



28 July 2016

Genel Energy plc Unaudited results for the period ended 30 June 2016

Genel Energy plc ('Genel' or 'the Company'), the London listed exploration and production company and largest independent oil producer in the Kurdistan Region of Iraq ('KRI'), announces its unaudited half year results for the 6 months to 30 June 2016.

Results summary

| | H1 2016 | H1 2015 | FY 2015 |
|--|---------------|------------|------------|
| Production (bopd, working interest) | 56,400 | 88,800 | 84,900 |
| Revenue (\$million) | 91.1 | 199.3 | 343.9 |
| EBITDAX ¹ (\$million) | 65.9 | 158.1 | 279.4 |
| (Loss) / profit before tax (\$million) | (4.2) | 31.4 | (1,160.6) |
| EPS (cents per share) | (1.5) | 11.4 | (417.3) |
| Net cash generated from operating activities (\$million) | 79.7 | - | 71.2 |
| Capital expenditure (\$million) | 31.4 | 93.3 | 157.2 |
| Free cash flow ² (\$million) | 33.1 | (192.8) | (179.2) |
| Cash ³ (\$million) | 406.5 | 473.7 | 455.3 |
| Receivable (\$million) | 412.4 | 379.7 | 422.9 |
| Net debt (\$million) | 236.8 | 216.1 | 238.8 |

1. EBITDAX is earnings before interest, tax, depreciation, amortisation, exploration expense and impairment which is derived from revenue (\$91.1million) less production costs (\$17.2million) less general and administrative costs excluding depreciation (\$8.0 million).
2. Free cash flow is net cash generated from operating activities (\$79.7 million) less capital expenditure and associated working capital movements (\$46.6 million).
3. Cash reported at 30 June 2016 excludes \$19.5 million of restricted cash.

Activity summary

- \$119 million of cash proceeds in H1 2016, with a monthly track record of payments going back to September 2015
- Regular payments facilitated resumption of activity at Taq Taq and Tawke, with 2016 work programme showing results
- Progress made on gas business:
 - Fluor awarded Pre-FEED contract for Miran and Bina Bawi midstream
 - Baker Hughes RDS awarded Gas Development Plan contract for Miran and Bina Bawi upstream
- CS-12 well completed ahead of time and budget, testing programme underway
- Successful bond buyback in March 2016 with \$55.4 million of nominal bonds bought back for a cash consideration of \$35.4 million

Outlook

- Regular payments for KRI oil exports and domestic sales expected to continue
- Development activity at Taq Taq and Tawke to continue in H2 2016
- Peshkabar-2 appraisal well to be spudded in H2 2016
- The Company's 2016 guidance is as follows:
 - Production: 53-60,000 bopd (unchanged from 7 July 2016 operational update)
 - Revenue: \$200-230 million (previously \$200-275 million), based on a Brent oil price of \$45/bbl in 2016
 - Capital expenditure: \$90-110 million (previously \$80-120 million), of which \$70-80 million (previously \$50-90 million) is net spend at Taq Taq and Tawke (includes Peshkabar appraisal well)

Murat Özgül, Chief Executive of Genel, said:

“The receipt of nine consecutive monthly payments from the KRG, from the resumption of payments in September 2015 to the end of June 2016, has delivered \$193 million in cash proceeds to Genel, and the move to payments based on contractual entitlements has given greater clarity and confidence in ongoing receipts. The consistency of payments has allowed us to progress our 2016 work programme, which is already having an impact on production levels following the declines seen earlier in the year.

Against a difficult backdrop, the Kurdistan Regional Government has moved forward impressively with its economic reforms, which are designed to reduce costs and increase revenues. As the economy moves from stabilisation to budget surplus, the KRG has stated its intention to increase contractor payments and accelerate the recovery of outstanding receivables.

Contractors have been appointed to fulfil near-term goals regarding the KRI gas project, and we expect further progress in the second half of the year.”

Enquiries:

Genel Energy +44 20 7659 5100
Phil Corbett, Head of Investor Relations
Andrew Benbow, Head of Public Relations

Vigo Communications +44 20 7830 9708
Patrick d'Ancona

This announcement contains inside information.

There will be a conference call for analysts and investors today at 0900 BST, with an associated presentation available on the Company's website, www.genelenergy.com. The dial-in details are below:

Dial-in number: +44(0)20 3427 1900
Passcode: 6547338

The call will be recorded and made available on the website shortly after it finishes.

Disclaimer

This announcement contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil & gas exploration and production business. Whilst the Company believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Company's control or within the Company's control where, for example, the Company decides on a change of plan or strategy. Accordingly no reliance may be placed on the figures contained in such forward looking statements.

Operating review

PRODUCTION

Net working interest production in H1 2016 averaged 56,400 bopd, a decrease of 36% on H1 2015. At Taq Taq, steps were taken to counter natural decline by actively managing water ingress in existing development wells, while both fields were affected by the extended shut-in of the KRI-Turkey pipeline in February and March 2016.

During the period 83% of Taq Taq and Tawke sales were through the KRG controlled KRI-Turkey export pipeline, with 14% supplied to local refineries (including the Tawke topping plant) and the remainder sold in the KRI domestic market.

| (bopd) | Export via pipeline | Domestic sales | Refinery sales ¹ | Total sales | Total production ² | Genel net production |
|----------------|---------------------|----------------|-----------------------------|----------------|-------------------------------|----------------------|
| Taq Taq | 42,600 | 3,100 | 23,200 | 68,900 | 68,800 | 30,300 |
| Tawke | 101,300 | 2,100 | 800 | 104,200 | 104,400 | 26,100 |
| Total | 143,900 | 5,200 | 24,000 | 173,100 | 173,200 | 56,400 |

¹ Refinery sales at Taq Taq denote sales to the Bazian refinery and at Tawke denote volumes processed at the Tawke topping plant

² Difference between production and sales relates to inventory movements at both fields

| | Exports | Refinery sales | Local sales |
|----------------|------------|----------------|-------------|
| Taq Taq | 62% | 34% | 4% |
| Tawke | 97% | 1% | 2% |
| Total | 83% | 14% | 3% |

2016 production guidance, net to the Company's working interests across Taq Taq and Tawke, is 53-60,000 bopd. Absent any extended outage in the KRI-Turkey pipeline, the Company expects that the majority of production from both fields will be supplied to the KRG for export through the pipeline.

KRI OIL ASSETS

Taq Taq (44% working interest, joint operator)

The Taq Taq field produced an average of 68,800 bopd in H1 2016, a 46% decrease compared to H1 2015. 62% of production in the first half was supplied to the KRG for export via the KRI-Turkey pipeline. A further 34% was supplied to the Bazian refinery, with the remainder sold into the domestic KRI market.

To date, July production at Taq Taq has averaged 62,000 bopd, compared to c.63,000 bopd in both May and June. The Company is actively managing the reservoir to reduce water ingress across the field, with a current water cut of c.10%.

On 29 February 2016, the Company announced the results of a Competent Person's Report ('CPR') for the Taq Taq field, with the initial gross recoverable proven and probable ('2P') reserves for the field being reduced from 683 mmbbls to 356 mmbbls. In turn, this delivered a remaining gross recoverable 2P reserves estimate as of 31 December 2015 of 172 mmbbls, with a reserves range from 60 mmbbls 1P to 416 mmbbls 3P. The impact of the revised reserves was reflected in the 2015 financial statements, with the full CPR published in April 2016.

While key technical indications from Taq Taq year to date are in line with those underlying the ultimately recoverable reserves described in the CPR, there remains a wide range between the 1P and 3P reserves. This range is set to narrow as the Company continues to manage reservoir performance, and maximise recovery. The strategy to do this is as follows:

- mature additional candidates for well locations in the Shiranish reservoir. It is expected that the focus of any further drilling in 2016 and beyond will be the flanks of the Taq Taq field, where well density, compared to the crest of the field, is lower. The drilling of crestal horizontal side-track wells and the flank side-track wells will allow for more effective reservoir management
- appraisal activity on the flanks of the field, with an aim to better understanding the distribution of fracture systems in the Shiranish and unswept oil in the Qamchuqa matrix
- workovers and/or recompletions of existing wells to enhance oil production and shut-off water producing intervals
- where appropriate, employ artificial lift through Electric Submersible Pumps ('ESPs') to enhance the productivity of individual wells with increasing water cuts

Genel will analyse reservoir performance in order to optimise the development plan, which is subject to continued payments from the KRG for oil sales. Full year 2016 data from Taq Taq will be incorporated into an updated Competent Person's Report which the Company intends to issue in Q1 2017.

The first well in the 2016 Taq Taq work programme, the side-track of the TT-27 well, was successfully drilled and completed as a Shiranish producer during June 2016.

The second well in the programme, TT-07z, commenced drilling in mid-June and recently reached target depth of 2,780 metres. TT-07z is being drilled primarily as an additional oil producer in the Upper Shiranish reservoir, but the well also penetrated the deeper Kometan and Qamchuqa reservoirs to assess the potential for undrained oil in the matrix and/or fracture networks in these horizons. A testing programme is set to commence shortly and be completed in coming weeks, with the well expected to be brought into production in September.

The third well in the 2016 programme is expected to be a side-track of the TT-16 well. Although dependent on the characteristics of each well, the Company estimates the gross cost of side-tracking a Taq Taq well to be \$5-10 million.

The second Central Processing Facility at the Taq Taq field has been brought on-stream with oil processing capacity of 90,000 bopd and 45,000 bopd water handling capacity.

Tawke (25% working interest)

The Tawke field produced an average of 104,400 bopd in H1 2016, a 19% decrease on H1 2015 levels. Production declined year-on-year as investment at the field was deferred between Q1 2015 and Q1 2016 on the back of delays in receiving oil export payments. The closure of the KRI-Turkey pipeline system in February and March 2016 also had an impact on Tawke production levels. 97% of production in the period was supplied to the KRG for export via the KRI-Turkey pipeline. The balance was either processed at the Tawke refinery or sold into the domestic KRI market.

Following the resumption of oil export payments in September 2015, investment was restarted in 2016, with the most recent public update from the operator of the field outlining a programme which consists of workovers and new production wells. Eight workovers have currently been completed in 2016 to date.

On the Tawke licence, the partners plan to appraise the Peshkibir discovery with the Peshkibir-2 well in H2 2016. The operator has estimated 32 mmbbls of gross 2P reserves and 62 mmbbls of gross contingent resources for the Peshkibir discovery. If successful, the discovery could be quickly tied into existing facilities.

KRI GAS ASSETS

Miran (75% working interest, operator) and Bina Bawi (80% working interest, operator)

Towards the end of the period, the Company awarded the pre-Front End Engineering Design ('FEED') contract for the midstream facilities to Fluor, expected to complete by the end of 2016. Once the pre-FEED identifies the location of the midstream processing facilities, a consultant will be selected for the Environmental and Social Impact Assessment.

Baker Hughes RDS has been contracted to prepare the Gas Development Plan ('GDP') for both Miran and Bina Bawi, which is expected to complete by end-2016. The GDP will include dynamic reservoir modelling, production profiles, drilling locations, well completion concepts and the reservoir management plan. In parallel, the Company will be developing a pre-development subsurface work programme to be implemented at both fields.

Progress on converting the term sheets (PSC Amendments and Gas Supply Agreement) into definitive agreements has not advanced as quickly as the Company expected. The focus of the KRG in the first half of the year was on ensuring continuity and reliability of payments for oil production, which reduced momentum in the development of the KRI gas business.

The Company has recently received from the KRG revised drafts of the key upstream agreements, which provide a good basis for finalising these agreements. The Company believes that the fully termed agreements can be completed before the end of 2016. In parallel, the Company aims to make further progress on securing an anchor Turkish farm-in partner for the upstream and midstream elements of the project.

The Miran and Bina Bawi fields comprise a world-scale gas project, which has significant implications for energy security and longer-term economic development in both the KRI and Turkey. As such, progress on the project is subject to both political and commercial discussions and milestones, the nature and timing of which are difficult to accurately forecast. Genel continues to engage with all stakeholders to drive the project forward.

EXPLORATION AND APPRAISAL

The CS-12 exploratory appraisal well on the Chia Surkh (Genel 40% working interest) licence spudded on 30 March 2016, with a view to refining the resource potential of the licence after the successful CS-10 and CS-11 wells in 2013. Genel was carried on its share of the CS-12 well costs by its partner Petoil.

The well was drilled to a measured depth of 2,500 metres ahead of time and budget. The primary Oligocene and Eocene objectives proved to be water bearing. A testing programme is underway with hydrocarbons tested in the previously proven Miocene section. The Chia Surkh partners will fully evaluate the results of the CS-12 well once the test programme is complete and incorporate them into a review of the licence potential ahead of discussions on further activity.

Offshore Morocco, the Company is continuing its efforts to bring in partner(s) to its operated Sidi Moussa licence (Genel 60% working interest) and is in active discussions with a number of parties. The Company is in the final stages of discussions with ONHYM regarding an agreement to extend the date of licence expiry. Genel forecasts a maximum future exploration expense of c.\$30 million associated with existing commitments on its Morocco licences.

The Company has reached agreement with the Somaliland government on an appropriate structure to allow the acquisition of 2D seismic data to move forward. The data will be acquired as part of a Somaliland government owned speculative 2D seismic acquisition project, the Government contracting with an international seismic contractor. The Company will purchase associated data from the Somaliland Government. Seismic acquisition is expected to start around year-end 2016.

The Company has now formally exited its licence interests in Ethiopia (Adigala) and Côte d'Ivoire (CI-508).

Financial review

Results summary

| | H1 2016 | H1 2015 | FY 2015 |
|--|--------------------|------------|------------|
| Revenue (\$million) | 91.1 | 199.3 | 343.9 |
| EBITDAX ¹ (\$million) | 65.9 | 158.1 | 279.4 |
| (Loss) / profit before tax (\$million) | (4.2) | 31.4 | (1,160.6) |
| Net cash generated from operating activities (\$million) | 79.7 | - | 71.2 |
| Capital expenditure (\$million) | 31.4 | 93.3 | 157.2 |
| Free cash flow ² (\$million) | 33.1 | (192.8) | (179.2) |
| Cash ³ (\$million) | 406.5 | 473.7 | 455.3 |
| Net debt (\$million) | 236.8 | 216.1 | 238.8 |
| Receivable (\$million) | 412.4 | 379.7 | 422.9 |
| Net assets (\$million) | 2,572.6 | 3,767.1 | 2,574.8 |
| EPS (cents per share) | (1.5) | 11.4 | (417.3) |

1. EBITDAX is earnings before interest, tax, depreciation, amortisation, exploration expense and impairment which is derived from revenue (H1 2016: \$91.1million) less production costs (H1 2016: \$17.2million) less general and administrative costs excluding depreciation (H1 2016: \$8.0 million).
2. Free cash flow is net cash generated from operating activities (H1 2016: \$79.7million) less capital expenditure and associated working capital movements (H1 2016: \$46.6 million).
3. Cash reported at H1 2016 excludes \$19.5 million of restricted cash.

Results for the period

For the six months ended 30 June 2016, the Company reported revenue of \$91.1 million (H1 2015: \$199.3 million), EBITDAX of \$65.9 million (H1 2015: \$158.1 million), loss before tax of \$4.2 million (H1 2015: profit before tax of \$31.4 million) and loss per share of 1.5 cents (H1 2015: earnings per share 11.4 cents). Free cash flow for the period was an inflow of \$33.1 million (H1 2015: outflow of \$192.8 million).

Revenue and proceeds

Revenue of \$91.1 million (H1 2015: \$199.3 million) is a decrease of 54% on the comparative period, caused by lower Brent oil price and lower production.

- Pipeline export realisations for Taq Taq and Tawke for the period are estimated by Genel at \$35/bbl and \$28/bbl respectively. These figures are based on Platts Dated Brent less a \$5/bbl discount for Taq Taq and \$12/bbl for Tawke, with \$4/bbl of these discounts reflecting handling and transportation costs. Brent averaged c.\$40/bbl in H1 2016.
- Sales to the Bazian refinery are invoiced at the wellhead export netback price, in line with the payment mechanism announced by the KRG on 1 February 2016.

Revenue guidance for 2016 is revised to \$200-230 million (based on a \$45/bbl Brent price for 2016), compared to \$200-275 million previously, after incorporating the recently updated production guidance and capex outlook.

H1 2016 cash proceeds totalled \$119 million, which included payments for exports, refinery and local KRI sales invoiced under the 1 February 2016 payment mechanism agreed between contractors and the KRG. Of this figure, \$75m was received for Taq Taq and \$44 million for Tawke. As per the terms of the Company's Production Sharing Contracts for Taq Taq and Tawke, Capacity Building Payments ('CBP') have been made on the profit oil portion of the monthly cash proceeds. Total payments of \$12 million were made in H1 2016 in respect of CBP.

Cash proceeds received in respect of monthly PSC entitlements are calculated based on a simple proxy formula incorporating the KRG's underlying interpretation of the PSC terms. The Company's view of the calculation differs from that of the KRG with respect to the calculation of the R-factor, which determines the profit share in any given period. As a result of this difference, and the simple proxy formula potentially becoming less accurate as capital expenditures vary from those assumed at

the time the proxy was set, cash proceeds received in respect of monthly PSC entitlements may not be equal to the Company's entitlement revenues in any given period.

Operating costs

Operating costs have benefited from cost reduction programmes. Production costs were \$17.2 million (H1 2015: \$23.6 million) and depreciation \$66.9 million (H1 2015: \$90.4 million).

General and administration costs were \$9.5 million (H1 2015: \$17.6 million), a reduction of 46% as a result of cost savings from the restructuring programme in 2015.

Finance income and expense

Finance income of \$11.3 million (H1 2015: \$1.0 million) is comprised of \$10.5 million discount unwind on trade receivables and \$0.8m of bank interest income. Finance expense of \$30.9 million (H1 2015: \$25.2 million) was comprised of \$26.9 million of bond interest together with non-cash discount unwind expense of \$4.0 million.

Taxation

There is no tax payment required or expected to be made by the Company. If any corporation tax is due, under the terms of the PSC it is paid on behalf of the Company by the KRG from the KRG's own share of revenues.

Dividend

No interim dividend will be paid (H1 2015: nil) or is expected to be paid in the near future.

Capital expenditure

Capital expenditure was \$31.4 million (H1 2015: \$93.3 million) with the majority of this incurred on development of the Taq Taq and Tawke licences in Kurdistan.

Capital expenditure guidance for 2016 is \$90-110 million (from \$80-120 million), with the proportion of this dedicated to activity at Taq Taq and Tawke estimated at \$70-80 million (from \$50-90 million). Taq Taq and Tawke forecast spend includes the cost of the Peshkabir-2 appraisal well, which is currently estimated at c.\$5 million net to Genel.

Cash flow

The operating cash flow for the period was \$79.7 million (H1 2015: \$nil), cash outflow from investing activities was \$46.6 million (H1 2015: \$192.8m) resulting in Free cash flow for the period of \$33.1 million (H1 2015: \$192.8 million cash outflow).

Bond interest paid was \$26.9 million (H1 2015: \$18.8 million) and net \$35.4 million of cash was used for the buyback of the Company's own bonds.

There was an overall net cash outflow of \$29.2 million (H1 2015: net decrease of \$15.4 million) with restricted cash reducing available cash by a further \$19.5 million.

Cash and debt

Cash at period end was \$406.5 million (2015: \$455.3 million), which excludes restricted cash of \$19.5 million relating to the Company's exploration activities in Morocco. Debt reported under IFRS was \$643.3 million, reduced from \$694.1 million reported at year end as a result of the bond buy back.

Net debt was \$236.8 million (2015: \$238.8 million).

Receivables

At 30 June 2016, the reported KRG receivable was \$412.4 million (2015: \$422.9 million), detailed disclosure is provided on this balance in note 11 to the financial statements.

Net assets

Net assets at 30 June 2016 were \$2,572.6 million (2015: \$2,574.8 million)

Going concern

The Directors have assessed that the cash balance held provides the Company with adequate headroom over forecast operational and potential acquisition expenditure for at least 12 months following the signing of the half year financial statements for the period ended 30 June 2016 for the Company to be considered a going concern.

Principal risks and uncertainties

The Company is exposed to a number of risks and uncertainties that may seriously affect its performance, future prospects or reputation and may threaten its business model, future performance, solvency or liquidity. The following risks are the principal risks and uncertainties of the Company, which is not all risks and uncertainties faced by the Company: Development and recovery of reserves and resources; Major capital projects; M&A activity; KRI natural resources industry; Recovery of amounts owed for export sales; Regional risk; Risk of new hydrocarbon legislation in the KRI; Revocation or change of licensing terms; Local communities; and Health and safety risks. Further detail on each risk was provided in the 2015 Annual Report. There has been no change in principal risks and uncertainties since year end.

Corporate Broker

On 27 July 2016, Numis Securities Limited was appointed as Corporate Broker to the Company to work alongside J.P.Morgan Cazenove.

Responsibility statement of the directors

The directors confirm that these condensed half year consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and that the half year management report includes a fair view of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the six months ended 30 June 2016 and their impact on the condensed half year consolidated financial statements, and a description of the principal risks and uncertainties for the remaining period of the financial year; and
- material related-party transactions in the six months ended 30 June 2016 and any material changes in the related-party transactions described in the last annual report.

The directors of Genel Energy plc are listed in the Genel Energy annual report for 31 December 2015. A List of the current directors is maintained on the Genel Energy plc website: www.genelenergy.com

By order of the board
Murat Ozgul
CEO
27 July 2016

Disclaimer

This announcement contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil & gas exploration and production business. Whilst the Company believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Company's control or within the Company's control where, for example, the Company decides on a change of plan or strategy. Accordingly no reliance may be placed on the figures contained in such forward looking statements.

Condensed consolidated statement of comprehensive income

| | Notes | 6 months to 30 Jun 2016 \$m | 6 months to 30 June 2015 \$m | Year to 31 Dec 2015 \$m |
|---|-------|--------------------------------------|---------------------------------------|----------------------------------|
| Revenue | 11 | 91.1 | 199.3 | 343.9 |
| Production costs | 5 | (17.2) | (23.6) | (36.3) |
| Depreciation of oil and gas assets | 5 | (66.9) | (90.4) | (172.0) |
| Gross profit | | 7.0 | 85.3 | 135.6 |
| Exploration costs written-off | 4 | (1.3) | (12.1) | (173.0) |
| Impairment of property, plant and equipment | 10 | - | - | (1,038.0) |
| General and administrative costs | 5 | (9.5) | (17.6) | (28.7) |
| Operating (loss) / profit | | (3.8) | 55.6 | (1,104.1) |
| EBITDAX | | 65.9 | 158.1 | 279.4 |
| <i>Depreciation</i> | | (68.4) | (90.4) | (172.5) |
| <i>Exploration costs written-off</i> | 4 | (1.3) | (12.1) | (173.0) |
| <i>Impairment of property, plant and equipment</i> | 10 | - | - | (1,038.0) |
| Gain arising from bond buy back | 12 | 19.2 | - | - |
| Finance income | 6 | 11.3 | 1.0 | 1.3 |
| Finance expense | 6 | (30.9) | (25.2) | (57.8) |
| (Loss) / Profit before income tax | | (4.2) | 31.4 | (1,160.6) |
| Income tax expense | | - | - | (1.0) |
| (Loss) / Profit | | (4.2) | 31.4 | (1,161.6) |
| Other comprehensive items | | - | - | - |
| Total comprehensive (expense) / income | | (4.2) | 31.4 | (1,161.6) |
| Attributable to: | | | | |
| Shareholders' equity | | (4.2) | 31.4 | (1,161.6) |
| | | (4.2) | 31.4 | (1,161.6) |
| Earnings per ordinary share attributable to the ordinary equity holders of the Company | | | | |
| Basic (loss) / earnings per share – cents per share | | (1.5) | 11.4 | (417.3) |
| Diluted (loss) / earnings per share – cents per share | | (1.5) | 11.3 | (417.3) |

Condensed consolidated balance sheet

| | Notes | 30 June 2016 \$m | 30 June 2015 \$m | 31 Dec 2015 \$m |
|--|-------|------------------------|------------------------|-----------------------|
| Assets | | | | |
| Non-current assets | | | | |
| Intangible assets | 9 | 1,685.7 | 1,698.9 | 1,672.7 |
| Property, plant and equipment | 10 | 884.2 | 1,996.9 | 929.4 |
| Trade and other receivables | 11 | 369.2 | - | 365.3 |
| | | 2,939.1 | 3,695.8 | 2,967.4 |
| Current assets | | | | |
| Trade and other receivables | 11 | 56.1 | 444.1 | 79.0 |
| Cash and cash equivalents | | 406.5 | 473.7 | 455.3 |
| Restricted cash | | 19.5 | - | - |
| | | 482.1 | 917.8 | 534.3 |
| Total Assets | | 3,421.2 | 4,613.6 | 3,501.7 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Trade and other payables | | (83.0) | (5.0) | (78.0) |
| Deferred income | | (44.9) | (44.4) | (46.0) |
| Provisions | | (23.9) | (19.8) | (25.2) |
| Borrowings | 12 | (643.3) | (689.8) | (694.1) |
| | | (795.1) | (759.0) | (843.3) |
| Current liabilities | | | | |
| Trade and other payables | | (50.6) | (80.9) | (80.6) |
| Deferred income | | (2.9) | (6.6) | (3.0) |
| | | (53.5) | (87.5) | (83.6) |
| Total liabilities | | (848.6) | (846.5) | (926.9) |
| Net assets | | 2,572.6 | 3,767.1 | 2,574.8 |
| Equity | | | | |
| Share capital | | 43.8 | 43.8 | 43.8 |
| Share premium | | 4,074.2 | 4,074.2 | 4,074.2 |
| Retained earnings | | (1,545.4) | (358.7) | (1,543.2) |
| Equity attributable to equity holders | | 2,572.6 | 3,759.3 | 2,574.8 |
| Non-controlling interest | | - | 7.8 | - |
| Total equity | | 2,572.6 | 3,767.1 | 2,574.8 |

Condensed consolidated statement of changes in equity

| | Share capital \$m | Share premium \$m | Retained earnings \$m | Equity attributable to equity holders \$m | Non- controlling interest \$m | Total equity \$m |
|---|-------------------------|-------------------------|-----------------------------|---|--|------------------------|
| At 1 January 2015 | 43.8 | 4,074.2 | (392.3) | 3,725.7 | 7.8 | 3,733.5 |
| Profit and total comprehensive income | - | - | 31.4 | 31.4 | - | 31.4 |
| Share-based payment transactions | - | - | 2.2 | 2.2 | - | 2.2 |
| At 30 June 2015 | 43.8 | 4,074.2 | (358.7) | 3,759.3 | 7.8 | 3,767.1 |
| At 1 January 2015 | 43.8 | 4,074.2 | (392.3) | 3,725.7 | 7.8 | 3,733.5 |
| Loss and total comprehensive expense | - | - | (1,161.6) | (1,161.6) | - | (1,161.6) |
| Share-based payment transactions | - | - | 2.9 | 2.9 | - | 2.9 |
| Release of non- controlling interest ¹ | - | - | 7.8 | 7.8 | (7.8) | - |
| At 31 December 2015 and 1 January 2016 | 43.8 | 4,074.2 | (1,543.2) | 2,574.8 | - | 2,574.8 |
| Loss and total comprehensive expense | - | - | (4.2) | (4.2) | - | (4.2) |
| Share based payment transactions | - | - | 2.0 | 2.0 | - | 2.0 |
| At 30 June 2016 | 43.8 | 4,074.2 | (1,545.4) | 2,572.6 | - | 2,572.6 |

1. The non-controlling interest of \$7.8 million was released following the non-vesting of the C shares in Genel Energy Holding Company Limited.

Condensed consolidated cash flow statement

| Notes | 30 June 2016 \$m | 30 June 2015 \$m | 31 Dec 2015 \$m |
|---|---------------------------------|------------------------|-----------------------|
| Cash flows from operating activities | | | |
| (Loss)/ Profit for the period | (4.2) | 31.4 | (1,161.6) |
| Adjustments for: | | | |
| Depreciation and amortisation | 68.4 | 91.9 | 172.5 |
| Exploration costs written-off | - | - | 154.8 |
| Impairment of property, plant and equipment | - | | 1,038.0 |
| Other non-cash items | 1.1 | 2.2 | 1.1 |
| Gain on bond buy back | (19.2) | - | - |
| Finance income | (11.3) | (1.0) | (1.3) |
| Finance expense | 30.9 | 25.2 | 57.8 |
| Taxation | - | - | 1.0 |
| Changes in working capital: | | | |
| Trade and other receivables | 22.2 | (149.1) | (190.2) |
| Trade and other payables and provisions | (8.6) | (1.1) | (0.9) |
| | 79.3 | (0.5) | 71.2 |
| Cash generated from operations | | | |
| Interest received | 0.8 | 1.0 | 1.0 |
| Taxation paid | (0.4) | (0.5) | (1.0) |
| Net cash generated from operating activities | 79.7 | - | 71.2 |
| Cash flows from investing activities | | | |
| Purchase of intangible assets | (14.6) | (114.7) | (130.2) |
| Purchase of property, plant and equipment | (32.0) | (78.1) | (120.2) |
| Acquisition of intangibles | - | - | (3.9) |
| Net cash used in investing activities | (46.6) | (192.8) | (254.3) |
| Cash flows from financing activities | | | |
| Net proceeds from issue of bond | - | 196.2 | 196.2 |
| Repurchase of Company bonds | (35.4) | - | - |
| Interest paid | (26.9) | (18.8) | (46.1) |
| Net cash (used in) / generated from financing activities | (62.3) | 177.4 | 150.1 |
| Net decrease in cash and cash equivalents | (29.2) | (15.4) | (33.0) |
| Restricted cash | (19.5) | - | - |
| Foreign exchange loss | (0.1) | - | (0.8) |
| Cash and cash equivalents at 1 January | 455.3 | 489.1 | 489.1 |
| Cash and cash equivalents at period end | 406.5 | 473.7 | 455.3 |

Notes to the condensed consolidated financial statements

1. Basis of preparation

The Company is a public limited company incorporated and domiciled in Jersey with a listing on the London Stock Exchange. The address of its registered office is 12 Castle Street, St Helier, Jersey, JE2 3RT.

The half year financial statements for the six months ended 30 June 2016 and six months ended 30 June 2015 are unaudited and have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union and were approved for issue on 27 July 2016. They do not comprise statutory accounts within the meaning of Article 105 of the Companies (Jersey) Law 1991. The half year financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS as adopted by the European Union. The annual financial statements for the period ended 31 December 2015 were approved by the board of directors on 2 March 2016. The report of the auditors was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under the Companies (Jersey) Law 1991. The financial information for the year to 31 December 2015 has been extracted from the audited accounts.

Having reassessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial information. Thus, the Company continues to adopt the going concern basis of accounting in preparing the half year financial statements.

The Company provides non-GAAP measures to provide greater understanding of its financial performance and financial position. EBITDAX is presented in order for the users of the accounts to understand the underlying profitability of the Company, without the varying costs attributable to exploration activity. Free cash flow is presented in order to show the free cash flow generated in the period that is available for the Board to use to finance or invest in the business. Net debt is reported in order for users of the accounts to understand how much debt remains unpaid if the Company paid its debt obligations from its available cash. There have been no changes in related parties since year-end and there are not significant seasonal or cyclical variations in the Company's total revenues.

2. Accounting policies

The accounting policies adopted in preparation of these half year financial statements are consistent with those used in preparation of the annual financial statements for the year ended 31 December 2015.

The preparation of these half year statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the statement. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the statement, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. In preparing these half year financial statements, the areas where there is significant judgement made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the period ended 31 December 2015.

There are no new standards and amendments to standards as adopted by the European Union at 30 June 2016 which are mandatory for the first time for the financial year beginning 1 January 2016 and which have a significant impact on the Company. A number of new standards, amendments to standards and interpretations will be effective for annual periods beginning after 1 July 2016. None of these standards have been early adopted. The new standards are not expected to have a significant effect on the consolidated financial statements of the Company.

Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, currency risk, interest risk and liquidity risk. The half year financial but do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements as at 31 December 2015. There have been no significant changes in any risk management policies since year end.

3. Segmental information

The Company has two reportable business segments, which are its oil and gas exploration and production business in the KRI and its oil and gas exploration business in Africa. Capital expenditure decisions for the Kurdistan segment are considered in the context of the cash flows expected from the production and sale of crude oil. Capital expenditure for the Africa segment is considered in the context of the available cash of the Company.

Finance expense is not considered part of a business segment and forms part of the reconciliation to the reported numbers.

6 months ended 30 June 2016

| | KRI \$m | Africa \$m | Other \$m | Total \$m |
|----------------------------------|------------|---------------|--------------|--------------|
| Revenue | 91.1 | - | - | 91.1 |
| Cost of sales | (84.1) | - | - | (84.1) |
| Gross profit | 7.0 | - | - | 7.0 |
| Exploration costs written-off | - | (1.3) | - | (1.3) |
| General and administrative costs | (0.4) | - | (9.1) | (9.5) |
| Operating profit / (loss) | 6.6 | (1.3) | (9.1) | (3.8) |
| Gain arising from bond buy back | | | | 19.2 |
| Finance costs | | | | (19.6) |
| Loss before tax | | | | (4.2) |
| Capital expenditure | 31.4 | - | - | 31.4 |
| Depreciation | 67.7 | - | 0.7 | 68.4 |
| Total assets | 3,022.3 | 36.8 | 362.1 | 3,421.2 |
| Total liabilities | (181.4) | (10.8) | (656.4) | (848.6) |

General and administrative costs represent non-segmental items related to head office activities. Total assets and liabilities in the other segment are predominantly cash and debt balances.

6 months ended 30 June 2015

| | KRI \$m | Africa \$m | Other \$m | Total \$m |
|----------------------------------|------------|---------------|--------------|--------------|
| Revenue | 199.3 | - | - | 199.3 |
| Cost of sales | (114.0) | - | - | (114.0) |
| Gross profit | 85.3 | - | - | 85.3 |
| Exploration expense | (0.9) | (11.2) | - | (12.1) |
| General and administrative costs | (0.4) | - | (17.2) | (17.6) |
| Operating profit / (loss) | 84.0 | (11.2) | (17.2) | 55.6 |
| Finance expense | | | | (24.2) |
| Loss before tax | | | | 31.4 |
| Capital expenditure | 91.8 | 1.5 | - | 93.3 |
| Depreciation | 90.4 | - | - | 90.4 |
| Total assets | 4,063.2 | 113.9 | 436.5 | 4,613.6 |
| Total liabilities | (135.6) | (8.3) | (702.6) | (846.5) |

General and administrative costs represent non-segmental items related to head office activities. Total assets and liabilities in the other segment are predominantly cash and debt balances.

3. Segmental information (continued)

Year to 31 December 2015

| | KRI \$m | Africa \$m | Other \$m | Total \$m |
|---|------------|---------------|--------------|--------------|
| Revenue | 343.9 | - | - | 343.9 |
| Cost of sales | (208.3) | - | - | (208.3) |
| Gross profit | 135.6 | - | - | 135.6 |
| Exploration costs written-off | (69.1) | (103.9) | - | (173.0) |
| Impairment and write-off of property, plant and equipment | (1,038.0) | - | - | (1,038.0) |
| General and administrative costs | (1.5) | - | (27.2) | (28.7) |
| Operating profit loss | (973.0) | (103.9) | (27.2) | (1,104.1) |
| Finance expense | (1.0) | - | (55.5) | (56.5) |
| Loss before tax | (974.0) | (103.9) | (82.7) | (1,160.6) |
| Capital expenditure | 139.3 | 17.9 | - | 157.2 |
| Depreciation | 172.5 | - | - | 172.5 |
| Total assets | 3,080.6 | 43.8 | 377.3 | 3,501.7 |
| Total liabilities | (195.5) | (21.1) | (710.3) | (926.9) |

General and administrative costs represent non-segmental items related to head office activities. Total assets and liabilities in the other segment are predominantly cash and debt balances.

4. Exploration costs written-off

| | 6 months to 30 June 2016 \$m | 6 months to 30 June 2015 \$m | Year to 31 December 2015 \$m |
|--|---|---------------------------------------|---------------------------------------|
| Write-off of previously capitalised exploration assets | - | - | 144.1 |
| Current year exploration expenses | 1.3 | 12.1 | 28.9 |
| | 1.3 | 12.1 | 173.0 |

Exploration costs relate to ongoing work in Morocco and Somaliland. Write-off of previously capitalised exploration costs in 2015 includes costs previously capitalised principally in relation to the following licences: Ber Bahr (KRI), Mir Left (Morocco), CI 508 (Cote d'Ivoire), and Adigala (Ethiopia).

5. Operating costs

| | 6 months to 30 June 2016 \$m | 6 months to 30 June 2015 \$m | Year to 31 December 2015 \$m |
|---|---|---------------------------------------|---------------------------------------|
| Operating loss is stated after charging cost of sales and general and administrative costs | | | |
| Production costs | 17.2 | 23.6 | 36.3 |
| Depreciation and amortisation of oil and gas assets | 66.9 | 90.4 | 172.0 |
| Cost of sales | 84.1 | 114.0 | 208.3 |
| General and other costs | 7.6 | 14.6 | 26.7 |
| Depreciation and amortisation of other fixed assets | 0.8 | 0.8 | 0.5 |
| Share based payment charge | 1.1 | 2.2 | 1.5 |
| General and administrative expenses | 9.5 | 17.6 | 28.7 |

6. Finance costs

| | 6 months to 30 June 2016 \$m | 6 months to 30 June 2015 \$m | Year to 31 December 2015 \$m |
|---|---|---------------------------------------|---------------------------------------|
| Bond interest payable | (26.9) | (23.0) | (50.1) |
| Unwind of discount on liabilities | (4.0) | (2.2) | (7.7) |
| Finance expense | (30.9) | (25.2) | (57.8) |
| Unwind of discount on trade receivables | 10.5 | - | - |
| Bank interest income | 0.8 | 1.0 | 1.3 |
| Finance income | 11.3 | 1.0 | 1.3 |

7. Taxation

Under the terms of the KRI PSCs, the Company is not required to pay any cash taxes although it is uncertain whether the Company is exempt from tax or whether tax has been paid on its behalf. If tax has been paid on its behalf by the government, then it is not known at what rate tax has been paid due to uncertainty in relation to the workings of any existing tax payment mechanism. It is estimated that the tax rate would be between 0% and 40%. If tax has been paid it would result in a gross up of revenue with a corresponding debit entry to taxation expense with no net impact on the income statement or on cash. In addition, it would be assessed whether any deferred tax asset or liability was required to be recognised.

8. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

| | 6 months to 30 June 2016 | 6 months to 30 June 2015 | Year to 31 December 2015 |
|--|---|--------------------------------|--------------------------------|
| (Loss) / profit attributable to equity holders (\$ million) | (4.2) | 31.4 | (1,161.6) |
| Weighted average number of ordinary shares (number) ¹ | 278,382,478 | 275,518,867 | 278,351,746 |
| Basic (loss) / earnings per share – cents per share | (1.5) | 11.4 | (417.3) |

1. Excluding purchased own shares now held as treasury shares.

Diluted

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all potential dilutive ordinary shares. The Company has four types of potential dilutive ordinary shares:

- Shares granted to directors and employees under the performance share plan, to the extent that performance conditions have been met at the period end;
- Share options granted to employees under the share option plan, where the exercise price is less than the average market price of the Company's ordinary shares during the period
- Shares issued to employees under the restricted share plan
- Shares and securities issued to the founders of the Company, to the extent that performance conditions have been met at the period end.

| | 6 months to 30 June 2016 | 6 months to 30 June 2015 | Year to 31 December 2015 |
|--|---|--------------------------------|--------------------------------|
| (Loss) / profit attributable to equity holders (\$ million) | (4.2) | 31.4 | (1,161.6) |
| Weighted average number of ordinary shares ¹ | 278,382,478 | 275,518,867 | 278,351,746 |
| Adjustment for dilutive shares (number) ² | - | 1,465,964 | - |
| Weighted average number of ordinary shares for diluted earnings per share (number) | 278,382,478 | 276,984,831 | 278,351,746 |
| Diluted (loss)/earnings per share – cents per share | (1.5) | 11.3 | (417.3) |

1. Excluding the purchased own shares now held as treasury shares.

2. As the Company reported a loss for the period to 30 June 2016, there were no dilutive adjustments made.

9. Intangible assets

| | Exploration and evaluation assets \$m | Other assets \$m | Total \$m |
|--|---|------------------------|----------------|
| Cost | | | |
| At 1 January 2016 | 1,671.0 | 6.3 | 1,677.3 |
| Additions | 8.8 | 0.1 | 8.9 |
| Discount unwind | 4.7 | - | 4.7 |
| Balance at 30 June 2016 | 1,684.5 | 6.4 | 1,690.9 |
| At 1 January 2015 | 1,676.6 | 5.8 | 1,682.4 |
| Additions | 20.2 | - | 20.2 |
| Balance at 30 June 2015 | 1,696.8 | 5.8 | 1,702.6 |
| At 1 January 2015 | 1,676.6 | 5.8 | 1,682.4 |
| Acquisitions | 101.0 | - | 101.0 |
| Additions | 48.0 | 0.5 | 48.5 |
| Other | 2.4 | - | 2.4 |
| Disposals and exploration costs written off (note 4) | (144.1) | - | (144.1) |
| Transfer to property, plant and equipment (note 12) | (12.9) | - | (12.9) |
| Balance at 31 December 2015 | 1,671.0 | 6.3 | 1,677.3 |
| Amortisation | | | |
| At 1 January 2016 | - | (4.6) | (4.6) |
| Amortisation charge for the period | - | (0.6) | (0.6) |
| At 30 June 2016 | - | (5.2) | (5.2) |
| At 1 January 2015 | - | (3.1) | (3.1) |
| Amortisation charge for the period | - | (0.6) | (0.6) |
| At 30 June 2015 | - | (3.7) | (3.7) |
| At 1 January 2015 | - | (3.1) | (3.1) |
| Amortisation charge for the period | - | (1.5) | (1.5) |
| At 31 December 2015 | - | (4.6) | (4.6) |
| Net book value | | | |
| At 30 June 2016 | 1,684.5 | 1.2 | 1,685.7 |
| At 30 June 2015 | 1,696.8 | 2.1 | 1,698.9 |
| At 31 December 2015 | 1,671.0 | 1.7 | 1,672.7 |

Exploration and evaluation assets are comprised of the Company's PSC interests in exploration assets in the KRI and Africa. Exploration and evaluation assets are not amortised but are assessed for impairment indicators under IFRS 6. The net book value of \$1.2 million (H1 2015: \$2.1 million, FY 2015: \$1.7 million) of other assets is principally software.

10. Property, plant and equipment

| | Oil and gas assets \$m | Other assets \$m | Total \$m |
|--|------------------------------|------------------------|------------------|
| Cost | | | |
| At 1 January 2016 | 2,558.9 | 8.9 | 2,567.8 |
| Additions | 22.6 | - | 22.6 |
| At 30 June 2016 | 2,581.5 | 8.9 | 2,590.4 |
| At 1 January 2015 | 2,432.8 | 9.2 | 2,442.0 |
| Additions | 73.1 | - | 73.1 |
| At 30 June 2015 | 2,505.9 | 9.2 | 2,515.1 |
| At 1 January 2015 | 2,432.8 | 9.2 | 2,442.0 |
| Additions | 109.2 | - | 109.2 |
| Transfer from intangible assets (see note 9) | 12.9 | - | 12.9 |
| Other | 4.0 | (0.3) | 3.7 |
| At 31 December 2015 | 2,558.9 | 8.9 | 2,567.8 |
| Depreciation and impairment | | | |
| At 1 January 2016 | (1,632.1) | (6.3) | (1,638.4) |
| Depreciation charge for the period | (66.9) | (0.9) | (67.8) |
| At 30 June 2016 | (1,699.0) | (7.2) | (1,706.2) |
| At 1 January 2015 | (422.1) | (4.7) | (426.8) |
| Depreciation charge for the period | (90.4) | (1.0) | (91.4) |
| At 30 June 2015 | (512.5) | (5.7) | (518.2) |
| At 1 January 2015 | (422.1) | (4.7) | (426.8) |
| Depreciation charge for the period | (172.0) | (1.6) | (173.6) |
| Impairment | (1,038.0) | - | (1,038.0) |
| At 31 December 2015 | (1,632.1) | (6.3) | (1,638.4) |
| Net book value | | | |
| At 30 June 2016 | 882.5 | 1.7 | 884.2 |
| At 30 June 2015 | 1,993.4 | 3.5 | 1,996.9 |
| At 31 December 2015 | 926.8 | 2.6 | 929.4 |

Oil and gas assets comprise principally the Company's share of interests in the Taq Taq and Tawke licences in the KRI. Other assets include leasehold improvements, office furniture and motor vehicles.

Property, plant and equipment is assessed for impairment indicators and if impairment indicators exist the assets are then tested for impairment. In 2016, an updated CPR was issued for Tawke, which was consequently tested for impairment with no impairment required.

The key assumptions used for impairment testing in 2016 were:

| | Discount rate assumption | Short-term Brent oil price assumption | Long-term Brent oil price assumption |
|-----------|--------------------------------|--|--|
| Kurdistan | 12.5% | \$50/bbl | \$75/bbl |

At 30 June 2016, a \$5/bbl change in Brent oil price assumption would result in an impairment of circa \$40 million; and a 1% change in discount rate assumption would result in an impairment of circa \$10 million.

11. Trade Receivables and revenue

The Company reported trade receivables of \$412.4 million (2015:\$422.9million) owed by the KRG principally for export sales that were made between 1 July 2014 and 31 December 2015.

| | 30 June 2016 \$m | 30 June 2015 \$m | 31 Dec 2015 \$m |
|-------------|---------------------------------|------------------------|-----------------------|
| Non-current | 369.2 | - | 365.3 |
| Current | 43.2 | 379.7 | 57.6 |
| | 412.4 | 379.7 | 422.9 |

Current trade receivables represents the balance that the Company expects to receive within 12 months of the balance sheet date.

Ageing of trade receivables

Under the terms of the PSC, payment is due within 30 days. Proceeds received are allocated between current and past sales in accordance with the allocation provided by KRG under the current payment mechanism. Proceeds allocated to the receivable are allocated on a first-in-first-out basis.

| Period ended 30 June 2016 | Year in which amounts overdue were recognised | | | | Total \$m |
|-----------------------------------|--|-------------|-------------|-------------|--------------|
| | Not due \$m | 2016 \$m | 2015 \$m | 2014 \$m | |
| Trade receivables at 30 June 2016 | 16 | 3 | 196 | 197 | 412 |

| Year-ended 31 December 2015 | Year in which amounts overdue were recognised | | | | Total \$m |
|---------------------------------------|--|-------------|-------------|-------------|--------------|
| | Not due \$m | 2015 \$m | 2014 \$m | 2013 \$m | |
| Trade receivables at 31 December 2015 | 23 | 168 | 232 | 423 | 423 |

Present value and nominal value of trade receivables

The carrying value of the trade receivables balance reported in the balance sheet was initially recognised based on management's best estimate of netback pricing and timing of recovery at the time that the corresponding revenue was recognised. Since then, management's assessment of the likely pricing and timing of cash flows has evolved based on further information received at various times. The principal reason for the change in the estimates underlying the present value of trade receivables, relative to the estimates made when revenue was recognised, was the announcement of the current payment mechanism made by the KRG on 1 February 2016. The impact was a change in the estimate of netbacks, which improved and resulted in a circa \$60 million increase to the nominal value, and a change in the estimate of the timing of receipt of payment, which worsened and resulted in a decrease to present value of circa \$60m. The combination of the two changes in estimates did not significantly change the present value of trade receivables and consequently no adjustment to the carrying value was required. In 2016 there has been no material change to estimates of netbacks or timing of cash flows.

At the balance sheet date, management estimate the nominal value of trade receivables, including interest accrued in line with the PSC, to be \$468 million (2015: \$483 million) compared to the carrying value of \$412 million (2015: \$423 million) reported in the financial statements. The carrying value will accrete up to the nominal value over the period that the receivable is estimated to be recovered, which is reported as finance income.

Movement on trade receivables in the period

| | H1 2016 \$m | H1 2015 \$m | FY2015 \$m |
|-------------------------------------|------------------------|----------------|---------------|
| Carrying value at 1 January | 422.9 | 232.9 | 232.9 |
| Revenue recognised in the period | 91.1 | 199.3 | 343.9 |
| Net proceeds received in the period | (107.3) | (50.3) | (148.0) |
| Other | (4.8) | (2.2) | (5.9) |
| Discount unwind | 10.5 | - | - |
| Carrying value at period end | 412.4 | 379.7 | 422.9 |

Expected recovery of trade receivables

Management assess the receivable balance as fully recoverable and expect that it will be settled with cash, although it is possible that the amount owed could be settled in a number of ways. The success and pace of the recovery of the balance depends on some or all of a number of factors, including: the financial environment in the KRI and the financial budget of the KRG; oil price; volumes of production from the KRI as a whole; and ongoing negotiations with regard to various sources of potential finance for the KRG. Management does not have direct visibility on the working capital of the KRG or its budget constraints, but continues to monitor the position based on its regular conversations with the KRG and other sources of information and available data.

The KRG has stated publicly on a consistent basis that it intends to repay fully the amount owed. Management expect that ultimately a reconciliation calculating full entitlement under the terms of the PSC will be agreed with the KRG – this reconciliation will form the basis for finalising amounts owed and the final settlement of the balance.

The existing arrangement with the KRG is that the receivable will be paid from a percentage of total field revenue from the Company's producing assets, Taq Taq and Tawke. This percentage is currently set at 5% and the KRG has stated that this will increase as oil price increases. If this percentage is not increased, management has estimated the present value of the receivable using life of field models as circa \$300m million, which would result in impairment of circa \$110 million.

However, management expectation is that the KRG will increase the percentage of field revenue that is used to pay the receivable and consequently the recovery of the receivable will be accelerated. Management's best estimate is that the balance will be settled by the end of 2019, but this is dependent on the factors set out above. In the event that the KRG does not generate sufficient cash to repay the balance, management expectation is that it would be settled in an alternative way, for example with assets or with a renegotiation of profitability of existing contracts.

Impairment testing

When assessing the present value of the receivable balance to test for impairment, there is no publicly available data to use as a discount rate for the KRG. For the period over which the receivable was recognised, management has assessed the effective interest rate to be between 8% and 13% using an adjusted prevailing Iraqi government 2028 bond as a proxy. Using the timing of recovery and discount rate set out above, no impairment is required. However, there is a reasonably possible change in estimates that would result in impairment as demonstrated in the sensitivity table:

| Effective interest rate | Receivable recovered by end of | | |
|---------------------------------------|--------------------------------|------|------|
| | 2018 | 2019 | 2020 |
| Base case used for impairment testing | 419 | 413 | 401 |
| Base case + 1% | 413 | 405 | 392 |
| Base case + 2% | 406 | 397 | 382 |

Fair value

The fair value of the receivable, calculated using the current effective interest rate is estimated as \$405 million.

Amounts owed for export sales marketed by the Federal Government of Iraq

In addition to the trade receivables owed by the KRG for sales made principally from mid- 2014, the Company is owed monies for export sales that were made prior to mid-2014. These were export sales made through the FGI controlled pipe and consequently the marketing and collection of cash was controlled by the State Oil Marketing Organisation (SOMO) of the FGI. No revenue or receivable has been recognised for these sales and it is estimated that the Company is owed circa \$300 million excluding interest.

12. Borrowings and net debt**Six months ended 30 June 2016**

| | 1 Jan 2015 | Bond buy back | Discount unwind | Net other changes in cash | 30 June 2016 |
|--------------------------|---------------|------------------|--------------------|---------------------------------|-----------------|
| 2014 bond (due May 2019) | 694.1 | (54.6) | 3.8 | - | 643.3 |
| Cash | (455.3) | 35.4 | - | 13.4 | (406.5) |
| Net debt | 238.8 | (19.2) | 3.8 | 13.4 | 236.8 |

In March 2016, the Company repurchased \$55.4 million nominal value of its own bonds at 63 versus par for net cash of \$35.4m. The purchased bonds had a book value of \$54.6 million and have been retained by the Company with it being most likely that the bonds eventually will be cancelled. Consequently debt has been reduced by the amortised cost of the bonds, resulting in an overall decrease to net debt by \$19.2 million.

Six months ended 30 June 2015

| | 1 Jan 2015 | New Bond Issue | Merger of bonds | Discount unwind | Net other changes in cash | 31 June 2015 |
|---------------------------------|---------------|----------------------|--------------------|--------------------|---------------------------------|-----------------|
| 2014 bond (due May 2019) | 491.4 | - | 196.2 | 2.2 | - | 689.8 |
| 2015 bond issue (due May 2019) | - | 196.2 | (196.2) | - | - | - |
| Cash | (489.1) | (196.2) | - | - | 211.6 | (473.7) |
| Net debt | 2.3 | - | - | 2.2 | 211.6 | 216.1 |

Year ended 31 December 2015

| | 1 Jan 2015 | New Bond Issue | Merger of bonds | Discount unwind | Net other changes in cash | 31 Dec 2015 |
|---------------------------------|---------------|----------------------|--------------------|--------------------|---------------------------------|----------------|
| 2014 bond (due May 2019) | 491.4 | - | 196.2 | 6.5 | - | 694.1 |
| 2015 bond issue (due May 2019) | - | 196.2 | (196.2) | - | - | - |
| Cash | (489.1) | (196.2) | - | - | 230.0 | (455.3) |
| Net debt | 2.3 | - | - | 6.5 | 230.0 | 238.8 |

On 10 April 2015, the Company issued a new \$230m bond with a maturity of May 2019 and a coupon rate of 7.5% payable twice annually. The new bond was then merged with the existing \$500m 7.5% bond with the same maturity date, resulting in a merged \$730m 7.5% with a maturity date of May 2019.

The \$730 million bond is unsecured and is shown net after unamortised issue costs. The fair value of the bond at 30 June 2016 was \$515 million (FY2015: fair value of \$730 million bond was \$511m; HY2015: fair value of \$730 million bond was \$665m)

13. Commitments

Under the terms of its PSCs and JOAs, the Company has certain commitments that are generally defined by activity rather than spend. The Company's capital programme for the next few years is in excess of the activity required by its PSCs and JOAs. The Company has a work obligation of \$33 million in relation to the Sidi Moussa licence.

Drill rigs are leased on a day-rate basis for the purpose of drilling exploration or development wells. The aggregate payments under drilling contracts are determined by the number of days required to drill each well and are capitalised as exploration or development assets as appropriate.

The Company had no material outstanding commitments for future minimum lease payments under non-cancellable operating leases.

Independent review report to Genel Energy plc

Report on the half year financial statements

Our conclusion

We have reviewed Genel Energy plc's half year financial statements (the "interim financial statements") in the half year financial report of Genel Energy plc for the 6 month period ended 30 June 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 30 June 2016;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated cash flow statement for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half year financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half year financial report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year financial report in accordance with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half year financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 (UK and Ireland) and, consequently, does 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.

We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.