

TETHYS OIL

First quarter report 2014



First quarter report 2014

- New production record each month during first quarter 2014
- First quarter production increase 25 per cent compared with fourth quarter 2013. Total production amounted to 608,582 barrels corresponding to 6,762 barrels per day. The increase is mainly due to continued successful appraisal in the B4EW4 area
- New oil discovery onshore Oman – Exploration well B4EW6 flows in excess of 2,200 barrels per day
- Appraisal well on area 4 (B4EW4-7) encounters oil and confirms reservoir extension to the south east
- First quarter 2014 net sales of MSEK 195 compared to MSEK 193 in fourth quarter 2013. Net sales has not kept up with production increase which has created an increased underlift position at 31 March 2014 compared to 31 December 2013
- Net result after tax first quarter 2014 of MSEK 58 compared to MSEK 45 during fourth quarter 2013. OPEX and the depletion rate is higher during first quarter 2014, but the exploration costs during the fourth quarter 2013 still result in an increase in result on a quarter to quarter basis
- First quarter 2014 earnings per share before and after dilution of SEK 1.62 compared to SEK 1.26 during fourth quarter 2013
- Tethys Oil signed a four year, up to MUSD 100, senior revolving reserve based lending facility with BNP Paribas. The lending facility will reduce and optimize the financing costs as well as increasing operational and financial flexibility

Subsequent events

- In April 2014, Tethys Oil completed the early redemption of the MSEK 400 bond loan. To redeem the bond loan, Tethys Oil paid 104.50 per cent of the nominal amount and accrued interest to all bond holders. The payment was made 7 April 2014

MSEK (unless specifically stated)	First quarter 2014	Fourth quarter 2013	First quarter 2013	Change, % Q1 2014 to Q4 2013
Production, before government take (bbl)	608,582	499,028	368,481	22%
Average daily production, before government take (bbl)	6,762	5,424	4,094	25%
Net sales, after government take (bbl)	280,782	271,175	209,538	4%
Average selling price per barrel, USD	106.56	108.47	107.63	-2%
Net sales of oil and gas	195	193	146	1%
Operating result	83	52	124	60%
EBITDA	130	148	152	-12%
Result for the period	58	45	105	29%
Earnings per share before and after dilution, SEK	1.62	1.26	2.94	29%
Cash and cash equivalents	363	295	270	23%
Investments	45	80	35	-44%

Tethys Oil is a Swedish energy company focused on exploration and production of oil and natural gas. Tethys Oil's core area is Oman, where the company is one of the largest onshore oil and gas concession holders. Tethys Oil also have exploration and production assets onshore Lithuania and France. The shares are listed on NASDAQ OMX Stockholm (TETY).

Dear Friends and Investors

25%. That is our production increase compared to the final quarter last year. The comprehensive drilling programme is paying off and lead times from discovery to production remain excellent. The appraisal well B4EW4-7 on area 4 encountered oil and confirmed reservoir extension to the south east. Another appraisal well is currently on-going so sooner or later we will find out where the B4EW4 reservoir structure ends. Let us hope it is later rather than sooner. We are appraising the area 6 (B4EW6) discovery and we are drilling another Lower Buah exploration well. And we expect to start drilling our first Masirah Graben exploration well later in the second quarter. But amid all this activity, let us stop to scrutinize the first quarter in a little more detail.

Average daily production for the quarter of 6,762 bopd was the highest quarterly production number in the company's history. Oil prices were almost flat compared to the previous quarter and we report an average selling price of USD 107 per barrel. Our net sales of MSEK 195 are also record high, but the sales could have been higher. Timing issues in sales have again resulted in higher production than sales volumes and we leave the quarter in an underlifted position of over 43,000 barrels. As for the bottom line, we are happy to report a result for the first quarter of MSEK 58.

All in all, a total of 15 wells were completed on Blocks 3 and 4 during the first quarter 2014. The development of the water injection system in the Barik layer on the Farha South oil field has also continued and further strengthened and stabilized the production from the field.

In Lithuania, the 3D seismic on Raseiniai license show promise. More than a dozen potentially oil bearing reefal structures have been identified. Drilling is expected to start after the summer, and if luck stays with us, Lithuanian reserves and production could also increase.

Financially, we have strengthened our balance sheet and signed a four year, up to MUSD 100, senior revolving reserve based lending facility. The lending facility will reduce and optimize the financing costs as well as increase our operational and financial flexibility. The MSEK 400 bond loan has been redeemed.

The numbers underscores that we are in a better position than ever before. Our financial numbers are at record levels. Our production is at record levels. Drilling activity is at record levels. And the number of shareholders are at record levels. So welcome on-board and stay with us.



Stockholm in May 2014

Magnus Nordin
Managing Director

25% *increase in average daily production quarter on quarter*

65% *increase in average daily production compared with first quarter 2013*

Financial and operational review¹

Production and net sales

Production

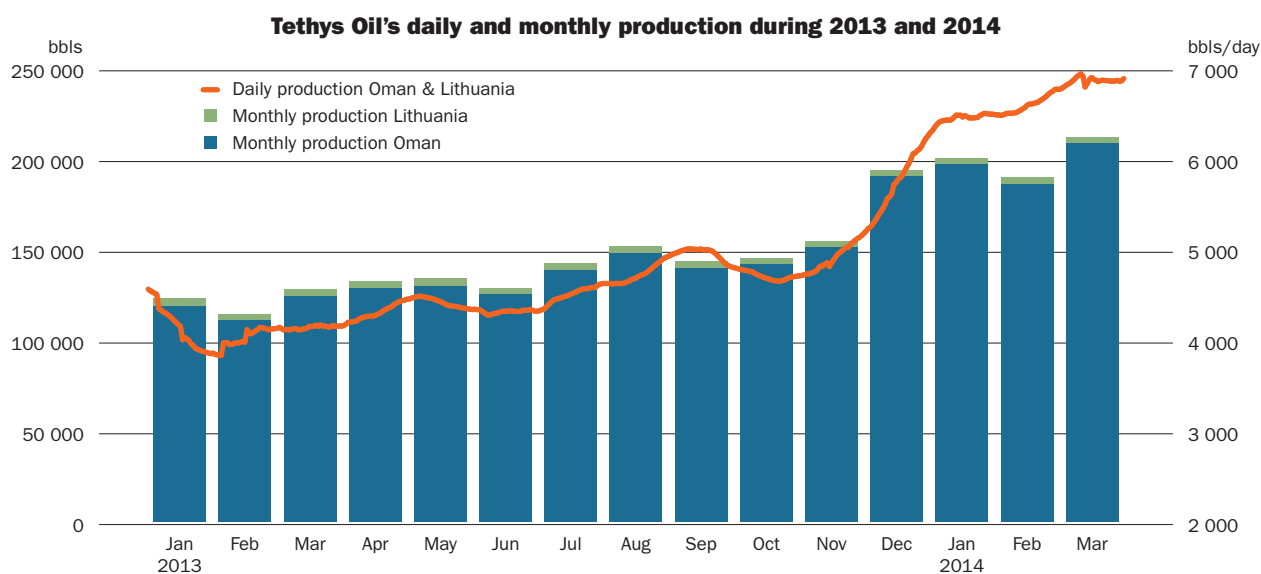
Tethys Oil's primary production comes from onshore Oman where the company has 30 per cent interest in Blocks 3 and 4. Through an indirect interest of 25 per cent of Gargzdai Lithuania, Tethys Oil has supplemental production.

Production from Block 3 and 4 onshore Oman comes from two fields – the Farha South and Saiwan East oil fields. Continued implementation of the water injection programme has increased Farha South production, but more important from a production increase point of view is the continued successful exploration and appraisal results from the Lower Buah structures within the exploration areas on Block 4. Production from Oman accounts for 97% of total production.

During the first quarter 2014, the Blocks 3&4 Joint Venture's share of production has continued to be 52 per cent of total production, which is the highest possible share of production according to the terms of the EPSA. Tethys Oil's share of the Joint Venture is 30 per cent. For further information regarding Tethys Oil's share of production, please refer to the Annual Report 2013. The high share of production will remain as long as there are remaining recoverable costs, which are created through further investments in the blocks. The estimated recoverable costs as per 31 March 2014, net to Tethys Oil, amounts to MUS\$ 70.

Production from the Gargzdai licence in western Lithuania is in line with the previous quarter mainly due to infill wells, which have stabilized production. Tethys Oil's interest in Gargzdai is held indirectly through Odin Energi A/S, an associated Danish company.

Quarterly volumes, before government take	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
<i>Tethys' share of quarterly production, (bbl)</i>					
Oman, Block 3&4					
Production	597,979	488,522	430,763	387,734	356,050
Average daily production	6,644	5,310	4,682	4,261	3,956
Lithuania, Gargzdai					
Production	10,603	10,507	11,589	12,105	12,432
Average daily production	118	114	126	133	138
Total production	608,582	499,028	442,352	399,839	368,482
Total average daily production	6,762	5,424	4,808	4,394	4,094



1 The consolidated financial statements of the Tethys Oil Group (Hereafter referred to as "Tethys Oil" "Tethys" or the "Group"), where Tethys Oil AB (publ) (the "Company") with organisational number 556615-8266 is the parent company, are hereby presented for the first quarter 2014. Segments of the Group are geographical markets.

Net sales

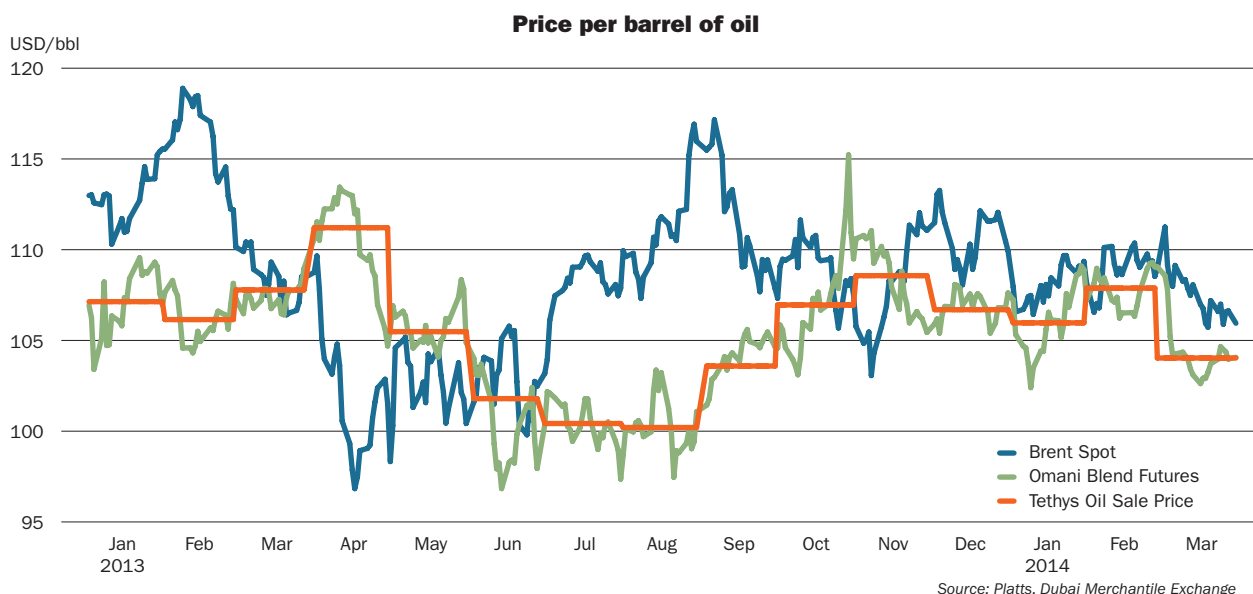
During the first three months 2014, Tethys Oil sold 280,782 barrels of oil after government take from Block 3 and 4 in Oman compared to 271,175 during fourth quarter 2013. This resulted in net sales during the first quarter 2014 of MSEK 195 compared to MSEK 193 during the fourth quarter 2013. The average selling price per barrel amounted to USD 107 per barrel during the first quarter 2014 compared to USD 108 per barrel during the fourth quarter 2013.

Sold volumes and net sales have not kept up with the very strong production increase of 25 per cent from the fourth quarter 2013 to the first quarter 2014. This has resulted in an increased underlift

position, from 13,261 barrels as per 31 December 2013 to 43,428 barrels as per 31 March 2014.

The SEK/USD exchange rate has been stable between the fourth quarter 2013 and first quarter 2014 with less than 1 per cent appreciation of the SEK in relation to USD.

The selling price received by Tethys Oil is determined for each calendar month based on the monthly average price of the two month future contract of Omani blend (see chart below) as traded on Dubai Mercantile Exchange. During the first quarter 2014, prices have been trading between high levels of USD 109 per barrel and low levels of USD 102 per barrel. First quarter 2014 prices are in line with the previous quarter.



Result

Tethys Oil reports a net result after tax for the first quarter 2014 of MSEK 58, representing earnings per share of SEK 1.62. The result for the first quarter 2014 is up 29 per cent compared to the fourth quarter 2013 mainly due to negative effect of exploration costs of MSEK 55 during the fourth quarter 2013. The result for the first quarter 2014 is 45 per cent lower than the first quarter 2013 which was affected by a bonus received from Mitsui following the approval of the Field development plan.

Net profit from associated companies

Tethys Oil holds indirect interest in the three Lithuanian licences; Gargzdai, Rietavas and Raseiniai. Tethys Oil holds a share in these licences through the interests in associated companies Jylland Olie and Odin Energi. Total result from Tethys Oils shares in associated companies Odin Energi and Jylland Olie during the first quarter 2014 amounted to MSEK 1 compared to MSEK -1 during the fourth quarter 2013.

Net financial result

The result for the first quarter 2014 has been impacted by net foreign exchange losses and interest on long term debt. The currency exchange effect of the group amounts to MSEK -11 and most of the effect relates to the weaker US dollar in relation to the Swedish krona. Currency translation differences between the parent

company and subsidiaries are non cash related items. Interest on long term debt amounted to MSEK -10. The currency exchange effect and interest on long term debt is part of net financial result amounting to MSEK -25 for the first quarter.

Depletion, depreciation and amortisation

Depletion, depreciation and amortisation (“DD&A”) for the first quarter 2014 amounted to MSEK 48 compared to MSEK 41 for the fourth quarter 2013. Higher DD&A is referable to depletion of oil and gas properties which furthermore only relate to Blocks 3&4. The depletion development between first quarter 2014 and the previous quarter is explained by the higher production. The production has increased faster than reserves have been verified creating a higher proportion of depletion.

Operating expenses

Operating expenses (OPEX) amounted during the first quarter 2014 to MSEK 59 compared to MSEK 37 during the fourth quarter 2013. Operating expenses are related to oil and gas production on Block 3 and 4 in Oman, for example expenses for trucking, tariffs, supervision and administration etc. Furthermore, over and underlift adjustments are made within the Operating expenses category, in accordance with Tethys Oil’s accounting principles. Due to an underlift position as per 31 March 2014 amounting to 43,428 barrels, the Operating expenses during the first quarter

2014 have been reduced by MSEK 3. The increase in Operating expenses between the quarters is due to late incoming expenses from 2013 affecting first quarter 2014. A similar development was seen during first quarter 2013 where Operating expenses amounted to MSEK 57, which is more in line with first quarter 2014 and also high due to late incoming expenses from previous year.

Administrative expenses

Administrative expenses amounted to MSEK 6 for the first quarter 2014 compared to MSEK 8 during fourth quarter 2013. Administrative expenses are mainly salaries, rents, listing costs and outside services.

Investments and work program

Omani assets

During the first quarter 2014, investments amounting to MSEK 43 were made on Blocks 3 & 4. A total of 15 wells were completed during the quarter.

The Farha South oil field

The water injection programme on Farha South continued with six water injector wells and two water source wells completed. Four production wells were also drilled. One well was drilled in a previously undrilled fault block along the Farha trend. The well discovered oil and has been put into production.

The Lower Buah exploration areas on Block 4

The appraisal of the area 4 structure (B4EW4) has continued. The seventh well (B4EW4-7) on the structure, confirmed the extension of the Lower Buah reservoir to the south east. The new well has been hooked up to the production equipment.

An exploration well on area 6 (B4EW6) was completed and tested in the first quarter. The area 6 structure was previously undrilled and is located approximately 13 kilometres south of area 4. The well flowed on test in excess of 2,200 bopd on a 32/64 inch choke from the Lower Buah formation. The well is hooked up to the production system to undergo a long term production test.

Area 4 appraisal continues and a well to appraise the north eastern extension of the structure, is in progress. Drilling to appraise the area 6 structure (B4EW6) is also ongoing, as is a well to explore a previously undrilled Lower Buah structure in area 7 north east of area 4.

Currency exchange effects

The book value of oil and gas properties includes currency exchange effects of MSEK -33 during the first quarter 2014, which are not cash related items and therefore not included in investments. For more information please see above under *Result – Net financial result*.

Lithuanian assets

Tethys Oil's interests in three Lithuanian licences are held through two private Danish companies. For more information regarding the ownership structure, please refer to note 7. As per 31 March 2014 the shareholding in the two associated Danish companies, Odin Energi and Jylland Olie, amounted to MSEK 185.

Tethys Oil's share of net profit during the first quarter 2014 from Odin Energi and Jylland Olie, which indirectly hold the Lithuanian licences, amounted to MSEK 1 compared to MSEK -1 during fourth quarter 2013. The first quarter 2014 result was mainly generated from selling 10,969 barrels (Tethys Oil's indirect share) at an average price of USD 111 per barrel, compared to 9,970 barrels at an average price of USD 117 per barrel during the fourth quarter 2013. Tethys Oil expects part of the cash flow from the indirectly held Lithuanian interests to be distributed to Tethys Oil in form of a dividend.

During the quarter, infill wells have been drilled on the Gargzdai licence in order to stabilize/increase the production. The drilling of infill wells has continued during the second quarter.

On the Rietavas licence, the exploration well Kalnujai-1 has been drilled in the southern part of the licence. The work programme

Summary of oil and gas interests (MSEK):

Country	Licence name	Tethys Oil, %	Total area, km ²	Partners (operator in bold)	Book value 31 Mar 2014	Book value 31 Dec 2013	Investments Jan-Mar 2014
Oman	Block 15	40%	1,389	Odin Energy , Tethys Oil	2	0.2	2
Oman	Block 3,4	30%	34,610	CCED , Mitsui, Tethys Oil	974	1,011	43
France	Attila	40%	1,986	Galli Coz , Tethys Oil	-	-	0
France	Alès	37.5%	215	Tethys Oil , MouvOil	-	-	-
Lithuania	Gargzdai ²	25%	884	Odin , GeoNafta, Tethys Oil	-	-	-
Lithuania	Rietavas ²	14%	1,594	Chevron , Odin, Tethys Oil	-	-	-
Lithuania	Raseiniai ²	26%	1,535	Odin , Tethys Oil, private investors	-	-	-
New ventures					0.2	0.2	0
Total			42,794		977	1,012	45

2 The interest in the three Lithuanian licences are indirectly held through a shareholding in two Danish private companies, which in turn hold shares in Lithuanian companies holding 100 per cent of the licences. The two Danish companies, Odin Energi and Jylland Olie, are not consolidated in Tethys Oils financial statements due to the ownership structure, which is why there are no oil and gas properties related to the licences. The ownership of Jylland Olie and Odin Energi are presented in the balance sheet under Shares in associated companies. Regarding licences Rietavas and Raseiniai, the two Lithuanian holding companies are undergoing reconstruction. Presented in the table is the indirect ownership expected after the reconstruction. As per 31 March 2014 the indirect ownership was 11 per cent and 21 per cent in Rietavas and Raseiniai respectively.

has during the first quarter further been focused on analysis and interpretation of cores.

The 3D seismic study, covering an area of 80 square kilometres on the Raseiniai license, has been completed and interpreted. More than a dozen reefal prospects have been identified. These will be further studied and ranked for prospectivity during the second quarter with a view to start a drilling campaign within the Raseiniai license during the third quarter.

Liquidity and financing

Cash and bank as per 31 March 2014 amounted to MSEK 363 compared to MSEK 295 as per 31 December 2013.

The increase in liquidity is explained by the positive cash flow for the first quarter 2014. All investments have been financed by funds generated from operations.

The development of Block 3 and 4 continues, with a main focus on exploration, appraisal and a water injection programme to enhance production. Lead times to bring discoveries to production remains very short. Tethys Oil's share of the total Joint Venture investment budget for 2014 on Blocks 3&4, amounts to around MSEK 400. The investment budget is expected to be fully financed by cash flow from operations.

Tethys Oil's operations in Lithuania is expected to continue to be self-financed from oil production on the Gargzdai licence and financed by Chevron on the Rietavas licence.

A large part of cash and cash equivalents are kept in USD which has depreciated against SEK during the reporting period. The currency exchange effect on cash and cash equivalents amounted during first quarter 2014 to MSEK -12.

As per 31 March 2014, Tethys Oil has an outstanding bond loan with nominal amount MSEK 400. In February 2014, it was announced that Tethys Oil signed a four-year, up to MUSD 100, senior revolving reserve based lending facility with BNP Paribas. Security for the facility is the interest in the Block 3&4 licence. In connection with the first drawdown of the facility, Tethys exercised its option for early redemption of the bonds and redeemed all outstanding bonds. The early redemption price was 104.50 per cent of the nominal amount of the bonds plus accrued unpaid interest. The payment and redemption occurred 7 April 2014, ie after the reporting period. The initial commitment of the facility is MUSD 50. The interest rate of the facility will be floating, and be in the range of LIBOR + 3.75 per cent to LIBOR + 4.00 per cent per annum, depending on the level of utilization of the facility.

Derivative instruments

As per 31 March 2014, Tethys Oil holds oil price put options (Brent) amounting to MSEK 2. The total numbers of put options are 585,000, equalling 65,000 options per month from April to December 2014. The options will expire each month and all have strike price USD 90 per barrel, where one option equals the right to sell one barrel. The put options were acquired to secure oil price at USD 90 per barrel without limiting upside potential should oil prices be higher at each monthly lifting. The acquisition of put options was made to match expected expenditures 2014. The average premium paid was USD 1.37 per barrel. The value of the put options as per 31 December 2013 amounted to MSEK 5 and during the first quarter 2014, 195,000 options have expired.

Parent company

The Parent company reports a net result after tax for the first quarter 2014 amounting to MSEK -21 compared to MSEK -68 for the fourth quarter 2013. Administrative expenses amounted to MSEK -4 for the first quarter 2014 compared to MSEK -5 for the fourth quarter 2013. Net financial loss amounted to MSEK -20 during the first quarter 2014 compared to MSEK -64 for the fourth quarter 2013, which was significantly impacted by write down of shares in subsidiaries. Interest paid on the bond loan and the weaker US dollar has had a negative impact on net financial result during the first quarter 2014. The exchange rate losses regard translation differences and are non cash related. Investments during the first quarter 2014 amounted to MSEK 5. Financial investments are financial loans to subsidiaries for their oil and gas operations. The turnover in the Parent company relates to chargeouts of services to subsidiaries.

Annual General Meeting

The Annual General Meeting 2014 will be held 15.00, 14 May 2014 at Van der Nootska Palatset, Stockholm.

Share data

As per 31 March 2014, the number of outstanding shares in Tethys Oil amount to 35,543,750, with a quota value of SEK 0.17. All shares represent one vote each. Tethys Oil does not have any incentive program for employees. There has been no change in the number of shares since 31 December 2013.

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 14.

Subsequent events

- In April 2014, Tethys Oil completed the early redemption of the MSEK 400 bond loan. To redeem the bond loan, Tethys Oil paid 104.50 per cent of the nominal amount and accrued interest to all bond holders. The payment was made 7 April 2014.

Consolidated statement of comprehensive income in summary

TSEK	Note	First quarter 2014	Fourth quarter 2013	First quarter 2013
Net sales of oil and gas	2,3	194,695	193,138	146,229
Depletion, depreciation and amortisation	4	-47,801	-40,969	-28,163
Exploration costs	4	-32	-55,275	-
Other income	6	-	121	64,839
Operating expenses	5	-59,233	-36,835	-56,573
Net profit/loss from associates	8	1,148	-751	2,777
Other losses/gains, net		-1	-3	18
Administrative expenses		-6,238	-7,538	-5,034
Operating result		82,536	51,889	124,092
Financial income and similar items		13	1,187	492
Financial expenses and similar items	10	-24,862	-8,445	-20,017
Net financial loss/profit		-24,849	-7,258	-19,524
Result before tax		57,687	44,630	104,567
Income tax		1	-1	-23
Result for the period		57,688	44,630	104,544
Other comprehensive result				
Items that may be subsequently reclassified to profit or loss:				
Currency translation differences		-31,406	8,828	-15,872
Other comprehensive result for the period		-31,406	8,828	-15,872
Total comprehensive result for the period		26,282	53,458	88,672
Number of shares outstanding	9	35,543,750	35,543,750	35,543,750
Number of shares outstanding (after dilution)	9	35,543,750	35,543,750	35,543,750
Weighted number of shares	9	35,543,750	35,543,750	35,543,750
Earnings per share, SEK		1.62	1.26	2.94
Earnings per share (after dilution), SEK		1.62	1.26	2.94

Consolidated balance sheet in summary

TSEK	Note	31 Mar 2014	31 Dec 2013
ASSETS			
Non current assets			
Oil and gas properties	4	976,556	1,011,559
Office equipment		1,094	1,817
Investment in associates	8	185,430	184,282
		1,163,080	1,197,658
Current assets			
Other receivables		94,404	64,935
Prepaid expenses		2,143	997
Derivative instruments		2,189	4,805
Cash and cash equivalents		362,997	295,011
		461,733	365,748
TOTAL ASSETS		1,624,813	1,563,406
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		5,924	5,924
Additional paid in capital		552,060	552,060
Other reserves		-57,932	-26,525
Retained earnings		626,595	568,908
Total shareholders' equity	9	1,126,648	1,100,366
Non current liabilities			
Bond issue	10	394,045	393,008
Provisions	11	28,607	29,226
		422,652	422,234
Current liabilities			
Accounts payable		1,265	1,274
Other current liabilities		70,728	24,977
Accrued expenses		3,520	14,556
		75,513	40,807
Total liabilities		498,165	463,040
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,624,813	1,563,406
Pledged assets	12	1,042,364	988,824
Contingent liabilities	13	-	-

Consolidated statement of changes in equity in summary

TSEK	Share capital	Paid in capital	Other reserves	Retained earnings	Total equity
Opening balance 1 January 2013	5,924	552,060	-26,585	328,723	860,122
Comprehensive income					
Result for the first quarter 2013	-	-	-	104,529	104,529
Result for the second quarter 2013	-	-	-	39,222	39,222
Result for the third quarter 2013	-	-	-	51,805	51,805
Result for the fourth quarter 2013	-	-	-	44,630	44,630
Period result	-	-	-	240,185	240,185
Other Comprehensive income					
Currency translation differences first quarter 2013	-	-	-15,872	-	-15,872
Currency translation differences second quarter 2013	-	-	1,746	-	1,746
Currency translation differences third quarter 2013	-	-	5,357	-	5,357
Currency translation differences fourth quarter 2013	-	-	8,828	-	8,828
Total other comprehensive income	-	-	59	-	59
Total comprehensive income	-	-	59	240,185	240,244
Closing balance 31 December 2013	5,924	552,060	-26,525	568,908	1,100,366
Opening balance 1 January 2014	5,924	552,060	-26,525	568,908	1,100,366
Comprehensive income					
Result for the first quarter 2014	-	-	-	57,688	57,688
Period result	-	-	-	57,688	57,688
Other Comprehensive income					
Currency translation differences first quarter 2014	-	-	-31 406	-	-31 406
Total other comprehensive income	-	-	-31 406	-	-31 406
Total comprehensive income	-	-	-31,406	57,688	26,282
Closing balance 31 March 2014	5,924	552,060	-57,932	626,595	1,126,648

Consolidated cash flow statement in summary

TSEK	Note	First quarter 2014	Fourth quarter 2013	First quarter 2013
Cash flow from operations				
Operating result		82,536	51,889	124,092
Interest received		-	414	-
Interest paid	10	-19,000	-	-19,000
Income tax		1	-1	-23
Adjustment for exploration costs	4	32	55,275	-
Adjustment for depletion, depreciation and other non cash related items	4	47,082	42,432	28,778
Total cash flow from operations before change in working capital		110,651	150,008	133,847
Change in receivables		-30,615	-12,743	-34,578
Change in liabilities		44,207	-10,287	-37,357
Cash flow from operations		124,243	126,978	61,912
Investment activity				
Investment in oil and gas properties	4	-45,348	-72,969	-33,308
Oil and gas properties from cost oil repayment	6	-	-29	-2,366
Dividend from associated companies	8	-	-	-
Investment in other fixed assets		639	-585	271
Investment in derivative instruments		-	-6,453	-
Cash flow from investment activity		-44,709	-80,036	-35,404
Financing activity				
Share issue, net after issue costs		-	-	-
Bond issue, net after issue costs		-	-	-
Cash flow from financing activity		-	-	-
Period cash flow		79,534	46,943	26,508
Cash and cash equivalents at the beginning of the period		295,011	245,550	248,038
Exchange gains/losses on cash and cash equivalents		-11,548	2,519	-4,309
Cash and cash equivalents at the end of the period		362,997	295,011	270,237

Parent company income statement in summary

TSEK	Note	First quarter 2014	Fourth quarter 2013	First quarter 2013
Net sales of oil and gas		-	-	-
Depletion, depreciation and amortisation		-25	-20	-16
Other income		2,215	1,361	735
Net profit/loss of associates	8	1,148	-751	2,777
Other losses/gains, net		-1	-3	18
Administrative expenses		-3,898	-5,459	-2,713
Operating result		-561	-4,871	800
Financial income and similar items		3,843	5,442	3,790
Financial expenses and similar items	10	-24,235	-8,283	-19,670
Write down of shares in group company		-92	-60,740	-
Net financial loss		-20,485	-63,582	-15,881
Result before tax		-21,046	-68,453	-15,080
Income tax		-	-	-
Loss for the period*		-21,046	-68,453	-15,080
Number of shares outstanding	9	35,543,750	35,543,750	35,543,750
Number of shares outstanding (after dilution)	9	35,543,750	35,543,750	35,543,750
Weighted number of shares	9	35,543,750	35,543,750	35,543,750

* 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

TSEK	Note	31 Mar 2014	31 Dec 2013
ASSETS			
Total non current assets		545,689	551,213
Total current assets		10,830	36,477
TOTAL ASSETS		556,519	587,690
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	9	157,629	178,675
Total non current liabilities	10	394,045	393,008
Total current liabilities		4,845	16,007
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		556,519	587,690
Pledged assets	12	1,042,364	988,824
Contingent liabilities	13	-	-

Parent company statement of changes in equity in summary

TSEK	Restricted equity		Non restricted equity			Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net result	
Opening balance 1 January 2013	5,924	71,071	480,989	-193,794	-82,793	281,397
Transfer of prior year net result	-	-	-	-82,793	82,793	-
Comprehensive income						
Loss for the first quarter 2013	-	-	-	-	-15,080	-15,080
Loss for the second quarter 2013	-	-	-	-	-13,853	-13,853
Loss for the third quarter 2013	-	-	-	-	-5,336	-5,336
Loss for the fourth quarter 2013	-	-	-	-	-68,453	-68,453
Period result	-	-	-	-	-102,722	-102,722
Total comprehensive income	-	-	-	-	-102,722	-102,722
Closing balance 31 December 2013	5,924	71,071	480,989	-276,587	-102,722	178,675
Opening balance 1 January 2014	5,924	71,071	480,989	-276,587	-102,722	178,675
Transfer of prior year net result	-	-	-	-102,722	102,722	-
Comprehensive income						
Loss for the first quarter 2014	-	-	-	-	-21,046	-21,046
Period result	-	-	-	-	-21,046	-21,046
Total comprehensive income	-	-	-	-	-21,046	-21,046
Closing balance 31 March 2014	5,924	71,071	480,989	-379,309	-21,046	157,629

Notes

General information

Tethys Oil AB (publ) ("the Company"), organisation number 556615-8266, and its subsidiaries (together "the Group" or "Tethys Oil") are focused on exploration for and production of oil and natural gas. The Group has interests in exploration licences in Oman, Lithuania and France.

The Company is a limited liability company incorporated and domiciled in Stockholm, Sweden. The Company is listed on NASDAQ OMX Stockholm.

Accounting principles

The three months report 2014 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The three months report 2014 of the Parent company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2 – "Accounting for legal entities", issued by the Swedish Financial Accounting Standards Council. The same accounting principles were used in the Annual report 2013.

Exchange rates

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

Currency	31 March 2014		31 December 2013	
	2014	2014	2013	2013
	Average	Period end	Average	Period end
SEK/CHF	7.31	7.30	7.05	7.40
SEK/EUR	8.94	8.89	8.68	9.03
SEK/LTL	2.59	2.57	2.52	2.55
SEK/USD	6.51	6.38	6.52	6.58

Effect of currency exchange rates on operating result

Comparison with first quarter 2013, TSEK

Net sales of oil and gas	691
Depreciation, depletion and amortization	-170
Exploration costs	-
Other income	-
Operating expenses	-210
Net profit/loss from associate	-
Other losses/gains, net	-
Administrative expenses	-13
Summary of currency exchange rate effect on operating result	299

The table above presents the currency exchange effect on operating result compared with 2013, by applying the average exchange rate of first quarter 2013 on first quarter 2014 accounts.

Fair value

The nominal value of accounts payables, cash and bank and accounts receivables is a fair approximation of those line items. The nominal amount of the bond loan was TSEK 400,000 and issued at a fixed annual interest rate of 9.50 per cent.

31 March 2014			
TSEK	Financial assets and liabilities at fair value through profit or loss	Other receivables and cash and bank	Other liabilities
Other receivables	-	94,404	-
Cash and bank	-	362,997	-
Derivative instruments*	2,189	-	-
Debt	-	-	394,045
Accounts payables	-	-	1,265
Other current liabilities	-	-	70,728

31 December 2013			
TSEK	Financial assets and liabilities at fair value through profit or loss	Other receivables and cash and bank	Other liabilities
Other receivables	-	64,935	-
Cash and bank	-	295,011	-
Derivative instruments	4,805	-	-
Debt	-	-	393,008
Accounts payables	-	-	1,274
Other current liabilities	-	-	24,977

* Note that Derivative instruments are put options. These instruments can be sold and are categorized as level 2 in accordance with IFRS 7. The valuation is made based on available market prices of the Brent oil price.

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 partly commercially producing oil and partly exploring for and appraising undeveloped known oil and/or natural gas accumulations. The operational risk is different in these different parts of Tethys Oil's operations. The main operational risk in exploration and appraisal activities is that the activities and investments made by Tethys Oil and its partners will not evolve into commercial reserves of oil and gas. The oil price is of significant importance to Tethys Oil in all parts of operations as income and profitability is and will be dependent on prices prevailing from time to time. Significantly lower oil prices will reduce current and expected profitability in projects and can make projects sub economic. Lower oil prices could also decrease the industry interest in Tethys Oil's projects regarding farmout or sale of assets. As per 31 March 2014, Tethys Oil owns 585,000 put options, equalling 65,000 options per month from April to December 2014. These put options have a strike price of USD 90 per barrel to secure oil price during 2014 without limiting any upside potential should market oil prices be higher. These put options therefore reduce the oil price risk during 2014 significantly.

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

Financial risk

By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. Income is and will also most likely be denominated in foreign currencies, US dollars in particular. Furthermore, Tethys Oil has

since inception been equity financed through share issues and financed by asset divestment. Additional capital may be needed to finance Tethys Oil's future operations and/or for acquisition of additional licences. The main risk is that this need may occur during less favourable market conditions.

A more detailed analysis of the Group's risks and uncertainties and how the Group addresses these risks, are given in the Annual report for 2013.

Note 2, Net sales of oil and gas

Net sales	First quarter 2014	Fourth quarter 2013	First quarter 2013
Barrels sold, bbl	280,782	271,175	209,538
Net sales, TSEK	194,695	193,138	146,229
Oil price, USD/bbl	106.56	108.47	107.63

Tethys Oil is selling all of its oil through 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.

Note 3, 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-Mar 2014								
TSEK	Dubai	France	Lithuania	Oman	Sweden	Switzerland	Other	Total
Net sales	-	-	-	194,695	-	-	-	194,695
Depreciation, depletion and amortisation	-14	-	-	-47,762	-25	-	-	-47,801
Exploration costs	-	-31	-	-	-	-	-1	-32
Other income	-	-	-	-	-	-	-	-
Operating expenses	-	-	-	-59,233	-	-	-	-59,233
Net profit/loss from associates	-	-	1,148	-	-	-	-	1,148
Other losses/gains, net	-	-	-	-	-1	-	-	-1
Administrative expenses	-1,202	-	-	-1,087	-3,898	-3	-47	-6,238
Operating result	-1,216	-31	1,148	86,612	-3,924	-3	-48	82,536
Total financial items								-24,849
Result before tax								57,687
Income tax								1
Result for the period								57,688

Group income statement Jan-Mar 2013								
TSEK	Dubai	France	Lithuania	Oman	Sweden	Switzerland	Other	Total
Net sales	-	-	-	146,229	-	-	-	146,229
Depreciation, depletion and amortisation	-13	-	-	-27,989	-16	-146	-	-28,163
Exploration costs	-	-	-	-	-	-	-	-
Other income	-	-	-	64,839	-	-	-	64,839
Operating expenses	-	-	-	-56,573	-	-	-	-56,573
Net profit/loss from associates	-	-	2,777	-	-	-	-	2,777
Other losses/gains, net	-	-	-	-	18	-	-	18
Administrative expenses	-1,116	-	-	-736	-2,697	-447	-37	-5,034
Operating result	-1,130	-	2,777	125,770	-2,695	-593	-37	124,092
Total financial items								-19,524
Result before tax								104,567
Income tax								-23
Result for the period								104,544

Note 4, Oil and gas properties

Country	Licence name	Phase	Expiration date	Remaining commitments	Tethys Oil	Partners (operator in bold)
Oman	Block 15	Exploration	Oct 2014	None	40%	Odin Energy , Tethys Oil
Oman	Block 3,4	Production	Jul 2040	None	30%	CCED , Mitsui, Tethys Oil
France	Attila	Exploration	2015	None	40%	Galli Coz , Tethys Oil
France	Alès	Exploration	2015	MUSD 1.5 ⁴	37.5%	Tethys Oil , MouvOil
Lithuania	Gargzdai ⁵	Production	No expiration date	None	25%	Odin , GeoNafta, Tethys Oil
Lithuania	Rietavas ⁵	Exploration	Sep 2017	MLTL 6.2	14%	Chevron , Odin, Tethys Oil, private investors
Lithuania	Raseiniai ⁵	Exploration	Sep 2017	MLTL 6.6	26%	Odin , Tethys Oil, private investors

TSEK	31 Mar 2014	31 Dec 2013
Producing cost pools	974,330	1,011,151
Non-producing cost pools	2,225	409
Total oil and gas properties	976,556	1,011,559

Country	Asset type	Other non-cash adjustments		Currency exchange diff		Exploration costs		Investments	
		Book value 31 Mar 2014	1 Jan-31 Mar 2014	1 Jan-31 Mar 2014	2014	1 Jan-31 Mar 2014	2014	1 Jan-31 Mar 2014	2014
Oman Block 3&4	Producing	974,330	-	-32,520	-47,717	-	43,417	1,011,151	
Oman Block 15	Non-producing	2,040	-	-	-	-	1,874	248	
France Attila	Non-producing	-	-	-	-	-31	31	-	
France Alès	Non-producing	-	-	-	-	-	-	-	
New ventures	Non-producing	185	-	-82	-	-1	25	161	
Total		976,556	-	-32,602	-47,717	-32	45,348	1,011,559	

Country	Asset type	Other non-cash adjustments		Currency exchange diff		Exploration costs		Investments	
		Book value 31 Dec 2013	1 Jan-31 Dec 2013	1 Jan-31 Dec 2013	2013	1 Jan-31 Dec 2013	2013	1 Jan-31 Dec 2013	2013
Oman Block 3&4	Producing	1,011,151	2111	-4,915	-137,195	-	263,080	889,970	
Oman Block 15	Non-producing	248	-	-4	-	-51,357	24,666	26,943	
France Attila	Non-producing	-	-	-	-	-674	674	-	
France Alès	Non-producing	-	-	-	-	-211	211	-	
Sweden Gotland	Non-producing	-	-	-	-	-2,498	101	2,397	
New ventures	Non-producing	161	-	-	-	-1,405	1,352	214	
Total		1,011,559	211	-4,918	-137,195	-56,146	290,084	919,523	

TSEK	1 Jan 2014-31 Mar 2014	1 Jan 2013-31 Dec 2013
Investments Block 3&4	3 months	12 months
Drilling – Exploration/Appraisal	12,121	58,319
Drilling – Development	24,494	103,350
G&G	3,171	67,252
Facilities	4,691	60,978
Pipeline	5,274	4,787
Mitsui repayment	-	15,575
Tethys sole cost	1,331	2,759
Other capex	-2,058	-1,191
Accruals	-5,608	-48,749
Total Investments Block 3&4	43,417	263,080

TSEK	31 Mar 2014	31 Dec 2013
Oil & gas assets Block 3&4	Closing balances	
Drilling – Exploration/Appraisal	127,984	119,543
Drilling – Development	363,645	349,923
G&G	109,324	109,524
Facilities	355,612	362,068
Pipeline	77,512	74,532
Mitsui repayment	126,435	134,960
Tethys sole cost	22,899	22,253
Other capex	27,346	28,215
Accruals	-4,401	1,246
Accumulated depreciation	-232,026	-191,113
Total oil and gas properties Block 3&4	974,330	1,011,151

3 In accordance with the licence terms, Tethys Oil has in connection with the licence extension filed a mandatory application of relinquishment of part of the licence which is still pending approval from French authorities.

4 Tethys Oil has a commitment towards the partner MouvOil and the French authorities to pay for seismic and drilling. The work is estimated to amount to MUSD 1.5.

5 The interest in the three Lithuanian licences are indirectly held through a shareholding in two Danish private companies, which in turn hold shares in Lithuanian companies holding 100 per cent of the licences. The two Danish companies, Odin Energi and Jylland Olie, are not consolidated in Tethys Oils financial statements due to the ownership structure, which is why there are no oil and gas properties related to the licences. The ownership of Jylland Olie and Odin Energi are presented in the balance sheet under Shares in associated companies. Regarding licences Rietavas and Raseiniai, the two Lithuanian

Note 5, Operating expenses

TSEK	First quarter	Fourth quarter	First quarter
Operating expenses	2014	2013	2013
General & Administrative	-	-10,813	-
Production cost Early Production Facilities	-	-	-
Production cost Permanent Production Facilities	-	-26,324	-
Well workovers	-	-7,326	-
Over- / Underlift	2,536	-1,701	-16,428
Other	-	-2,599	-
Accruals	-48,329	11,952	-26,799
Transferred costs from previous year	-13,440	-25	-13,346
Total	-59,233	-36,835	-56,573

Note 6, Other income

In accordance with the farmout agreement with Mitsui from 2010, Tethys Oil received from Mitsui a bonus amounting to MSEK 65 (MUSD 10) as commercial production exceeded 10,000 bopd for 30 consecutive days and following the approval of the Field Development Plan ("FDP") December 2012. The bonus was received during the first quarter 2013.

Parts of the administrative expenses in Tethys Oil are charged to oil and gas projects where the expenditures are capitalised. In case of Tethys Oil being

the operator, these administrative expenditures are, through the above, also funded by the partners. The chargeout to the projects where Tethys Oil is operator is presented in the consolidated income statement as *Other income*. All other internal chargeouts are eliminated in the consolidated financial statements.

Note 7, Derivative instruments

As per 31 March 2014, Tethys Oil holds oil price put options (Brent) amounting to TSEK 2,189 (4,805). The total numbers of put options are 585,000, equalling 65,000 options per month from April to December 2014. The options will expire for each month and all have strike price USD 90 per barrel. The put options were acquired to secure oil price at USD 90 per barrel without limiting upside potential should oil prices be higher.

The value of the put options are based on a fair market value at the end of a reporting period and any change to the previous valuation will be accounted for as a financial income or financial expenditure. The put options are acquired to secure oil price and thereby sales and hedge accounting in accordance with IAS 39 will not be applicable.

Note 8, Associates

Tethys Oil holds an indirect interest of three Lithuanian companies holding three licences; Gargzdai, Rietavas and Raseiniai licences. The interest is held through two Danish private companies part of the Odin Group of companies, Odin Energi and Jylland Olie. The table below presents the ownership and the result from associates as per 31 March 2014.

Tethys Oil AB	Ownership	Ownership	Ownership	Ownership
	Odin Energi	50%	Jylland Olie	42% ⁷
	UAB Minijos Nafta	50%	UAB TAN Oil	50%
	Gargzdai licence	100%	Raseiniai licence	100%
			Rietavas licence	100%
Tethys Oil's indirect interest	25%		21%⁷	11%⁷

TSEK	UAB Minijos Nafta	UAB TAN Oil
Tethys Oil's share of profit loss from associates	First quarter 2014	First quarter 2014
Gross revenue	8,801	-
Royalty	-809	-
Net revenue	7,992	-
Depreciation	-1,381	-
Appraisal/development costs	-231	-
Operating expenditures	-4,210	-
Administrative expenditures in Lithuanian company	-760	-
Operating result	1,410	-
Financial income	19	-
Financial expenditures	-80	-
Profit before tax	1,350	-
Tax	-203	-
Tethys share of net profit from associates	1,148	-
Total share of net profit from associates	1,148	-

holding companies are undergoing reconstruction. Presented in the table is the indirect ownership expected after the reconstruction. As per 31 March 2014 the indirect ownership was 11 per cent and 21 per cent in Rietavas and Raseiniai respectively.

6 Depletion, depreciation and amortisation

7 Tethys Oil's interest in Jylland Olie amounts as per 31 December 2013 to 42 per cent but will after a reconstruction of Jylland Olie amount to 40 per cent.

Tethys Oil's interest in Rietavas and Raseiniai licences are undergoing a reconstruction. Indirect interests of 14 respectively 26 per cent are expected after the reconstruction has been effectuated. The indirect interests as per 31 March 2014 are 11 respectively 21 per cent in Rietavas and Raseiniai licences.

TSEK	31 Mar 2014	31 Dec 2013
1 January	184,282	188,161
Acquisitions	-	-
Tethys share of net profit from associates	1,148	4,761
Dividend from associates	-	-8,640
Balance end of period	185,430	184,282

For an overview of the ownership structure of Tethys Oil's interest in Lithuania, please see page 42 in the Annual Report 2013.

Note 9, Shareholders' equity

As per 31 March 2014, the number of outstanding shares in Tethys Oil amounts to 35,543,750 (35,543,750), with a quota value of SEK 0.17 (0.17). All shares represent one vote each. Tethys Oil does not have any incentive program for employees.

Note 10, Non current liabilities

In September 2012, Tethys Oil issued a secured three-year bond loan of TSEK 400,000. The bonds were issued at 100 per cent of the nominal value and run with a fixed interest rate of 9.50 per cent per year. The maturity date of the bonds is 7 September 2015. The bonds are listed on NASDAQ OMX Stockholm. The transaction costs amounted to TSEK 12,447 and are depreciated during the maturity time of the bond. Non current liabilities amounted at 31 March 2014 to TSEK 394,045 compared to TSEK 393,008 at 31 December 2013.

In February 2014, it was announced that Tethys Oil signed a four-year, up to MUSD 100, senior revolving reserve based lending facility with BNP Paribas. Security for the facility is the interest in the Block 3&4 licence. In connection with the first drawdown of the facility, Tethys exercised its option for early redemption of the bonds and redeemed all outstanding bonds. The early redemption price was 104.5 per cent of the nominal amount of the bonds plus accrued unpaid interest. The payment and redemption occurred 7 April 2014, ie after the reporting period.

Note 11, Provisions

Tethys Oil estimates that Tethys Oil's share of site restoration regarding Block 3&4 amounts to TSEK 28,607 (29,226). As a consequence of this provision, oil and gas properties have increased with an equal amount.

Note 12, Pledged assets

As per 31 March 2014, pledged assets amounted to TSEK 1,042,364 (988,824). Pledged assets are mainly a continuing security with regard to the bonds where Tethys Oil has entered into a pledge agreement. The pledge relates to all shares in the subsidiary Tethys Oil Block 3&4 Ltd for the benefit of the bond holders and the value of the pledge is equal to the shareholders' equity value in Tethys Oil Block 3&4 Ltd. Of pledged assets, TSEK 500 (500) relate to a pledge in relation to office rental.

Note 13, Contingent liabilities

There are no outstanding contingent liabilities as per 31 March 2014, nor for the comparative period.

Key ratios

Group	1 Jan 2014– 31 Mar 2014 3 months	1 Okt 2013– 31 Dec 2013 3 months	1 Jan 2013– 31 Mar 2013 3 months
Operational items			
Production before government take, bbl	608,582	499,028	368,481
Production per day, bbl	6,762	5,424	4,094
Net sales after government take, bbl	280,782	271,175	209,538
Achieved oil price, USD/bbl	106.56	108.47	107.63
Items regarding the income statement and balance sheet			
Net sales, TSEK	194,695	193,138	146,229
EBITDA, TSEK	130,370	148,133	152,000
EBITDA-margin, %	66.96%	76.70%	103.95%
Operating result, TSEK	82,536	51,889	124,092
Operating margin, %	42.39%	26.87%	84.86%
Net result, TSEK	57,688	44,630	104,544
Net margin, %	29.63%	23.11%	71.49%
Cash and cash equivalents	362,997	295,011	270,237
Shareholders' equity, TSEK	1,126,648	1,100,366	948,794
Balance sheet total, TSEK	1,624,813	1,563,406	1,416,580
Capital structure			
Solvency, %	69.34%	70.38%	66.98%
Leverage ratio, %	5.29%	8.91%	12.61%
Adjusted equity ratio, %	69.34%	70.38%	66.98%
Interest coverage ratio, %	9.13	10.63	17.39
Investments, TSEK	44,709	80,036	35,404
Profitability			
Return on shareholders' equity, %	5.18%	4.16%	11.56%
Return on capital employed, %	5.37%	3.62%	9.42%
Key figures per employee			
Average number of employees	17	17	19
Number of shares			
Dividend per share, SEK	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	3.50	3.57	1.74
Number of shares on balance day, thousands	35,544	35,544	35,544
Shareholders' equity per share, SEK	31.70	30.96	26.69
Weighted number of shares on balance day, thousands	35,544	35,544	35,544
Earnings per share, SEK	1.62	1.26	2.94
Earnings per share after dilution, SEK	1.62	1.26	2.94

For definitions of key ratios please refer to the 2013 Annual Report.
The abbreviation n.a. means not applicable.

Financial calendar

Annual meeting 2014 will be held in Stockholm on 14 May 2014

Six month report 2014 (January – June 2014) on 19 August 2014

Nine month report 2014 (January – September 2014) on 4 November 2014

Year-end report 2014 (January – December 2014) on 10 February 2015

Three month report 2015 (January – March 2015) on 5 May 2015

Magnus Nordin

Managing Director

Stockholm, 6 May 2014

Tethys Oil AB (publ)

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