

## Second quarter and half year report - 30 June 2019

### Second quarter 2019 (first quarter 2019)

- Production from Blocks 3&4, Oman, high end of guidance at 12,881 bopd (11,901 bopd)
- Revenue and other income of MUSD 41.3 (MUSD 32.7)
- EBITDA of MUSD 27.9 (MUSD 17.2)
- Net result of MUSD 17.3 (MUSD 6.4)
- Earnings per share amounted to USD 0.51 (USD 0.19)
- Record production after facilities upgrade at the Ulfa EPF
- Record distribution to shareholders
- Exploration well Ysur-1 spudded, drilling is ongoing

MUSD (unless specifically stated)	Second quarter 2019	First quarter 2019	Second quarter 2018	First half 2019	First half 2018	Full year 2018
Net daily production from Oman, Blocks 3&4 before government take (bbl)	12,881	11,901	11,733	12,394	11,654	11,767
Net barrels produced, after government take (bbl)	609,523	556,967	555,201	1,166,490	1,096,887	2,233,323
Net barrels sold, after government take (bbl)	561,077	613,752	529,194	1,174,829	1,041,192	2,163,148
Average selling price per barrel, USD	67.8	61.6	65.6	64.5	64.6	70.5
Revenue and other income	41.3	32.7	36.4	74.0	70.6	157.3
EBITDA	27.9	17.2	24.3	44.8	45.7	106.6
Operating result	16.4	5.6	12.9	22.0	23.1	60.7
Result for the period	17.3	6.4	15.0	23.7	24.0	62.2
Earnings per share (after dilution), USD	0.51	0.19	0.44	0.69	0.71	1.82
Net cash	62.0	82.7	35.8	62.0	35.8	73.1
Investments in oil and gas properties	12.8	11.6	13.2	24.4	26.9	55.8

### 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](http://www.tethysoil.com)

## Letter to shareholders

### Dear Friends and Investors,

The second quarter 2019 has been a strong period for Tethys Oil and I am pleased to report that once again our revenue and other income for the quarter has exceeded MUS\$ 40 and with production increasing and decreased opex from the first quarter all numbers point in the right direction for the quarter. These figures demonstrate the robustness of our core Omani asset, Blocks 3&4, and shows that our prior investment in the asset is bearing fruit. Our exploration activity also continues with a new exploration well recently spudded on Blocks 3&4 whilst concurrently we are maturing a number of leads on Block 49.

Production for the quarter increased to an average daily rate of 12,881 bopd as start-up issues reported in the first quarter 2019 were successfully overcome at the Ulfa field. This is a nine percent increase from the average 2018 production and is a direct result of our investment in the asset over the prior quarters. This has continued as we have recently reported our July average production of 12,819 bopd and we are pleased that we are now firmly at the higher end of our guidance of a net production of 12,000 -13,000 bopd for the year.

The oil price rose steadily during first 5 months of the year but dropped back in early June and is now hovering around the USD 60 per barrel level. Due to our two-month lag in pricing of oil sales these movements will be reflected in our third quarter numbers. In the second quarter our average realised price was USD 67.8 per barrel, an increase of 10 percent compared to the first quarter.

As anticipated in the report for the first quarter 2019, total operating expenses were reduced during the period. This lower cost combined with the increased production resulted in an Opex per barrel of USD 10.2 for the quarter, down from USD 13.3 as reported in the first quarter 2019. With the ongoing field operations to maintain production from the existing well stock we expect that the Opex per barrel for the remainder of the year to be in the region of USD 11.

The increased production levels have yielded strong financial results for the quarter. We report revenues and other income of MUS\$ 41.3, up 26 percent from the first quarter 2019. Our EBITDA amounted to MUS\$ 27.9, up 62 percent compared with the first quarter 2019. During the quarter, cash flow from operations before adjustments for working capital amounted to MUS\$ 22.0 and investments in oil and gas amounted to MUS\$ 12.8. Following our record distribution of MUS\$ 24.9 to our shareholders in the quarter, our net cash position resulted in a balance of MUS\$ 62.0. The net result for the period amounted to MUS\$ 17.3, up 170 percent compared with the first quarter 2019.

On the exploration side of the business, we continue to mature and high-grade our substantial lead inventory in Block 3&4 while eagerly awaiting the results from the Yusr-1 well, which is currently in progress. Yusr-1 is the first exploration well to be drilled in the recently acquired 3D seismic area located to the north of Farha South. In addition, at least two more exploration wells are planned for the year in Blocks 3&4.

On Block 49, our seismic interpretation and prospect mapping continues at a pace and we are now roughly three quarters through the data set that we acquired late last year. The geological work is focused on defining, risking and maturing leads into drillable prospects whilst concurrently we have begun preparations for exploration drilling. We expect to provide further details on the geological work and our drilling plans in the coming months.

Our strong cash position and cash flow have enabled us to continue with shareholder distributions through our recent share repurchases, following our cash distributions to shareholders in May and June.

Our cash position also provides us with a sizable war chest that enables us to add additional assets, as and when we find any that meet our rigorous technical and commercial criteria, and enable us to maintain our strong financial discipline.

So stay tuned – our journey of growth continues!

Stockholm, 13<sup>th</sup> August 2019

Magnus Nordin  
*Managing Director*

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

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 onshore Lithuania via an associated company and in one licence onshore France.

### Production

Tethys Oil's share of production during the second quarter 2019, before government take, was 1,172,159 barrels of oil, corresponding to 12,881 barrels of oil per day ("bopd"). Second quarter 2019 average daily production was significantly higher than the first quarter 2019, which averaged 11,901 bopd, an increase of eight percent.

Tethys Oil's share of quarterly volumes, before government take (bbls)	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
<b>Oman, Blocks 3&amp;4</b>					
Production before government take (bbls)	1,172,159	1,071,089	1,094,572	1,090,880	1,067,695
Average daily production (bopd)	12,881	11,901	11,898	11,857	11,733

The launch of the Ulfa EPF by year-end 2018 included some start-up issues, mainly relating to gas handling. The increase in production in the second quarter is mainly a result of the installation of the extra gas separation capacity at Ulfa EPF.

### Production guidance 2019

The production guidance for 2019 remains unchanged with annual average net production from the Company's existing operations on Blocks 3&4 in Oman during 2019 expected to amount to between 12,000-13,000 bopd.

### 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.

Revenue and other income	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Oil sold, bbl	561,077	613,752	542,596	579,360	529,194
Underlift/overlift movement, bbl	48,446	-56,785	26,581	-12,102	26,007
<b>Net barrels produced, after government take, bbl</b>	<b>609,523</b>	<b>556,967</b>	<b>569,177</b>	<b>567,258</b>	<b>555,201</b>
Oil price, USD/bbl	67.8	61.6	77.9	74.3	65.6
Revenue, MUSD	38.1	37.8	42.2	43.1	34.7
Underlift/overlift adjustments, MUSD	3.2	-4.1	2.2	-0.8	1.7
Overlift adjustment Export Reporting Error	-	-1.0	-	-	-
<b>Revenue and other income, MUSD</b>	<b>41.3</b>	<b>32.7</b>	<b>44.4</b>	<b>42.3</b>	<b>36.4</b>

During the second quarter 2019, Tethys Oil sold 561,077 barrels of oil from Blocks 3&4, which is lower than the first quarter of 2019 when 613,752 barrels of oil were sold. However, the sales volumes in the second quarter 2019 have resulted in an underlift position. Due to overlift at the end of first quarter, nominations for second quarter were more conservative in relation to estimated production in order to reduce overlift position.

An adjustment of MUSD -1.0 has been included in the overlift adjustment in the first quarter 2019. For further information, please see "Export Reporting Error" in Note 3 and 7.

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

Underlift/overlift, bbls	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Underlift/overlift, movement during period	48,446	-56,785	26,581	-12,102	26,007
Underlift/overlift, closing position	25,744	-22,702	34,083	7,501	19,603

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. Underlift/overlift positions are taken into account for future oil sales nominations, aiming at balancing the position. Tethys Oil moved from an overlift position to an underlift position during the second quarter 2019, which as at 30 June 2019 amounted to 25,744 barrels.

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 second quarter 2019 amounted to USD 67.8 per barrel, up USD 6.2 from USD 61.6 during the first quarter 2019.

Revenue in the second quarter 2019 was MUSD 38.1 compared to MUSD 37.8 in the first quarter 2019. The adjustment for the change to an underlift position in the second quarter 2019 amounted to MUSD 3.2. Revenue and other income in the second quarter 2019 amounted to MUSD 41.3 compared to MUSD 32.7 in the first quarter 2019. The increase of 26 percent is a result of the higher oil price and more barrels having been produced.

### Operating expenses

Operating expenses, Blocks 3&4	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Production costs, MUSD	11.0	12.8	11.3	10.4	10.3
Well workovers, MUSD	1.0	1.4	0.9	0.7	0.8
<b>Total operating expenses, MUSD</b>	<b>12.0</b>	<b>14.2</b>	<b>12.2</b>	<b>11.1</b>	<b>11.1</b>
Operating expenses per barrel, USD	10.2	13.3	11.1	10.1	10.4

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

Operating expenses, including costs for well workovers and interventions, for the second quarter 2019 amounted to MUSD 12.0 compared to the first quarter 2019 operating expenditure of MUSD 14.2. Compared to first quarter 2019 the lower operating costs per barrel are largely due to the higher production in second quarter 2019 and because operating costs in first quarter 2019 were relatively high. The high first quarter costs were due to one off costs associated with the start-up of the Ulfa EPF, a higher number of work-overs than usual involving well interventions as well as carry-over costs from 2018 relating to Ulfa commissioning. The Company expects that the operating cost per barrel to be in the region of USD 11 for the remainder of 2019.

### Netback

Netback Blocks 3&4, USD/bbl	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Oil price achieved (sales barrels)	67.8	61.6	77.9	74.3	65.6
Revenue (after government take)	35.2	32.1	40.5	38.6	34.2
Operating expenses	10.2	13.3	11.1	10.1	10.4
<b>Netback</b>	<b>25.0</b>	<b>18.8</b>	<b>29.4</b>	<b>28.5</b>	<b>23.8</b>

Netback per barrel increased in the second quarter 2019 compared to the first quarter 2019 due to higher oil prices and lower operating expenses per barrel.

**Depletion, depreciation and amortisation**

<b>DD&amp;A, Blocks 3&amp;4</b>	<b>Q2 2019</b>	Q1 2019	Q4 2018	Q3 2018	Q2 2018
DD&A, MUSD	11.4	11.5	11.7	11.6	11.4
DD&A per barrel, USD	9.7	10.8	10.7	10.7	10.7

Depletion, depreciation and amortisation (“DD&A”) during the second quarter 2019 amounted to MUSD 11.4, compared to MUSD 11.5 in the first quarter 2019. DD&A per barrel is lower in second quarter 2019 as it reflects the outcome of the 2018 Reserves Audit report by ERCE and includes an adjustment to the first quarter 2019 figure.

The half year DD&A per barrel is in line with the projected underlying DD&A rate which going forward for 2019 will be USD 10.1 per barrel.

**Administrative expenses**

Administrative expenses for the second quarter 2019 amounted to MUSD 2.0 compared to MUSD 1.4 during the first quarter 2019, with the increase primarily explained by the cost of the long term incentive programme, recruiting costs and salaries being accounted for during the second quarter 2019. Administrative expenses mainly relate to staff, rents, listing costs and external services.

**Net financial result**

The net financial result during the second quarter 2019 amounted to MUSD 1.0 compared to MUSD 0.8 during the first quarter 2019. The net financial result for the second quarter 2019 is primarily related to currency exchange effects. Currency exchange differences recorded on loans between the parent company and subsidiaries are non-cash related items. Other financial costs during the second quarter 2019 amounted to MUSD -0.1, compared to MUSD -0.1 during the first quarter 2019.

**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 second quarter 2019 of MUSD 17.3, representing earnings per share (after dilution) of USD 0.51. The result for the second quarter 2019 has increased compared to the first quarter 2019 when the net result amounted to MUSD 6.4, with earnings per share (after dilution) of USD 0.19.

**Investments and work programme**

During the second quarter 2019, total investments in oil and gas properties amounted to MUSD 12.8 compared to MUSD 11.6 in first quarter 2019. Of this MUSD 12.5 related to Blocks 3&4 and MUSD 0.1 to Block 49. Other investment in Exploration amounted to MUSD 0.2.

**Blocks 3&4, Oman**

<b>Investments Blocks 3&amp;4, MUSD</b>	<b>Q2 2019</b>	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Drilling	6.6	6.1	6.6	6.0	6.3
G&G	1.3	1.2	1.7	2.6	3.4
Facilities	4.6	4.0	3.3	3.7	3.2
<b>Total investments Blocks 3&amp;4</b>	<b>12.5</b>	<b>11.3</b>	<b>11.6</b>	<b>12.3</b>	<b>12.9</b>

Investments on Blocks 3&4 during the second quarter 2019 were slightly higher than during the first quarter 2019.

Three rigs and one workover rig have been operating and a total of six wells were completed on the blocks during the second quarter 2019.

The operations during the second quarter 2019 are representative of the 2019 work programme, which focuses on keeping production between 12,000 and 13,000 bopd, continuing to mature the contingent resources into reserves and to find more oil. In the older fields, work has been focused on production optimisation with actions such as well workovers, shifting of pumps etc. At the Ulfa and Samha fields, production increased after some initial start-up issues at the new production facility Ulfa EPF in the first quarter 2019. A new exploration well, Yusr-1, was spudded during the quarter, and was still in progress at the end of the quarter.

Wells completed Q2 2019 (primary purpose)	Ulfa, Samha and Erfan Fields	Farha South Field	Shahd and Saiwan East Fields	Near and far field exploration	Total
Appraisal/Production	1	-	3	-	4
Water injection	-	-	2	-	2
Water source	-	-	-	-	-
Exploration	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>6</b>

#### *Ulfa, Samha and Erfan Fields*

The appraisal programme of the Ulfa and Samha fields was initiated in the first quarter 2018 with the objective to mature contingent resources into reserves and to optimise plans for future production.

The construction of the Ulfa EPF was finalised in the fourth quarter 2018 and the facility commenced 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. The launch of the Ulfa EPF included some start-up issues, mainly relating to gas handling. As a consequence, wells at Samha and Ulfa were shut in or put on restricted production. As at the end of the first quarter 2019, additional capacity for gas separation was installed and the wells were put back in production. The increase in production in the second quarter is mainly a result of the installation of the extra gas separation capacity at Ulfa EPF.

One appraisal/production well, the Samha-5 well, was successfully drilled in the second quarter 2019 and encountered oil as expected. Samha-5 was drilled to drain the north eastern part of the structure. The well was completed as a producer from the Khufai formation and will be connected to the production facility in the third quarter 2019. This well will move reserves from proved undeveloped to proved developed.

Production data from the wells is being used to optimise production and support the maturation of the contingent resources into reserves.

#### *Farha South Field*

During the quarter, stimulation of water injection wells continued. Also, a programme to replace some of the electrical submersible pumps (“ESP”) was implemented in order to improve flow in the Farha South flowline system, which will reduce back pressure and in turn increase production.

#### *Shahd and Saiwan East oil fields*

Three production wells were drilled on the Shahd field, one on each of structures I, B and F. All wells encountered oil and have been connected to the production facilities. The well on the Shahd I structure was completed as a producer from the Khufai formation and produced initial flow rate above expectations. The well on the Shahd B structure was completed as a producer from the Khufai formation and produced initial flow rate below expectations, however additional stimulation work is planned to increase production. The well on the Shahd F structure was completed as a producer from the Buah formation and produced initial flow rate above expectations. These wells will result in an increase in production and help maintain the production levels.

In addition, two water injection wells were drilled, one on each structure I and H.

### *Exploration on Blocks 3&4*

The exploration well Yusr-1 was spudded late in the second quarter. The well is the first in the recently acquired 3D seismic north of Farha South. It is located 9 km northwest of Mazarrah discovery in Block 3. Yusr-1 will test the extension of Buah and Khufai targets to the north and is planned to be drilled to a total depth of 4,450m (TVD) down to the formations from the Cryogenian period.

Long term production testing of the Masarrah-1 exploration well is on-going. The well was drilled about 10 km northeast of the Ulfa field in the first quarter 2019 and resulted in a new discovery. The well is producing slightly below expectations. The gas-oil ratio is high, indicating a high-energy light oil.

The Mahamid-1 well was also drilled in the first quarter 2019. The well was drilled about 11 km east of the Farha South infrastructure to explore deeper sections of Block 3. Oil was encountered in the Khufai layer but did not flow to surface. The well has subsequently been suspended whilst further technical and geological evaluation is ongoing. An additional well may be drilled on the structure to determine commerciality. Tethys Oil considers the area as promising and is working on a trapping mechanism model.

### *Seismic acquisition*

All seismic data from the 2018 seismic acquisition programme on Blocks 3&4 has been processed and delivered to the partner group. Interpretation and mapping of the processed data is ongoing.

A new seismic campaign was launched in the beginning of the third quarter 2019. 1,650 km<sup>2</sup> of 3D seismic will be acquired east of Farha South field, north of the area covered by last year's seismic campaign.

### **Block 49, Oman**

In the fourth quarter 2018, a seismic campaign on Block 49 was conducted. 253 km<sup>2</sup> of 3D and 299 km of 2D seismic data were acquired in the north-eastern part of the licence area with the purpose of further defining possible oil traps and to enhance the understanding of the deeper parts of the block in general. The data has been processed and delivered to Tethys Oil, and detailed interpretation of the several leads identified is ongoing.

A drilling manager has been contracted for an upcoming exploration well on the Block.

### **New ventures**

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

### **Associated companies**

During the second quarter 2019 Tethys Oil AB divested its entire interest in Jylland Olie ApS ("JOAS"). JOAS holds indirect interests in two exploration licences in Lithuania, namely Rietavas and Raseiniai. As a result, Tethys Oil no longer holds any interest in these licences. Tethys has no lingering obligations associated with JOAS and the divestment has an immaterial impact on the Company's financial statements.

The interest in the Gargzdai licence in Lithuania remains unchanged and during the second quarter 2019 a dividend amounting to MUSD 0.7, was received from the holding company, compared to MUSD 0.0 during the first quarter 2019.

### **Liquidity and financing**

Cash in bank as at 30 June 2019 amounted to MUSD 62.5 compared to MUSD 83.3 as at 31 March 2019 (MUSD 73.1 as at December 2018).

During the second quarter 2019, cash flow from operations amounted to MUSD 18.4 and investments in oil and gas amounted to MUSD 12.8. Cash flow from financing activities amounted to MUSD -27.0 representing the dividend payment, share redemption programme and the share buyback programme (see Share data section below).

In May 2019 a dividend of SEK 1.00 per share was paid to shareholders, which in total amounted to MUSD 3.5 and in June 2019 an extraordinary distribution, by way of share redemption, of SEK 6.00 per share was paid to shareholders, which in total amounted to MUSD 21.4.



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 available funds. Tethys Oil's operations in Lithuania are expected to be funded from cash flows from operations and available cash in the associated Lithuanian company.

During the second quarter 2019, 310,000 shares at an average price of SEK 64.74 were repurchased in line with the repurchasing programme (see section Share data below). The total price for the repurchased shares during the second quarter 2019 was MUSD 2.1.

#### *Export Reporting Error*

An amount of MUSD 0.3 was repaid against the balance due for the Exporting Reporting Error during the second quarter 2019. Furthermore, the Additional amount of MUSD 1.0 was repaid during the second quarter (see "Export Reporting Error" in Notes 3 and 7 for further details).

The total amount outstanding as per 30 June 2019 of MUSD 2.5, to be repaid in instalments until 2022, is split into Current liabilities of MUSD 1.0 and Non-current liabilities of MUSD 1.5.

#### **Parent company**

The Parent company reports a net result after tax for the second quarter 2019 amounting to MSEK 39.1 compared to MSEK 4.7 for the first quarter 2019. Administrative expenses during the second quarter 2019 amounted to MSEK 12.4 compared to MSEK 7.6 for the first quarter 2019, the increase primarily explained by the cost for the long term incentive programme, recruiting, listing and salaries.

The "Net financial result" amounted to MSEK 41.7 during the second quarter 2019 compared to MSEK 10.5 for the first quarter 2019. Net financial result mainly consists of currency exchange gains related to intercompany loans of MSEK 21.6 (MSEK 10.2).

#### **Share data**

As at 30 June 2019, 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.

Tethys Oil has a warrant based incentive programme for employees, for further information please see Note 11. As the average subscription price for three tranches of the incentive programme were partly below the average share price during the second quarter 2019, dilution effects of the warrants are included in the weighted average number of shares after dilution, which amounted to 34,213,694 during the second quarter 2019.

As at 30 June 2019, Tethys Oil held 1,954,163 of its own shares, which have been purchased since commencement of the programme during the fourth quarter 2014. 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. 310,000 own shares was purchased during the second quarter 2019. The repurchased shares are still included in the total number of shares but are not included in the weighted average number of shares. The weighted average number of shares during the second quarter 2019 before dilution is 34,145,588 and after dilution 34,213,694.

From 30 June 2019 and to the date of publication of this report, Tethys Oil has not acquired any further shares.

#### **Seasonal effects**

Tethys Oil has no significant seasonal variations.

#### **Risks and uncertainties**

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

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

See Note 14 for details of related party transactions.

**Significant events after the reporting period**

Tethys Oil's share of the production, before government take, from Blocks 3&4 onshore the Sultanate of Oman amounted in July 2019 to 397,376 barrels of oil, corresponding to 12,819 barrels of oil per day.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY**

MUSD	Note	Second quarter 2019	First quarter 2019	Second quarter 2018	First half year 2019	First half year 2018	Full year 2018
Revenue		38.1	37.8	34.7	75.9	67.3	152.6
Underlift/overlift adjustments		3.2	-5.1	1.7	-1.9	3.3	4.7
<b>Revenue and other income</b>	3	<b>41.3</b>	<b>32.7</b>	<b>36.4</b>	<b>74.0</b>	<b>70.6</b>	<b>157.3</b>
Operating expenses		-12.0	-14.2	-11.1	-26.2	-22.7	-45.9
<b>Gross profit</b>		<b>29.3</b>	<b>18.5</b>	<b>25.3</b>	<b>47.8</b>	<b>47.9</b>	<b>111.4</b>
Depletion, depreciation and amortisation		-11.4	-11.5	-11.4	-22.9	-22.6	-45.9
Exploration costs		-0.2	-0.0	-	-0.2	-0.0	-
Share of net profit/loss from associates		0.7	-	0.9	0.7	0.9	0.9
Administrative expenses	11	-2.0	-1.4	-1.9	-3.4	-3.1	-5.7
<b>Operating result</b>		<b>16.4</b>	<b>5.6</b>	<b>12.9</b>	<b>22.0</b>	<b>23.1</b>	<b>60.7</b>
<b>Net financial result</b>	4	<b>1.0</b>	<b>0.8</b>	<b>2.1</b>	<b>1.7</b>	<b>0.9</b>	<b>1.5</b>
<b>Result before tax</b>		<b>17.3</b>	<b>6.4</b>	<b>15.0</b>	<b>23.7</b>	<b>24.0</b>	<b>62.2</b>
Income tax		-	-	-	-	-	-
<b>Result for the period</b>		<b>17.3</b>	<b>6.4</b>	<b>15.0</b>	<b>23.7</b>	<b>24.0</b>	<b>62.2</b>
<b>Other comprehensive result</b>							
Items that may be subsequently reclassified to profit or loss:							
Exchange differences		-1.7	-0.7	-4.0	-2.4	-2.9	-3.7
<b>Other comprehensive result for the period</b>		<b>-1.7</b>	<b>-0.7</b>	<b>-4.0</b>	<b>-2.4</b>	<b>-2.9</b>	<b>-3.7</b>
<b>Total comprehensive result for the period</b>		<b>15.6</b>	<b>5.7</b>	<b>11.0</b>	<b>21.3</b>	<b>21.1</b>	<b>58.4</b>
Attributable to:							
Shareholders in the parent company		15.6	5.7	11.0	21.3	21.1	58.4
Non-controlling interest		-	-	-	-	-	-
Number of shares at period end		35,896,310	35,896,310	35,543,750	35,896,310	35,543,750	35,896,310
Weighted average number of shares (before dilution)		34,145,588	34,252,147	33,899,587	34,200,614	33,899,587	34,010,616
Weighted average number of shares (after dilution)		34,213,694	34,321,943	34,029,021	34,268,456	33,958,588	34,140,318
Earnings per share (before dilution), USD		0.51	0.19	0.44	0.69	0.71	1.83
Earnings per share (after dilution), USD		0.51	0.19	0.44	0.69	0.71	1.82

**CONSOLIDATED BALANCE SHEET IN SUMMARY**

MUSD	Note	30 Jun 2019	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Oil and gas properties	5	201.7	200.0
Other fixed assets		0.7	0.1
		<b>202.4</b>	<b>200.1</b>
<b>Current assets</b>			
Other receivables	6	15.4	17.9
Prepaid expenses		0.8	0.3
Cash and cash equivalents		62.5	73.1
		<b>78.7</b>	<b>91.3</b>
<b>TOTAL ASSETS</b>		<b>281.1</b>	<b>291.4</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		0.8	0.8
Additional paid in capital		74.0	74.0
Reserves		-2.7	-0.3
Retained earnings		186.2	193.1
<b>Total shareholders' equity</b>		<b>258.3</b>	<b>267.6</b>
<b>Non-current liabilities</b>			
Non-current provisions	7	7.2	8.9
Other non-current liabilities	8, 9	1.9	-
		<b>9.1</b>	<b>8.9</b>
<b>Current liabilities</b>			
Current provisions	7	-	1.0
Accounts payable and other current liabilities	8, 10	13.7	13.9
		<b>13.7</b>	<b>14.9</b>
<b>Total liabilities</b>		<b>22.8</b>	<b>23.8</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>281.1</b>	<b>291.4</b>

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

Attributable to shareholders of the parent company					
MUSD	Share capital	Paid in capital	Reserves	Retained earnings	Total equity
<b>Opening balance 1 January 2018</b>	<b>0.8</b>	<b>71.0</b>	<b>3.4</b>	<b>153.3</b>	<b>228.5</b>
<b>Comprehensive income</b>					
Result for twelve months 2018	-	-	-	62.2	62.2
Currency exchange differences twelve months 2018	-	-	-3.7	-	-3.7
<b>Total comprehensive income</b>			<b>-3.7</b>	<b>62.2</b>	<b>58.5</b>
<b>Transactions with owners</b>					
Share issue	0.0	2.9	-	-	2.9
Dividend	-	-	-	-7.5	-7.5
Share redemption	-	-	-	-15.1	-15.1
Incentive programme	-	-	-	0.2	0.2
<b>Total transactions with owners</b>	<b>0.0</b>	<b>2.9</b>	<b>0.0</b>	<b>-22.4</b>	<b>-19.4</b>
<b>Closing balance 31 December 2018</b>	<b>0.8</b>	<b>74.0</b>	<b>-0.3</b>	<b>193.1</b>	<b>267.6</b>
<b>Opening balance 1 January 2019</b>	<b>0.8</b>	<b>74.0</b>	<b>-0.3</b>	<b>193.1</b>	<b>267.6</b>
Result for six months 2019	-	-	-	23.7	23.7
Currency exchange differences six months 2019	-	-	-2.4	-	-2.4
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-2.4</b>	<b>23.7</b>	<b>21.3</b>
<b>Transactions with owners</b>					
Purchase of own shares	-	-	-	-2.1	-2.1
Dividend	-	-	-	-7.1	-7.1
Share redemption	-	-	-	-21.4	-21.4
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-30.6</b>	<b>-30.6</b>
<b>Closing balance 30 June 2019</b>	<b>0.8</b>	<b>74.0</b>	<b>-2.7</b>	<b>186.2</b>	<b>258.3</b>

**CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY**

MUSD	Note	Second quarter 2019	First quarter 2019	Second quarter 2018	First half year 2019	First half year 2018	Full year 2018
<b>Cash flow from operations</b>							
Operating result		16.4	5.6	12.9	22.0	23.1	60.7
Interest received		-	-	-	-	-	0.3
Interest paid		-0.0	-	-	-0.0	-	0.0
Adjustment for exploration costs		0.2	0.0	-	0.2	-	-
Adjustment for depletion, depreciation and other non-cash related items		5.4	11.7	8.6	17.2	19.1	41.7
<b>Total cash flow from operations before change in working capital</b>		<b>22.0</b>	<b>17.3</b>	<b>21.5</b>	<b>39.4</b>	<b>42.2</b>	<b>102.7</b>
Change in receivables		-2.5	4.6	-1.3	2.1	-1.2	-7.2
Change in liabilities		-1.1	-0.2	-5.8	-1.3	-2.6	9.9
<b>Cash flow from operations</b>		<b>18.4</b>	<b>21.7</b>	<b>14.4</b>	<b>40.2</b>	<b>38.4</b>	<b>105.4</b>
<b>Investment activity</b>							
Investment in oil and gas properties	5	-12.8	-11.6	-13.2	-24.4	-26.9	-55.8
Investment in other fixed assets		-0.1	0.0	-	-0.1	-	-0.1
Cash from associated companies, net		0.7	-	0.9	0.7	0.9	0.9
<b>Cash flow from investment activity</b>		<b>-12.2</b>	<b>-11.6</b>	<b>-12.3</b>	<b>-23.8</b>	<b>-26.0</b>	<b>-55.0</b>
<b>Financing activity</b>							
Share issuance		-	-	-	-	-	-2.9
Share redemption		-21.4	-	-15.2	-21.4	-15.2	-15.1
Dividend paid		-3.5	-	-3.8	-3.5	-3.8	-7.5
Purchase of own shares		-2.1	-	-	-2.1	-	-
<b>Cash flow from financing activity</b>		<b>-27.0</b>	<b>0.0</b>	<b>-19.0</b>	<b>-27.0</b>	<b>-19.0</b>	<b>-19.7</b>
<b>Period cash flow</b>		<b>-20.8</b>	<b>10.1</b>	<b>-16.9</b>	<b>-10.6</b>	<b>-6.6</b>	<b>30.7</b>
Cash and cash equivalents at the beginning of the period		83.3	73.1	52.4	73.1	42.0	42.0
Exchange gains/losses on cash and cash equivalents		0.0	0.1	0.3	0.0	0.4	0.5
<b>Cash and cash equivalents at the end of the period</b>		<b>62.5</b>	<b>83.3</b>	<b>35.8</b>	<b>62.5</b>	<b>35.8</b>	<b>73.1</b>

**KEY RATIOS**

<b>Group</b>	<b>Second quarter 2019</b>	<b>First quarter 2019</b>	<b>Second quarter 2018</b>	<b>First half year 2019</b>	<b>First half year 2018</b>	<b>Full year 2018</b>
<b>Operational items</b>						
Production before government take, Oman Blocks 3&4, bbl	1,172,159	1,071,089	1,067,695	2,243,249	2,109,399	4,294,852
Production per day, Oman Blocks 3&4, bbl	12,881	11,901	11,733	12,394	11,654	11,767
Net sales after government take, bbl	561,077	613,752	529,194	1,174,829	1,041,192	2,163,148
Achieved oil price, USD/bbl	67.8	61.6	65.6	64.5	64.6	70.5
<b>Income statement and balance sheet</b>						
Revenue and other income, MUSD	41.3	32.7	36.4	74.0	70.6	157.3
EBITDA, MUSD	27.9	17.2	24.3	45.1	45.7	106.6
EBITDA-margin	68%	52%	67%	61%	65%	68%
Operating result, MUSD	16.4	5.6	12.9	22.0	23.1	60.7
Operating margin	40%	17%	35%	30%	33%	39%
Net result, MUSD	17.3	6.4	15.0	23.7	24.0	62.2
Net margin	42%	19%	41%	32%	34%	40%
Cash and cash equivalents, MUSD	62.5	83.3	35.8	62.5	35.8	73.1
Shareholders' equity, MUSD	258.3	273.3	230.8	258.3	230.8	267.6
Balance sheet total, MUSD	281.1	298.1	244.1	281.1	244.1	291.4
<b>Capital structure</b>						
Equity ratio	92%	92%	95%	92%	95%	92%
Leverage ratio	neg.	neg.	neg.	neg.	neg.	neg.
Investments, MUSD	-12.8	-11.6	13.2	-24.4	26.9	55.8
Net cash, MUSD	62.0	82.7	35.8	62.0	35.8	73.1
<b>Profitability</b>						
Return on shareholders' equity	9.03%	2.36%	6.55%	11.46%	10.47%	25.09%
Return on capital employed	9.19%	2.52%	6.40%	11.78%	11.25%	26.66%
<b>Other</b>						
Average number of full time employees	23	22	20	23	19	20
Distribution per share, SEK	7.00	-	5.00	7.00	5.00	6.00
Cash flow from operations per share, USD	0.51	0.60	0.42	1.11	1.13	2.97
Number of shares at period end, '000	35,896	35,896	35,544	35,896	35,544	35,896
Shareholders' equity per share, USD	7.20	7.61	6.49	7.20	6.49	7.45
Weighted average number of shares (before dilution), '000	34,146	34,252	33,900	34,200	34,900	34,011
Weighted average number of shares (after dilution), '000	34,214	34,322	34,029	34,268	33,959	34,140
Earnings per share before dilution, USD	0.51	0.19	0.44	0.69	0.71	1.83
Earnings per share after dilution, USD	0.51	0.19	0.44	0.69	0.71	1.82

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

**Key quarterly data**

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net daily production before government take, Blocks 3&4, bbl	12,881	11,901	11,898	11,857	11,733	11,574	11,637	12,259
Barrels sold, bbl	561,077	613,752	542,596	579,360	529,194	511,998	617,577	568,796
Revenue and other income, MUSD	41.3	32.7	44.4	42.3	36.4	34.2	30.1	28.5
EBITDA, MUSD	27.9	17.2	30.8	30.1	24.3	21.5	19.7	18.2
Return on shareholders' equity	9.03%	2.36%	8.04%	7.59%	6.55%	3.86%	5.18%	2.28%
Cash flow from operations, MUSD	18.4	21.7	29.3	37.6	14.4	24.1	4.5	19.9
Earnings per share after dilution, USD	0.51	0.19	0.58	0.53	0.44	0.27	0.32	0.14
Share price, end of period, SEK	74.5	75.78	64.77	97.77	101.40	67.20	65.75	62.25

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

**Relevant reconciliations of alternative performance measures**

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

	Second quarter 2019	First quarter 2019	Second quarter 2018	First half year 2019	First half year 2018	Full year 2018
MUSD						
Operating result	16.4	5.6	12.9	22.0	23.1	60.7
Add: Depreciation, depletion and amortization	11.4	11.5	11.4	22.9	22.6	45.9
Add: Exploration costs	0.1	0.1	0.0	0.2	0.0	0.0
<b>EBITDA</b>	<b>27.9</b>	<b>17.2</b>	<b>24.3</b>	<b>45.1</b>	<b>45.7</b>	<b>106.6</b>
Cash and bank	62.5	83.3	35.8	62.5	35.8	73.1
Less: Interest bearing debt	-0.5	-0.6	-	-0.5	-	-
<b>Net cash</b>	<b>62.0</b>	<b>82.7</b>	<b>35.8</b>	<b>62.0</b>	<b>35.8</b>	<b>73.1</b>



**PARENT COMPANY INCOME STATEMENT IN SUMMARY**

MSEK	Note	Second quarter 2019	First quarter 2019	Second quarter 2018	First half year 2019	First half year 2018	Full year 2018
Other income		3.4	1.8	2.8	5.2	4.3	9.7
Share of net profit/loss from associates		6.4	-	8.0	6.4	8.0	8.0
Administrative expenses	10	-12.4	-7.6	-11.6	-20.0	-18.2	-32.8
<b>Operating result</b>		<b>-2.6</b>	<b>-5.8</b>	<b>-0.8</b>	<b>-8.4</b>	<b>-5.9</b>	<b>-15.1</b>
Net financial result	4	41.7	10.5	19.4	52.2	13.8	259.5
<b>Result before tax</b>		<b>39.1</b>	<b>4.7</b>	<b>18.6</b>	<b>43.8</b>	<b>7.9</b>	<b>244.4</b>
Income tax		-	-	-	-	-	-
<b>Result for the period*</b>		<b>39.1</b>	<b>4.7</b>	<b>18.6</b>	<b>43.8</b>	<b>7.9</b>	<b>244.4</b>

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

**PARENT COMPANY BALANCE SHEET IN SUMMARY**

MSEK	30 Jun 2019	31 Dec 2018
<b>ASSETS</b>		
Total non current assets	215.5	223.1
Total current assets	28.6	243.4
<b>TOTAL ASSETS</b>	<b>244.1</b>	<b>466.5</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Restricted shareholders' equity	77.0	77.0
Unrestricted shareholders' equity	123.0	373.3
Total current liabilities	44.1	16.2
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>244.1</b>	<b>466.5</b>

## NOTES

### General information

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

### Accounting principles

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

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

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

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

The IFRS 16 impact on the group accounts for the half year is shown in Note 8.

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

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

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

### Exchange rates

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

Currency	30 June 2019		31 December 2018	
	Average	Period end	Average	Period end
SEK/USD	9.40	9.63	8.75	9.14
SEK/EUR	10.62	10.78	10.32	10.42

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

**Fair value**

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

*IFRS 9 valuation categories and related balance sheet items*

MUSD	30 June 2019			31 December 2018		
	Financial assets and liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial assets and liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
Other receivables	-	15.4	-	-	17.9	-
Cash and bank	-	62.5	-	-	73.1	-
Other non current liabilities	-	-	1.9	-	-	-
Accounts payables and other current liabilities	-	-	13.7	-	-	13.9

**Note 1) Risks and uncertainties**

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

*Operational risk*

At its current stage of development, Tethys Oil is commercially producing oil and also exploring for and appraising undeveloped known oil and/or natural gas accumulations. The operational risk is different in these parts of Tethys Oil's operations. The main operational risk in exploration and appraisal activities is that the activities and investments made by Tethys Oil will not evolve into commercial reserves of oil and gas. The oil price is of significant importance to Tethys Oil in all parts of operations as income and profitability is and will be dependent on prevailing prices. Significantly lower oil prices will reduce current and expected cash flows and profitability in projects and can make projects sub economic. Lower oil prices could also decrease the industry interest in Tethys Oil's projects regarding farm-out or sale of assets. There are no oil price hedges in place as at 30 June 2019. 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 2018 Annual Report.

**Note 2) Segment reporting**

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

Group income statement Jan-Jun 2019					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue and other income	74.0	-	-	-	74.0
Operating expenses	-26.2	-	-	-	-26.2
Depreciation, depletion and amortisation	-22.9	-	-	-	-22.9
Exploration costs	-	-	-0.2	-	-0.2
Share of net profit/loss from associates	-	0.7	-	-	0.7
Administrative expenses	-1.3	-	-2.1	-	-3.4
<b>Operating result</b>	<b>23.6</b>	<b>0.7</b>	<b>-2.3</b>	<b>-</b>	<b>22.0</b>
<b>Total financial items</b>					<b>1.7</b>
<b>Result before tax</b>					<b>23.7</b>
Income tax					-
<b>Result for the period</b>					<b>23.7</b>

Group income statement Jan-Jun 2018					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue and other income	70.6	-	-	-	70.6
Operating expenses	-22.7	-	-	-	-22.7
Depreciation, depletion and amortisation	-22.6	-	-	-	-22.6
Exploration costs	-	-	-	-	-
Share of net profit/loss from associates	-	0.9	-	-	0.9
Administrative expenses	-1.0	-	-2.1	-0.0	-3.1
<b>Operating result</b>	<b>24.3</b>	<b>0.9</b>	<b>-2.1</b>	<b>-0.0</b>	<b>23.1</b>
<b>Total financial items</b>					<b>0.9</b>
<b>Result before tax</b>					<b>24.0</b>
Income tax					-
<b>Result for the period</b>					<b>24.0</b>

**Note 3) Revenue and other income**

MUSD	Second quarter 2019	First quarter 2019	Second quarter 2018	First half 2019	First half 2018	Full year 2018
Revenue	38.0	37.8	34.7	75.8	67.3	152.6
Underlift/overlift adjustments	3.2	-4.1	1.7	-0.9	3.3	4.7
Overlift adjustment Export Reporting Error	-	-1.0	-	-1.0	-	-
<b>Revenue and other income</b>	<b>41.2</b>	<b>32.7</b>	<b>36.4</b>	<b>73.9</b>	<b>70.6</b>	<b>157.3</b>

Tethys Oil sells all of its oil to Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. All oil sales come from Blocks 3&4 Oman and 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.

The first quarter 2019 includes an overlift adjustment of MUSD 1.0 (the "Additional amount") being the effect of the final determination of the Export Reporting Error. The Additional amount is the difference between the estimated amount accounted for in the fourth quarter 2016 and the final settlement agreed during the first quarter 2019.

**Note 4) Net financial result**

Group	Second quarter 2019	First quarter 2019	Second quarter 2018	First half 2019	First half 2018	Full Year 2018
<b>MUSD</b>						
Financial income:						
Interest income	0.3	0.3	-	0.5		0.3
Currency exchange gain, net	0.8	0.6	2.2	1.4	1.1	1.6
Other financial income	-	-	-		-	-
Financial costs:						
Interest costs	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
Currency exchange loss, net		-	-		-	-
Other financial costs	-0.1	-0.1	-0.1	-0.2	-0.2	-0.4
<b>Net financial result</b>	<b>1.0</b>	<b>0.8</b>	<b>2.1</b>	<b>1.7</b>	<b>0.9</b>	<b>1.5</b>

Parent company	Second quarter 2019	First quarter 2019	Second quarter 2018	First half 2019	First half 2018	Full Year 2018
<b>MSEK</b>						
Financial income:						
Interest income	4.7	4.7	3.7	9.4	7.0	15.8
Currency exchange gain, net	8.2	5.9	15.8	14.1	6.9	13.8
Dividend group companies	28.9	-	-	28.9	-	230.1
Financial costs:						
Interest costs	-0.0	-0.1	-0.1	-0.1	-0.1	-0.2
Currency exchange loss, net	-	-	-	-	-	-
Other financial costs	-0.1	-0.0	-	-0.1	-0.0	0.0
<b>Net financial result</b>	<b>41.7</b>	<b>10.5</b>	<b>19.4</b>	<b>52.2</b>	<b>13.8</b>	<b>259.5</b>

**Note 5) Oil and gas properties**

Country	Licence	Phase	Tethys Oil's share	30 Jun 2019	Investments	DD&A /Write-offs	Change in estimate of site restoration	31 Dec 2018
					Jan-Jun 2019			
<b>Oman</b>	Blocks 3&4	Prod.	30%	<b>195.2</b>	<b>23.8</b>	<b>-22.7</b>	-	194.1
<b>Oman</b>	Block 49	Expl.	100%	<b>6.1</b>	<b>0.3</b>	-	-	5.7
<b>France</b>	Attila	Expl.	40%	<b>0.0</b>	<b>0.0</b>	-	-	0.0
<b>New ventures</b>				<b>0.4</b>	<b>0.3</b>	<b>-0.2</b>	-	0.3
<b>Total</b>				<b>201.7</b>	<b>24.4</b>	<b>-22.9</b>	-	200.1

**Note 6) Other receivables**

MUSD	30 Jun 2019	31 Dec 2018
VAT	0.2	0.3
Receivables Oil sales	13.3	14.9
Underlift position	1.8	2.7
Other	0.1	0.0
<b>Total</b>	<b>15.4</b>	17.9

**Note 7) Provisions**

Tethys Oil estimates that its share of site restoration regarding Blocks 3&4 amounts to MUSD 7.2 (MUSD 7.1). As a consequence of this provision, oil and gas properties have increased by an equal amount.

Tethys Oil communicated the Export Reporting Error in a press release on 14 February 2017, with the result being a negative effect on Underlift/Overlift adjustments (Other Income) for the fourth quarter 2016 of MUSD 5.9 and an expected negative undiscounted net cash effect to Tethys Oil of MUSD 1.4. The Export Reporting Error was finally determined in the first quarter 2019 with the consequence of an Additional amount of MUSD 1.0 to be repaid, bringing the total error amount to MUSD 6.9. The Additional amount affects the Underlift/Overlift adjustments (Other income) negatively by MUSD 1.0 in the first quarter 2019 and was paid in April 2019. As a consequence of the Additional amount, the communicated negative undiscounted net cash effect to Tethys Oil of less than MUSD 1.4 at 14 February 2017 is adjusted to a total undiscounted net cash effect of MUSD 1.6. The

difference between the total error amount and the undiscounted net cash effect is due to cost recovery of the total amount under applicable agreements. Provisions relating to the Export Reporting Error in previous years have been reclassified as liabilities in 2019, following final determination of the Export Reporting Error.

### Note 8) Leasing

Leasing	31 Dec 2018		1 Jan 2019		Jan-Jun 2019			30 Jun 2019	
	Right of use assets	Lease liabilities, interest bearing	Adjusted for IFRS 16 Right of use assets	Lease liabilities, interest bearing	Payment of leasing debt	Depreciation	Interest costs	Right of use assets	Lease liabilities, interest bearing
<b>MUSD</b>									
Fixed assets (incl. in Other fixed assets)	-	-	0.7	-	-	-0.1	-	0.6	-
Short term leasing debt (incl. in Accounts payable and other current liabilities)	-	-	-	-0.2	0.1	-	-	-	-0.1
Long term leasing debt (incl. in Other non-current liabilities)	-	-	-	-0.5	-	-	-	-	-0.5
Interest costs	-	-	-	-	-	-	0.0	-	0.0
<b>Total</b>	-	-	<b>0.7</b>	<b>-0.7</b>	<b>0.1</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.6</b>	<b>-0.6</b>

### Note 9) Other non-current liabilities

Tethys Oil has a non-current liability of MUSD 1.5 relating to the Export Reporting Error. Since final settlement has been agreed in the first quarter 2019, the outstanding amounts are now treated as liabilities as opposed to provisions in previous year.

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

MUSD	30 Jun 2019	31 Dec 2018
Accounts payable	0.2	0.1
Operator balance, Oman Blocks 3&4	8.3	9.9
Dividend to shareholders	3.6	-
Other current liabilities	1.6	3.9
<b>Total</b>	<b>13.7</b>	<b>13.9</b>

Tethys Oil has a current liability of MUSD 1.0 relating to the Export Reporting Error. The Additional amount of MUSD 1.0 was recorded as a current liability and an increase in overlift at 31 March 2019.

The Export Reporting Error amount repayment during the second quarter 2019 amounted to MUSD 1.3 (including the MUSD 1.0 payment of the Additional amount) resulting in a total amount remaining to be settled of MUSD 2.5 as at 30 June 2019. Since final settlement has been agreed in the first quarter 2019, the outstanding amounts are now treated as liabilities as opposed to provisions in previous years.

### Note 11) Incentive programme

Tethys Oil has an incentive programme as part of the remuneration package to employees. Warrants have been issued annually since 2015, following a decision by the respective AGM. The number of issued warrants during the second quarter 2019 was 350,000, however no warrants were allocated to the employees during the second quarter 2019. Issued but not allocated warrants are held by the company. No warrants were exercised during the second quarter 2019.

Warrant incentive programme	Exercise period	Subscription price, SEK	Shares per warrant	Number of warrants				30 Jun 2019
				1 Jan 2019	Issued 2019	Exercised 2019	Expired 2019	
2016 incentive programme	28 May - 4 Oct, 2019	55.00	1.10	350,000	0	0	0	350,000
2017 incentive programme	30 May - 2 Oct, 2020	75.10	1.04	350,000	0	0	0	350,000
2018 incentive programme	1 Jun - 2 Oct, 2021	81.70	1.00	350,000	0	0	0	350,000
2019 incentive programme	1 Jun - 2 Oct, 2022	78.50	1.00	0	350,000	0	0	350,000
<b>Total</b>				<b>1,050,000</b>	<b>350,000</b>	<b>0</b>	<b>0</b>	<b>1,400,000</b>

As the subscription price for some tranches of the incentive programme is below the average share price during the second quarter 2019, the dilution effects of the warrants of these tranches are included in the weighted average number of shares after dilution which amount to 34,213,694 during the second quarter 2019.

**Note 12) 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 13) Contingent liabilities**

There are no outstanding contingent liabilities as at 30 June 2019, nor for the comparative period.

**Note 14) Related party transactions**

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

During the second quarter 2019, the Company has not had any transactions with related parties.

**FINANCIAL CALENDAR:**

- Report for third quarter 2019 (January – September 2019) on 5 November 2019
- Report for fourth quarter/year end report 2019 (January – December 2019) on 11 February 2020
- Report for first quarter 2020 (January – March 2020) on 5 May 2020
- Report for second quarter 2020 (January – June 2020) on 11 August 2020

Stockholm, 13 August 2019

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

**Board assurance**

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

Geoffrey Turbott  
*Chairman*

Robert Anderson  
*Director*

Gavin Graham  
*Director*

Alexandra Herger  
*Director*

Per Seime  
*Director*

Magnus Nordin  
*Managing Director*

**For further information, please contact:**

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*This information is information that Tethys Oil AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication, through the agency of the contact person set out above, at 7:30 CET on 13 August 2019.*



## **AUDITORS' REPORT**

Tethys Oil AB (publ), 556615-8266

### **Introduction**

We have reviewed the condensed interim financial information (interim report) of Tethys Oil AB (publ) as of 30 June 2019 and the six-month period then ended. The board of directors and the Managing Director are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of Review**

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

### **Conclusion**

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

Gothenburg, 13 August 2019

PricewaterhouseCoopers AB

Ulrika Ramsvik  
*Authorized Public Accountant*  
*Auditor in charge*

Bo Hjalmarsson  
*Authorized Public Accountant*

**CONFERENCE CALL**

**Date:** 13 August 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/mmc/p/o3yrsi3e>

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

Sweden: +46 8 566 426 51 / PIN: 20391517#

Switzerland: +41 225 809 034 / PIN: 20391517#

UK: +44 333 300 0804 PIN: 20391517#

United States (Toll-Free): +1 855 857 0686 PIN: 20391517#