

## Third quarter and nine months report - 30 September 2018

### Third quarter 2018 (second quarter 2018)

- Production from Oman, Blocks 3&4 amounted to 11,857 bopd (11,733 bopd)
- Revenue and other income of MUSD 42.3 (MUSD 36.4)
- EBITDA of MUSD 30.1 (MUSD 24.3)
- Net result of MUSD 18.2 (MUSD 15.0)
- Earnings per share amounted to USD 0.53 (USD 0.44)
- Appraisal programme of 2017 discoveries continued with one well drilled
- Testing operations at Luja-1 has commenced
- Seismic acquisition of 2,750 km<sup>2</sup> on Blocks 3&4 has been completed, interpretation ongoing

MUSD (unless specifically stated)	Third quarter 2018	Second quarter 2018	Third quarter 2017	Nine months 2018	Nine months 2017	Full year 2017
Net daily production from Oman, Blocks 3&4 before government take (bbl)	11,857	11,733	12,259	11,723	12,339	12,162
Net barrels produced, after government take (bbl)	567,258	555,201	586,464	1,664,145	1,751,612	2,308,342
Net barrels sold, after government take (bbl)	579,360	529,194	568,796	1,620,552	1,698,827	2,316,404
Average selling price per barrel, USD	74.3	65.6	48.6	68.1	51.0	51.8
Revenue and other income	42.3	36.4	28.5	112.9	89.2	119.3
EBITDA	30.1	24.3	18.2	75.9	58.5	78.2
Operating result	18.5	12.9	8.2	41.7	28.5	38.4
Result for the period	18.2	15.0	4.8	42.3	22.1	33.1
Earnings per share (after dilution), USD	0.53	0.44	0.14	1.24	0.64	0.97
Net cash	63.7	35.8	47.5	63.7	47.5	42.0
Investments in oil and gas properties	12.6	13.2	4.1	39.5	32.2	40.4

# Letter to shareholders

## Dear Friends and Investors,

This has been quite a good quarter for Tethys Oil. As a matter of fact, we are proud to announce one of Tethys Oil's best quarters ever. Our quarterly results are on par with our best quarters in 2014, when the oil price was about 50 percent higher than this quarter and our production was 30 percent lower. Both Revenue and other income and EBITDA are up by double digits, 16 and 24 percent respectively, compared with the second quarter of 2018. Cash generation is strong and after distributing MUS\$ 19 to our shareholders during the first half of 2018, our cash position has grown by more than 50 percent since the start of the year.

## Oil price increase

Our achieved oil prices increased from USD 65.6 per barrel in the second quarter 2018 to USD 74.3 per barrel in the third quarter 2018, corresponding to over a 13 percent increase. As Tethys Oil's oil sales price is calculated with an effective two-month lag to spot prices, we are yet to see the full benefit of even higher oil prices.

## Production

The oil price development is of course an important reason for the strong quarter. But equally important is our stable production and for that matter also the cost of our production. Operating expenditure at USD 10.1 per barrel for the quarter underlines the robustness of the Blocks 3&4 operations.

Our oil production in Oman increased slightly in the third quarter 2018 and amounted to 11,857 bopd, compared to 11,733 bopd in the second quarter 2018. It is almost in the middle of our guidance of a monthly average production of between 11,000-13,000 bopd. While the Farha South and Shahd fields remain the backbone of our production they are, however, either at plateau production or in decline with limited expansion potential. This further underscores the importance of the Erfan, Ulfa and Samah discoveries made in 2017, to make up for this shortfall.

The final steps in the construction of the Ulfa Early Production Facilities (EPF) are currently being taken and we expect the facility to be commissioned during November. At present, limited production from the Ulfa and Samah discoveries is run through a temporary flow line to the Farha South production facility partly crowding out Farha production. Once the Ulfa EPF is up and running, a number of Ulfa and Samah wells presently shut in can be put on stream and the Farha South production facility can be freed up. As a result, we are anticipating our production to increase towards the higher end of our production guidance by year-end.

## Appraisal and exploration

So price, production and cash generation are doing fine. But the story does not end there. To maintain and/or increase production over time reserves must at least be replaced and preferably increased. The appraisal programme has gone well, however with some delay. We drilled three appraisal wells in the first half of the year and continued in the third quarter with the drilling of a fourth well, Samah-2. In addition, two new wells on Ulfa are currently being drilled, and before year-end we plan to spud an additional well on each of Ulfa and Samah. The results we have gained from the wells drilled are in line with expectations, or slightly better. However, the revised time plan of the Ulfa EPF has resulted in a delay of that part of the appraisal test programme which relates to pressure data and production levels. More comprehensive data will be gathered beginning when Ulfa EPF is on stream, which will be important to continue the maturation process. It is yet to be seen how far along we will be in the process of maturing our contingent resources into reserves by year-end.

That brings us to the most important parameter for future growth – Exploration:

The seismic acquisition carried out on Blocks 3&4 this year is starting to yield results. Interpretation of the processed data is being matured, and an exploration well is planned to be spudded in the fourth quarter 2018 within the seismic area east of the Farha South infrastructure. A second exploration well about 10 km northeast of the Ulfa discovery is also planned for fourth quarter 2018.

In the southern part of Block 4, the testing of the far field exploration well Luja-1 has finally commenced. Extensive evaluation of the well is ongoing. The results of the testing and evaluation will be important to assess the exploration potential of the southern part of Block 4.

Outside of Blocks 3&4 we are happy to note progress on our new operated Block 49. We were awarded this large block in southern Oman less than a year ago and the results of the work we have carried out to date are well in line with our expectations with the seismic reprocessing yielding more and better information than we had hoped for. The reprocessing and reinterpretation of vintage 2D seismic data greatly enhanced resolution and interpretability of the subsurface. After integration of all available data in Tethys Oil's geological model, the presence of a source rock as well as potential reservoir rock has been confirmed. We are still in the early part of the exploration phase and the geological risk remains high, but the play concepts we have developed have not been contradicted by the work so far. The next step is to further increase our understanding of potential trapping mechanisms on Block 49 and to achieve this we are currently making plans to acquire additional seismic data.

### **Third quarter 2018 in focus**

As I stated at the start of this letter, our financial results for the third quarter 2018 have been very positive. We report revenue and other income of MUSD 42.3 and our EBITDA amounted to MUSD 30.1. During the third quarter 2018, cash flow from operations amounted to MUSD 37.6 and investments in oil and gas amounted to MUSD 12.6. The strong cash flow resulted in an increase in our net cash position, which at the end of the quarter stood at MUSD 63.7.

### **Outlook**

To summarise, we expect our oil production to increase towards the higher end of our production guidance by year-end, and to sell our production at higher prices. In addition, we have exciting exploration and appraisal activity with new wells to be drilled in the fourth quarter 2018, the testing of the Luja well and an upcoming seismic acquisition on our operated exploration Block 49. In November, we will also distribute the second instalment of SEK 1.00 per share in the 2018 dividend. So stay with us – I am confident our next report will offer some interesting progress.

Stockholm in November 2018

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 in three licences onshore Lithuania via associated companies and in one licence onshore France.

**Production****Blocks 3&4**

Tethys Oil's share of production, before government take during the third quarter 2018 was 1,090,880 barrels of oil, corresponding to 11,857 barrels of oil per day ("bopd"). The third quarter 2018 average daily production was marginally higher than the second quarter 2018 average daily production of 11,733 bopd.

Tethys Oil's share of quarterly volumes, before government take (bbls)	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
<b>Oman, Blocks 3&amp;4</b>					
Production	1,090,880	1,067,695	1,041,704	1,070,633	1,127,816
Average daily production	11,857	11,733	11,574	11,637	12,259

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.

**Revenue and other income**

Revenue and other income from Blocks 3&4 is 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	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Oil sold, bbl	579,360	529,194	511,998	617,577	568,796
Underlift/overlift movement, bbl	-12,102	26,007	29,688	-60,848	17,668
<b>Net barrels produced, after government take, bbl</b>	<b>567,258</b>	<b>555,201</b>	<b>541,686</b>	<b>556,729</b>	<b>586,464</b>
Oil price, USD/bbl	74.3	65.6	63.7	53.9	48.6
Revenue, MUSD	43.1	34.7	32.6	33.3	27.7
Underlift/overlift adjustments, MUSD	-0.8	1.7	1.6	-3.2	0.8
<b>Revenue and other income, MUSD</b>	<b>42.3</b>	<b>36.4</b>	<b>34.2</b>	<b>30.1</b>	<b>28.5</b>

During the third quarter 2018, Tethys Oil sold 579,360 barrels of oil from Blocks 3&4, which is higher than the second quarter of 2018 when 529,194 barrels of oil were sold. The sales volumes in the third quarter 2018 have reduced the 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 third quarter 2018 amounted to USD 74.3 per barrel, compared to USD 65.6 during the second quarter 2018. The average price for Dated Brent oil for the third quarter 2018 amounted to USD 75.1 per barrel.

Revenue in the third quarter 2018 was MUSD 43.1 compared to MUSD 34.7 in the second quarter 2018. The adjustment for the reduction of the underlift position in the third quarter 2018 amounted to MUSD -0.8. Revenue

<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 third quarter and nine months 2018. Segments of the Group are geographical markets.

and other income in the third quarter 2018 amounted to MUSD 42.3 compared to MUSD 36.4 for the second quarter 2018. The increase of 16 percent is primarily a result of the increase in oil prices.

<b>Underlift/overlift, bbls</b>	<b>Q3 2018</b>	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Underlift/overlift, movement during period	-12,102	26,007	29,688	-60,848	17,668
Underlift/overlift, closing position	7,501	19,603	-6,404	-36,092	24,756

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 was reduced in the third quarter 2018, which as at 30 September 2018 amounted to 7,501 barrels.

### Operating expenses

<b>Operating expenses, Blocks 3&amp;4</b>	<b>Q3 2018</b>	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Production costs, MUSD	10.4	10.3	10.6	8.0	8.5
Well workovers, MUSD	0.7	0.8	1.0	1.0	0.7
<b>Total operating expenses, MUSD</b>	<b>11.1</b>	<b>11.1</b>	<b>11.6</b>	<b>9.0</b>	<b>9.2</b>
Operating expenses per barrel, USD	10.1	10.4	11.1	8.4	8.1

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 third quarter 2018 of MUSD 10.4 were in line with the production costs for the second quarter 2018 of MUSD 10.3.

Production costs during the third quarter 2018 remained at a higher level than during 2017 due to amongst other things higher costs for energy, consumables and testing equipment rentals.

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 third quarter 2018 of MUSD 0.7 was in line with the workover costs for the second quarter of 2018 of MUSD 0.8.

Production costs and well workover together make up operating expenses, which amounted to MUSD 11.1 during the third quarter 2018, in line with MUSD 11.1 during the second quarter 2018. The majority of production comes from mature fields where many wells have higher production costs due to increased maintenance, water handling and energy requirements to maintain production.

### Depletion, depreciation and amortisation

<b>DD&amp;A, Blocks 3&amp;4</b>	<b>Q3 2018</b>	Q2 2018	Q1 2018	Q4 2017	Q3 2017
DD&A, MUSD	11.6	11.4	11.2	9.5	10.0
DD&A per barrel, USD	10.7	10.7	10.7	8.9	8.9

Depletion, depreciation and amortisation ("DD&A") during the third quarter 2018 amounted to MUSD 11.6, which is higher than MUSD 11.4 in the second quarter 2018 due to higher production.

### Netback

<b>Netback Blocks 3&amp;4, USD/bbl</b>	<b>Q3 2018</b>	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Oil price achieved (sales barrels)	74.3	65.6	63.7	53.9	48.6
Revenue (after government take)	38.6	34.2	33.1	28.0	25.3
Operating expenses	10.1	10.4	11.1	8.4	8.1
<b>Netback</b>	<b>28.5</b>	<b>23.7</b>	<b>22.0</b>	<b>19.6</b>	<b>17.2</b>

Netback per barrel increased in the third quarter 2018 compared to the second quarter 2018 due to higher oil prices and slightly lower operating expenses per barrel.

### Administrative expenses

Administrative expenses for the third quarter 2018 amounted to MUSD 1.1 compared to MUSD 1.9 during the second quarter 2018, with the decrease primarily explained by the cost for the long-term incentive programme being accounted for during the second quarter 2018. Administrative expenses mainly relate to staff, rents, listing costs and external services.

### Net financial result

The net financial result during the third quarter 2018 amounted to MUSD -0.3 compared to MUSD 2.1 during the second quarter 2018. The net financial result for the third 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 third quarter 2018 amounted to MUSD -0.1 compared to -0.1 during the second 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 the EPSA, Tethys Oil is subject to Omani income taxes and royalties which are paid in full, on behalf of Tethys Oil, from the government share of oil. The effect of these taxes are netted against revenue and other income in the income statement.

### Result

Tethys Oil reports a net result after tax for the third quarter 2018 of MUSD 18.2, representing earnings per share (after dilution) of USD 0.53. The result for the third quarter 2018 has increased compared to the second quarter 2018 where the net result amounted to MUSD 15.0.

### Investments and work programme

During the third quarter 2018, total investments amounted to MUSD 12.6 of which the majority relate to Blocks 3&4.

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

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

Investments Blocks 3&4, MUSD	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Drilling	6.0	6.3	6.7	5.5	2.6
G&G	2.6	3.4	3.4	0.8	0.4
Facilities	3.7	3.2	3.5	1.5	1.1
<b>Total investments Blocks 3&amp;4</b>	<b>12.3</b>	<b>12.9</b>	<b>13.6</b>	<b>7.8</b>	<b>4.1</b>

Three rigs and one workover unit have been operating and a total of 12 wells were completed on the blocks during the third quarter 2018.

Wells completed Q3 2018 (primary purpose)	Discoveries made in 2017	Farha South Field	Shahd and Saiwan East Fields	Near and far field exploration	Total
Appraisal/Production	1	6	-	-	7
Water injection	-	5	-	-	5
Water source	-	-	-	-	-
Exploration	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>12</b>

#### *Discoveries made in 2017*

The appraisal programme of the Ulfa and Samah discoveries was initiated in the first quarter 2018. The objective is to mature contingent resources into reserves and to optimise plans for future production from the discoveries 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.

One appraisal well, the Samah-2 well, was successfully drilled in the third quarter 2018 and encountered oil as expected. The well was drilled to appraise the southeastern part of Samah discovery. The well has been completed as producers in the Khufai reservoir, but has been shut in awaiting the commissioning of the Ulfa Early Production Facility (“EPF”). The drilling of appraisal well Samah-3 is expected to commence during the fourth quarter 2018.

The appraisal wells Ulfa-2 and Ulfa-3 were completed in the second quarter 2018. Ulfa-2 has been connected to the production system at the Farha South facilities. Ulfa-3 and later wells will be connected to the Ulfa EPF once commissioned. The appraisal programme continues and wells Ulfa-4 and Ulfa-5 have been spudded. The appraisal/development well Ulfa-6 is planned to commence in the fourth quarter 2018.

Construction of the Ulfa EPF is almost finished and it is expected that the facility will be commissioned during November 2018, in line with the revised time plan. 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. At present, limited production from the Ulfa and Samah discoveries is being transported through a temporary flow line to the Farha South production facility. The EPF is needed in order to handle expected larger production volumes from Ulfa and Samah, and also to release capacity at the Farha South production facility.

All 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 has resulted in a delay of that part of the appraisal programme which relates to pressure data and production levels. This may affect the proportion of the contingent resources converted into reserves by year-end. More comprehensive data will be gathered beginning when Ulfa EPF is on stream, which will be 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. Erfan-4 was drilled centrally on the structure in order to drain and evaluate an area between Erfan-2 and Erfan-3. The well encountered oil and was connected to the Saiwan East production facility in the third quarter for a long-term production test.

#### *Block 3: Farha South Field*

Four appraisal/production wells were drilled in previously undrilled fault blocks on the Farha South field during the third quarter 2018. All wells were drilled vertically down to the targeted Barik sandstone. Only one well encountered oil and this well will be connected to the Farha South production facility during the fourth quarter 2018. Two production wells were also drilled on Farha South. Both wells encountered oil.

In addition, five water injection wells were drilled.

#### *Exploration on Blocks 3&4*

The drilling of two exploration wells are planned to start in the fourth quarter 2018. One exploration well will be 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, will be drilled about 10 km northeast of the Ulfa discovery.

Drilling of the exploration well Luja-1 finished in the first quarter 2018 in the southern part of Block 4. Luja-1 is located about 110 km southwest of the Shahd field. A legacy well drilled in the area encountered oil shows, and as expected, oil shows were also recorded in the Luja-1 well during drilling. 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. The field camp is now in place and an extensive evaluation of the well is ongoing.

#### *Seismic acquisition*

A seismic acquisition programme on Blocks 3&4 was launched in the fourth quarter 2017. The programme covers three areas on the Blocks. On the first two areas, 1,200 km<sup>2</sup> area east of the Ulfa discovery and 800 km<sup>2</sup> area north west of the Farha South field, seismic acquisition and processing were completed in the first half of 2018. Interpretation of the processed data is being matured in the third and fourth quarters 2018. The exploration well to be drilled east of Farha South infrastructure in the fourth quarter 2018 is within the newly acquired 3D seismic area and the location is a result of the interpretation of the new seismic. The seismic acquisition on the third area, 750 km<sup>2</sup> south of the Shahd field, was completed in September 2018. The data is now being processed.

**Block 49, Oman**

After integration of all available data in Tethys Oil's geological model, the presence of a source rock as well as potential reservoir rocks have been confirmed. Tethys Oil has reprocessed and reinterpreted some 1,464 km of older 2D seismic data of various vintages, acquired by previous operators. The work was carried out to enhance quality and resolution in order to get a better understanding of the potential trapping mechanisms in Block 49. This work has been quite successful as resolution and interpretability were greatly enhanced. To further refine the understanding of the block, additional seismic data will now be acquired. A seismic acquisition campaign to be carried out on Block 49 is currently being planned.

**New ventures**

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 one-line consolidation in Tethys Oils financial statements and are therefore only presented in the balance sheet under "Investments in associates" and in the income statement as "Share of net profit/loss from associates".

As at 30 September 2018, the value of the shareholding in the two associated Danish companies holding the interest in the Lithuanian licences, amounted to MUS\$ 0.0 compared to MUS\$ 0.0 in the second quarter 2018. The result from Tethys Oil's share in these associated companies during the third quarter 2018 amounted to MUS\$ 0.0, compared to MUS\$ 0.9 during the second quarter 2018. For further information regarding the ownership structure, please refer to the 2017 Annual Report.

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

Tethys Oil's share of quarterly volumes, before government take (bbls)	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
<b>Lithuania, Gargzdai</b>					
Production	7,844	7,550	8,049	8,173	8,743
Average daily production	85	83	90	89	95

**Liquidity and financing**

Cash and bank and net cash as at 30 September 2018 amounted to MUS\$ 63.7 compared to MUS\$ 35.8 as at 30 June 2018.

During the third quarter 2018, cash flow from operations amounted to MUS\$ 37.6 and investments in oil and gas amounted to MUS\$ 12.6. Proceeds from financing activities amounted to MUS\$ 2.9. Tethys Oil paid the Blocks 3&4 operator cash call for July 2018 during the second quarter 2018, which affected the cash position negatively by MUS\$ 7.3. As a consequence, only two monthly cash calls were paid during the third quarter 2018 compared to the ordinary three monthly cash calls.

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**

Of the Export Reporting Error (see Note 7) amount of MUS\$ 5.9, MUS\$ 0.2 was repaid during the third quarter 2018 resulting in "Current provisions" amounting to MUS\$ 1.0 and "Non-current provisions" to MUS\$ 2.3, hence a total amount remaining to be settled of MUS\$ 3.3, to be repaid in equal monthly instalments until 2022.

### **Parent company**

The Parent company reports a net result after tax for the third quarter 2018 amounting to MSEK 0.3 compared to MSEK 18.6 for the second quarter 2018. Administrative expenses during the third quarter 2018 amounted to MSEK 6.5 compared to MSEK 11.6 for the second quarter 2018. The “Net financial result” amounted to MSEK 3.4 during the third quarter 2018 compared to MSEK 19.4 for the second quarter 2018. Currency exchange gains related to intercompany loans were the main reason for the result during the second quarter of 2018.

### **Share data**

As at 30 September 2018, the number of outstanding shares in Tethys Oil amounted to 35,543,750, with a quota value of SEK 0.17. All shares represent one vote each. The Company has the same amount of shares outstanding as at 30 June 2018. Tethys Oil has a warrant based incentive programme for employees, for further information please see Note 9. As the average subscription price for four tranches of the incentive programme is below the average share price during the third quarter 2018, the dilution effects of the warrants of these tranches are included in the weighted average number of shares after dilution which amounted to 34,653,094 during the third quarter 2018.

As at 30 September 2018, Tethys Oil held 1,241,883 of its own shares, which shares have been repurchased since commencement of the programme during the fourth quarter 2014. The number of shares held as at 30 September 2018 has been reduced by 402,280 shares following a share loan having been made to an investment bank for facilitation of the exercise of Tethys Oil’s long-term incentive programme of warrants from 2015. The number of repurchased shares including the shares lent amount to 1,644,163.

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 third 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 third quarter 2018 before dilution is 33,301,867 and after dilution 34,653,094.

After 30 September 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.

### **Significant events after the reporting period**

Following the exercise of warrants under the long-term incentive programme from 2015, a further 352,560 shares were subscribed for and consequently issued on 4 October 2018. The new number of shares issued amounted to 35,896,310. Following the increase in number of shares, the share loan referred to in “Share data” above, was returned to Tethys Oil on 5 October 2018, restoring the number of repurchased shares to 1,644,163.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY**

MUSD	Note	Third quarter 2018	Second quarter 2018	Third quarter 2017	Nine months 2018	Nine months 2017	Full year 2017
Revenue		43.1	34.7	27.7	110.3	86.6	119.9
Underlift/overlift adjustments		-0.8	1.7	0.8	2.6	2.6	-0.6
<b>Revenue and other income</b>	3	<b>42.3</b>	<b>36.4</b>	<b>28.5</b>	<b>112.9</b>	<b>89.2</b>	<b>119.3</b>
Operating expenses		-11.1	-11.1	-9.2	-33.8	-25.9	-34.9
<b>Gross profit</b>		<b>31.2</b>	<b>25.3</b>	<b>19.3</b>	<b>79.1</b>	<b>63.3</b>	<b>84.4</b>
Depletion, depreciation and amortisation		-11.6	-11.4	-10.0	-34.2	-30.0	-39.5
Exploration costs		-	-	-0.0	0.0	-0.0	-0.3
Share of net profit/loss from associates		0.0	0.9	-0.0	0.9	-0.3	-0.3
Administrative expenses	9	-1.1	-1.9	-1.1	-4.1	-4.5	-5.9
<b>Operating result</b>		<b>18.5</b>	<b>12.9</b>	<b>8.2</b>	<b>41.7</b>	<b>28.5</b>	<b>38.4</b>
<b>Net financial result</b>	4	<b>-0.3</b>	<b>2.1</b>	<b>-3.4</b>	<b>0.6</b>	<b>-6.4</b>	<b>-5.3</b>
<b>Result before tax</b>		<b>18.2</b>	<b>15.0</b>	<b>4.8</b>	<b>42.3</b>	<b>22.1</b>	<b>33.1</b>
Income tax		-	-	-	-	-	-
<b>Result for the period</b>		<b>18.2</b>	<b>15.0</b>	<b>4.8</b>	<b>42.3</b>	<b>22.1</b>	<b>33.1</b>
<b>Other comprehensive result</b>							
Items that may be subsequently reclassified to profit or loss:							
Exchange differences		0.2	-4.0	3.6	-2.7	6.1	4.5
<b>Other comprehensive result for the period</b>		<b>0.2</b>	<b>-4.0</b>	<b>3.6</b>	<b>-2.7</b>	<b>6.1</b>	<b>4.5</b>
<b>Total comprehensive result for the period</b>		<b>18.4</b>	<b>11.0</b>	<b>8.4</b>	<b>39.6</b>	<b>28.2</b>	<b>37.6</b>
Attributable to:							
Shareholders in the parent company		18.4	11.0	8.4	39.6	28.2	37.6
Non-controlling interest		-	-	-	-	-	-
Number of shares at period end		35,543,750	35,543,750	35,543,750	35,543,750	35,543,750	35,543,750
Weighted average number of shares (before dilution)		33,301,867	33,899,587	34,209,858	34,038,673	34,212,912	34,170,474
Weighted average number of shares (after dilution)		34,653,094	34,029,021	34,209,858	34,170,206	34,230,123	34,182,733
Earnings per share (before dilution), USD		0.53	0.44	0.14	1.24	0.65	0.97
Earnings per share (after dilution), USD		0.53	0.44	0.14	1.24	0.64	0.97

**CONSOLIDATED BALANCE SHEET IN SUMMARY**

MUSD	Note	30 Sep 2018	31 Dec 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Oil and gas properties	5	195.0	189.7
Investment in associates		0.0	0.0
		<b>195.0</b>	<b>189.7</b>
<b>Current assets</b>			
Other receivables	6	13.5	12.7
Prepaid expenses		0.3	0.3
Cash and cash equivalents		63.7	42.0
		<b>77.5</b>	<b>55.0</b>
<b>TOTAL ASSETS</b>		<b>272.5</b>	<b>244.7</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		0.8	0.8
Additional paid in capital		73.9	71.0
Reserves		0.7	3.4
Retained earnings		176.7	153.3
<b>Total shareholders' equity</b>		<b>252.1</b>	<b>228.5</b>
<b>Non-current liabilities</b>			
Non-current provisions	7	8.7	9.1
		<b>8.7</b>	<b>9.1</b>
<b>Current liabilities</b>			
Current provisions	7	1.0	1.0
Accounts payable and other current liabilities	8	10.7	6.1
		<b>11.7</b>	<b>7.1</b>
<b>Total liabilities</b>		<b>20.4</b>	<b>16.2</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>272.5</b>	<b>244.7</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 2017</b>	<b>0.8</b>	<b>71.0</b>	<b>-1.1</b>	<b>126.2</b>	<b>196.9</b>
<b>Comprehensive income</b>					
Result for twelve months 2017	-	-	-	33.1	33.1
Currency exchange differences twelve months 2017	-	-	4.5	-	4.5
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>4.5</b>	<b>33.1</b>	<b>37.6</b>
<b>Transactions with owners</b>					
Purchase of own shares	-	-	-	-2.3	-2.3
Dividends paid	-	-	-	-3.9	-3.9
Incentive programme	-	-	-	0.3	0.3
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-5.9</b>	<b>-5.9</b>
<b>Closing balance 31 December 2017</b>	<b>0.8</b>	<b>71.0</b>	<b>3.4</b>	<b>153.3</b>	<b>228.5</b>
<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 nine months 2018	-	-	-	42.3	42.3
Currency exchange differences nine months 2018	-	-	-2.7	-	-2.7
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-2.7</b>	<b>42.3</b>	<b>39.6</b>
<b>Transactions with owners</b>					
Pending share issuance	0.0	2.9	-	-	2.9
Purchase of own shares	-	-	-	-	-
Dividends paid	-	-	-	-3.8	-3.8
Share redemption	-	-	-	-15.2	-15.2
Incentive programme	-	-	-	0.1	0.1
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance 30 September 2018</b>	<b>0.8</b>	<b>73.9</b>	<b>0.7</b>	<b>176.7</b>	<b>252.1</b>

**CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY**

MUSD	Note	Third quarter 2018	Second quarter 2018	Third quarter 2017	Nine months 2018	Nine months 2017	Full year 2017
<b>Cash flow from operations</b>							
Operating result		18.5	12.9	8.2	41.7	28.5	38.4
Interest received		-	-	-	-	-	-
Interest paid	4	-	-	-	-	-0.2	-0.2
Adjustment for exploration costs		-	-	-	-	-	0.3
Adjustment for depletion, depreciation and other non-cash related items		11.5	8.6	7.2	30.5	29.0	38.2
<b>Total cash flow from operations before change in working capital</b>		<b>30.0</b>	<b>21.5</b>	<b>15.4</b>	<b>72.2</b>	<b>57.3</b>	<b>76.7</b>
Change in receivables		0.4	-1.3	-7.2	-0.8	-2.6	-5.4
Change in liabilities		7.2	-5.8	11.7	4.7	-9.1	-21.2
<b>Cash flow from operations</b>		<b>37.6</b>	<b>14.4</b>	<b>19.9</b>	<b>76.1</b>	<b>45.6</b>	<b>50.1</b>
<b>Investment activity</b>							
Investment in oil and gas properties	5	-12.6	-13.2	-4.1	-39.6	-32.2	-40.4
Cash from associated companies, net		0.0	0.9	0.0	0.9	-	-
<b>Cash flow from investment activity</b>		<b>-12.6</b>	<b>-12.3</b>	<b>-4.1</b>	<b>-38.7</b>	<b>-32.2</b>	<b>-40.4</b>
<b>Financing activity</b>							
Purchase of own shares		-	-	-0.4	-	-0.4	-2.3
Share redemption		-	-15.2	-	-15.2	-	-
Dividend		-	-3.8	-	-3.8	-3.9	-3.9
Proceeds from pending share issuance		2.9			2.9		
<b>Cash flow from financing activity</b>		<b>2.9</b>	<b>-19.0</b>	<b>-0.4</b>	<b>-16.1</b>	<b>-4.3</b>	<b>-6.2</b>
<b>Period cash flow</b>		<b>27.9</b>	<b>-16.9</b>	<b>15.4</b>	<b>21.3</b>	<b>-9.1</b>	<b>3.5</b>
Cash and cash equivalents at the beginning of the period		35.8	52.4	32.3	42.0	39.0	39.0
Exchange gains/losses on cash and cash equivalents		0.0	0.3	-0.2	0.4	-0.6	-0.5
Cash and cash equivalents at the end of the period		63.7	35.8	47.5	63.7	47.5	42.0

**KEY RATIOS**

Group	Third quarter 2018	Second quarter 2018	Third quarter 2017	Nine months 2018	Nine months 2017	Full year 2017
<b>Operational items</b>						
Production before government take, Oman Blocks 3&4, bbl	1,090,880	1,067,695	1,127,816	3,200,279	3,368,486	4,439,118
Production per day, Oman Blocks 3&4, bbl	11,857	11,733	12,259	11,723	12,339	12,162
Net sales after government take, bbl	579,360	529,194	568,796	1,620,552	1,698,827	2,316,404
Achieved oil price, USD/bbl	74.3	65.6	48.6	68.1	51.0	51.8
<b>Income statement and balance sheet</b>						
Revenue and other income, MUSD	42.3	36.4	28.5	112.9	89.2	119.3
EBITDA, MUSD	30.1	24.3	18.2	75.9	58.5	78.2
EBITDA-margin	71%	67%	64%	67%	66%	66%
Operating result, MUSD	18.5	12.9	8.2	41.7	28.5	38.4
Operating margin	44%	35%	29%	37%	32%	32%
Net result, MUSD	18.2	15.0	4.8	42.3	22.1	33.1
Net margin	43%	41%	17%	37%	25%	28%
Cash and cash equivalents, MUSD	63.7	35.8	47.5	63.7	47.5	42.0
Shareholders' equity, MUSD	252.1	230.8	221.1	252.1	221.1	228.5
Balance sheet total, MUSD	272.5	244.1	250.2	272.5	250.2	244.7
<b>Capital structure</b>						
Solvency	93%	95%	88%	93%	88%	93%
Leverage ratio	neg.	neg.	neg.	neg.	neg.	neg.
Investments, MUSD	12.6	13.2	4.1	39.6	32.2	40.4
Net cash, MUSD	63.7	35.8	47.5	63.7	47.5	42.0
<b>Profitability</b>						
Return on shareholders' equity	7.59%	6.55%	2.28%	17.60%	10.56%	15.56%
Return on capital employed	7.79%	6.40%	3.87%	18.55%	13.85%	18.97%
<b>Other</b>						
Average number of full time employees	20	20	19	20	20	19
Distribution per share, SEK	-	5.00	-	5.00	1.00	1.00
Cash flow from operations per share, USD	1.09	0.42	0.58	2.23	1.33	1.46
Number of shares at period end, '000	35,544	35,544	35,544	35,544	35,544	35,544
Shareholders' equity per share, USD	7.09	6.49	6.22	7.09	6.22	6.43
Weighted average number of shares (before dilution), '000	34,302	33,900	34,210	34,039	34,213	34,170
Weighted average number of shares (after dilution), '000	34,653	34,029	34,210	34,170	34,230	34,183
Earnings per share before dilution, USD	0.53	0.44	0.14	1.24	0.65	0.97
Earnings per share after dilution, USD	0.53	0.44	0.14	1.24	0.64	0.97

**Key quarterly data**

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Net daily production before government take, Blocks 3&4, bbl	11,857	11,733	11,574	11,637	12,259	12,373	12,386	12,155
Barrels sold, bbl	579,360	529,194	511,998	617,577	568,796	565,331	564,700	583,772
Revenue and other income, MUSD	42.3	36.4	34.2	30.1	28.5	31.4	29.3	20.7
EBITDA, MUSD	30.1	24.3	21.5	19.7	18.2	21.0	19.3	9.6
Return on shareholders' equity	7.59%	6.55%	3.86%	5.18%	2.28%	5.19%	3.32%	0.74%
Cash flow from operations, MUSD	37.6	14.4	24.1	4.5	19.9	11.1	14.4	16.2
Earnings per share after dilution, USD	0.53	0.44	0.27	0.32	0.14	0.31	0.19	0.04
Share price, end of period, SEK	97.77	101.40	67.20	65.75	62.25	58.50	63.50	78.75

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 (unless specifically stated)	Third quarter 2018	Second quarter 2018	Third quarter 2017	Nine months 2018	Nine months 2017	Full year 2017
Operating result	18.5	12.9	8.2	41.7	28.5	38.4
Depreciation, depletion and amortization	11.6	11.4	10.0	34.2	30.0	39.5
Exploration costs	0.0	0.0	0.0	0.0	0.0	0.3
<b>EBITDA</b>	<b>30.1</b>	<b>24.3</b>	<b>18.2</b>	<b>75.9</b>	<b>58.5</b>	<b>78.2</b>
Cash and bank	63.7	35.8	47.5	63.7	47.5	42.0
Interest bearing debt	-	-	-	-	-	-
<b>Net cash</b>	<b>63.7</b>	<b>35.8</b>	<b>47.5</b>	<b>63.7</b>	<b>47.5</b>	<b>42.0</b>
Cash flow from operations	37.6	14.4	19.9	76.1	45.6	50.1
Investment in oil and gas properties	-12.6	-13.2	-4.1	-39.6	-32.2	-40.4
<b>Cash flow from operations after investments</b>	<b>25.0</b>	<b>1.2</b>	<b>15.8</b>	<b>36.5</b>	<b>13.4</b>	<b>9.7</b>

**PARENT COMPANY INCOME STATEMENT IN SUMMARY**

<b>MSEK</b>	<b>Note</b>	<b>Third quarter 2018</b>	<b>Second quarter 2018</b>	<b>Third quarter 2017</b>	<b>Nine months 2018</b>	<b>Nine months 2017</b>	<b>Full year 2017</b>
Other income		3.4	2.8	3.4	7.7	8.8	10.9
Share of net profit/loss from associates		0.0	8.0	-0.3	8.0	-2.8	-2.8
Administrative expenses	9	-6.5	-11.6	-4.0	-24.7	-24.5	-31.2
<b>Operating result</b>		<b>-3.1</b>	<b>-0.8</b>	<b>-0.9</b>	<b>-9.0</b>	<b>-18.5</b>	<b>-23.1</b>
Net financial result		3.4	19.4	-23.4	17.2	-34.6	108.1
<b>Result before tax</b>		<b>0.3</b>	<b>18.6</b>	<b>-24.3</b>	<b>8.2</b>	<b>-53.1</b>	<b>85.0</b>
Income tax		-	-	-	-	-	-
<b>Result for the period*</b>		<b>0.3</b>	<b>18.6</b>	<b>-24.3</b>	<b>8.2</b>	<b>-53.1</b>	<b>85.0</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**

<b>MSEK</b>	<b>Note</b>	<b>30 Sep 2018</b>	<b>31 Dec 2017</b>
<b>ASSETS</b>			
Total non current assets		226.8	356.6
Total current assets		58.0	64.4
<b>TOTAL ASSETS</b>		<b>284.8</b>	<b>421.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Restricted shareholders' equity		77.0	77.0
Unrestricted shareholders' equity		169.8	303.1
Total current liabilities		38.0	40.9
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>284.8</b>	<b>421.0</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 third quarter and nine months report 2018 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The third quarter and nine 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.

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 15 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 September 2018		31 December 2017	
	Average	Period end	Average	Period end
SEK/USD	8.63	8.95	8.67	8.44
SEK/EUR	10.29	10.48	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 third 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	30 September 2018			MUSD	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	-	13.5	-	Other receivables	-	12.7	-
Cash and bank	-	63.7	-	Cash and bank	-	42.0	-
Accounts payables and other current liabilities	-	-	10.7	Accounts payables and other current liabilities	-	-	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 30 September 2018. Further, Oman has, following an agreement with OPEC (Declaration of Cooperation OPEC and non-OPEC), imposed a production recommendation relating to Blocks 3&4. The Declaration of Cooperation OPEC and non-OPEC has been extended to cover all of 2018. 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-Sep 2018					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue and other income	112.9	-	-	-	112.9
Operating expenses	-33.8	-	-	-	-33.8
Depreciation, depletion and amortisation	-34.2	-	-	-	-34.2
Exploration costs	-	-	-	-	-
Share of net profit/loss from associates	-	0.9	-	-	0.9
Administrative expenses	-1.0	-	-2.9	-0.2	-4.1
<b>Operating result</b>	<b>43.9</b>	<b>0.9</b>	<b>-2.9</b>	<b>-0.2</b>	<b>41.7</b>
<b>Total financial items</b>					<b>0.6</b>
<b>Result before tax</b>					<b>42.3</b>
Income tax					-
<b>Result for the period</b>					<b>42.3</b>

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
<b>Operating result</b>	<b>42.9</b>	<b>-0.3</b>	<b>-3.5</b>	<b>-0.7</b>	<b>38.4</b>
Total financial items					-5.3
<b>Result before tax</b>					<b>33.1</b>
Income tax					-
<b>Result for the period</b>					<b>33.1</b>

### Note 3) Revenue and other income

MUSD	Third quarter 2018	Second quarter 2018	Third quarter 2017	Nine months 2018	Nine months 2017	Full year 2017
Revenue	43.1	34.7	27.7	110.3	86.6	119.9
Underlift/overlift adjustments	-0.8	1.7	0.8	2.6	2.6	-0.6
<b>Revenue and other income</b>	<b>42.3</b>	<b>36.4</b>	<b>28.5</b>	<b>112.9</b>	<b>89.2</b>	<b>119.3</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.

### Note 4) Net financial result

MUSD	Third quarter 2018	Second quarter 2018	Third quarter 2017	Nine months 2018	Nine months 2017	Full year 2017
Financial income:						
Interest income	-	-	-	-	-	-
Gain on currency exchange rates	0.7	2.3	0.1	4.1	1.1	3.0
Other financial income	-	-	-	-	-	-
Financial costs:						
Interest costs	-0.0	-0.0	-0.0	-0.0	-0.2	-0.2
Currency exchange losses	-0.9	-0.1	-3.2	-3.2	-6.5	-6.9
Other financial costs	-0.1	-0.1	-0.3	-0.3	-0.8	-1.2
<b>Net financial result</b>	<b>-0.3</b>	<b>2.1</b>	<b>-3.4</b>	<b>0.6</b>	<b>-6.4</b>	<b>-5.3</b>

### Note 5) Oil and gas properties

Country	Licence	Phase	Tethys Oil's share	Book value 31 Dec 2017	Additions Jan-Sep 2018	DD&A Jan-Sep 2018	Book value 30 Sep 2018
Oman	Blocks 3&4	Prod.	30%	189.1	38.7	-34.2	193.6
Oman	Block 49	Expl.	100%	0.4	0.6	-	1.0
France	Attila	Expl.	40%	-	-	-	-
New ventures				0.2	0.2	-	0.4
<b>Total</b>				<b>189.7</b>	<b>39.5</b>	<b>-34.2</b>	<b>195.0</b>

### Note 6) Other receivables

MUSD	30 Sep 2018	31 Dec 2017
VAT	0.3	0.6
Receivables Oil sales	12.6	12.1
Underlift position	0.5	-
Other	-	-
<b>Total</b>	<b>13.5</b>	<b>12.7</b>

**Note 7) Provisions**

Tethys Oil estimates that its share of site restoration regarding Blocks 3&4 amounts to MUSD 6.4 (MUSD 6.3). 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 2.3 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 third quarter 2018 amounted to MUSD 0.2 resulting in a total amount remaining to be settled of MUSD 3.3 as at 30 September 2018.

**Note 8) Accounts payable and other current liabilities**

MUSD	30 Sep 2018	31 Dec 2017
Accounts payable	0.2	0.1
Overlift position	-	2.0
Operator balance, Oman Blocks 3&4	10.2	3.2
Other current liabilities	0.3	0.8
<b>Total</b>	<b>10.7</b>	<b>6.1</b>

**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 third quarter 2018. The number of warrants exercised during the third quarter 2018 was 312,000 (0). Proceeds from the exercise of warrants in the third quarter 2018 amounted to MUSD 2.9.

Warrant incentive programme	Exercise period	Subscription price, SEK	Shares per warrant	Number of warrants			
				1 Jan 2018	Issued 2018	Exercised 2018	30 Sept 2018
2015 incentive programme	23 May - 5 Oct, 2018	73.50	1.13	356,000	0	-312,000	44,000
2016 incentive programme	28 May - 4 Oct, 2019	59.90	1.10	350,000	0	0	350,000
2017 incentive programme	30 May - 2 Oct, 2020	81.80	1.04	350,000	0	0	350,000
2018 incentive programme	1 Jun - 2 Oct, 2021	89.00	1.00		350,000	0	350,000
<b>Total</b>				<b>1,056,000</b>	<b>350,000</b>	<b>-312,000</b>	<b>1,094,000</b>

As the subscription price for four tranches of the incentive programme is below the average share price during the third 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 34,653,094 during the third 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 30 September 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 third quarter 2018, the Company has not had any material transactions with related parties.

**FINANCIAL CALENDAR:**

**Report for fourth quarter 2018** (January – December 2018) on 12 February 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

Stockholm, 6 November 2018

**Tethys Oil AB (publ)**

Org. No. 556615-8266

Magnus Nordin

*Managing director*

This report has been subject to review by the auditors of the Company.

For further information, please contact:

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## 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 September 2018 and the nine-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 6 November 2018

PricewaterhouseCoopers AB

Ulrika Ramsvik  
*Authorized Public Accountant*  
*Lead Partner*

Bo Hjalmarsson  
*Authorized Public Accountant*

**CONFERENCE CALL**

**Date:** 6 November 2018

**Time:** 11.00 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/jg9vmjyy>

**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