

Report on payments to governments for the year 2016

Introduction and basis for preparation

This report sets out details of the payments made to governments by Genel Energy plc and its subsidiary undertakings ('Genel') for the year ended 31 December 2016 as required under the Disclosure and Transparency Rules of the UK Financial Conduct Authority (the 'DTRs') and in accordance with our interpretation of the draft Industry Guidance issued for the UK's Report on Payments to Governments Regulations 2014, as amended in December 2015 ('the Regulations'). The DTRs require companies in the UK and operating in the extractives sector to publically disclose payments made to governments in the countries where they undertake exploration, prospecting, development and extraction of oil and natural gas deposits or other materials.

This report is available to download at www.genelenergy.com/investor-relations/results-reports-presentations.

Governments

All of the payments made in relation to licences in the Kurdistan Region of Iraq ('KRI') have been made to the Ministry of Natural Resources of the Kurdistan Regional Government ('KRG'). All other payments have been made to the national governments of the relevant country where the licence is based.

Production entitlements

Production entitlements are the host government's share of production during the reporting period from projects operated by Genel. Production entitlements from projects that are not operated by Genel are not covered by this report. The figures reported have been produced on an entitlement basis rather than on a liftings basis. Production entitlements are paid in-kind and the monetary value disclosed is derived from management's calculation of revenue from the field.

Royalties

Royalties represent royalties paid in-kind to governments during the year for the extraction of oil. The terms of the Royalties are described within our Production Sharing Contracts and can vary from project to project. Royalties have been calculated on the same barrels of oil equivalent basis as production entitlements.

Licence fees

These are fees and other sums paid as consideration for acquiring a licence for gaining access to an area where extractives are performed.

Materiality threshold

Total payments below £86,000 made to a government are excluded from this report as permitted under the Regulations.

PAYMENTS TO GOVERNMENTS – 2016

Country/Licence	Kurdistan Total ⁽¹⁾	Taq Taq ⁽²⁾	Tawke ⁽³⁾	Morocco Total	Mir Left	Somaliland Total	Odewayne	SL-10B/SL-13
Payments in bbls								
Production entitlement (bbls)	13,799,444.39	13,799,444.39		-	-	-	-	-
Royalties in kind (bbls)	2,201,957.06	2,201,957.06		-	-	-	-	-
Total (bbls)	16,001,401.45	16,001,401.45		-	-	-	-	-
*Estimated value in \$millions (this amount is not paid to the KRG, and is calculated to meet the reporting requirements under the Regulations)								
Value of production entitlements (\$million)	522.94*	522.94		-	-	-	-	-
Value of royalties (\$million)	83.17	83.17		-	-	-	-	-
Licence fees (\$million)	-	-		0.15	0.15	0.49	0.15	0.34
Capacity building payments ⁽⁴⁾	24.5	13.6	10.9					
Total (\$million)	630.61	619.71	10.9	0.15	0.15	0.49	0.15	0.34

- (1) Under the lifting arrangements implemented by the KRG, the KRG takes title to crude at the wellhead and then transports it to Ceyhan in Turkey by pipeline. The crude is then sold by the KRG into the international market. All proceeds of sale are received by or on behalf of the KRG, out of which the KRG then makes payment for cost and profit oil in accordance with the PSC to Genel, in exchange for the crude delivered to the KRG. Under these arrangements, payments are in fact made by or on behalf of the KRG to Genel, rather than by Genel to the KRG. For the purposes of the reporting requirements under the Regulations however, we are required to characterise the value of the KRG's entitlement under the PSC (for which they receive payment directly from the market) as a payment made to the KRG.
- (2) The amount reported for Taq Taq, with the exception of Capacity Building Payments, is the gross payment made to the KRI by the operating company (TTOPCO), Genel's share of these payments is equal to 55%.
- (3) Payments in relation to Tawke are made by the Operator with the exception of capacity building payments which are made directly by Genel in relation to our interest in the Tawke Production Sharing Contract.
- (4) Capacity building payments reported are payments made by Genel directly to the KRI in cash as required by the Production Sharing Contract.