20 January 2016

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 2015 results, which are scheduled for release on 3 March 2016. The information contained herein has not been audited and may be subject to further review.

Murat Özgül, Chief Executive of Genel, said:

"2015 was a very challenging year for the oil industry, with pronounced oil price weakness which has continued into 2016. In addition, the funding of the security effort in northern Iraq, influx of refugees into the KRI and cessation of budget transfers from Baghdad continue to place a very significant strain on the KRG's finances. Against this backdrop, the recent receipt of four consecutive payments for pipeline exports is highly encouraging. These payments, totalling almost $100 million, have stabilised our receivable and maintained our healthy cash position. We recognise the efforts that the KRG has made to meet its commitments to IOCs in a very difficult economic environment.

With low oil prices expected to persist in the near-term, we have focused on cost control by cutting capital expenditure and overheads. With production costs of less than $2 per barrel, a robust cash position, low capital commitments and a material resource base, Genel is well positioned to weather the downturn and thrive when the oil cycle turns."

RESILIENCE IN A LOW OIL PRICE ENVIRONMENT

- The Company's producing oil assets in the Kurdistan Region of Iraq ('KRI') benefit from low production costs, which are forecast at less than $2/bbl in 2016
- The Company's producing oil assets deliver a cash breakeven (defined as PSC entitlement revenues equal to capital expenditure and cash operating expenditure) at a Brent oil price of c.$20/bbl in 2016
- In 2016, cash spend at the group level (i.e. operating and capital expenditure, general and administrative expense and debt servicing) is forecast to average c.$20 million per month, against an average monthly export payment of $25 million since September 2015
- Cash balances of $455 million at end 2015 and a 2019 maturity on the Company's bond provide a robust basis from which to navigate a period of low oil prices
- The majority of planned 2016 KRI activity and capital expenditure is discretionary, which confers significant flexibility against a backdrop of low oil prices

2015 OPERATING PERFORMANCE

- Q4 2015 net production averaged 75,900 bopd. 2015 net production averaged 84,900 bopd, versus 85-90,000 bopd guidance, and a 22% increase on 2014 production
- Production and sales by field for 2015 were as follows:

(bopd)	**Export via pipeline**	**Domestic sales**	**Refinery sales**	**Total sales**	**Total production**	**Genel net production**
Taq Taq	73,000	12,300	31,000	116,300	116,100	**51,100**
Tawke	114,100	16,700	3,600	134,400	135,200	**33,800**
Total	**187,100**	**29,000**	**34,600**	**250,700**	**251,300**	**84,900**

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

- In the fourth quarter of 2015, production from Taq Taq and Tawke continued to decline primarily due to a suspension of drilling and completion activity during the year. Production in the first half of January 2016 at Taq Taq has averaged 83,500 bopd and at Tawke 123,000 bopd

2015 FINANCIAL PERFORMANCE

- Q4 2015 revenue totalled $66 million, delivering 2015 revenue of $342 million, slightly below the $350-375 million guidance range. Guidance had assumed an average Brent oil price of $50/bbl in Q4 2015, compared to an actual outturn of $44/bbl in the period
- Q4 2015 cash proceeds totalled $53 million, which included $50 million of export payments, with the balance KRI domestic sales. In 2015, total cash proceeds from KRI domestic and export sales were $148 million. A further $24 million of export proceeds were received in January 2016
- The Kurdistan Regional Government ('KRG') continues to reiterate its commitment to make regular export payments to international oil companies operating within the KRI
- In 2015, crude oil realisations for Taq Taq and Tawke averaged $39/bbl, a 46% decrease on 2014, due to the impact of lower global oil prices
  - Pipeline export realisations for Taq Taq and Tawke are estimated by Genel at $43/bbl and $37/bbl respectively. These figures assume a sales discount at Ceyhan relative to Brent, quality differentials for Taq Taq and Tawke, pipeline tariffs, handling fees, and contingencies
  - Taq Taq deliveries to the Bazian refinery realised an estimated $42/bbl. Once export payments normalise, Genel will seek to reconcile these estimates with the KRG
  - Taq Taq domestic market sales realised $42/bbl
  - Tawke domestic market sales (including Tawke refinery) realised $32/bbl
- In 2015, a number of efficiency measures and cost reduction programmes were implemented across the business in response to falling oil prices. Production costs and general and administrative costs have fallen year-on-year by c.40% compared to 2014 levels
- Capital expenditure for 2015 totalled $160 million, within the $150-175 million guidance range. The majority of expenditure (c.70%) during 2015 was focused on the development programmes at Taq Taq and Tawke
- The net receivable with the KRG for production where payment is yet to be received is estimated at $421 million at 31 December 2015 ($409 million at 30 September 2015). As of 15 January the receivable was estimated at $405 million
- Cash balances at 31 December 2015 stood at $455 million ($481 million at 30 September 2015). Net debt at 31 December 2015 stood at $239 million ($211 million at 30 September 2015). These figures do not include the payments for oil exports received in January 2016
- An exploration expense of $173 million will be recorded in the 2015 accounts relating to the relinquishment of interests in the Ber Bahr, Dohuk, CI-508 (Côte d'Ivoire), Adigala (Ethiopia) and Mir Left (Morocco) licences. The Company expects to report the results of impairment tests on the KRI production and development assets and other exploration assets at the 2015 results in March 2016

2016 ACTIVITY

Kurdistan Region of Iraq

- The majority of planned activity and capital expenditure in the KRI is discretionary, which confers significant flexibility. The Company will leverage this flexibility and match activity to the level of cash proceeds received from export payments and domestic KRI sales
- **KRI oil production assets**
  - At Taq Taq (Genel 44% working interest, joint operator), the proposed 2016 work programme consists of installation of electric submersible pumps ('ESPs') in existing wells, sidetracks of existing wells and drilling of new horizontal wells. Final completion and commissioning of the second Central Processing Facility ('CPF') is expected in Q1 2016. The proposed 2016 Taq Taq work programme contains both firm and contingent elements

- At Tawke (Genel 25% working interest), the proposed 2016 work programme includes drilling of new development and water disposal wells and the construction of water handling facilities at the existing CPF as part of contingent activity
- Actual levels of activity across both assets in 2016 will depend on the regularity and quantum of export payments, as well as the technical results of the work programme
- Capital expenditure net to Genel from the proposed work programmes across both Taq Taq and Tawke is estimated at $50-90 million

- **KRI gas business**
  - At Miran (75% working interest, operator) and Bina Bawi (80% working interest, operator), 2016 activity will focus on delivering the upstream gas development plan and geological/geophysical studies. Work will also commence on the front end engineering design and financing plans for the midstream gas processing. Capital expenditure for the KRI gas project during 2016 is estimated at c.$25 million (which partly reflects capitalisation of pre-sanction development activity)
- **KRI exploration and appraisal**
  - At Chia Surkh, the sale of a 20% interest in the licence to Petoil has completed after receipt of KRG approval. As a result, Genel now has a 40% working interest in the Chia Surkh PSC. The CS-12 appraisal well is scheduled to be drilled in H1 2016. The drilling will help refine the contingent resource estimate for the Chia Surkh licence, with Genel carried by Petoil for its costs on CS-12
  - Genel and its partner in the Ber Bahr PSC have decided to relinquish the licence in light of prevailing oil prices and an assessment of resource potential. The Company has also decided to exit its interest in the Dohuk PSC

Africa

- On 31 December 2015, the Company announced that the Aigle-1X exploration well on the CI-508 licence offshore Côte d'Ivoire (Genel 24% working interest) was being plugged and abandoned after failing to encounter hydrocarbons. The net cost to Genel of this well was less than $10 million
- After a review of licence potential, Genel has decided to exit its 44% working interest in the Adigala block onshore Ethiopia
- On the Sidi Moussa licence (Genel 60% working interest) offshore Morocco, work has continued to incorporate the results of the SM-1 well drilled in Q4 2014. A farm-out process is ongoing as part of the Company's portfolio management activities, with encouraging levels of interest. Genel will consider its options regarding the timing of future activity on Sidi Moussa once the farm-out process is concluded, with a focus on minimising future expenditure. The Company forecasts a maximum future exploration expense of c.$30 million associated with existing commitments on its Morocco licences
- Onshore Somaliland the acquisition of 2D seismic data on the Odewayne (Genel 50%, operator) and SL-10B/13 (Genel 75%, operator) licences is proposed for 2016. The results of a surface seep study completed early in 2015 confirmed the outstanding potential offered by this huge acreage position (41,000km^2). Genel continues to support the government's efforts to provide the appropriate level of security in order to conduct future operations

2016 GUIDANCE AND OUTLOOK

- Production guidance for 2016 is set at 60-70,000 bopd, with this range reflecting the Taq Taq and Tawke investment programmes as set out above. Actual production levels will be subject to the level and phasing of investment during 2016, as well as the results of new drilling activity
- Given the significant ramp-up in production at the Taq Taq field in recent years and subsequent decline partly associated with the suspension in drilling and completion activity during 2015, Genel is reviewing its reservoir model and its future investment profile for Taq Taq and has also

commissioned an updated Taq Taq competent persons report ('CPR'). Results of this review and the updated CPR are expected to be finalised in H1 2016

- KRI capital expenditure guidance for 2016 is $80-120 million, with the range encompassing activity considered firm and also that which is contingent on export payments
- Revenue guidance for 2016 is set at $200-275 million. The range assumes business performance as set out above and a $45/bbl Brent oil price
- The fully termed upstream production sharing contract amendments and gas supply agreements relating to Genel's key gas development assets at Miran and Bina Bawi are expected to be signed in Q1 2016. Work continues on the financing and development plans for the KRI gas business. The timing of progress is dependent on the evolution of export payments and regional political developments

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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 the largest independent oil producer and the largest holder of reserves and resources in the Kurdistan Region of Iraq and, through its Miran and Bina Bawi gas fields, 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.

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.