

Fourth quarter and year-end report - 31 December 2018

Fourth quarter 2018 (third quarter 2018)

- Production from Blocks 3&4, Oman, amounted to 11,898 bopd (11,857 bopd)
- Revenue and other income of MUSD 44.4 (MUSD 42.3)
- EBITDA of MUSD 30.8 (MUSD 30.1)
- Net result of MUSD 19.9 (MUSD 18.2)
- Earnings per share amounted to USD 0.58 (USD 0.53)
- Blocks 3&4: Appraisal programme of 2017 discoveries continued with three wells drilled
- Block 49: 253 km² of 3D and 299 km of 2D seismic acquired

Reserves and Contingent Resources

- 2P internal reserve replacement ratio of 177 percent
- Year-end 2018 2P Reserves of 25,357 mbo and 2C Contingent Resources of 12,533 mbo

Dividend

- The board of directors proposes an ordinary dividend of SEK 2.00 per share (2018: SEK 2.00), to be paid in two instalments of SEK 1.00 per share each in May and November 2019
- The board of directors proposes an extraordinary distribution of SEK 6.00 by way of a mandatory share redemption programme following the 2019 AGM (2018: SEK 4.00)

| MUSD (unless specifically stated) | Fourth quarter 2018 | Third quarter 2018 | Fourth quarter 2017 | Full year 2018 | Full year 2017 |
|---|---------------------------|--------------------------|---------------------------|----------------------|----------------------|
| Net daily production from Oman, Blocks 3&4 before government take (bbl) | 11,898 | 11,857 | 11,726 | 11,767 | 12,261 |
| Net barrels produced, after government take (bbl) | 569,177 | 567,258 | 556,729 | 2,233,323 | 2,308,342 |
| Net barrels sold, after government take (bbl) | 542,596 | 579,360 | 617,577 | 2,163,148 | 2,316,404 |
| Average selling price per barrel, USD | 77.9 | 74.3 | 53.9 | 70.5 | 51.8 |
| Revenue and other income | 44.4 | 42.3 | 30.1 | 157.3 | 119.3 |
| EBITDA | 30.8 | 30.1 | 19.7 | 106.6 | 78.2 |
| Operating result | 19.1 | 18.5 | 9.9 | 60.7 | 38.4 |
| Result for the period | 19.9 | 18.2 | 11.0 | 62.2 | 33.1 |
| Earnings per share (after dilution), USD | 0.58 | 0.53 | 0.32 | 1.82 | 0.97 |
| Net cash | 73.1 | 63.7 | 42.0 | 73.1 | 42.0 |
| Investments in oil and gas properties | 16.2 | 12.6 | 8.2 | 55.8 | 40.4 |

Tethys Oil AB (publ)

Tethys Oil is a Swedish oil company with focus on onshore areas with known oil discoveries. Tethys Oil's core area is Oman, where the company holds 2P reserves of 25 mmbo and 2C Contingent Resources of 13 mmbo and had an average oil production of 11,767 barrels per day from Blocks 3&4 during 2018. Tethys Oil also has onshore exploration licences in Lithuania and France and some production in Lithuania. The shares are listed on Nasdaq Stockholm (TETY). Website: www.tethysoil.com

Letter to shareholders

Dear Friends and Investors,

We are delighted to report record financial numbers for both the fourth quarter and the full year 2018. Our revenues and other income increased 32 percent to MUSD 157.3 and our EBITDA increased 36 percent and amounted to MUSD 106.6. We are equally delighted to report a 2P reserve replacement ratio of 177 percent for 2018 – the highest for three years and the 7th consecutive year of increasing our 2P reserves. So our main asset, Blocks 3&4 onshore Oman certainly continues to confirm its growth potential!

Production has been very stable both for the quarter and for the year, although delays in the development of the discoveries from 2017 has pushed our expected production increase into the first quarter of 2019.

The fourth quarter saw intense activity on Block 49 where several hundred kilometres of seismic was collected on time. Processing is ongoing and over the next couple of months, processed data will be ready for interpretation and mapping.

In December 2018, we attempted to increase our presence in Oman further by entering into an agreement to acquire two percent of the Mukhaizna field. Unfortunately, Tethys Oil was informed by the seller that partner pre-emption rights had been exercised, preventing us from completing the transaction. This slight setback does not, however, diminish our ambition to grow in Oman and elsewhere.

Year end 2018 reserves and the appraisal/development programme

The discoveries we made in 2017 continue to have a great impact on our reserves, contingent resources and our reserve replacement. In 2018, we produced 4.3 million barrels and we added 7.6 million barrels of 2P reserves. The additions and revisions include maturation of Contingent Resources to reserves and upside revisions of the Farha South, Shahd and Erfan fields.

The appraisal of the Ulfa and Samah discoveries has been one of the central components of the work programme during 2018. Appraisal and development of the Ulfa, Samah and Erfan fields will continue in 2019, now with the Ulfa production facilities fully up and running. With the continued appraisal programme, and a remaining resource base of 2C Contingent Resources of 12.5 million barrels, we are in a good position to continue to replace and increase our reserves in 2019.

Exploration

A significant amount of new seismic data was acquired in 2018 – 2,750 km² 3D seismic on Blocks 3&4 and 253 km² of 3D and 299 km of 2D on Block 49. But with so much focus on the appraisal of our 2017 discoveries we did not see much exploration drilling for most of 2018, apart from the Tibyan discovery in the first quarter 2018. The exploration programme did not get under way until late in the year and currently two wells that spudded in the fourth quarter are in progress. In 2019 we will see the results from these wells as well as additional seismic and the drilling of at least three new exploration wells. All new seismic data will guide our exploration drilling on our blocks in the years to come. So 2019 looks like it could be quite an active year from the exploration perspective.

Oil price environment

We started the year with an average selling price of USD 63.7 per barrel for the first quarter, which increased quarter by quarter during the year. We achieved an average selling price per barrel of USD 77.9 for the fourth quarter of 2018, which is the highest oil price we have achieved since 2014. Towards the end of the year, international prices fell about 40 percent down to about USD 50 per barrel. As Tethys Oil's oil sales price is calculated with an effective two-month lag to spot prices, we will see the lower prices in our sales during the first quarter 2019. In January 2019 the prices have rebounded somewhat. However, what we have shown in previous years is that Tethys Oil is profitable even at lower oil prices.

Fourth quarter in focus

We produced 1.1 million barrels of oil in the fourth quarter of 2018, corresponding to 11,898 barrels of oil per day, which was slightly higher than the annual average. Our average selling price in the fourth quarter amounted to USD 77.9 per barrel, an increase of five percent compared to the third quarter 2018. Following the higher oil price combined with a stable production, our quarterly results are again on par with our best quarters in 2014. For

the quarter, we report revenues and other income of MUSD 44.4, up five percent compared with the third quarter. Our EBITDA amounted to MUSD 30.8, up two percent compared with the third quarter. During the fourth quarter 2018, cash flow from operations amounted to MUSD 29.3 and investments in oil and gas amounted to MUSD 16.2. Our net cash position increased from MUSD 63.7 to MUSD 73.1. The result for the period amounted to MUSD 19.9, up nine percent compared with MUSD 18.2 in the third quarter.

Outlook

The annual average net production from the company's existing operations on Blocks 3&4 in Oman during 2019 is expected to amount to between 12,000-13,000 barrels of oil per day.

Reflecting the strong operational and financial position of Tethys Oil, the board of directors is proposing an ordinary dividend of SEK 2.00 per share. Further, in line with Tethys Oil's long-term capital structure target, the board of directors is proposing an extraordinary distribution of SEK 6.00 per share.

Under current market conditions and production assumptions, Tethys Oil expects its 2019 investments for the company's existing operations on Blocks 3&4 and Block 49 in Oman to amount to MUSD 50-55. Focus of the work programme in Blocks 3&4 is continued development and appraisal drilling, upgrading of production facilities and other infrastructure, new seismic acquisition and drilling of exploration wells. Focus on Block 49 is to continue the exploration programme. The new seismic data acquired in 2018 will be processed and interpreted in order to further define possible oil traps and to enhance the understanding of the deeper parts of the block in general. Preparations for exploration drilling will be carried out.

So, to sum up our plans for 2019: we still have over 12 million barrels of Contingent Resources to mature to Reserves; we expect the results of three to five exploration wells on Blocks 3&4; and on Block 49 prospect maturation will get seriously under way. Not to mention anything else that may come our way. So stay with us – it will be an exciting year!

Stockholm in February 2019

Magnus Nordin
Managing Director

Operational and Financial Review¹

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

Production

Blocks 3&4

Tethys Oil's share of production during the fourth quarter 2018, before government take, was 1,094,572 barrels of oil, corresponding to 11,898 barrels of oil per day ("bopd"). The fourth quarter 2018 average daily production was marginally higher than the third quarter 2018 average daily production of 11,857 bopd.

| Tethys Oil's share of quarterly volumes, before government take (bbls) | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 |
|--|-----------|-----------|-----------|-----------|-----------|
| Oman, Blocks 3&4 | | | | | |
| Production | 1,094,572 | 1,090,880 | 1,067,695 | 1,041,704 | 1,070,633 |
| Average daily production | 11,898 | 11,857 | 11,733 | 11,574 | 11,637 |

The existing production areas Farha South, Shahd and Saiwan East are either at peak production or in decline. New production from the discoveries made in 2017, the Erfan, Ulfa and Samah areas, is expected to contribute an increasing share of overall production.

Production guidance 2019

The annual average net production from the company's existing operations on Blocks 3&4 in Oman during 2019 is expected to amount to between 12,000-13,000 barrels of oil per day.

¹ The consolidated financial statements of the Tethys Oil Group (hereafter referred to as "Tethys Oil", "Tethys" or the "Group"), in which group Tethys Oil AB (publ) (the "Company") with organisational number 556615-8266 is the parent company, are hereby presented for the fourth quarter and full year 2018. Segments of the Group are geographical markets.

Reserves and Contingent Resources

Oman, Blocks 3&4

Tethys Oil's net working interest Reserves on Blocks 3&4 in Oman as per 31 December 2018 amount to 16,735 thousand barrels of oil ("mbo") of proven Reserves (1P), 25,357 mbo of proven and probable Reserves (2P) and 35,884 mbo of proven, probable and possible Reserves (3P).

| Development of Reserves, Blocks 3&4 (audited) | 1P | 2P | 3P |
|--|---------------|---------------|---------------|
| mbo | | | |
| Total 31 December 2017 | 15,559 | 22,044 | 32,414 |
| Production 2018 | -4,295 | -4,295 | -4,295 |
| Additions and revisions | 5,471 | 7,608 | 7,765 |
| Total 31 December 2018 | 16,735 | 25,357 | 35,884 |
| Reserve replacement ratio, % | 127 | 177 | 181 |

Additions and revisions include maturation of over 4 mmbo of Contingent Resources to Reserves from the ongoing appraisal program of the 2017 discoveries as well as upside revisions of the Reserves on the Farha South, Shahd and Erfan fields and a small amount of Reserves attributable to the Tibyan discovery, the exploration well drilled in 2018. For reserve maturation, see also "Investments and work programme" on page 8.

Based on ERC Equipoise Limited's ("ERCE") model, Tethys Oil's net entitlement Reserves (Reserves after government take) amount to 7,781 mbo of 1P, 10,477 mbo of 2P and 13,824 mob of 3P.

In addition to Reserves, Tethys Oil also announces Contingent Resources. The estimated Contingent Resources are contained in the discoveries made in 2017. Development of the Contingent Resources is contingent on the results of the on-going appraisal programme and also a work programme and budget to access these resources.

| Contingent Resources, Blocks 3&4 (audited) | 1C | 2C | 3C |
|---|--------------|---------------|---------------|
| mbo | | | |
| Total 31 December 2018 | 5,472 | 12,533 | 24,767 |

The Company's 2018 and 2017 year-end Reserves reports were audited by ERCE, as independent qualified reserves evaluator.

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

Revenue and other income

Revenue and other income from Blocks 3&4 are generated from Tethys Oil's share of oil production. Tethys Oil receives its 30 percent interest of the joint operation's share of oil production (currently 52 percent) with the remaining share being government take. The joint operation's share of oil production can vary depending upon the balance of unrecovered cost pools.

Based on the investment guidance (see page 9) and under current market conditions, Tethys Oil expects no change to its entitlement of oil production during 2019.

| Revenue and other income | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 |
|---|----------------|----------------|----------------|----------------|----------------|
| Oil sold, bbl | 542,596 | 579,360 | 529,194 | 511,998 | 617,577 |
| Underlift/overlift movement, bbl | 26,581 | -12,102 | 26,007 | 29,688 | -60,848 |
| Net barrels produced, after government take, bbl | 569,177 | 567,258 | 555,201 | 541,686 | 556,729 |
| Oil price, USD/bbl | 77.9 | 74.3 | 65.6 | 63.7 | 53.9 |
| Revenue, MUSD | 42.2 | 43.1 | 34.7 | 32.6 | 33.3 |
| Underlift/overlift adjustments, MUSD | 2.2 | -0.8 | 1.7 | 1.6 | -3.2 |
| Revenue and other income, MUSD | 44.4 | 42.3 | 36.4 | 34.2 | 30.1 |

During the fourth quarter 2018, Tethys Oil sold 542,596 barrels of oil from Blocks 3&4, which is lower than the third quarter of 2018 when 579,360 barrels of oil were sold. The sales volumes in the fourth quarter 2018 have resulted in an increased underlift position.

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

The average selling price during the fourth quarter 2018 amounted to USD 77.9 per barrel, compared to USD 74.3 during the third quarter 2018.

Revenue in the fourth quarter 2018 was MUSD 42.2 compared to MUSD 43.1 in the third quarter 2018. The adjustment for the increase of the underlift position in the fourth quarter 2018 amounted to MUSD 2.2. Revenue and other income in the fourth quarter 2018 amounted to MUSD 44.4 compared to MUSD 42.3 in the third quarter 2018. The increase of five percent is a result of the increase in oil selling prices and increased production.

| Underlift/overlift, bbls | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 |
|--|---------|---------|---------|---------|---------|
| Underlift/overlift, movement during period | 26,581 | -12,102 | 26,007 | 29,688 | -60,848 |
| Underlift/overlift, closing position | 34,083 | 7,501 | 19,603 | -6,404 | -36,092 |

Oil sale volumes are nominated two months in advance and are not based upon the actual production in a month; as a result, oil sale volumes can be above or below production volumes. Where the sales volume exceeds the volume of barrels produced, an overlift position occurs and where it is less, an underlift position occurs. Tethys Oil's underlift position increased in the fourth quarter 2018, which as at 31 December 2018 amounted to 34,083 barrels.

Operating expenses

| Operating expenses, Blocks 3&4 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 |
|---------------------------------------|-------------|-------------|-------------|-------------|------------|
| Production costs, MUSD | 11.3 | 10.4 | 10.3 | 10.6 | 8.0 |
| Well workovers, MUSD | 0.9 | 0.7 | 0.8 | 1.0 | 1.0 |
| Total operating expenses, MUSD | 12.2 | 11.1 | 11.1 | 11.6 | 9.0 |
| Operating expenses per barrel, USD | 11.1 | 10.1 | 10.4 | 11.1 | 8.4 |

Production costs relate to oil production on Blocks 3&4, and comprise expenses for throughput fees, energy, consumables, field staff, maintenance, as well as administration, including operator overhead. Production costs for the fourth quarter 2018 of MUSD 11.3 were higher than the production costs for the third quarter 2018 of MUSD

10.4, primarily due to the commissioning of the Ulfa EPF, resulting in increased staffing, increased equipment rental and energy costs.

Well workovers and interventions relate to downhole work and replacing of electric submersible pumps enabling shut-in wells to restart production. The work programme for well workovers for the year has increased and the cost for workovers for the fourth quarter 2018 of MUSD 0.9 was slightly higher than the workover costs for the third quarter of 2018 of MUSD 0.7.

Production costs and well workover together make up operating expenses, amounting to MUSD 12.2 during the fourth quarter 2018, which was higher than the MUSD 11.1 during the third quarter 2018. The majority of production comes from mature fields where many wells have higher production costs, compared to new production wells, due to increased maintenance, water handling and energy requirements to maintain production.

Depletion, depreciation and amortisation

| DD&A, Blocks 3&4 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 |
|----------------------|---------|---------|---------|---------|---------|
| DD&A, MUSD | 11.7 | 11.6 | 11.4 | 11.2 | 9.5 |
| DD&A per barrel, USD | 10.7 | 10.7 | 10.7 | 10.7 | 8.9 |

Depletion, depreciation and amortisation (“DD&A”) during the fourth quarter 2018 amounted to MUSD 11.7, in line with MUSD 11.6 in the third quarter 2018.

Netback

| Netback Blocks 3&4, USD/bbl | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Oil price achieved (sales barrels) | 77.9 | 74.3 | 65.6 | 63.7 | 53.9 |
| Revenue (after government take) | 40.5 | 38.6 | 34.2 | 33.1 | 28.0 |
| Operating expenses | 11.1 | 10.1 | 10.4 | 11.1 | 8.4 |
| Netback | 29.4 | 28.5 | 23.7 | 22.0 | 19.6 |

Netback per barrel increased in the fourth quarter 2018 compared to the third quarter 2018 due to higher oil prices, despite higher operating expenses per barrel.

Administrative expenses

Administrative expenses for the fourth quarter 2018 amounted to MUSD 1.5 compared to MUSD 1.1 during the third quarter 2018. The increase in administrative expenses is primarily related to projects and increased staff related to being operator on Block 49, as well as moving the office in Muscat, Oman. Administrative expenses mainly relate to staff, rents, listing costs and external services.

Net financial result

The net financial result during the fourth quarter 2018 amounted to MUSD 0.8 compared to MUSD -0.3 during the third quarter 2018. The net financial result for the fourth quarter 2018 is primarily related to currency exchange effects. Currency exchange differences recorded on loans between the parent company and subsidiaries are non-cash related items. Other financial costs during the fourth quarter 2018 amounted to MUSD -0.1, compared to MUSD -0.1 during the third quarter 2018.

Tax

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

Result

Tethys Oil reports a net result after tax for the fourth quarter 2018 of MUSD 19.9, representing earnings per share (after dilution) of USD 0.58. The result for the fourth quarter 2018 has increased compared to the third quarter 2018 when the net result amounted to MUSD 18.2.

Investments and work programme

During the fourth quarter 2018, total investments amounted to MUSD 16.2 of which MUSD 11.6 related to Blocks 3&4 and MUSD 4.6 to Block 49.

Blocks 3&4, Oman

Investments on Blocks 3&4 during the fourth quarter 2018 were slightly lower than during the third quarter 2018.

| Investments Blocks 3&4, MUSD | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 |
|---|-------------|-------------|-------------|-------------|------------|
| Drilling | 6.6 | 6.0 | 6.3 | 6.7 | 5.5 |
| G&G | 1.7 | 2.6 | 3.4 | 3.4 | 0.8 |
| Facilities | 3.3 | 3.7 | 3.2 | 3.5 | 1.5 |
| Total investments Blocks 3&4 | 11.6 | 12.3 | 12.9 | 13.6 | 7.8 |

Three rigs and one workover unit have been operating and a total of six wells were completed on the blocks during the fourth quarter 2018.

| Wells completed Q4 2018 (primary purpose) | Discoveries made in 2017 | Farha South Field | Shahd and Saiwan East Fields | Near and far field exploration | Total |
|--|-----------------------------|----------------------|------------------------------------|--------------------------------------|----------|
| Appraisal/Production | 3 | 1 | - | - | 4 |
| Water injection | - | 2 | - | - | 2 |
| Water source | - | - | - | - | - |
| Exploration | - | - | - | - | - |
| Total | 3 | 3 | - | - | 6 |

Discoveries made in 2017

The appraisal programme of the Ulfa and Samah discoveries has been one of the central components of the investments during 2018. It was initiated in the first quarter 2018 with the objective to mature contingent resources into reserves and to optimise plans for future production by gathering data on volumes, reservoir quality and continuity, fluid levels and productivity. Both the Buah and the Khufai reservoir sections are being appraised. Cores are taken for analysis and advanced logging is being conducted.

Three appraisal/production wells, the Ulfa-4, Ulfa-5 and Samah-3 wells, were successfully drilled in the fourth quarter 2018 and encountered oil as expected. Ulfa-4 was drilled to appraise and produce the eastern part of Ulfa discovery and Ulfa-5 was drilled south of the discovery well in the central part in order to produce from the Buah formation. The Samah-3 well was drilled south of the Samah-2 well. Two wells have been completed as producers in the Khufai and one in the Buah reservoirs and have been connected to the Ulfa Early Production Facilities (EPF). The drilling of appraisal well Ulfa-6 also commenced in the fourth quarter 2018.

The construction of the Ulfa EPF was finalized in the fourth quarter and the facility was in full production towards the very end of the year. The EPF includes separators, heater treaters and pipelines. A new pipeline has been constructed to connect the Ulfa EPF with the Saiwan East production facility. Following the commissioning of the EPF, wells on Ulfa and Samah were connected to Ulfa EPF and put into production. The commissioning of the EPF has released capacity at the Farha South production facility.

The majority of the information gathered so far from the appraisal wells on Ulfa and Samah were as, or slightly better than, expected. However, the revised time plan for the Ulfa EPF resulted in a delay of the part of the appraisal programme that relates to pressure data and production levels. This affected the proportion of the contingent resources converted into reserves by year-end. More comprehensive data is being gathered as the Ulfa EPF has come on stream, which is important to continue the maturation process.

The Erfan discovery was, in addition to the Erfan-1 discovery well, appraised by two wells in 2017. A further appraisal well, Erfan-4, was drilled during the second quarter 2018. No further wells were drilled on Erfan during the fourth quarter 2018.

Block 3: Farha South Field

One production well was drilled in fault block C on the Farha South field during the fourth quarter 2018. The well was drilled vertically down to the targeted Barik sandstone and encountered oil. The well has been connected to the Farha South production facility. In addition, two water injection wells were drilled on the same fault block.

Exploration on Blocks 3&4

The drilling of two exploration wells commenced in the fourth quarter 2018. One well is being drilled about 11 km east of the Farha South infrastructure to explore deeper sections of Block 3. The second well, a near field Ulfa/Samah analogy well, is being drilled about 10 km northeast of the Ulfa discovery.

The testing of the exploration well Luja-1, that was drilled in the southern part of Block 4 in the first quarter 2018, has been finalised. Luja-1 is located about 110 km southwest of the Shahd field. Since the well is located far from the infrastructure facilities on the producing fields, a supporting field camp was required in order to enable comprehensive testing operations. Oil was encountered and oil samples were taken from both the AbuMahara group and the Khufai formation. However, the well did not flow oil to surface during test. The testing has now been completed and the well has been plugged. The results are positive and confirm a live petroleum system in the area. A comprehensive post drilling analysis will be conducted in order to assess the other leads identified in the Southern part of Block 4.

Seismic acquisition

A seismic acquisition programme on Blocks 3&4 was launched in the fourth quarter 2017. The programme covered three areas on Blocks 3&4. On the first two areas, 1,200 km² area east of the Ulfa discovery and 800 km² area north west of the Farha South field, seismic acquisition and processing were completed in the first half of 2018. Interpretation and mapping of the processed data continues. The exploration well that is being drilled east of Farha South infrastructure is within this 3D seismic area and the location is a result of the interpretation of the new seismic. The seismic acquisition on the third area, 750 km² south of the Shahd field, was completed in September 2018 and the data is being processed.

Block 49, Oman

Investments on Block 49 during the fourth quarter 2018 amounted to MUSD 4.6, compared to MUSD 0.3 during the third quarter 2018. The investments primarily relate to the seismic campaign that was launched and completed during the fourth quarter 2018.

In the fourth quarter 2018, Tethys Oil launched a seismic campaign on Block 49, whereby 253 km² of 3D and 299 km of 2D seismic data were acquired in the north-eastern part of the license area. The purpose of the seismic campaign is to further define possible oil traps and to enhance the understanding of the deeper parts of the block in general. The data is being processed and will, when interpreted, guide the continued work on Block 49.

Through the reprocessing of some 1,464 km of older 2D seismic data, acquired by previous operators, a number of seismic anomalies have been identified, which could be possible - primarily stratigraphic - oil traps. The anomalies have been identified within the deeper formations in the block at depths of 2,500 metres or below. After integration of all available data in Tethys Oil's geological model, the presence of source rock as well as potential reservoir rocks have also been confirmed.

Investments and work program 2019

Under current market conditions and production assumptions, Tethys Oil expects its 2019 investments for the company's existing operations on Blocks 3&4 and Block 49 in Oman to amount to MUSD 50-55.

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

The focus on Block 49 is to continue the exploration programme. The new seismic data acquired in 2018 will be processed and interpreted in order to further define possible oil traps and to enhance the understanding of the deeper parts of the block in general. Preparations for exploration drilling will be carried out.

New ventures

In December 2018, Tethys Oil announced that it had entered into an agreement to acquire a two percent participating interest in Block 53 onshore Oman from Total E&P Oman, a wholly-owned subsidiary of Total S.A. Block 53 holds the Mukhaizna oil field, the single largest producing oil field in Oman. The Mukhaizna field is a giant heavy-oil development operated by Occidental Petroleum, with an average gross daily production in excess of 100,000 bopd. The closing of the acquisition was subject to government approval and the waiver of partner pre-emption rights. Tethys Oil was in the first quarter 2019 informed by the seller that partner pre-emption rights have been exercised, and as a result Tethys Oil will not be able to complete the transaction.

A number of new venture projects have been reviewed and several continue to be evaluated.

Associated companies

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 percent of the licences. The two companies are consolidated through a one-line consolidation in Tethys Oil's financial statements and are presented in the balance sheet under "Investments in associates" and in the income statement as "Share of net profit/loss from associates".

As at 31 December 2018, the value of the shareholding in the two associated Danish companies holding the interest in the Lithuanian licences, amounted to MUSD 0.0 compared to MUSD 0.0 in the third quarter 2018. The result from Tethys Oil's share in these associated companies during the fourth quarter 2018 amounted to MUSD 0.0, compared to MUSD 0.0 during the third quarter 2018. For further information regarding the ownership structure, please refer to the 2017 Annual Report.

Production on the Gargzdai licence during the fourth quarter 2018 was in line with production during the third quarter 2018. During the fourth quarter 2018, an average of 15 wells were in production on the licence. The 100 km 2D seismic acquisition that was conducted in the third quarter 2018 on Gargzdai licence in order to further delineate the Kintai structure has been processed and is being interpreted.

| Tethys Oil's share of quarterly volumes, before government take (bbls) | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 |
|--|---------|---------|---------|---------|---------|
| Lithuania, Gargzdai | | | | | |
| Production | 7,706 | 7,844 | 7,550 | 8,049 | 8,173 |
| Average daily production | 84 | 85 | 83 | 90 | 89 |

Liquidity and financing

Cash and bank and net cash as at 31 December 2018 amounted to MUSD 73.1 compared to MUSD 63.7 as at 30 September 2018.

During the fourth quarter 2018, cash flow from operations amounted to MUSD 29.3 and investments in oil and gas amounted to MUSD 16.2. Cash flow from financing activities amounted to MUSD -3.8, following payment of SEK 1.00 per share in dividend.

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

Export Reporting Error

An amount of MUSD 0.3 was repaid against the balance due for the Exporting Reporting Error (See Note 7) during the fourth quarter of 2018. The total amount outstanding of MUSD 3.0, to be repaid in instalments until 2022 was split into Current provisions of MUSD 1.0 and Non-current provisions of MUSD 2.0.

Parent company

The Parent company reports a net result after tax for the fourth quarter 2018 amounting to MSEK 236.2 compared to MSEK 0.3 for the third quarter 2018. Administrative expenses during the fourth quarter 2018 amounted to MSEK 8.1 compared to MSEK 6.5 for the third quarter 2018. The "Net financial result" amounted to MSEK

242.3 during the fourth quarter 2018 compared to MSEK 3.4 for the third quarter 2018. Dividends from subsidiaries amounting to MSEK 230.1 and currency exchange gains related to intercompany loans were the main reason for the result during the fourth quarter of 2018.

Share data

As at 31 December 2018, the number of outstanding shares in Tethys Oil amounted to 35,896,310, with a quota value of SEK 0.17. All shares represent one vote each. In October 2018, the number of shares and votes in Tethys Oil increased by 352,560 shares and votes due to the exercising of warrants under the long-term incentive programme that was approved by the annual general meeting on 13 May 2015.

Tethys Oil has a warrant based incentive programme for employees, for further information please see Note 9. As the average subscription price for three tranches of the incentive programme were partly below the average share price during the fourth quarter 2018, dilution effects of the warrants are included in the weighted average number of shares after dilution, which amounted to 34,150,178 during the fourth quarter 2018.

As at 31 December 2018, Tethys Oil held 1,644,163 of its own shares, which have been purchased since commencement of the programme during the fourth quarter 2014. The purpose of the repurchasing programme is to optimize the capital structure and to enable any repurchased shares to be used as payment in connection with, or financing of, acquisitions of companies or businesses. No shares were purchased during the fourth quarter 2018. The repurchased shares are still included in the total number of shares but are not included in the weighted average number of shares. The weighted average number of shares during the fourth quarter 2018 before dilution is 33,925,541 and after dilution 34,150,178.

After 31 December 2018 and up to the date of publication of this report, Tethys Oil has not acquired any further shares.

Seasonal effects

Tethys Oil has no significant seasonal variations.

Risks and uncertainties

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

Transactions with related parties

See Note 12 for details of related party transactions.

Dividend

The board of directors proposes a dividend of SEK 2.00 per share (AGM 2018: SEK 2.00). The board of directors proposes that the dividend is to be paid in two equal instalments of SEK 1.00 per share each, payable in May and November 2019. Proposed record dates are May 17, 2019 and November 18, 2019

The board of directors proposes an extraordinary distribution of SEK 6.00 per share by way of a mandatory share redemption programme following the AGM 2019 (AGM 2018: SEK 4.00). Further details to follow in the proposal to the 2019 AGM.

Significant events after the reporting period

Tethys Oil announced on 23 December 2018 an agreement to acquire a two percent participating interest in Block 53 onshore Oman from Total E&P Oman, a wholly-owned subsidiary of Total S.A, for a cash consideration of MUSD 32 with an effective date of 1 January 2018 with customary cash adjustment to be made at closing. The closing of the acquisition was subject to government approval and the waiver of partner pre-emption rights. Tethys Oil announced on 25 January 2019 that partner pre-emption rights have been exercised, and as a result, Tethys Oil will not be able to complete the transaction.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

| MUSD | Note | Fourth quarter 2018 | Third quarter 2018 | Fourth quarter 2017 | Full year 2018 | Full year 2017 |
|--|----------|---------------------|--------------------|---------------------|----------------|----------------|
| Revenue | | 42.2 | 43.1 | 30.1 | 152.6 | 119.9 |
| Underlift/overlift adjustments | | 2.2 | -0.8 | | 4.7 | -0.6 |
| Revenue and other income | 3 | 44.4 | 42.3 | 30.1 | 157.3 | 119.3 |
| Operating expenses | | -12.2 | -11.1 | -9.0 | -45.9 | -34.9 |
| Gross profit | | 32.3 | 31.2 | 21.1 | 111.4 | 84.4 |
| Depletion, depreciation and amortisation | | -11.7 | -11.6 | -9.5 | -45.9 | -39.5 |
| Exploration costs | | - | - | -0.3 | - | -0.3 |
| Share of net profit/loss from associates | | 0.0 | 0.0 | 0.0 | 0.9 | -0.3 |
| Administrative expenses | 9 | -1.5 | -1.1 | -1.4 | -5.7 | -5.9 |
| Operating result | | 19.1 | 18.5 | 9.9 | 60.7 | 38.4 |
| Net financial result | 4 | 0.8 | -0.3 | 1.1 | 1.5 | -5.3 |
| Result before tax | | 19.9 | 18.2 | 11.0 | 62.2 | 33.1 |
| Income tax | | - | - | 0.0 | - | 0.0 |
| Result for the period | | 19.9 | 18.2 | 11.0 | 62.2 | 33.1 |
| Other comprehensive result | | | | | | |
| Items that may be subsequently reclassified to profit or loss: | | | | | | |
| Exchange differences | | -0.9 | 0.2 | -1.8 | -3.7 | 4.5 |
| Other comprehensive result for the period | | -0.9 | 0.2 | -1.8 | -3.7 | 4.5 |
| Total comprehensive result for the period | | 19.0 | 18.4 | 9.2 | 58.4 | 37.6 |
| Attributable to: | | | | | | |
| Shareholders in the parent company | | 19.0 | 18.4 | 9.2 | 58.4 | 37.6 |
| Non-controlling interest | | - | - | - | - | - |
| Number of shares at period end | | 35,896,310 | 35,543,750 | 35,543,750 | 35,896,310 | 35,543,750 |
| Weighted average number of shares (before dilution) | | 33,925,541 | 34,301,867 | 35,895,500 | 34,010,616 | 34,170,474 |
| Weighted average number of shares (after dilution) | | 34,150,178 | 34,653,094 | 34,043,831 | 34,140,318 | 34,182,733 |
| Earnings per share (before dilution), USD | | 0.59 | 0.53 | 0.32 | 1.83 | 0.97 |
| Earnings per share (after dilution), USD | | 0.58 | 0.53 | 0.32 | 1.82 | 0.97 |

CONSOLIDATED BALANCE SHEET IN SUMMARY

| MUSD | Note | 31 Dec 2018 | 31 Dec 2017 |
|---|------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Oil and gas properties | 5 | 200.0 | 189.7 |
| Investment in other fixed assets | | 0.1 | - |
| Investment in associates | | - | - |
| | | 200.1 | 189.7 |
| Current assets | | | |
| Other receivables | 6 | 17.9 | 12.7 |
| Prepaid expenses | | 0.3 | 0.3 |
| Cash and cash equivalents | | 73.1 | 42.0 |
| | | 91.3 | 55.0 |
| TOTAL ASSETS | | 291.4 | 244.7 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Share capital | | 0.8 | 0.8 |
| Additional paid in capital | | 74.0 | 71.0 |
| Reserves | | -0.3 | 3.4 |
| Retained earnings | | 193.1 | 153.3 |
| Total shareholders' equity | | 267.6 | 228.5 |
| Non-current liabilities | | | |
| Non-current provisions | 7 | 8.9 | 9.1 |
| | | 8.9 | 9.1 |
| Current liabilities | | | |
| Current provisions | 7 | 1.0 | 1.0 |
| Accounts payable and other current liabilities | 8 | 13.9 | 6.1 |
| | | 14.9 | 7.1 |
| Total liabilities | | 23.8 | 16.2 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 291.4 | 244.7 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

| Attributable to shareholders of the parent company | | | | | Total equity |
|--|---------------|-----------------|-------------|-------------------|--------------|
| MUSD | Share capital | Paid in capital | Reserves | Retained earnings | |
| Opening balance 1 January 2017 | 0.8 | 71.0 | -1.1 | 126.2 | 196.9 |
| Comprehensive income | | | | | |
| Result for twelve months 2017 | - | - | - | 33.1 | 33.1 |
| Currency exchange differences twelve months 2017 | - | - | 4.5 | - | 4.5 |
| Total comprehensive income | - | - | 4.5 | 33.1 | 37.6 |
| Transactions with owners | | | | | |
| Purchase of own shares | - | - | - | -2.3 | -2.3 |
| Dividends paid | - | - | - | -3.9 | -3.9 |
| Incentive programme | - | - | - | 0.3 | 0.3 |
| Total transactions with owners | - | - | - | -5.9 | -5.9 |
| Closing balance 31 December 2017 | 0.8 | 71.0 | 3.4 | 153.3 | 228.5 |
| Opening balance 1 January 2018 | 0.8 | 71.0 | 3.4 | 153.3 | 228.5 |
| Comprehensive income | | | | | |
| Result for twelve months 2018 | - | - | - | 62.2 | 62.2 |
| Currency exchange differences twelve months 2018 | - | - | -3.7 | - | -3.7 |
| Total comprehensive income | | | -3.7 | 62.2 | 58.5 |
| Transactions with owners | | | | | |
| Share issue | 0.0 | 2.9 | - | - | 2.9 |
| Dividends paid | - | - | - | -7.5 | -7.5 |
| Share redemption | - | - | - | -15.1 | -15.1 |
| Incentive programme | - | - | - | 0.2 | 0.2 |
| Total transactions with owners | 0.0 | 2.9 | 0.0 | -22.4 | -19.4 |
| Closing balance 31 December 2018 | 0.8 | 74.0 | -0.3 | 193.1 | 267.6 |

CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY

| MUSD | Note | Fourth quarter | Third quarter | Fourth quarter | Full year | Full year |
|---|------|-------------------|------------------|-------------------|--------------|--------------|
| | | 2018 | 2018 | 2017 | 2018 | 2017 |
| Cash flow from operations | | | | | | |
| Operating result | | 19.1 | 18.5 | 9.9 | 60.7 | 38.4 |
| Interest received | | 0.3 | - | - | 0.3 | - |
| Interest paid | 4 | 0.0 | - | -0.1 | 0.0 | -0.2 |
| Adjustment for exploration costs | | - | - | 0.3 | - | 0.3 |
| Adjustment for depletion, depreciation and other non-cash related items | | 11.2 | 11.5 | 9.3 | 41.7 | 38.2 |
| Total cash flow from operations before change in working capital | | 30.6 | 30.0 | 19.4 | 102.7 | 76.7 |
| Change in receivables | | -6.4 | 0.4 | -2.7 | -7.2 | -5.4 |
| Change in liabilities | | 5.1 | 7.2 | -12.2 | 9.9 | -21.2 |
| Cash flow from operations | | 29.3 | 37.6 | 4.5 | 105.4 | 50.1 |
| Investment activity | | | | | | |
| Investment in oil and gas properties | 5 | -16.2 | -12.6 | -8.2 | -55.8 | -40.4 |
| Investment in other fixed assets | | -0.1 | - | - | -0.1 | - |
| Cash from associated companies, net | | 0.0 | - | - | 0.9 | - |
| Cash flow from investment activity | | -16.3 | -12.6 | -8.2 | -55.0 | -40.4 |
| Financing activity | | | | | | |
| Purchase of own shares | | - | - | - | - | -2.3 |
| Share redemption | | - | - | -1.9 | -15.1 | - |
| Dividend | | -3.7 | - | - | -7.5 | -3.9 |
| Proceeds from share issue | | - | 2.9 | - | 2.9 | - |
| Cash flow from financing activity | | -3.7 | 2.9 | -1.9 | -19.7 | -6.2 |
| Period cash flow | | 9.3 | 27.9 | -5.6 | 30.7 | 3.5 |
| Cash and cash equivalents at the beginning of the period | | 63.7 | 35.8 | 47.5 | 42.0 | 39.0 |
| Exchange gains/losses on cash and cash equivalents | | 0.1 | 0.0 | 0.1 | 0.5 | -0.5 |
| Cash and cash equivalents at the end of the period | | 73.1 | 63.7 | 42.0 | 73.1 | 42.0 |

KEY RATIOS

| Group | Fourth quarter | Third quarter | Fourth quarter | Full year | Full year |
|---|---------------------------|------------------|-------------------|----------------------|--------------|
| | 2018 | 2018 | 2017 | 2018 | 2017 |
| Operational items | | | | | |
| Production before government take, Oman Blocks 3&4, bbl | 1,094,572 | 1,090,880 | 1,078,806 | 4,294,852 | 4,439,118 |
| Production per day, Oman Blocks 3&4, bbl | 11,898 | 11,857 | 11,726 | 11,767 | 12,162 |
| Net sales after government take, bbl | 542,596 | 579,360 | 617,577 | 2,163,148 | 2,316,404 |
| Achieved oil price, USD/bbl | 77.9 | 74.3 | 53.9 | 70.5 | 51.8 |
| Income statement and balance sheet | | | | | |
| Revenue and other income, MUSD | 44.4 | 42.3 | 30.1 | 157.3 | 119.3 |
| EBITDA, MUSD | 30.8 | 30.1 | 19.7 | 106.6 | 78.2 |
| EBITDA-margin | 69% | 71% | 65% | 68% | 66% |
| Operating result, MUSD | 19.1 | 18.5 | 9.9 | 60.7 | 38.4 |
| Operating margin | 43% | 44% | 33% | 39% | 32% |
| Net result, MUSD | 19.9 | 18.2 | 11.0 | 62.2 | 33.1 |
| Net margin | 45% | 43% | 37% | 40% | 28% |
| Cash and cash equivalents, MUSD | 73.1 | 63.7 | 42.0 | 73.1 | 42.0 |
| Shareholders' equity, MUSD | 267.6 | 252.1 | 228.5 | 267.6 | 228.5 |
| Balance sheet total, MUSD | 291.4 | 272.5 | 244.7 | 291.4 | 244.7 |
| Capital structure | | | | | |
| Equity ratio | 92% | 93% | 93% | 92% | 93% |
| Leverage ratio | neg. | neg. | neg. | neg. | neg. |
| Investments, MUSD | 16.2 | 12.6 | 8.2 | 55.8 | 40.4 |
| Net cash, MUSD | 73.1 | 63.7 | 42.0 | 73.1 | 42.0 |
| Profitability | | | | | |
| Return on shareholders' equity | 8.04% | 7.59% | 5.18% | 25.09% | 15.56% |
| Return on capital employed | 7.69% | 7.79% | 5.39% | 26.66% | 18.97% |
| Other | | | | | |
| Average number of full time employees | 20 | 20 | 19 | 20 | 19 |
| Distribution per share, SEK | 1.00 | - | - | 6.00 | 1.00 |
| Cash flow from operations per share, USD | 0.83 | 1.06 | 0.13 | 2.97 | 1.41 |
| Number of shares at period end, '000 | 35,544 | 35,544 | 35,544 | 35,544 | 35,544 |
| Shareholders' equity per share, USD | 7.53 | 7.09 | 6.43 | 7.53 | 6.43 |
| Weighted average number of shares (before dilution), '000 | 33,926 | 34,302 | 34,044 | 34,011 | 34,170 |
| Weighted average number of shares (after dilution), '000 | 34,150 | 34,653 | 34,183 | 34,140 | 34,183 |
| Earnings per share before dilution, USD | 0.65 | 0.53 | 0.32 | 1.89 | 0.97 |
| Earnings per share after dilution, USD | 0.65 | 0.53 | 0.32 | 1.89 | 0.97 |

Key quarterly data

| | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 |
|--|----------------|----------------|----------------|----------------|----------------|
| Net daily production before government take, Blocks 3&4, bbl | 11,898 | 11,857 | 11,733 | 11,574 | 11,637 |
| Barrels sold, bbl | 542,596 | 579,360 | 529,194 | 511,998 | 617,577 |
| Revenue and other income, MUSD | 44.4 | 42.3 | 36.4 | 34.2 | 30.1 |
| EBITDA, MUSD | 30.8 | 30.1 | 24.3 | 21.5 | 19.7 |
| Return on shareholders' equity | 8.04% | 7.59% | 6.55% | 3.86% | 5.18% |
| Cash flow from operations, MUSD | 29.3 | 37.6 | 14.4 | 24.1 | 4.5 |
| Earnings per share after dilution, USD | 0.58 | 0.53 | 0.44 | 0.27 | 0.32 |
| Share price, end of period, SEK | 64.77 | 97.77 | 101.40 | 67.20 | 65.75 |

For definitions of key ratios, please refer to the 2017 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 2017 Annual Report.

| MUSD | Fourth quarter 2018 | Third quarter 2018 | Fourth quarter 2017 | Full year 2018 | Full year 2017 |
|--|------------------------------------|--------------------------|---------------------------|-------------------------------|----------------------|
| Operating result | 19.1 | 18.5 | 9.9 | 60.7 | 38.4 |
| Depreciation, depletion and amortization | 11.7 | 11.6 | 9.5 | 45.9 | 39.5 |
| Exploration costs | 0.0 | 0.0 | 0.3 | 0.0 | 0.3 |
| EBITDA | 30.8 | 30.1 | 19.7 | 106.6 | 78.2 |
| Cash and bank | 73.1 | 63.7 | 42.0 | 73.1 | 42.0 |
| Interest bearing debt | - | - | - | - | - |
| Net cash | 73.1 | 63.7 | 42.0 | 73.1 | 42.0 |
| Cash flow from operations | 29.3 | 37.6 | 4.5 | 105.4 | 50.1 |
| Investment in oil and gas properties | -16.2 | -12.6 | -8.2 | -55.8 | -40.4 |
| Cash flow from operations after investments | 13.1 | 25.0 | -3.7 | 49.6 | 9.7 |

PARENT COMPANY INCOME STATEMENT IN SUMMARY

| MSEK | Note | Fourth quarter 2018 | Third quarter 2018 | Fourth quarter 2017 | Full year 2018 | Full year 2017 |
|--|------|---------------------------|--------------------------|---------------------------|----------------------|----------------------|
| Other income | | 2.0 | 3.4 | 2.2 | 9.7 | 10.9 |
| Share of net profit/loss from associates | | - | - | - | 8.0 | -2.8 |
| Administrative expenses | 9 | -8.1 | -6.5 | -6.7 | -32.8 | -31.2 |
| Operating result | | -6.1 | -3.1 | -4.5 | -15.1 | -23.1 |
| Net financial result | 4 | 242.3 | 3.4 | 142.5 | 259.5 | 108.1 |
| Result before tax | | 236.2 | 0.3 | 138.0 | 244.4 | 85.0 |
| Income tax | | - | - | - | - | - |
| Result for the period* | | 236.2 | 0.3 | 138.0 | 244.4 | 85.0 |

* 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 2018 | 31 Dec 2017 |
|---|------|----------------|----------------|
| ASSETS | | | |
| Total non current assets | | 223.1 | 356.6 |
| Total current assets | | 243.4 | 64.4 |
| TOTAL ASSETS | | 466.5 | 421.0 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Restricted shareholders' equity | | 77.0 | 77.0 |
| Unrestricted shareholders' equity | | 373.4 | 303.1 |
| Total current liabilities | | 16.1 | 40.9 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 466.5 | 421.0 |

NOTES

General information

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

Accounting principles

The fourth quarter and twelve months report 2018 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The fourth quarter and twelve months report 2018 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 2017 Annual Report have been used in the preparation of this report together with the implementation of IFRS 9 and 15. IFRS 9 has come into effect with effective date 1 January 2018. IFRS 9 Financial instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities, introduced new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 has not had any material effect on the financial reporting. IFRS 15 has come into effect with effective date 1 January 2018. IFRS 15 Revenue from contract with customers addresses revenue recognition and established principles for reporting useful information to users of financial statements. Based on this standard, certain transactions are no longer reported as revenue but as other income instead. IFRS 15 has not had any material effect on the financial reporting apart from changes in presentation.

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

Tethys Oil has chosen the modified retrospective method, applying the short-term lease and the asset of low value exceptions. The standard will primarily impact the accounting of the group’s operational leases. The current interpretation is that IFRS 16 does not relate to leases within the group’s joint operations and at present the group only has office leases and IT-servers/-programs and other leases concerning items of lesser value. Considering the few leases in the group, the preliminary assessment is that the standard will have no material impact on the group.

| MUSD | Closing balance 31 Dec 2018 before transition to IFRS 16 | Estimated reclassifications due to transition to IFRS 16 Leases | Estimated adjustment due to transition IFRS 16 Leases Leases | Estimated adjusted opening balance 1 Jan 2019 |
|-------------------------------------|---|---|--|--|
| Right-of-use assets | - | - | 0.7 | 0.7 |
| Lease liabilities, interest bearing | - | - | 0.7 | 0.7 |

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

Tethys Oil applies the ESMA’s (European Securities and Markets Authority) guidelines for alternative performance measures. Definitions of performance measures are provided in the 2017 Annual Report and the relevant reconciliations can be found on page 17 of this report.

Exchange rates

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

| Currency | 31 December 2018 | | 31 December 2017 | |
|----------|------------------|------------|------------------|------------|
| | Average | Period end | Average | Period end |
| SEK/USD | 8.75 | 9.14 | 8.67 | 8.44 |
| SEK/EUR | 10.32 | 10.42 | 9.73 | 10.00 |

The Group is exposed to fluctuations in the foreign exchange markets as fluctuations in exchange rates can negatively affect the result, cash flow and equity. The major proportion of the Group's assets relate to international oil and gas discoveries valued in USD and which generate revenues in USD. During the fourth quarter 2018, all of Tethys Oil's oil sales and operative expenditures were denominated in USD.

Fair value

The nominal value of accounts payables, cash and bank and accounts receivables is a fair approximation of those line items as they are short term in nature.

IFRS 9 valuation categories and related balance sheet items

| MUSD | 31 December 2018 | | | 31 December 2017 | | |
|---|---|------------------------------------|---|---|------------------------------------|---|
| | 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 | 17.9 | | | - | 12.7 | - |
| Cash and bank | 73.1 | | | - | 42.0 | - |
| Accounts payables and other current liabilities | | 13.9 | | - | - | 6.1 |

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 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 farm-out or sale of assets. There are no oil price hedges in place as at 31 December 2018. In late 2018, OPEC and certain non-OPEC members reached a new agreement of production cuts. The production recommendation may affect the Company's oil production and sales.

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

Financial risk

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

A more detailed analysis of the Group's risks and uncertainties, and how the Group addresses these risks, are detailed in the 2017 Annual Report.

Note 2) Segment reporting

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

| Group income statement Jan-Dec 2018 | | | | | |
|--|-------------|------------|-------------|-------------|-------------|
| MUSD | Oman | Lithuania | Sweden | Other | Total |
| Revenue and other income | 157.3 | - | - | - | 157.3 |
| Operating expenses | -45.9 | - | - | - | -45.9 |
| Depreciation, depletion and amortisation | -45.9 | - | - | - | -45.9 |
| Exploration costs | - | - | - | - | 0.0 |
| Share of net profit/loss from associates | - | 0.9 | - | - | 0.9 |
| Administrative expenses | -2.3 | - | -2.7 | -0.7 | -5.7 |
| Operating result | 63.2 | 0.9 | -2.7 | -0.7 | 60.7 |
| Total financial items | | | | | 1.5 |
| Result before tax | | | | | 62.2 |
| Income tax | | | | | - |
| Result for the period | | | | | 62.2 |

| Group income statement Jan-Dec 2017 | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| MUSD | Oman | Lithuania | Sweden | Other | Total |
| Revenue and other income | 119.3 | - | - | - | 119.3 |
| Operating expenses | -34.9 | - | - | - | -34.9 |
| Depreciation, depletion and amortisation | -39.5 | - | - | - | -39.5 |
| Exploration costs | - | - | - | -0.3 | 0.3 |
| Share of net profit/loss from associates | - | -0.3 | - | - | 0.3 |
| Administrative expenses | -2.0 | - | -3.5 | -0.4 | -5.9 |
| Operating result | 42.9 | -0.3 | -3.5 | -0.7 | 38.4 |
| Total financial items | | | | | -5.3 |
| Result before tax | | | | | 33.1 |
| Income tax | | | | | - |
| Result for the period | | | | | 33.1 |

Note 3) Revenue and other income

| MUSD | Fourth quarter 2018 | Third quarter 2018 | Fourth quarter 2017 | Full year 2018 | Full year 2017 |
|---------------------------------|------------------------|-----------------------|------------------------|-------------------|-------------------|
| Revenue | 42.2 | 43.1 | 33.3 | 152.6 | 119.9 |
| Underlift/overlift adjustments | 2.2 | -0.8 | -3.2 | 4.7 | -0.6 |
| Revenue and other income | 44.4 | 42.3 | 30.1 | 157.3 | 119.3 |

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 are made on a monthly basis. Tethys Oil's average selling price is based on the monthly average price of the two-month future contract of Oman blend as traded on the Dubai Mercantile Exchange, including trading and quality adjustments.

Note 4) Net financial result

| Group | Fourth quarter 2018 | Third quarter 2018 | Fourth quarter 2017 | Full Year 2018 | Full year 2017 |
|---------------------------------|---------------------|--------------------|---------------------|----------------|----------------|
| MUSD | | | | | |
| Financial income: | | | | | |
| Interest income | 0.3 | - | - | 0.3 | - |
| Gain on currency exchange rates | 0.6 | 0.7 | 1.9 | 4.2 | 3.0 |
| Other financial income | - | - | - | - | - |
| Financial costs: | | | | | |
| Interest costs | 0.0 | -0.0 | -0.1 | 0.0 | -0.2 |
| Currency exchange losses | 0.0 | -0.9 | -0.3 | -2.6 | -6.9 |
| Other financial costs | -0.1 | -0.1 | -0.4 | -0.4 | -1.2 |
| Net financial result | 0.8 | -0.3 | 1.1 | 1.5 | -5.3 |

| Parent company | Fourth quarter 2018 | Third quarter 2018 | Fourth quarter 2017 | Full Year 2018 | Full year 2017 |
|---------------------------------|---------------------|--------------------|---------------------|----------------|----------------|
| MSEK | | | | | |
| Financial income: | | | | | |
| Interest income | 4.5 | 4.2 | 3.7 | 15.8 | 15.0 |
| Gain on currency exchange rates | 7.7 | 5.6 | 14.3 | 36.9 | 23.0 |
| Dividend group companies | 230.1 | - | 126.6 | 230.1 | 126.4 |
| Financial costs: | | | | | |
| Interest costs | 0.0 | - | - | -0.2 | 0.0 |
| Currency exchange losses | 0.0 | -6.4 | -1.8 | -23.1 | -53.7 |
| Other financial costs | 0.0 | - | -0.2 | 0.0 | -2.9 |
| Net financial result | 242.3 | 3.4 | 142.6 | 259.5 | 107.9 |

Note 5) Oil and gas properties

| Country | Licence | Phase | Tethys Oil's share | Book value 31 Dec 2017 | Investments | DD&A | Change in estimate site restoration | Book value 31 Dec 2018 |
|--------------|------------|-------|--------------------|------------------------|--------------|--------------|-------------------------------------|------------------------|
| | | | | | Jan-Dec 2018 | Jan-Dec 2018 | Jan-Dec 2018 | |
| Oman | Blocks 3&4 | Prod. | 30% | 189.1 | 50.4 | -45.9 | 0.4 | 194.0 |
| Oman | Block 49 | Expl. | 100% | 0.4 | 5.3 | - | - | 5.7 |
| France | Attila | Expl. | 40% | 0.0 | - | - | - | 0.0 |
| New ventures | | | | 0.2 | 0.1 | - | - | 0.3 |
| Total | | | | 189.7 | 55.8 | -45.9 | 0.4 | 200.0 |

Note 6) Other receivables

| MUSD | 31 Dec 2018 | 31 Dec 2017 |
|-----------------------|-------------|-------------|
| VAT | 0.3 | 0.6 |
| Receivables Oil sales | 14.9 | 12.1 |
| Underlift position | 2.7 | - |
| Other | 0.0 | - |
| Total | 17.9 | 12.7 |

Note 7) Provisions

Tethys Oil estimates that its share of site restoration regarding Blocks 3&4 amounts to MUSD 6.9 (MUSD 6.4). As a consequence of this provision, oil and gas properties have increased with an equal amount.

Tethys Oil accounted during the fourth quarter 2016 for the effects of a fiscal metering calibration error resulting in over-reporting of exported oil from Blocks 3&4, affecting fourth quarter 2016 and full year 2016 revenue and result negatively by MUSD 5.9. The error amount will be repaid in cash according to a repayment schedule over a five year period and Tethys Oil estimates that the negative undiscounted net cash effect for Tethys Oil will be less than MUSD 1.4. The mechanism for the full settlement details are being discussed, but Tethys Oil expects that the final settlement will reflect the relevant agreements.

Tethys Oil has a non-current provision of MUSD 2.0 and a current provision of MUSD 1.0 related to the Export Reporting Error that had an estimated total error amount of MUSD 5.9. The Export Reporting Error amount repayment during the fourth quarter 2018 amounted to MUSD 0.3 resulting in a total amount remaining to be settled of MUSD 3.0 as at 31 December 2018.

Note 8) Accounts payable and other current liabilities

| MUSD | 31 Dec 2018 | 31 Dec 2017 |
|-----------------------------------|----------------|----------------|
| Accounts payable | 0.1 | 0.1 |
| Overlift position | - | 2.0 |
| Operator balance, Oman Blocks 3&4 | 9.9 | 3.2 |
| Other current liabilities | 3.9 | 0.8 |
| Total | 13.9 | 6.1 |

Note 9) 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 cost of the 2018 incentive programme, following allotment of 329,000 warrants, of MUSD 0.5 was accounted for in the second quarter 2018.

No warrants were issued during the fourth quarter 2018. The 44,000 warrants of the 2015 programme that remained outstanding following the exercises of 312,000 warrants during the third quarter 2018 expired and were cancelled during the fourth quarter 2018.

| Warrant incentive programme | Exercise period | Subscription price, SEK | Shares per warrant | Number of warrants | | | | |
|-----------------------------|----------------------|-------------------------|--------------------|--------------------|----------------|-----------------|----------------|------------------|
| | | | | 1 Jan 2018 | Issued 2018 | Exercised 2018 | Expired 2018 | 31 Dec 2018 |
| 2015 incentive programme | 23 May - 5 Oct, 2018 | 73.50 | 1.13 | 356,000 | 0 | -312,000 | -44,000 | 0 |
| 2016 incentive programme | 28 May - 4 Oct, 2019 | 59.90 | 1.10 | 350,000 | 0 | 0 | 0 | 350,000 |
| 2017 incentive programme | 30 May - 2 Oct, 2020 | 81.80 | 1.04 | 350,000 | 0 | 0 | 0 | 350,000 |
| 2018 incentive programme | 1 Jun - 2 Oct, 2021 | 89.00 | 1.00 | 0 | 350,000 | 0 | 0 | 350,000 |
| Total | | | | 1,056,000 | 350,000 | -312,000 | -44,000 | 1,050,000 |

As the subscription price for four tranches of the incentive programme is below the average share price during the fourth quarter 2018, the dilution effects of the warrants of these tranches are included in the weighted average number of shares after dilution which amount to 34,150,178 during the fourth quarter 2018.

Note 10) 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 11) Contingent liabilities

There are no outstanding contingent liabilities as at 31 December 2018, nor for the comparative period.

Note 12) Related party transactions

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

During the fourth quarter 2018, the Company has not had any material transactions with related parties.

FINANCIAL CALENDAR:

- Annual report 2018 is expected to be available during the first week of April 2019
- Report for first quarter 2019 (January – March 2019) on 7 May 2019
- Annual general meeting 2019 is planned to be held in Stockholm on 15 May 2019
- Report for second quarter 2019 (January – June 2019) on 13 August 2019
- Report for third quarter 2019 (January – September 2019) on 5 November 2019
- Report for fourth quarter 2019 (January – December 2019) on 11 February 2020

Stockholm, 12 February 2019

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

The Board of Directors

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

For further information, please contact:

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This information is information that Tethys Oil AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 7:30 CET on 12 February 2019.

CONFERENCE CALL

Date: 12 February 2019

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/m6/p/d7v8nv9y>

To participate via phone, please call:

Sweden: +46 8 505 564 74

Switzerland: +41 225 675 541

UK: +44 203 364 5374

North America: +1 855 753 2230