

3 November 2020

## Genel Energy plc

### Trading and operations update

Genel Energy plc ('Genel' or 'the Company') issues the following trading and operations update in respect of the third quarter and first nine months of 2020.

#### **Bill Higgs, Chief Executive of Genel, said:**

“Genel continues to demonstrate its resilience and ability to move quickly to navigate changing external conditions. Production has remained robust, increasing quarter on quarter, and first oil at Sarta is also now imminent. Once production from these initial wells has stabilised we expect it to increase our production by over 10%, with potentially far more to come as we appraise what could be the largest field in the Kurdistan Region of Iraq.

Following the successful completion of our recent refinancing, we have the liquidity to fund the rapid development of Sarta in the case of appraisal success in 2021. Genel’s financial strength and disciplined capital allocation means it is well placed to pursue opportunities for value accretive growth and provide returns to shareholders.”

#### **FINANCIAL PERFORMANCE**

- \$142 million of cash proceeds received in the first nine months of 2020
- Free cash flow outflow of \$5 million in the first nine months of 2020, after \$30 million of capital expenditure progressing pre-production assets, and total capital expenditure of \$76 million
  - \$145 million outstanding from the Kurdistan Regional Government ('KRG'), of which \$121 million owed for production from November 2019 to February 2020, and \$24 million in suspended override payments
- Cash of \$341 million at 30 September 2020 (\$355 million at 30 June 2020)
- Net cash of \$42 million at 30 September 2020 (\$57 million at 30 June 2020)
  - Cash figures are stated prior to the successful completion of refinancing in October 2020
- Interim dividend of 5¢ per share (2019: 5¢ per share), a distribution of c.\$13.6 million, to be paid to shareholders on the register on 13 November 2020

#### **REFINANCING AND FINANCIAL STRATEGY**

- In September 2020, Genel successfully completed the issuance of a new \$300 million senior unsecured bond with maturity in October 2025. The new bond has a fixed coupon of 9.25% per annum, compared to 10% for the 2022 bonds
  - At the same time, Genel purchased \$223 million of its 2022 bonds at 107 to par. The total cost incurred with the redemption of these bonds was \$16 million
  - Following the successful refinancing, the Company therefore has \$77 million of 2022 bonds and \$300 million of 2025 bonds in issue
- Genel remains committed to retaining a robust balance sheet, and the successful completion of the bond issuance has allowed Genel to significantly extend its liquidity runway and provides the foundation for a capital investment programme that is flexible and adaptable to the external environment
- The right level of debt and the resulting liquidity remains under review in the context of planned investment activity, external market conditions and the recovery of KRG receivables, the Company retaining the option of holding an optimised combination of the old and/or new bonds, depending on availability and pricing

## OPERATING PERFORMANCE

- Net production averaged 32,140 bopd in the first nine months of 2020, with net production in Q3 averaging 32,210 bopd (Q2 2020: 30,040 bopd)
- Production by field was as follows:

(bopd)	Gross production Q3 2020	Net production Q3 2020
Tawke	56,880	14,220
Peshkabir	56,860	14,210
Taq Taq	8,580	3,780
<b>Total</b>	<b>122,320</b>	<b>32,210</b>

## PRODUCTION ASSETS

- **Tawke PSC (25% working interest)**
  - Production at the Tawke PSC increased to 113,700 bopd in the third quarter, up 12% from the prior quarter following a campaign of quick turnaround, low-cost well interventions and the start-up of the Kurdistan Region of Iraq's first enhanced oil recovery project
  - The Peshkabir-to-Tawke gas capture and reinjection project, in operation since mid-year, is continuing to cut gas flaring and greenhouse emissions by half at Peshkabir to 7kg CO<sub>2</sub>e/bbl, while unlocking additional oil at Tawke. By the end of October 2020, two billion cubic feet of gas that otherwise would have been flared had been injected into Tawke, already delivering a positive production response at the field, and at the same time reducing field water production
- **Taq Taq PSC (44% working interest and joint operator)**
  - Taq Taq gross field production averaged 8,580 bopd in Q3, following the suspension of drilling activity in H1 2020
  - As previously stated, activity at Taq Taq is focused on optimising cash flow. Appropriate for the external environment, it is not expected that there will be any further drilling activity in 2020

## PRE-PRODUCTION ASSETS

- **Sarta (30% working interest)**
  - Despite the challenges of COVID-19, first oil is on track for Q4 2020
  - Production will initially be from the Sarta-2 and Sarta-3 wells, and the workover of the former is now underway. It is expected that a stable production level will be reached in Q1 2021
  - Preparations for the 2021 appraisal drilling campaign, which is targeting a material portion of the 250 MMbbls of contingent resources in the Jurassic, are ongoing
  - This appraisal campaign will begin with the Sarta-6 well in H1 2021, followed by the Sarta-5 well and Sarta-1D re-entry. Well pad and road access civil works are well underway at both the Sarta-6 and Sarta-5 locations, and minor remedial civil works are also about to commence at the existing Sarta-1D site. It is expected that all three appraisal wells will complete in 2021, at a cost of c.\$40 million net to Genel in 2021
- **Qara Dagh (40% working interest and operator)**
  - While challenges caused by COVID-19 remain, the increased certainty in the operating environment, and Genel's ability to operate under the expected level of restrictions, has allowed the lifting of force majeure at Qara Dagh
  - This has allowed Genel to proceed with approvals for activities necessary in order to reach a spud date for the QD-2 well in Q1 2021
  - The QD-2 well is expected to cost c.\$30 million in 2021
- **Bina Bawi (100% working interest and operator)**
  - Genel continues to seek a response from the KRG to our proposal submitted in August 2020, which would enable the Company to progress the next stage of activity at Bina Bawi

- Our proposal highlights the need to engage regional gas buyers on volume and price discovery and to improve project definition by undertaking the detailed front-end engineering of both the upstream and midstream processing facilities
- Until a satisfactory response is received, Genel will maintain capex discipline, and will only commence investment upon certainty of alignment with the KRG and a clear path to monetisation
- **African exploration assets**
  - The uncertainty created by COVID-19, and current macroeconomic conditions, has negatively impacted the search for partners to fund and minimise Genel's spend on our potentially high-impact exploration wells
  - A farm-out process relating to the highly prospective SL10B13 block in Somaliland (100% working interest and operator) is however continuing, with companies still assessing the opportunity
  - A farm-out campaign is being planned relating to the Lagzira block offshore Morocco (75% working interest and operator), with the aim of bringing a partner onto the licence prior to considering further commitments

## ESG

- Zero lost time injuries ('LTI') and zero tier one losses of primary containment in 2020 to date at Genel and TTOPCO operations
  - There has not been an LTI since 2015, with almost 13 million work hours since the last incident
- Carbon intensity of our portfolio now reduced to 7kg CO<sub>2</sub>e/bbl of scope 1 and 2 emissions following material reduction in flaring at the Tawke PSC through completion and commissioning of the enhanced oil recovery project
- Multiple projects are ongoing to support local communities in the Kurdistan Region of Iraq, and the pipeline project to transport clean water to over 220 families across five villages neighbouring Taq Taq is now complete
- Sustainability report in accordance with Global Reporting Initiative standards was issued in September 2020, giving a comprehensive overview of our ESG activities and positions, noting the impact we have had on the Kurdistan Region of Iraq ('KRI'):
  - Since starting work in the KRI Genel has invested c.\$60 million in social projects, and \$36 million spent on contracts with local companies
  - 245 social investment and community projects funded and successfully delivered
  - Up to 550 local community patients receive free treatment from the TTOPCO medical team per year
  - 250 local people employed at TTOPCO, and 23 local community-centred companies are providing services to Genel's operations across the KRI, with our operations indirectly supporting a further 350 local people through such contracts

## OUTLOOK

- Payments from the KRG continue to be made, with monthly payments having been received under the KRG's updated payment schedule for the past seven months
  - Dialogue with the KRG is ongoing regarding a number of topics, including the timing and process of payment of the outstanding c.\$150 million receivable
- 2020 capital expenditure expected to be just over \$100 million, in line with guidance
  - Expenditure in Q4 2020 expected to be c.\$30 million
- Operating costs per barrel expected to be \$3/bbl in 2020
- Opex: expected to be c.\$35 million, further reduced from the original guidance of c.\$40 million
- G&A: now expected to be c.20% less than previous guidance of \$15 million
- The Company continues to actively pursue additional growth and is analysing opportunities to make value-accretive additions to the portfolio that are consistent with Genel's strategy

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*This announcement includes inside information.*

Notes to editors:

Genel Energy is a socially responsible oil producer listed on the main market of the London Stock Exchange (LSE: GENL, LEI: 549300IVCJDWC3LR8F94). The Company is one of the largest London-listed independent hydrocarbon producers, with an asset portfolio that positions us well for a future of fewer and better natural resources projects. Genel has low-cost and low-carbon production from the Taq Taq and Tawke licences in the Kurdistan Region of Iraq, providing financial resilience that allows investment in growth and the payment of a material and sustainable dividend, even at a low oil price. Genel also continues to pursue further growth opportunities. 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.*