Genel Energy PLC (GENL)
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16 January 2020

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 2019 results, which are scheduled for release on 17 March 2020. The information contained herein has not been audited and may be subject to further review.

Bill Higgs, Chief Executive of Genel, said:
"2019 was a successful year for Genel, and we continue to deliver on our promises. We increased our highly cash-generative production in line with guidance, paid a material dividend, grew our operating capabilities, and added new assets to the portfolio that will bear fruit in 2020.

Our ongoing cash generation, with confidence of regular payments and in the security of the Kurdistan Region of Iraq, means that it is business as usual and our investment plans are moving forward at pace. This increasing investment in our growth assets is more than covered by expected free cash flow, and will see production diversify and increase as Sarta comes onstream in the summer, with enough remaining to underpin an increase in our already significant dividend."

FINANCIAL PERFORMANCE

- $317 million of cash proceeds were received in 2019 (2018: $335 million)
- Capital expenditure of $161 million (2018: $95 million), in line with initial guidance, as spending increased on growth assets
- Free cash flow ('FCF') of $99 million in 2019, pre dividend payment
  - Cash proceeds and FCF were impacted by the non-receipt of $54 million in payments from the Kurdistan Regional Government ('KRG') relating to export sales in August and September 2019, due in November and December
  - Pro-forma FCF in 2019 was $153 million (2018: $164 million), or $0.55 per share
- $26 million of outstanding payments from the KRG, constituting the full amount in respect to export sales in August 2019, has subsequently been received in 2020
- Dividends of $42 million declared in 2019
  - Maiden dividend of $27 million (10¢ per share) paid in June 2019
  - A further $15 million distributed (5¢ per share) in January 2020
- Cash of $387 million at 31 December 2019 ($334 million at 31 December 2018)
- Net cash of $90 million at 31 December 2019 (net cash of $37 million at 30 December 2018)

OPERATING PERFORMANCE

- 2019 net production averaged 36,250 bopd (2018: 33,690 bopd), in line with guidance and an increase of 8% on the prior year
- Q4 averaged 35,410 bopd, an increase from 34,720 bopd in Q3
- 19 new wells were brought onto production in 2019 across all assets
- Production by asset was as follows:

(bopd)	**Gross production 2019**	**Net production 2019**	*Net production 2018*
Tawke PSC	123,940	30,990	*28,260*
Taq Taq	11,960	5,260	*5,430*
Total	**135,900**	**36,250**	*33,690*

PRODUCTION ASSETS

- **Tawke PSC (25% working interest)**
  - Tawke PSC gross production averaged 123,940 bopd, of which Peshkabir contributed 55,190 bopd
  - Production in Q4 2019 averaged 122,800 bopd, of which Peshkabir contributed 58,910 bopd
  - There will be an active drilling campaign in 2020 on the Tawke field, aiming to minimise decline rates
  - At Peshkabir, the P-12 well is currently appraising the eastern flank of the field, and is set to complete shortly
- **Taq Taq PSC (44% working interest and joint operator)**
  - Taq Taq gross field production averaged 11,960 bopd in 2019
  - Production in Q4 2019 averaged 10,703 bopd
  - Following the successful drilling of the TT-34 well, which has now entered production at over 2,000 bopd with 20/64" choke, production at Taq Taq has averaged c.12,800 bopd in the year to date
  - The latest well on the northern flank of the field, TT-35, spud on 6 January. This completes the drilling programme with the Sakson-605 rig
  - Further activity at Taq Taq is focused on maximising cash generation, with the optimised cost structure and 2020 work programme, which could see up to six wells drilled, under review

PRE-PRODUCTION ASSETS

- **Sarta (30% working interest)**
  - Civil construction work at the Sarta field is continuing on schedule, with flowlines laid and buried and foundations in place for oil storage tanks, and Genel expects production to start in the summer of 2020

- Phase 1A represents a low-cost pilot development of the Mus-Adaiyah reservoirs, designed to recover 2P gross reserves estimated by Genel at 34 MMbbls
  - Unrisked gross mid case resources relating to the Mus-Adaiyah reservoir are estimated by Genel at c.150 MMbbls, with overall unrisked gross P50 resources currently estimated by the Company at c.500 MMbbl
- **Qara Dagh (40% working interest and operator)**
  - Civil construction works are progressing in preparation for the upcoming drilling operations, and the well pad and camp are on schedule for completion by the end of January
  - Environmental permits were granted in December 2019
  - The well will test the structural crest 10 km to the north-west of the QD-1 well, which tested sweet, light oil from Cretaceous carbonates
  - The QD-2 well is on track to spud in Q2 2020
  - Unrisked gross mean resources at Qara Dagh are currently estimated by Genel at c.200 MMbbls
- **Bina Bawi (100% working interest and operator)**
  - Negotiations between Genel and the Kurdistan Regional Government ('KRG') regarding commercial terms for the gas and oil development at Bina Bawi made significant progress in the third quarter of 2019, resulting in an understanding on commercial terms for a staged and integrated oil and gas development being reached
  - Genel is now waiting to receive draft legal agreements reflecting this understanding
  - Genel is continuing the necessary readiness work required to enable rapid progress towards gas and oil developments upon receipt of signed documents
- **Somaliland - SL10B13 block (100% working interest and operator)**
  - A farm-out process relating to this highly prospective block began in Q4 2019, with Stellar Energy Advisors appointed to run the process. A number of companies are now assessing the opportunity
  - Genel plans to conclude the farm-out process in H1 2020, aiming to minimise the cost to the Company of a well that could be spud in 2021
- **Morocco - Sidi Moussa block (75% working interest and operator)**
  - The farm-out campaign is set to begin in Q2 2020, aimed at bringing a partner onto the licence prior to considering further commitments

ESG

- Safety remains a priority for the Company, and our focus on this has led to zero lost time incidents ('LTI') and zero losses of primary containment in 2019 at Genel operations
  - There has not been an LTI since 2015, with over 11 million hours worked since the last incident
- The operator of the Tawke PSC expects routine flaring to be eliminated on the licence in March 2020, with gas from the Peshkabir field set to be reinjected into the Tawke field in order to improve long-term reserves recovery
- The search for a permanent Chairman is well progressed

OUTLOOK AND 2020 GUIDANCE

- Net production in 2020 is expected to be close to Q4 2019 levels of 35,410 bopd, with an exit rate c.10% higher than this due to the expected addition of production from Sarta
  - Genel expects to drill over 20 producing wells in 2020
- 2020 capital expenditure is expected to be $160-200 million, of which $120-150 million will be cost recoverable spend on assets on production in 2020. Other spend includes:
  - c.$35-40 million on the Qara Dagh 2 well
  - Under $10 million maintenance expenditure at Bina Bawi and Miran. Capital expenditure expectations for Bina Bawi in 2020 will be updated once legal agreements with the KRG have been signed
  - Under $2 million on African exploration assets
- Operating costs per barrel expected to be $3/bbl, amongst the lowest in the industry
- Opex: c.$40 million
- G&A: c.$15 million
- The Company expects full recovery of outstanding payments in Q1, and for regular payments to resume, as they had since September 2015
- The Company continues to actively pursue growth and is analysing numerous opportunities to make value-accretive additions to the portfolio, but will only proceed with opportunities that fit our strict strategic criteria
- Genel expects to generate c.$100 million in free cash flow, pre-dividend payments, in 2020
  - Given the ongoing strength of cash generation, confidence in the regularity of payments from the KRG, and the positive outlook for the Company, Genel reaffirms its commitment to growing the dividend

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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. Genel has highly cash-generative oil production from the Taq Taq and Tawke licences, with material growth potential from other assets in the portfolio. Genel also continues to pursue further growth opportunities. 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.

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