Trading and operations update

24 January 2017

Genel Energy plc

Trading and operations update

Genel Energy plc ('Genel' or 'the Company') issues the following trading and operations update in advance of the Company's full-year 2016 results, which are scheduled for release on 30 March 2017. The information contained herein has not been audited and may be subject to further review.

Murat Özgül, Chief Executive of Genel, said:x

"2016 was a major step forward for the monetisation of oil exports from the Kurdistan Region of Iraq. We received $207 million in cash proceeds for oil sales and receivable recovery. These payments in turn allowed for work programmes to resume at Taq Taq and Tawke. The KRG has confirmed that payments will continue, allowing us to plan with confidence for 2017."

2016 PRODUCTION AND CURRENT PERFORMANCE

- 2016 net production averaged 53,300 bopd. Production and sales by field for 2016 were as follows:

(bopd)	**Export via pipeline**	**Domestic sales**	**Refinery sales**	**Total sales**	**Total production**	**Genel net production**
Taq Taq	41,000	1,600	17,600	60,200	60,100	26,500
Tawke	105,500	1,000	400	106,900	107,300	26,800
Total	**146,500**	**2,600**	**18,000**	**167,100**	**167,400**	**53,300**

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

- During 2016, Taq Taq natural field declines were partially offset by the three development sidetracks drilled and completed during the year. Taq Taq has averaged 35,300 bopd in January 2017 to date. A total of 18 wells are currently producing, with five of these wells accounting for c.80% of field production. Taq Taq field water production is currently 12,500 bopd, representing a water cut of 27%, significantly less than total water handling capacity of 55,000 bopd
- Good progress is being made on the updated Field Development Plan and Competent Person's Report for Taq Taq. Both are on track for completion in Q1 2017
- At Tawke, the 2016 development programme helped offset natural well decline at the field. Tawke has averaged 113,900 bopd in January 2017 to date
- Net production to Genel from Taq Taq and Tawke has averaged 44,000 bopd in January 2017 to date

FINANCIAL PERFORMANCE

- $207 million cash proceeds (pre capacity building payments) were received in 2016, of which:
  - $153 million against 2016 sales
  - $24 million relates to the January 2016 payment for December 2015 sales
  - $30 million relates to the recovery of historical receivables
- A total of $210 million was invoiced for 2016 sales, with almost all of the difference between this figure and the $153 million above representing amounts owed by the Kurdistan Regional Government ('KRG') for Q4 2016
- In January 2017 the Tawke partners received a payment of $39 million related to October 2016 exports. Genel's share of this amount is not included in end-2016 unrestricted cash balances
- Capital expenditure for 2016 totalled $61 million, below the $90-110 million guidance range, as previously communicated
- Similar to the process which occurred at the start of 2016, the Company is currently in discussions with the KRG regarding the pricing mechanism for crude sales from Taq Taq and Tawke, as well as the proxy formula used by the KRG to calculate payments for current sales from Taq Taq and Tawke
- The carrying value of the receivable for unpaid production will be tested for impairment as part of the end-2016 results process, taking into account the latest views on historical netbacks, timing of recovery, future oil prices, and the production outlook at Taq Taq and Tawke
- Unrestricted cash balances at 31 December 2016 stood at $408 million ($405 million at 30 September 2016)
- Net debt at 31 December 2016 stood at $240 million
  ($241 million at 30 September 2016)

2017 ACTIVITY

Kurdistan Region of Iraq

- **KRI oil production assets**

\- At Taq Taq (Genel 44% working interest, joint operator), the firm 2017 work programme consists of a workover of the TT-07z well and a new appraisal well, TT-29, in the north of the field. Both activities will be undertaken by a 1,500 bhp rig which is expected to be on location in February 2017. Additional activity, including further Cretaceous sidetracks, Cretaceous and Pilaspi development wells and installation of Electric Submersible Pumps in existing wells is contingent on regular and predictable export payments from the KRG for Taq Taq sales as well as partner approval. The Company expects production from the Taq Taq field to average 24-31,000 bopd in 2017

\- At Tawke (Genel 25% working interest), the operator DNO ASA expects production from the field to remain stable at the current rate of 115,000 bopd in 2017, based on expected investment levels

- **KRI gas assets (Miran 75%operated interest and Bina Bawi 80%operated interest)**

- The pre-FEED and upstream Gas Development Plan studies for the Miran and Bina Bawi gas fields are expected to complete shortly

- Firm 2017 activity is expected to be largely technical and commercial in nature, with a strategy to enhance the value of the KRI gas project. In the event of a successful farm-out, contingent activity could take the form of the environmental and social impact assessment and FEED for the gas treatment and processing facilities, as well as extended well tests and further 3D seismic on the Bina Bawi licence

- Discussions are ongoing with the KRG relating to the finalisation of the PSC amendments and gas lifting agreement. Efforts are also continuing in order to bring in partners to the KRI gas assets through a farm-down of the Miran and Bina Bawi licences

- At end-2015, the carrying value of the Miran and Bina Bawi fields in the Company's accounts was $1,427 million. The carrying value of the Miran and Bina Bawi fields will be tested for impairment as part of the end-2016 results process. Taking into account the latest views on discount rates and financing options, amongst other factors, management expects to record a material impairment of the carrying value in its 2016 accounts

- **KRI exploration and appraisal**

- As announced on 9 January 2017, the Peshkabir-2 well on the Tawke PSC flowed 3,800 bopd of 28° API oil from Cretaceous reservoirs in the southern flank of the Peshkabir field. The well, currently drilling ahead of schedule and under budget, is expected to reach total depth of 3,500 metres and will be completed, following evaluation of the Jurassic, by early February. The Tawke partners are considering a number of options to step up the appraisal of the new discovery, as well as the potential for early Peshkabir production via the existing Tawke facilities

- In January 2017, the Company signed a Sales and Purchase Agreement to transfer its 40% interest in the Chia Surkh licence to its partner, Petoil, subject to approval by the Ministry of Natural Resources. Petoil will pay Genel an initial consideration of $2 million, and an additional $25 million in staged payments contingent on future crude oil production from the Chia Surkh licence. Genel will recognise an impairment of the Chia Surkh carrying value of $198 million in its 2016 accounts

- The Company has formally relinquished its 40% interest in the Dohuk licence. The relinquishment of the 40% operated interest in the Ber Bahr licence is awaiting final approval from the KRG

Africa

- The Company is currently in discussions with the Moroccan government over the nature, scope, and timing of the activity related to the maximum future exploration commitment of c.$30 million
- Onshore Somaliland, the acquisition of 2D seismic data on the Odewayne (Genel 50%, operator) and SL-10B/13 (Genel 75%, operator) blocks is due to commence by March 2017. The data will be acquired as part of a Somaliland government owned speculative 2D seismic acquisition project, with the Company purchasing the associated data from the government

2017 OUTLOOK AND GUIDANCE

- Company production guidance for 2017 is set at 35-43,000 bopd. This assumes the delivery of the Taq Taq work programme as stated above and a prudent level of contingency with respect to the Tawke operator's current 2017 production expectation. The work programmes at Taq Taq and Tawke are subject to change depending on the results of development drilling and payments from the KRG for current sales and receivable recovery
- Capital expenditure, net to Genel, at the Taq Taq and Tawke fields in 2017 is forecast at $50-75 million. Expenditure on the KRI gas business is estimated at $10 million. Capex on the 2017 Africa exploration programme is estimated at $40 million, which includes the c.$30 million Morocco exploration expense mentioned above
- 2017 operating expenditure, net to Genel, at the Taq Taq and Tawke fields is estimated at $30-35 million

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For further information, please contact:

Genel Energy Phil Corbett, Head of Investor Relations Andrew Benbow, Head of Public Relations	+44 20 7659 5100
Vigo Communications Patrick d'Ancona	+44 20 7830 9700

This announcement includes inside information.

Notes to editors:

Genel Energy is an independent oil and gas exploration and production company listed on the main market of the London Stock Exchange (LSE: GENL). The Company, with headquarters in London and offices in Ankara and Erbil, is one of the largest London-listed independent oil producers, and is the largest holder of reserves and resources in the Kurdistan Region of Iraq. Through its Miran and Bina Bawi gas fields, the Company is set to be a cornerstone provider of gas to Turkey under the KRI-Turkey Gas Sales Agreement. Genel also continues to pursue further growth opportunities within the Middle East and Africa. For further information, please refer to www.genelenergy.com.