-	<b>-42</b>
Dividends paid	-	-	-	-35	<b>-35</b>
Share redemption	-	-	-	-70	<b>-70</b>
Incentive programme	-	-	-	3	<b>3</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-42</b>	<b>-102</b>	<b>-144</b>
<b>Closing balance 31 December 2015</b>	<b>6</b>	<b>552</b>	<b>295</b>	<b>1,012</b>	<b>1,864</b>

# Consolidated cash flow statement in summary

Fourth quarter 2014	Third quarter 2015	Fourth quarter 2015	MSEK	Note	Full year 2015	Full year 2014	
			<b>Cash flow from operations</b>				
14	68	30	Operating result		194	404	
0	0	0	Interest received		0	0	
-2	-2	-2	Interest paid	4	-8	-44	
-	-	-	Income tax		-	-	
1	9	-	Adjustment for exploration costs		9	1	
158	82	54	Adjustment for depletion, depreciation and other non cash related items		285	313	
<b>171</b>	<b>157</b>	<b>82</b>	<b>Total cash flow from operations before change in working capital</b>			<b>480</b>	<b>673</b>
35	42	1	Change in receivables		16	-16	
39	68	-61	Change in liabilities		7	49	
<b>245</b>	<b>268</b>	<b>23</b>	<b>Cash flow from operations</b>			<b>503</b>	<b>707</b>
			<b>Investment activity</b>				
-100	-88	-79	Investment in oil and gas properties	5	-348	-269	
-	-	-	Dividend from associated companies		23	11	
-0	-1	-0	Investment in other fixed assets		-2	-0	
-	4	-	Net assets of acquired subsidiaries net after cash		4	-	
<b>-101</b>	<b>-85</b>	<b>-79</b>	<b>Cash flow from investment activity</b>			<b>-324</b>	<b>-259</b>
			<b>Financing activity</b>				
-19	-25	-13	Purchase of own shares		-42	-19	
-	-	-	Bond repayment		-	-400	
-	-	-	Dividends paid		-35	-	
-	-	-	Share redemption		-71	-	
-1	85	-85	Long term credit facility		-	-21	
14	-	-	Return on investment		-	14	
<b>-6</b>	<b>59</b>	<b>-97</b>	<b>Cash flow from financing activity</b>			<b>-147</b>	<b>-426</b>
<b>138</b>	<b>242</b>	<b>-154</b>	<b>Period cash flow</b>			<b>32</b>	<b>22</b>
194	323	570	Cash and cash equivalents at the beginning of the period		372	295	
40	5	20	Exchange gains/losses on cash and cash equivalents		32	55	
372	570	436	Cash and cash equivalents at the end of the period		436	372	

# Key ratios

Fourth quarter 2014	Third quarter 2015	Fourth quarter 2015	Group	Full year 2015	Full year 2014
			<b>Operational items</b>		
768,227	928,047	1,007,782	Production before government take, bbl	3,578,488	2,804,240
8,350	10,087	10,956	Production per day, bbl	9,804	7,692
434,035	584,399	366,746	Net sales after government take, bbl	1,805,056	1,464,228
97.09	61.77	47.90	Achieved oil price, USD/bbl	58.09	103.87
			<b>Income statement and balance sheet</b>		
281	255	222	Revenue, MSEK	905	1,027
181	153	113	EBITDA, MSEK	496	743
64%	60%	51%	EBITDA-margin, %	55%	72%
-5	76	30	Operating result, MSEK	194	393
-24%	30%	14%	Operating margin, %	21%	38%
-1	78	27	Net result, MSEK	198	340
0%	31%	12%	Net margin, %	22%	33%
372	570	436	Cash and cash equivalents, MSEK	436	372
1,675	1,838	1,864	Shareholders' equity, MSEK	1,864	1,675
1,816	2,142	2,165	Balance sheet total, MSEK	2,165	1,816
			<b>Capital structure</b>		
92.26%	85.81%	86.13%	Solvency, %	86.13%	92.26%
-20.68%	-25.59%	-21.57%	Leverage ratio, %	-21.57%	-20.68%
101	85	79	Investments, MSEK	324	259
372	485	436	Net cash, MSEK	436	372
			<b>Profitability</b>		
0%	4.46%	1.52%	Return on shareholders' equity, %	11.17%	24.43%
0%	4.80%	2.58%	Return on capital employed, %	14.00%	26.30%
			<b>Other</b>		
17	17	18	Average number of employees	18	18
-	-	-	Dividend per share, SEK	1.00*	3.00
6.90	7.67	0.66	Cash flow from operations per share, SEK	14.38	19.89
35,544	35,544	35,544	Number of shares on balance day, '000	35,544	35,544
47.13	51.72	52.45	Shareholders' equity per share, SEK	52.45	47.13
35,467	34,903	34,575	Weighted number of shares on balance day, '000	34,964	35,524
-0.02	2.23	0.78	Earnings per share, SEK	5.66	9.56
-0.02	2.23	0.78	Earnings per share after dilution, SEK	5.66	9.56

\* According to the board's proposal to the upcoming annual meeting 2016.

**Key quarterly data**

	<b>Q4 2015</b>	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q1 2015</b>	<b>Q4 2014</b>	<b>Q3 2014</b>	<b>Q2 2014</b>	<b>Q1 2014</b>
Daily production, bbl	10,956	10,087	9,434	8,713	8,350	8,399	7,232	6,762
Barrels sold, bbl	366,746	584,399	545,019	308,892	434,035	399,352	350,059	280,782
Revenue, MSEK	222	255	223	205	281	294	236	215
EBITDA, MSEK	113	153	130	99	181	230	184	148
Return on shareholders' equity	1.1%	4.5%	1.7%	3.5%	-0.1%	12.5%	8.3%	6.7%
Cash flow from operations, MSEK	23	283	93	119	245	192	146	124
Earnings per share, SEK	0.78	2.23	0.86	1.79	-0.02	4.66	2.79	2.13
Share price, end of period, SEK	57.5	44.4	55.5	57.8	59.2	85.2	74.7	73.5

For definitions of key ratios please refer to the 2014 Annual Report.  
The abbreviation n.a. means not applicable.

## Parent company income statement in summary

Fourth quarter 2014	Third quarter 2015	Fourth quarter 2015	MSEK	Note	Full year 2015	Full year 2014
10	3	1	Other income		11	9
-134	-2	3	Net profit/loss of associates		-3	-133
-5	-4	-5	Administrative expenses		-29	-20
<b>-129</b>	<b>-2</b>	<b>-1</b>	<b>Operating result</b>		<b>-22</b>	<b>-145</b>
340	6	311	Net financial items		332	293
<b>211</b>	<b>4</b>	<b>311</b>	<b>Result before tax</b>		<b>310</b>	<b>148</b>
-	-	-	Income tax		-	-
<b>211</b>	<b>4</b>	<b>311</b>	<b>Result for the period*</b>		<b>310</b>	<b>148</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	31 Dec 2015	30 Sep 2015	31 Dec 2014
<b>ASSETS</b>				
Total non current assets		148	86	88
Total current assets		368	394	224
<b>TOTAL ASSETS</b>		<b>517</b>	<b>482</b>	<b>313</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Restricted shareholders' equity		77	77	77
Unrestricted shareholders' equity		395	97	229
Total current liabilities		45	309	6
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>517</b>	<b>482</b>	<b>313</b>
Pledged assets	9	1	1	1
Contingent liabilities	10	-	-	-

# Notes

## General information

Tethys Oil AB (publ) ("the Company"), organisation 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 licences in Oman, Lithuania and France.

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 report 2015 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The fourth quarter report 2015 of the Parent 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 Annual report 2014, have been used in the preparation of this report, with the exception of the valuation

and presentation of overlift and underlift. The accounting principles in the Annual report 2014 state that overlift should be valued at market value and underlift valued at cost. Furthermore the accounting principles state that the overlift and underlift adjustment should be presented within the Operating expenses category in the Income statement. Following an internal review of the accounting principles used in the preparation of the financial reports, the company has decided to value both overlift and underlift at market value and furthermore introduce Revenue at the top of the Income statement which would include both the previous line item Net sales and also include overlift and underlift adjustment. The purpose of the change is to better align Revenue with production, have a more understandable Operating expenses category and thereby increase transparency and investors' understanding of the company. The change in valuation of underlift has had an effect on historic results and equity as per the below table. In this financial report all historic financial data has been recalculated with the new accounting principles. Over time, there will no change in results or equity in the company and difference from the change in valuation principles is only timing related and will only have a temporarily effect during a financial period.

MSEK	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Revenue, old accounting principles*	151	307	265	163	310
Revenue, new accounting principles	222	255	223	205	281
EBITDA, old accounting principles	106	153	153	76	200
EBITDA, new accounting principles	113	153	130	99	181
EBIT, old accounting principles	23	76	75	13	14
EBIT, new accounting principles	30	76	52	36	-5
Net result, old accounting principles	20	78	53	39	18
Net result, new accounting principles	27	78	30	63	-1
Earnings per share, old accounting principles, SEK per share	0.59	2.23	1.52	1.11	0.51
Earnings per share, new accounting principles, SEK per share	0.78	2.23	0.86	1.79	-0.02
Shareholders' equity, old accounting principles	1,857	1,838	1,744	1,888	1,675
Shareholders' equity, new accounting principles	1,864	1,838	1,744	1,912	1,675

\* Note that Revenue under old accounting principles represents Net sales.

## Exchange rates

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

Currency	31 December 2015		30 September 2015		31 December 2014	
	Average	Period end	Average	Period end	Average	Period end
SEK/CHF	8.80	8.60	8.84	8.66	7.53	7.91
SEK/EUR	9.42	9.30	9.43	9.42	9.15	9.53
SEK/LTL	—*	—*	—*	—*	2.64	2.70
SEK/USD	8.45	8.51	8.42	8.45	6.88	7.77

\* The associated companies in Lithuania changed the reporting currency to Euro as per 1 January 2015.

Fourth quarter 2015 comparison with fourth quarter 2014	Third quarter 2015	Effect of currency exchange rates on operating result, MSEK	Full year 2015 comparison with full year 2014
104	-11	Revenue	169
-34	4	Depreciation, depletion and amortization	-55
-1	0	Exploration costs	-2
0	0	Other income	0
-42	4	Operating expenses	-67
0	0	Net profit/loss from associate	0
-2	0	Administrative expenses	-3
<b>26</b>	<b>-3</b>	<b>Summary of currency exchange rate effect on operating result</b>	<b>41</b>

The table above presents the currency exchange effect on operating result compared with the above comparative periods, by applying the average exchange rate of the respective comparative period on the fourth quarter and full year 2015 accounts.



## Fair value

The nominal value of accounts payables, cash and bank and accounts receivables is a fair approximation of those line items.

IAS 39 valuation categories and related balance sheet items

	31 December 2015				31 December 2014		
	Financial assets and liabilities at fair value through profit or loss	Other receivables and cash and bank	Other liabilities		Financial assets and liabilities at fair value through profit or loss	Other receivables and cash and bank	Other liabilities
MSEK				MSEK			
Other receivables	-	69	-	Other receivables	-	80	-
Cash and bank	-	436	-	Cash and bank	-	372	-
Accounts payables	-	-	1	Accounts payables	-	-	2
Accrued expenses	-	-	266	Accrued expenses	-	-	112

## 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 operational and financial risks described below.

### Operational risk

At its current stage of development Tethys Oil is commercially producing oil and is furthermore 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 and its partners 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 prices prevailing from time to time. 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 farmout or sale of assets. There are no oil price hedges in place as per 31 December 2015.

Another operational risk factor is access to equipment in Tethys Oil's project. Especially 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 fulfil projects. Through its operations Tethys Oil is furthermore subject to political risk, environmental risk and the risk of not being able to retain key personnel.

### Financial risk

By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. Income is and will also most likely be denominated in foreign currencies, US dollars in particular. Furthermore, Tethys Oil has since inception been equity financed through share issues and financed by asset divestment. Additional capital may be needed to finance Tethys Oil's future operations and/or for acquisition of additional licences. The main risk is that this need may occur during less favourable market conditions.

A more detailed analysis of the Group's risks and uncertainties and how the Group addresses these risks, are given in the Annual report for 2014.

## 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.

MSEK	Group income statement Jan-Dec 2015				
	Lithuania	Oman	Sweden	Other	Total
Revenue	-	905	-	-	<b>905</b>
Operating expenses	-	-362	-	-	<b>-362</b>
Depreciation, depletion and amortisation	-	-293	0	-	<b>-293</b>
Exploration costs	-	-9	-	-	<b>-9</b>
Other income	-	-	-	-	<b>-</b>
Net profit/loss from associates	-3	-	-	-	<b>-3</b>
Administrative expenses	-	-10	-29	-5	<b>-44</b>
<b>Operating result</b>	<b>-3</b>	<b>231</b>	<b>-29</b>	<b>-5</b>	<b>194</b>
Total financial items					4
Result before tax					<b>198</b>
Income tax					-
<b>Result for the period</b>					<b>198</b>

MSEK	Group income statement Jan-Dec 2014				
	Lithuania	Oman	Sweden	Other	Total
Revenue	-	1,027	-	-	<b>1,027</b>
Operating expenses	-	-255	-	-	<b>-255</b>
Depreciation, depletion and amortisation	-	-213	-	-	<b>-213</b>
Exploration costs	-	-	-	-1	<b>-1</b>
Other income	-	-	-	-	<b>-</b>
Net profit/loss from associates	-133	-	-	-	<b>-133</b>
Administrative expenses	-	-5	-20	-5	<b>-31</b>
<b>Operating result</b>	<b>-133</b>	<b>553</b>	<b>-20</b>	<b>-6</b>	<b>393</b>
Total financial items					-53
Result before tax					<b>340</b>
Income tax					-
<b>Result for the period</b>					<b>340</b>

### Note 3, Revenue

Fourth quarter 2014	Third quarter 2015	Fourth quarter 2015	Revenue	Full year 2015	Full year 2014
310	307	151	Net sales, MSEK	886	1,046
-29	-52	70	Underlift (overlift), MSEK	18	-19
<b>281</b>	<b>255</b>	<b>222</b>	<b>Revenue, MSEK</b>	<b>905</b>	<b>1,027</b>

Tethys Oil sells all of its oil through Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. All oil sales come from Blocks 3 and 4 Oman and are made on a monthly basis. The selling price is the monthly average of the two month future price for Omani blend.

### Note 4, Net financial result

Fourth quarter 2014	Third quarter 2015	Fourth quarter 2015	Net financial result	Full year 2015	Full year 2014
			Financial income:		
-	-	-	Interest income	-	-
4	11	15	Gain on currency exchange rates	57	7
14	-	1	Other financial income	1	14
			Financial expenses:		
-2	-2	-2	Interest expenses	-8	-32
-9	-5	-16	Currency exchange losses	-36	-26
-3	-3	-2	Other financial expenses	-10	-17
<b>4</b>	<b>2</b>	<b>4</b>	<b>Net financial result</b>	<b>-3</b>	<b>-53</b>

### Note 5, Oil and gas properties

Country	Licence name	Phase	Tethys Oil, %	Total area, km <sup>2</sup>	Partners (operator in bold)	Book value 31 Dec 2015	Book value 31 Dec 2014	Investments Jan-Dec 2015
Oman	Block 3,4	Production	30%	34,610	<b>CCED</b> , Mitsui	1,625	1,296	347
Oman	Block 15	Expired	-	-	-	-	7	1
Lithuania	Gargzdai	Production	25%	884	Odin, GeoNafta	-	-	-
Lithuania	Rietavas	Exploration	30%	1,594	Odin, private investors	-	-	-
Lithuania	Raseiniai	Exploration	30%	1,535	Odin, private investors	-	-	-
France	Alès	Exploration	37.5	215	MouvOil	-	-	-
France	Attila	Exploration	40%	1,986	<b>Galli Coz</b>	-	-	-
<b>New ventures</b>						1	-	0
<b>Total</b>						<b>1,625</b>	<b>1,303</b>	<b>348</b>

### Note 6, Loan facility

Tethys Oil has a four-year, up to MUSD 100, senior revolving reserve based lending facility. Security for the facility is the interest in the Block 3 and 4 licence. The interest rate of the credit facility is floating between LIBOR + 3.75 per cent to LIBOR + 4.00 per cent per annum, depending on the level of utilization of the facility. As per 31 December 2015, there is no outstanding interest bearing debt from the credit facility, compared to an outstanding debt of MSEK 70 as per 30 September 2015.

### Note 7) Other non current liabilities

Tethys Oil have other non current liabilities of MSEK 34 (MSEK 25), which is a provision for site restoration on Blocks 3 and 4 in Oman. A consequence of this provision is that oil and gas properties has increased.

### Note 8) Incentive programme

Tethys Oil has an incentive programme as part of the remuneration package to employees. The company have issued 356,000 warrants where each warrant entitles to subscription to one new share in Tethys Oil. The warrants have been recalculated as a consequence of the share redemption carried out during the second quarter of 2015 and now each entitles to subscription to 1.03 shares in Tethys Oil. The warrants have a three year duration and the strike price of the warrants is SEK 80.40 per share. As the strike price is above the share price as per the reporting date in this report, the warrants are not included in the fully diluted number of shares.

### Note 9) Pledged assets

As per 31 December 2015, pledged assets amounted to MSEK 1,813 (1,789). Pledged assets are mainly a continuing security with regard to the credit facility where Tethys Oil has entered into a pledge agreement. The pledge relates to all shares in the subsidiary Tethys Oil Block 3&4 Ltd for the benefit of the lenders in the credit facility and the value of the pledge is equal to the shareholders' equity value in Tethys Oil Block 3&4 Ltd. Of pledged assets, MSEK 1 (1) relate to a pledge in relation to office rental.

### Note 10) Contingent liabilities

There are no outstanding contingent liabilities as per 31 December 2015, nor for the comparative period.

# About Tethys Oil

Tethys Oil is a Swedish energy company focused on exploration and production of oil. Tethys Oil's core area is the Sultanate of Oman, where the company is one of the largest onshore oil concession holders with a current net production of above 12,000 barrels of oil per day. Tethys Oil also has exploration and production assets onshore Lithuania and France. The shares are listed on Nasdaq Stockholm (TETY).

## **Strategy**

Looking for oil and gas is connected with considerable uncertainty. There are a couple of different strategies to handle and limit the risk. Tethys Oil invests mainly in projects, where hydrocarbons have previously been found, but ambiguity may exist in terms of productivity and reserve sizes.

## **Vision and strategy**

Tethys Oil shall have a well-balanced and self-financed portfolio of oil and natural gas assets. The company also aims to conduct business in an economical, socially and environmentally responsible way, to the benefit of all stakeholders.

The company's strategy is:

- Organic growth in existing assets by taking a proactive role and by building strategic partnerships to convert acreage to reserves and reserves to production
- Seek new growth platforms, primarily onshore appraisal projects with material impact and low entry cost
- In the company's existing assets, a proactive role with strategic partners is key to maximizing the potential of the projects. Growth will primarily come from appraisal projects where oil has previously been discovered, but was deemed sub-commercial for various reasons.

## **Capital structure target**

Tethys Oil's primary objective is to create shareholder value and in doing so the company will have a balanced approach to growth and shareholder distributions, with a long term capital structure target of a zero net cash position.

# Financial calendar

Annual report 2015 is expected to be available during the last week in April 2016

Three month report 2016 (January – March 2016) on 3 May 2016

Annual meeting 2016 is planned to be held in Stockholm on 18 May 2016

Second quarter report 2016 (January – June 2016) on 16 August 2016

Third quarter report 2016 (January – September 2016) on 1 November 2016

Fourth quarter 2016 (January – December 2016) on 14 February 2017

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**Tethys Oil AB (publ)**

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Magnus Nordin  
*Managing director*

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



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