

19 October 2017

## Genel Energy plc

### Trading and operations update

Genel Energy plc ('Genel' or 'the Company') issues the following trading and operations update in respect of Q3 2017. The information contained herein has not been audited and may be subject to further review.

#### Murat Özgül, Chief Executive of Genel, said:

"During the quarter Genel executed a landmark settlement agreement with the KRG over historical receivables, which we expect to materially enhance our cash flows going forward. Ahead of those payments commencing we continued to generate meaningful free cash flow, resulting in a further 13% reduction in net debt during the period.

Our operations in the Kurdistan Region of Iraq are progressing as normal – exports are continuing from Taq Taq and Tawke, payments are being received on time, and operations are proceeding at both fields, with testing now underway on the TT-29w well."

#### Q3 2017 OPERATING PERFORMANCE

- Q3 2017 net production averaged 33,810 bopd, with production for the nine months ending September 2017 averaging 36,030 bopd
- Production and sales by field during Q3 2017 were as follows:

| (bopd)           | Export via pipeline | Domestic sales | Refinery sales | Total sales    | Total production | Genel net production |
|------------------|---------------------|----------------|----------------|----------------|------------------|----------------------|
| <b>Taq Taq</b>   | 13,230              | -              | 950            | 14,180         | 14,080           | 6,200                |
| <b>Tawke PSC</b> | 109,760             | -              | 30             | 109,790        | 110,460          | 27,610               |
| <b>Total</b>     | <b>122,990</b>      | <b>-</b>       | <b>980</b>     | <b>123,970</b> | <b>124,540</b>   | <b>33,810</b>        |

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

- **Tawke PSC (Genel 25% working interest)**
  - Tawke PSC production in Q3 averaged 110,460 bopd, including long-term test production from the Peshkabir-2 well of 4,670 bopd.
  - In 2017 to date, the Tawke partners have drilled ten wells, including the Peshkabir-2 and 3 wells, four Cretaceous producers, three Jeribe producers and a Jeribe water injector
  - A further four development wells are planned on the Tawke PSC by year-end 2017 – two Cretaceous producers, one Jeribe producer and a Jeribe water disposal well
  - Peshkabir-3 well operations are ongoing, with results expected later in Q4. The Peshkabir early production facility remains on track to be installed by the end of 2017
- **Taq Taq PSC (Genel 44% working interest)**
  - Taq Taq field production in Q3 averaged 14,080 bopd, and production has averaged 13,570 bopd during October 2017 to date
  - The TT-29w well, which is appraising the northern end of the Taq Taq field, reached target depth of 3,100 metres in early September 2017. A testing programme is now underway. Further development of the Cretaceous reservoir has been deferred pending results of the TT-29w testing programme
  - The EDC-24 rig has moved to the TT-30 well location, with two shallow horizontal wells set to be drilled in the Pilaspi reservoir before the end of the year

## FINANCIAL PERFORMANCE AND GUIDANCE

- \$191 million of total cash proceeds were received in the nine months ending September 2017, of which \$52 million was received in Q3
  - Post-period, payments have been received for July sales from Tawke and Taq Taq and the first Tawke override payment under the Receivable Settlement Agreement ('RSA') for August 2017, totalling \$22.6 million net to Genel
- Positive free cash flow generation continued in the third quarter, leading to a further reduction in net debt. Unrestricted cash balances at 30 September 2017 stood at \$268 million (\$246 million at 30 June 2017). IFRS net debt at 30 September 2017 stood at \$138 million (\$158 million at 30 June 2017), a reduction of 13% in the quarter and 43% on the end 2016 figure of \$241 million
- The RSA, effective 1 August 2017, resulted in the Company cancelling and waiving its rights to outstanding receivables, principally in return for enhanced future cash flows from the Tawke PSC
  - The August 2017 Genel Tawke override invoice was submitted in September, with \$6.0 million being received on 16 October
  - The September 2017 Genel Tawke override invoice, totalling \$6.4 million, was submitted in October with payment due in November
  - The elimination of Tawke CBP in the RSA is expected to positively impact August and September 2017 net proceeds for Tawke current sales by \$5 million, with the corresponding cash flow impact due in Q4 2017
- Capital expenditure for Q3 2017 totalled \$27 million, with the majority of spend on the development programmes at Taq Taq and Tawke. Capex for the nine months ending 30 September 2017 totalled \$68 million, including spend on the KRI gas assets and Somaliland seismic acquisition
- 2017 guidance remains unchanged:
  - Capex:
    - Tawke and Taq Taq net to Genel \$60-75 million
    - KRI gas business capex of \$10-15 million
    - Somaliland 2D seismic capex budget expected at c.\$15 million
  - Opex: \$30-35 million
  - G&A: income statement \$20-25 million and cash cost \$15-20 million

## KRI GAS BUSINESS

- During the period the Company continued its efforts to maximise the value of its KRI gas assets, which included negotiations with potential farm-in partners for the upstream development of the Miran and Bina Bawi gas fields
- The prospect of enhanced future cash flows under the RSA has created an opportunity for further appraisal and development activity at the Miran and Bina Bawi fields, which may include an extended well test and 3D seismic on Bina Bawi, and early development of the Miran oil resource. The Company believes this activity, which has yet to be finalised and is dependent on a number of factors including continuity of payments, can be implemented while maintaining financial flexibility and a strong balance sheet, and will deliver the best possible shareholder value and backdrop for the farm-out process
- The updated competent person's reports for Miran and Bina Bawi are on track to complete by the end of 2017. During Q3, it was announced that the KRG had negotiated Rosneft's participation in the funding of the construction of the KRI natural gas pipeline infrastructure

## AFRICA EXPLORATION UPDATE

- Onshore Somaliland, the acquisition of 2D seismic data on the SL-10B/13 (Genel 75%, operator) and Odewayne (Genel 50%, operator) blocks continues, with over 2,000 km obtained to date. Initial results have offered sufficient encouragement for a number of high graded areas to be targeted with infill 2D seismic acquisition. Processing of the data, commencing Q4 2017 and

continuing into 2018, will facilitate seismic interpretation and the associated development of an inventory of drillable prospects

- The Company is in the final stages of discussions with the Moroccan government over the nature, scope and timing of the activity related to the remaining exploration commitment on the Sidi Moussa offshore licensed acreage

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*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, LEI: 549300IVCJDWC3LR8F94). 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 positioned to be a cornerstone provider of KRI 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](http://www.genelenergy.com).

**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.*