

**Q2 2014**

19 August 2014



# Q2 Highlights

- Record net sales of MSEK 245, up 26% compared to Q1
- EBITDA of MSEK 192, up 48% compared to Q1
- Net result MSEK 107, up 86% compared to Q1
- Earnings per share SEK 3.02 for Q2
- MSEK 400 bond loan redeemed after MUS\$ 100 reserve based credit facility obtained
- Exploration and appraisal continues:
  - New production record each month during first six months 2014
  - A total of 12 wells completed on Blocks 3 and 4 during the second quarter 2014
  - New third party reserve report relating only to Lower Buah reservoir on Block 4 Oman as at 30 June 2014
    - 1P reserves 2.3 mmbo (1.2 mmbo 31 Dec 2013)
    - 2P reserves 5.0 mmbo (2.2 mmbo 31 Dec 2013)
    - 3P reserves 7.4 mmbo (3.7 mmbo 31 Dec 2013)

# Tethys' assets

	Country	Licence	Area, km2	Tethys share	Partners*	2P reserves (mmbo)	Production Q2 2014 (bopd)
Producing Assets	Oman	Block 3 & 4	34,610	30%	<b>CC Energy</b> , Mitsui	15.2	7,116
	Lithuania	Gargzdai	884	25%	Odin Energi, Geonafta	1.7	116
Exploration assets	Oman	Block 3 & 4	34,610	30%	<b>CC Energy</b> , Mitsui		
	Oman	Block 15	1,389	40%	<b>Odin Energy</b>		
	Lithuania	Rietavas	1,594	30%	Odin Energi, Private investors		
	Lithuania	Raseiniai	1,535	30%	Odin Energi, Private investors		
Other assets	France	Attila	1,986	40%	<b>Galli Coz</b>		
	France	Alès	215	37.5%	Private investors		

\* Operator in bold



# Reserves

Independent petroleum consultant DeGolyer and MacNaughton (“D&M”) reviews Tethys Oil’s reserves in Oman annually.

Following successful drilling during the first six months of 2014 of the Lower Buah reservoirs on Block 4, D&M has delivered an interim report of Lower Buah reserves as at 30 June 2014.

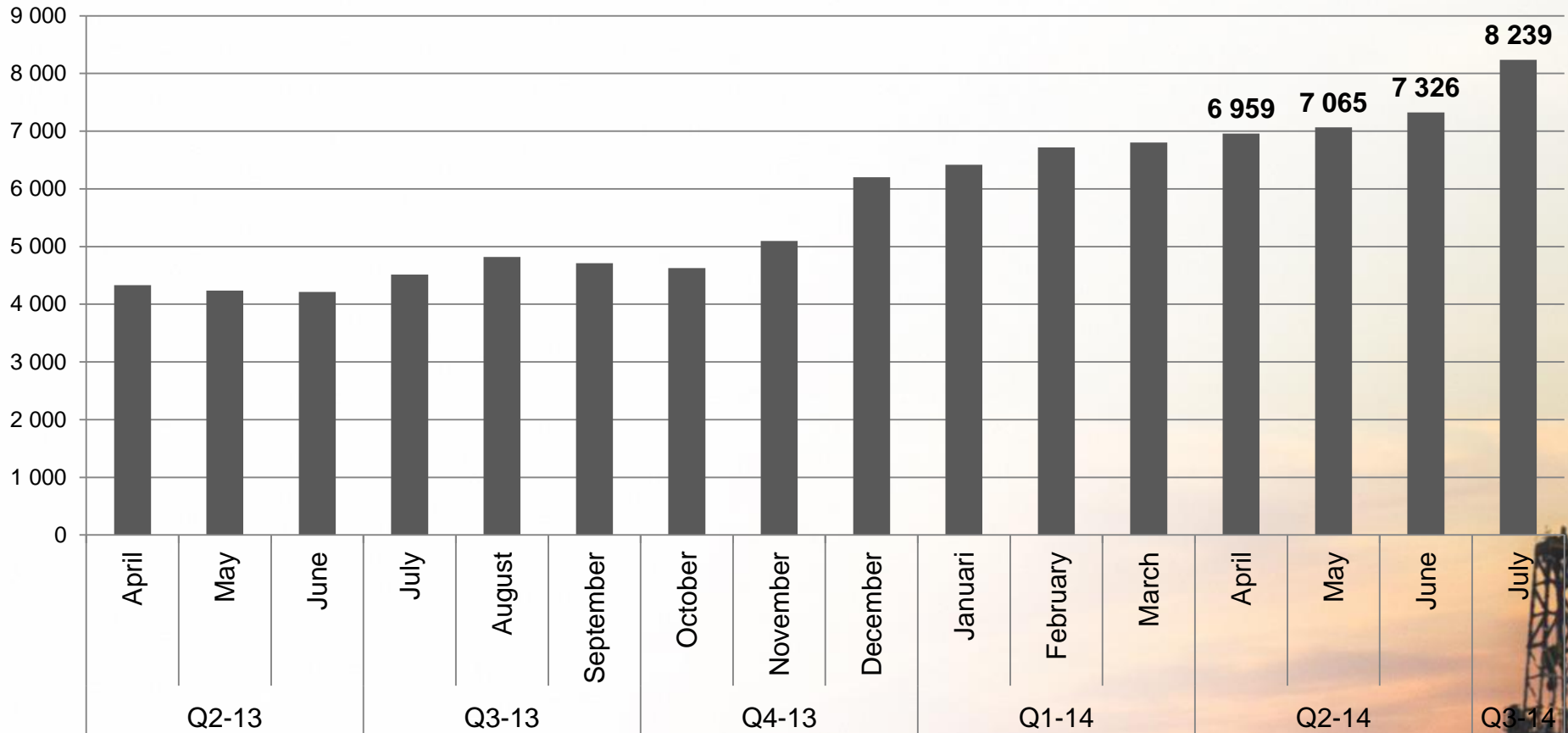
<b>Reserves Oman (31 Dec 2013, mmbo)</b>			
	<b>1P</b>	<b>2P</b>	<b>3P</b>
Farha South	8.9	11.7	13.5
Saiwan East	0.7	1.3	2.8
Area 4 (Lower Buah)	1.2	2.2	3.7
<b>Total</b>	<b>10.8</b>	<b>15.2</b>	<b>20.0</b>

<b>Reserves Lithuania* (mmbo)</b>			
	<b>1P</b>	<b>2P</b>	<b>3P</b>
Gargzdai	0.8	1.7	2.8

\* As per reserve report 31 Dec 2012, by Miller and Lents, Ltd., reduced with 2013 year’s production.

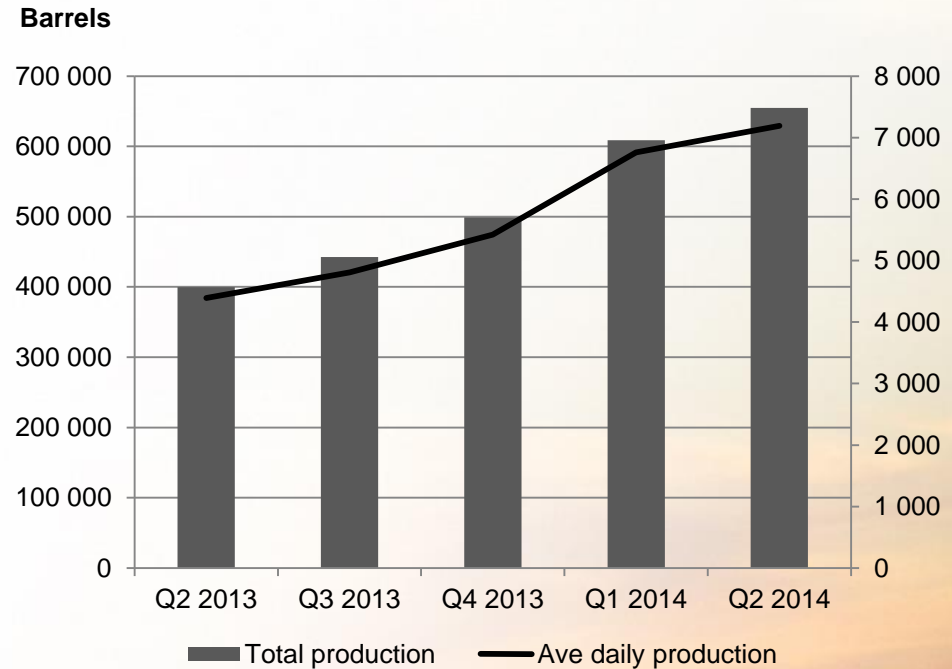
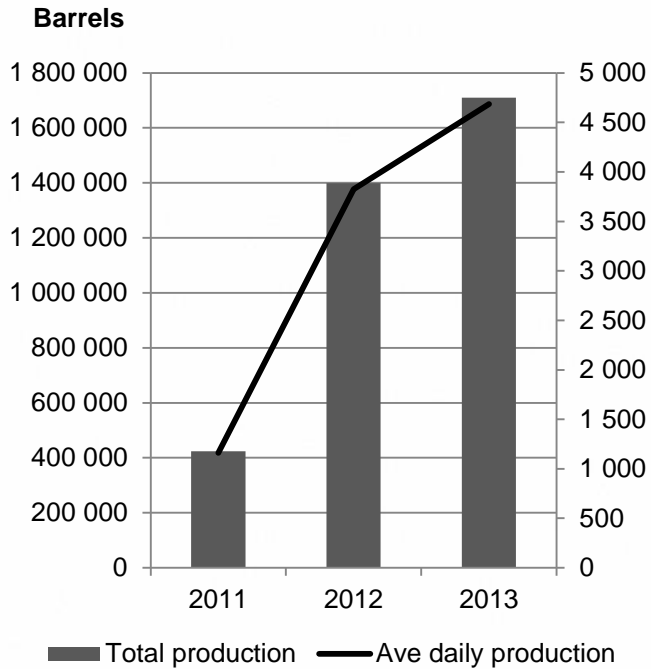
<b>Development of the Lower Buah reserves (30 Jun 2014, mmbo)</b>			
	<b>1P</b>	<b>2P</b>	<b>3P</b>
Total 31 Dec 2013	1.2	2.2	3.7
Production from Lower Buah 2014	-0.4	-0.4	-0.4
Revisions/discoveries	1.5	3.2	4.1
<b>Total 30 Jun 2014</b>	<b>2.3</b>	<b>5.0</b>	<b>7.4</b>

# Average daily production in Oman



- Increased production every month during 2014
- Over 8,000 bopd in July 2014
- Lithuanian ave. daily production amounted to 116 bopd in Q2-14

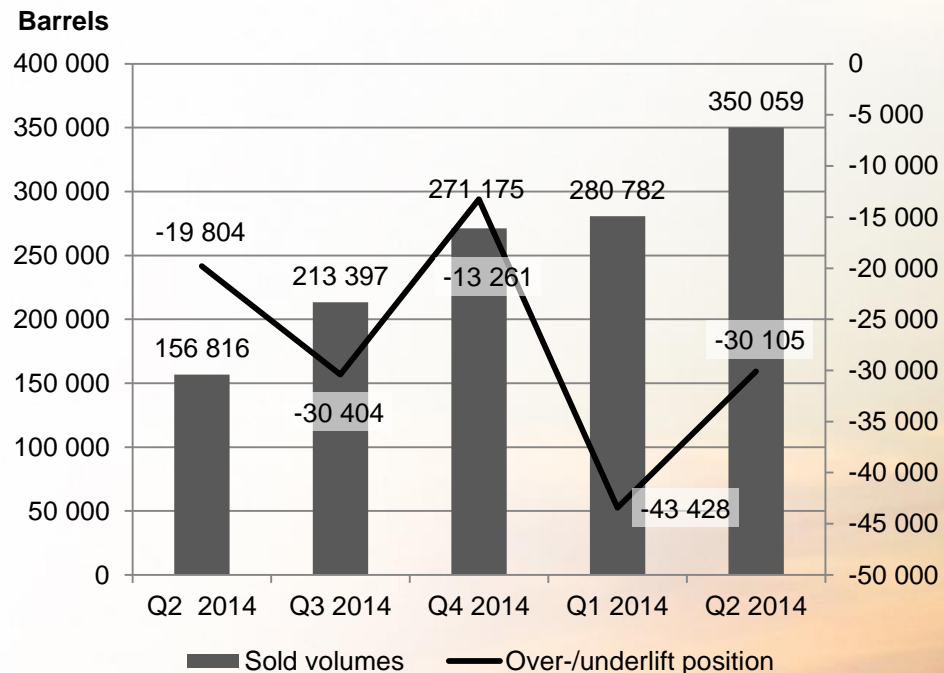
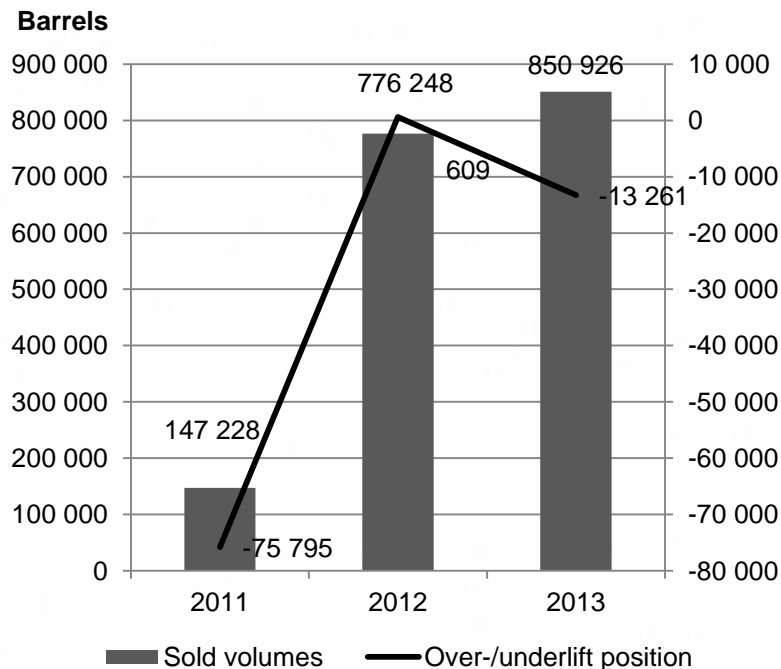
# Production



- Total production in Q2 2014 highest ever
- 6 months in a row with record production
- 67% increase in average daily production compared with Q2-13

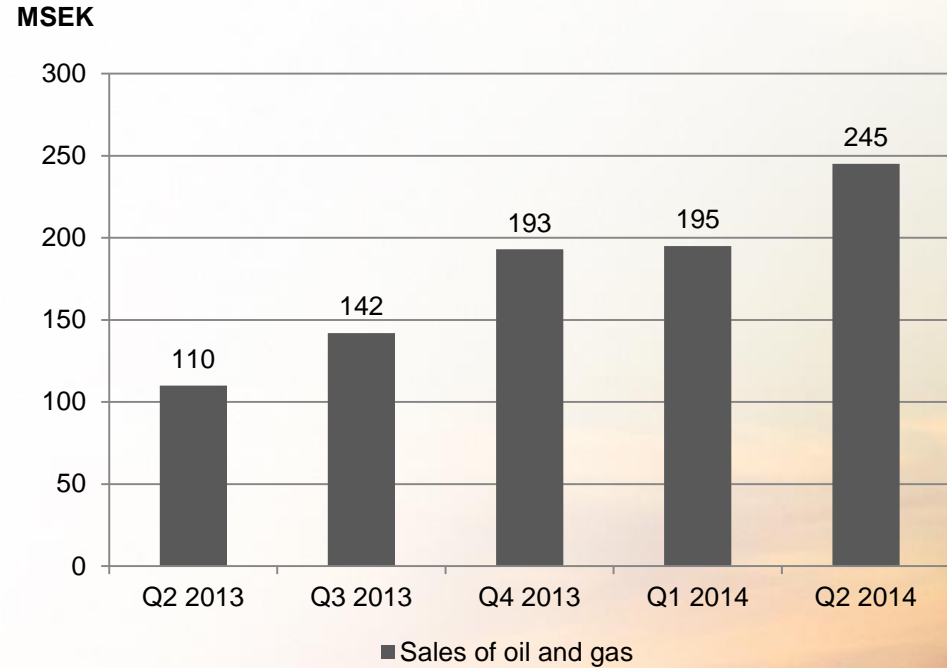
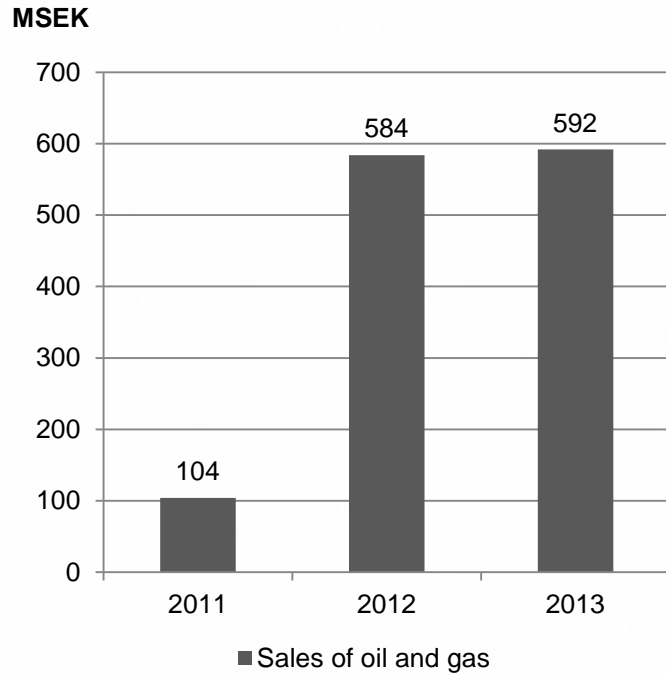


# Sales in barrels



- Record net oil sales of 350,059 barrels
- Underlift position decreased with 13,323 bbl to 30,105 bbl from Q1-14 to Q2-14

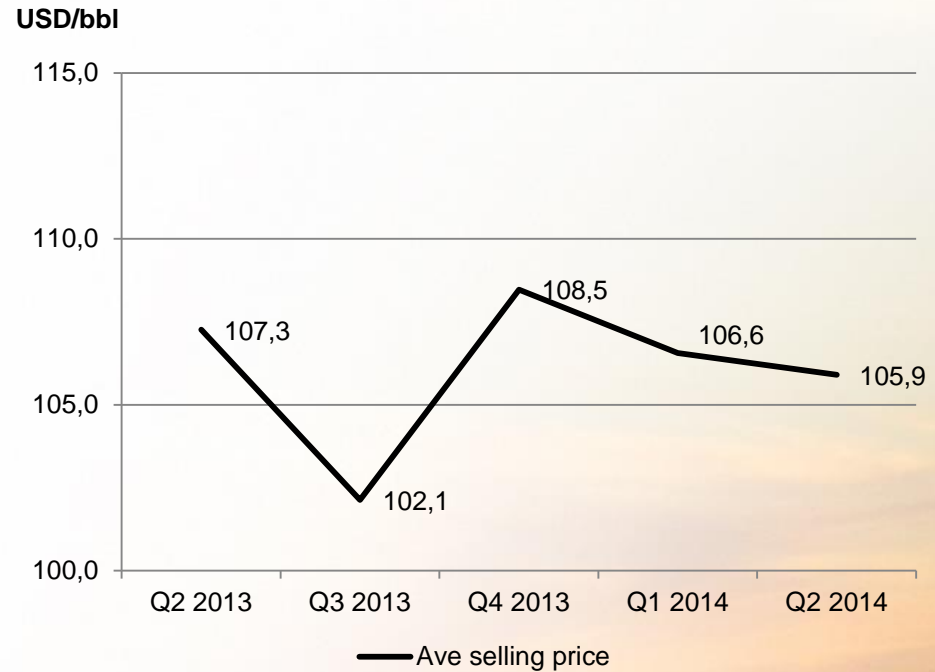
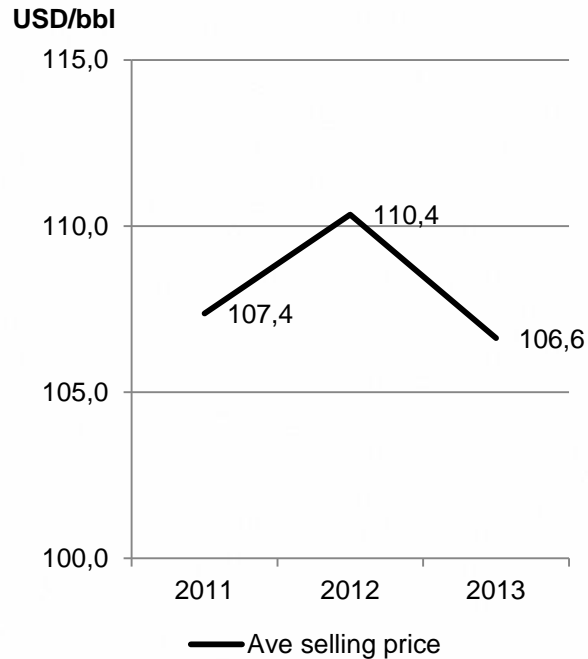
# Sales



- Net oil sales of MSEK 245 in Q2-14, up 26% compared to Q1-14



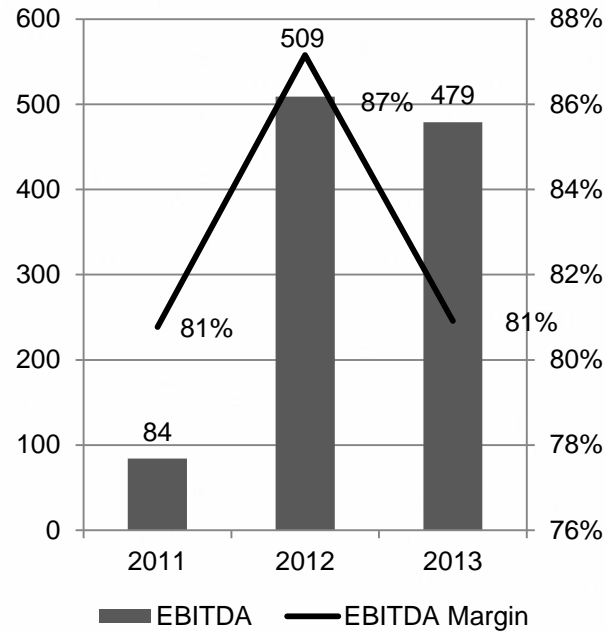
# Average selling price per barrel



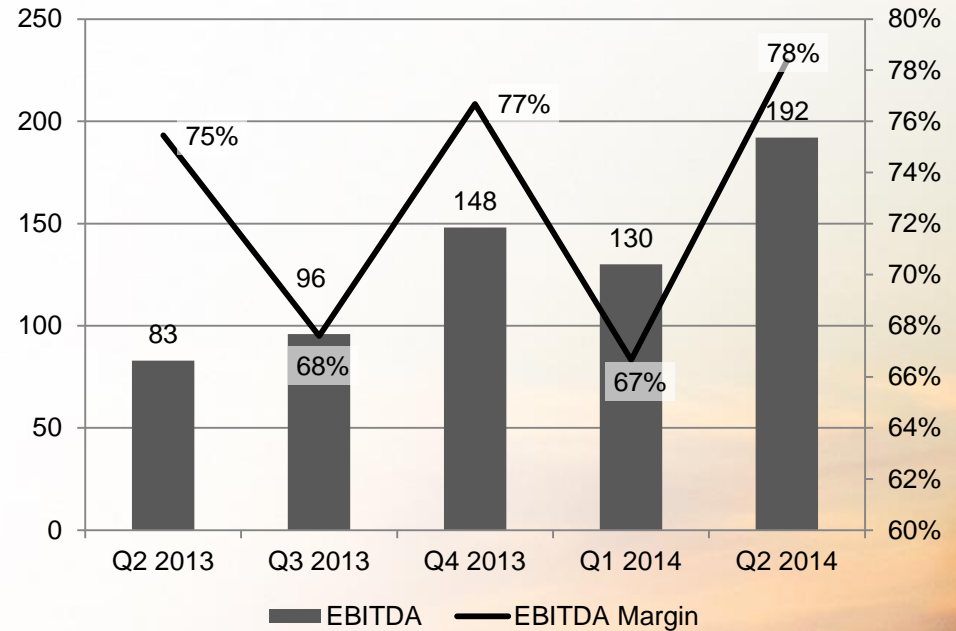
- Stable oil prices Q-o-Q
- Stable exchange rate SEK/USD – less than 1% deprecation of SEK

# EBITDA

MSEK

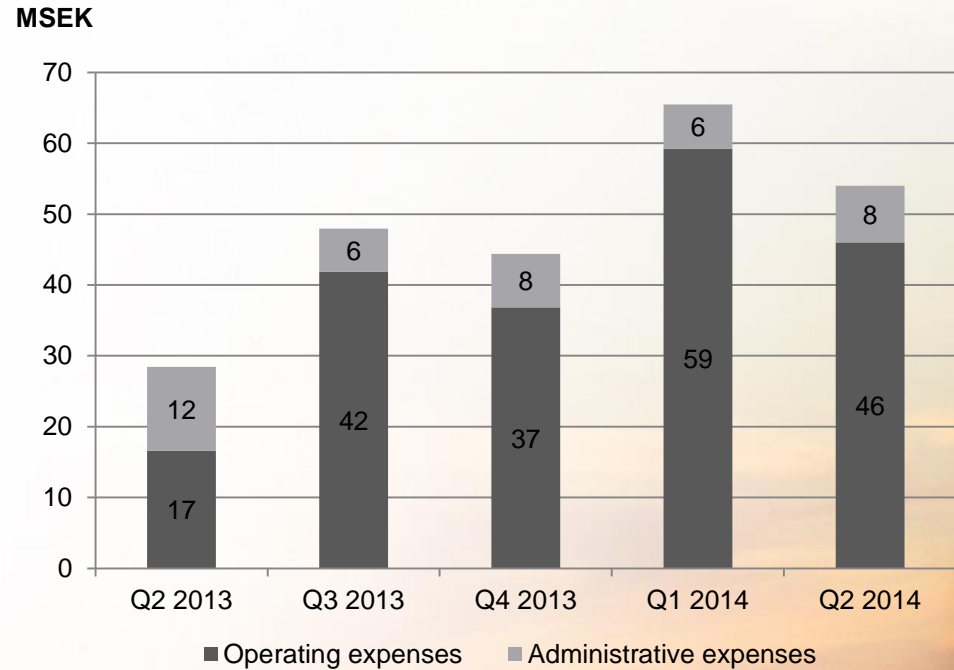
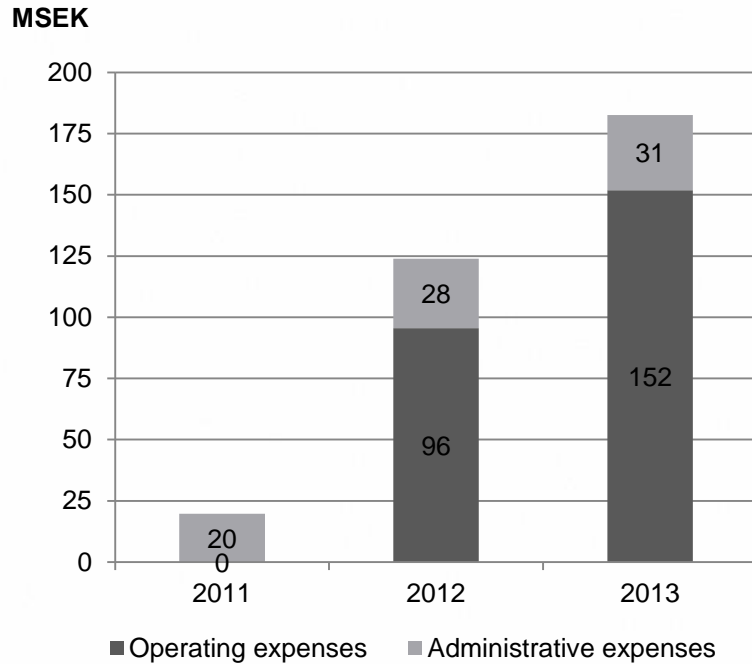


MSEK



- EBITDA of MSEK 192 in Q2, up 48% compared to Q1-14
- EBITDA margin the last five quarters has been in the range 67%-78%

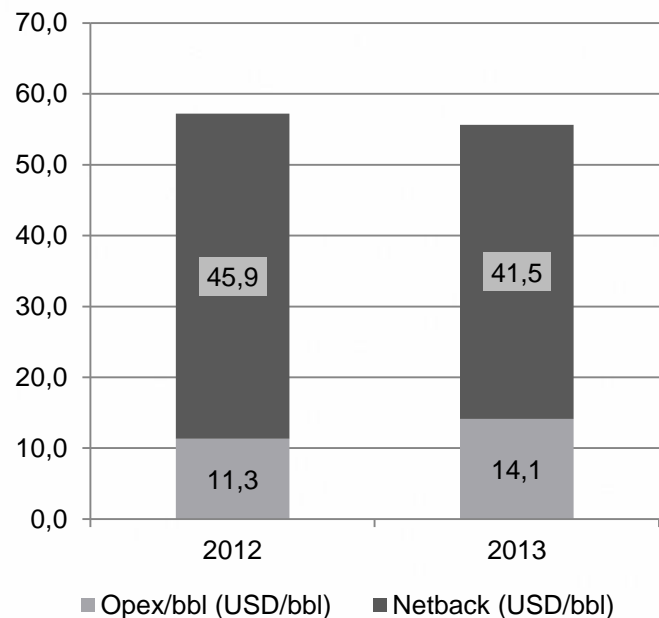
# Expenses



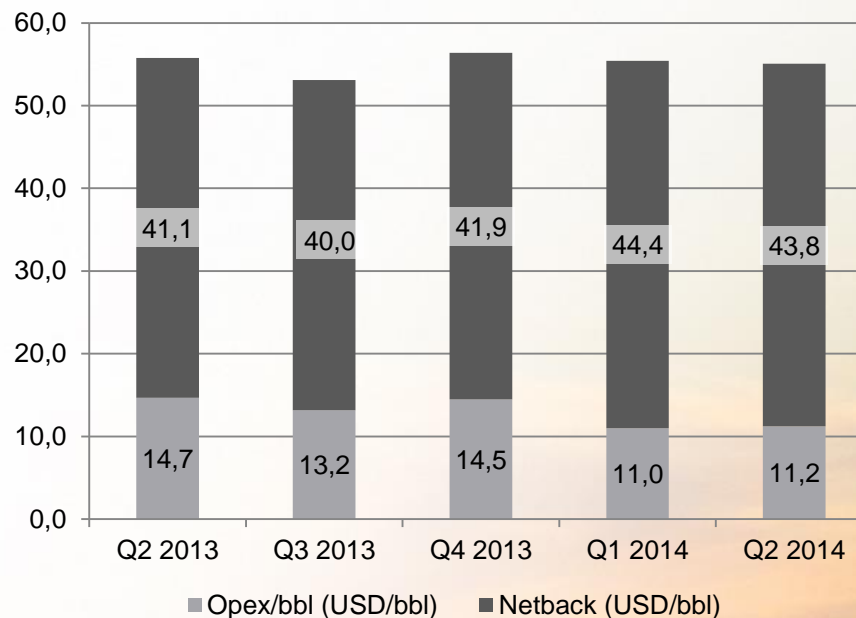
- Opex in Q1-14 affected by late incoming expenses from 2013
- Most opex is fixed

# Adjusted net back and opex per barrel\*

USD/bbl



USD/bbl



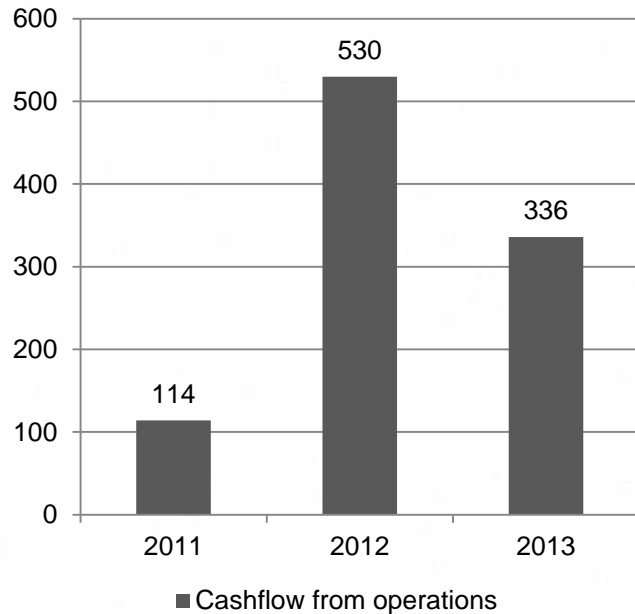
- Adjusted for timing differences, net back has been stable around USD 40-45 per barrel last 5 quarters
- Adjusted opex between USD 11 and 15 per barrel, of which direct lifting cost accounts for 50-60%



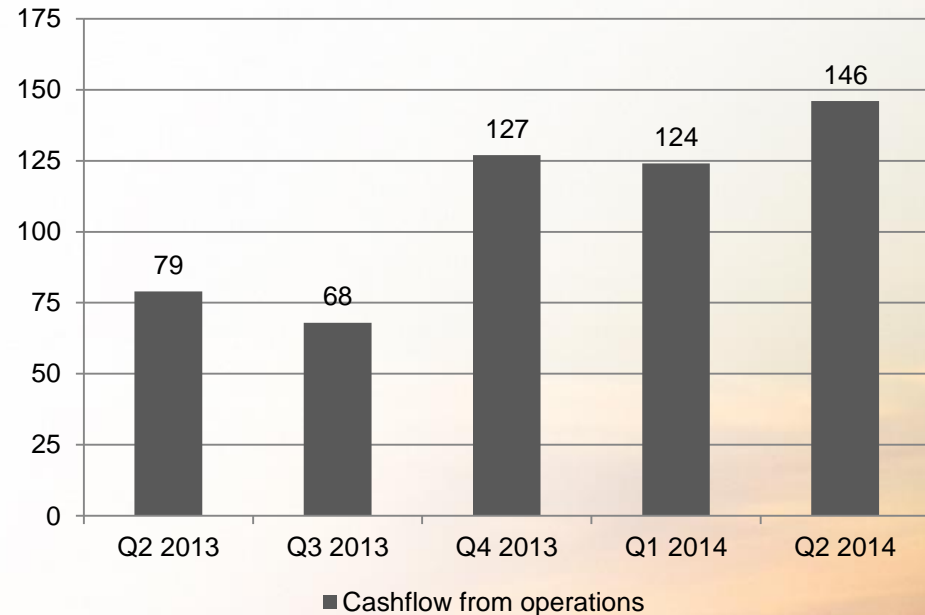
\* After current government take

# Cash flow

MSEK



MSEK



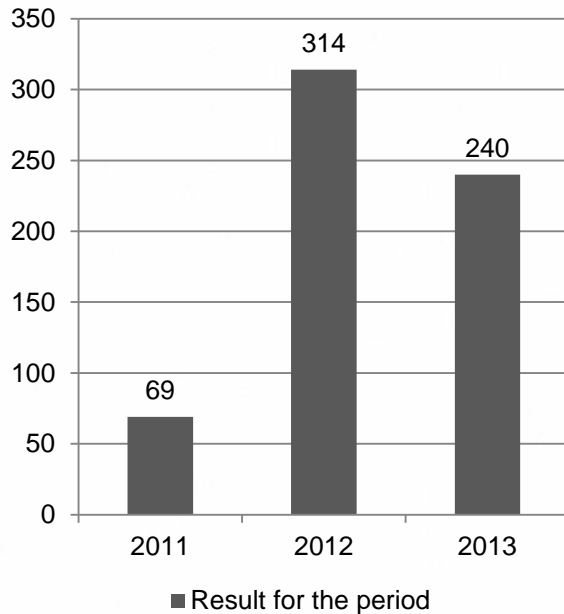
- Strong cash flow development during last 5 quarters



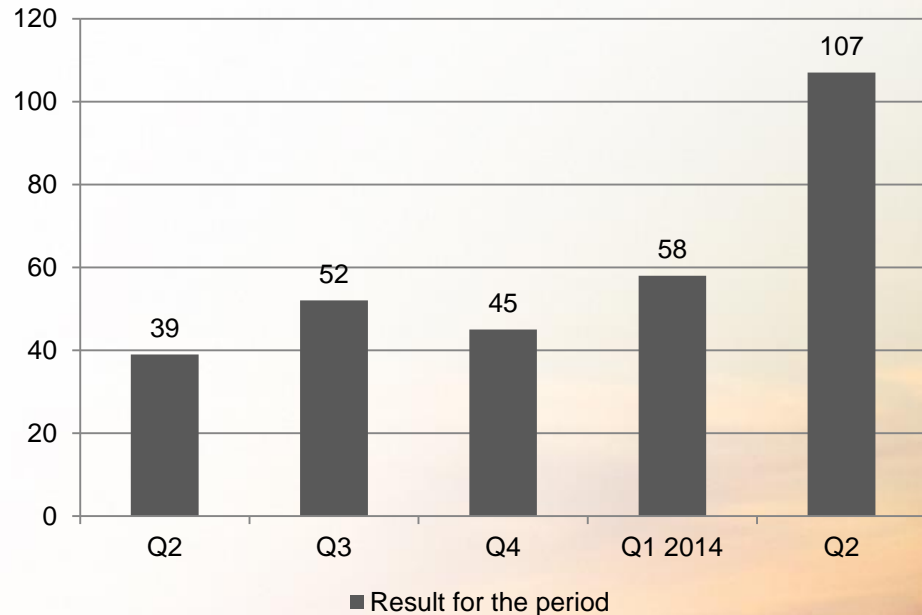
\* 2012 including Mitsui farmout

# Net result after tax

MSEK



MSEK



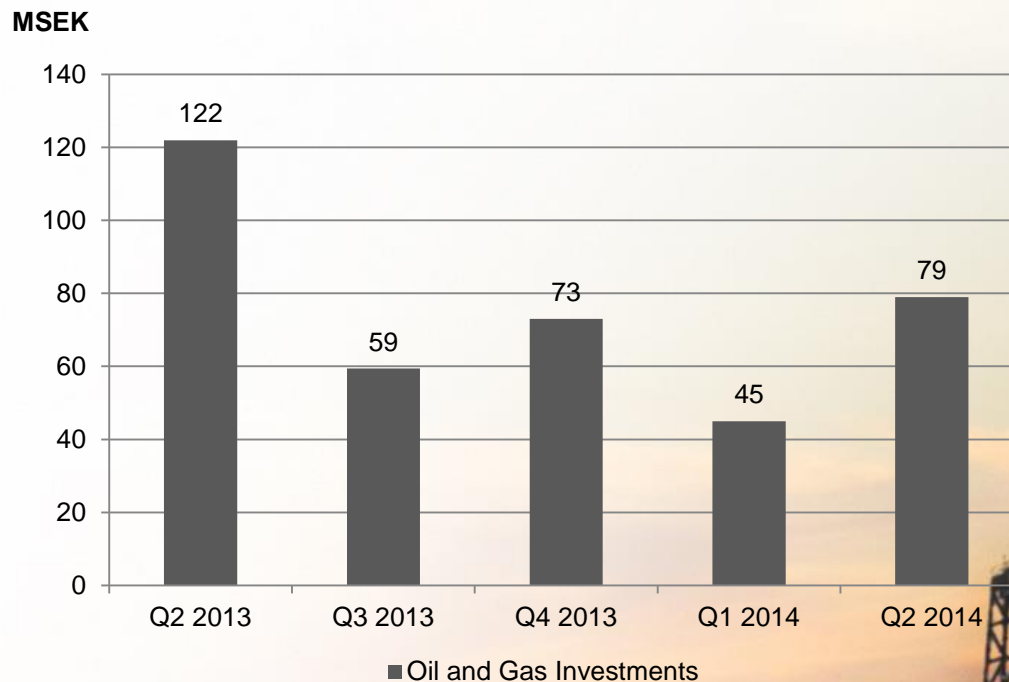
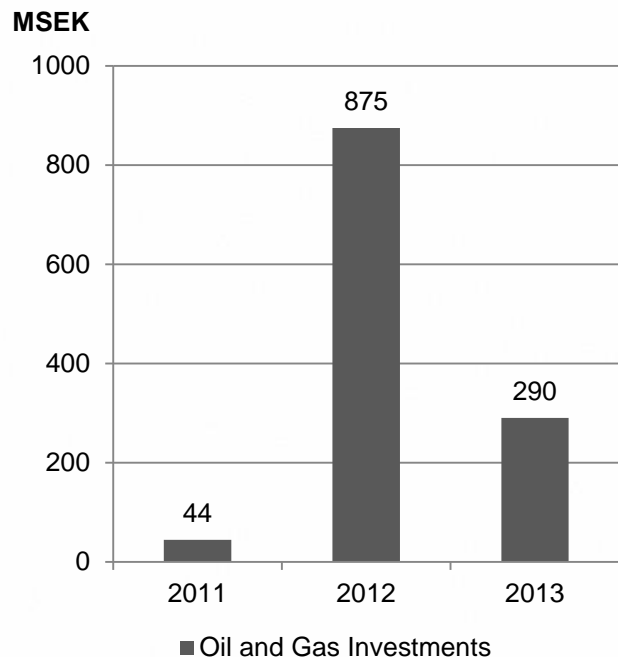
- Result is up 86% Q-o-Q mainly due to strong sales development, lower opex and a decrease in underlift position
- The financial result of the first half 2014 is affected by the bond redemption with extra ordinary effect of MSEK 23

# Balance Sheet Q2 2014

<b>(MSEK)</b>	<b>2014-06-30</b>	<b>2014-03-31</b>	<b>2013-12-31</b>
<b>Cash</b>	<b>33</b>	<b>363</b>	<b>295</b>
<b>Long term debts</b>	<b>30</b>	<b>423</b>	<b>422</b>
<b>Net debt</b>	<b>-3</b>	<b>60</b>	<b>127</b>
<b>Total assets</b>	<b>1,367</b>	<b>1,625</b>	<b>1,563</b>
<b>Shareholders' equity</b>	<b>1,284</b>	<b>1,127</b>	<b>1,100</b>

- A four-year, up to MUSD 100, senior revolving reserve based lending facility signed to optimize and reduce financing costs, and to increase financial and operational flexibility
- April 2014: MSEK 400 outstanding bond redeemed at 104.50% + accrued interest

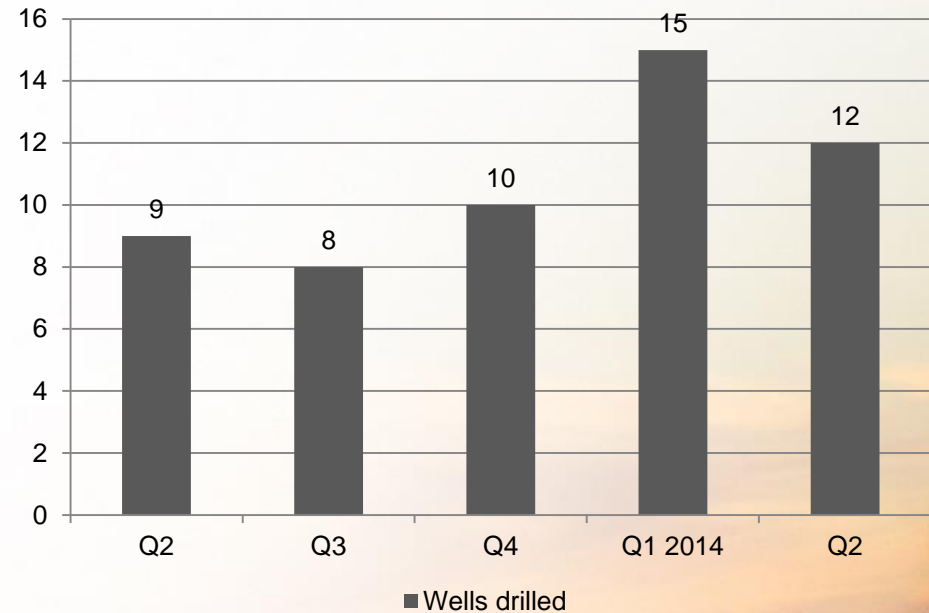
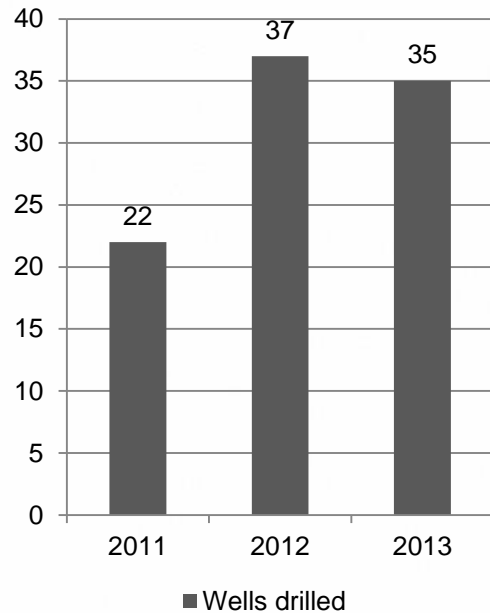
# Oil and gas investments



- Majority of investments were made on Blocks 3&4
- Focus on development, appraisal and exploration drilling
- Investments expected to be fully financed by cash flow from operations
- The investment budget for Block 3&4 2014 of MUSD 60 (approx. MSEK 400) – so far MSEK 125 invested



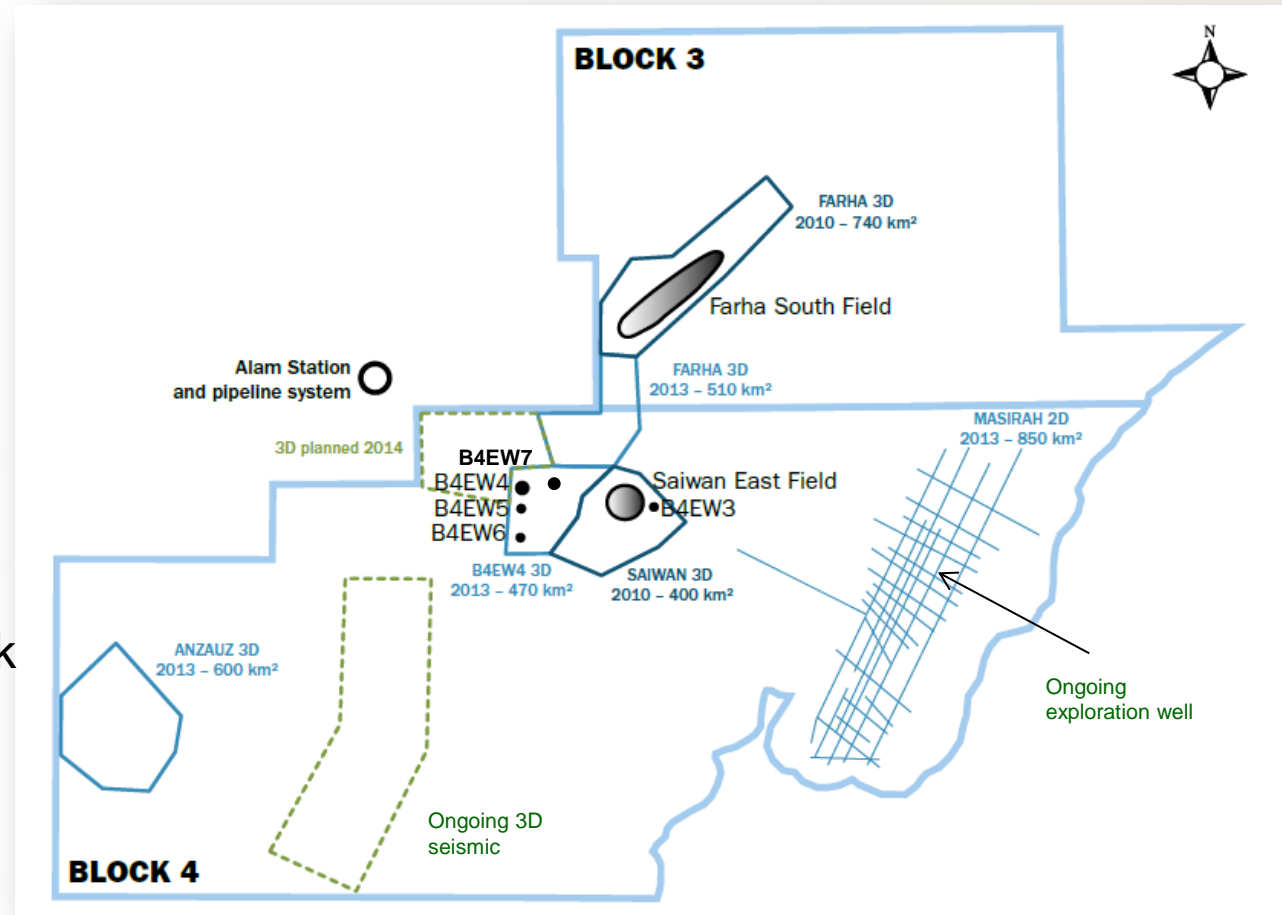
# Wells in Oman



- 12 wells drilled in Q2 2014
  - 5 appraisal/exploration wells in Block 4
  - 3 production wells and 4 water injection related wells on Farha South oil field

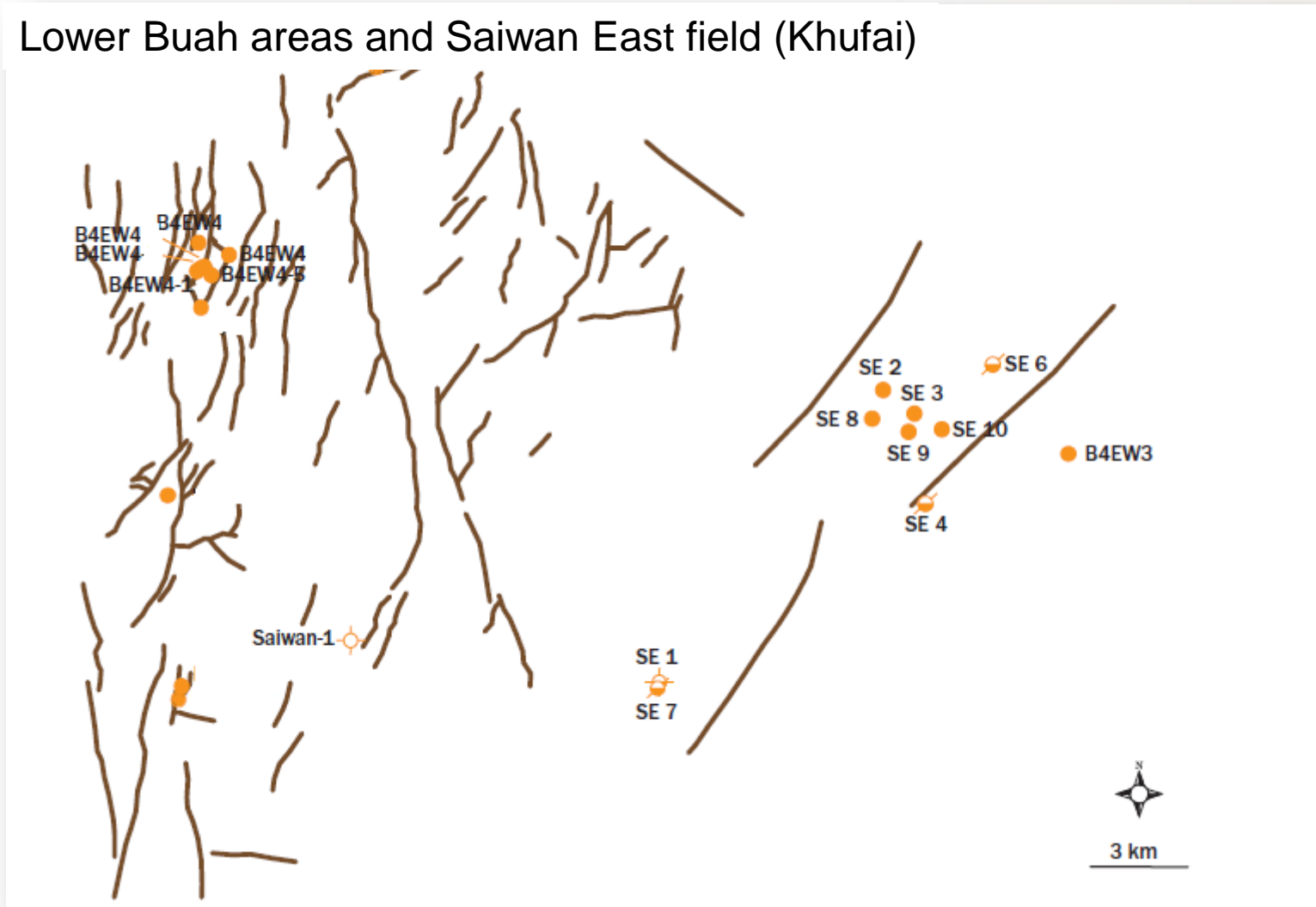
# Current activities

- Drilling on Raseiniai license in Lithuania later this year
- Farha South water injection programme nearing completion
- Exploration/appraisal in Farha South and South Farha South
- Exploration drilling of well LE-1 in eastern part of Block 4 ongoing
- Further appraisal of Lower Buah reservoir section



# Current operations

Lower Buah areas and Saiwan East field (Khufai)



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