Genel Energy

Annual Report 2015

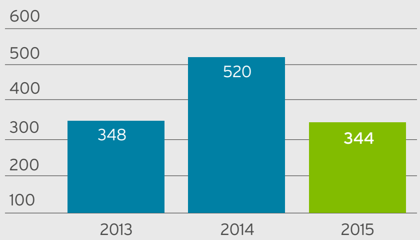
A resilient business

In this report

Key figures

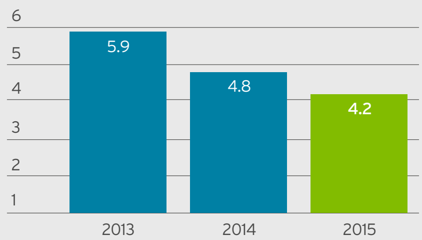
Revenue
($ million)

344



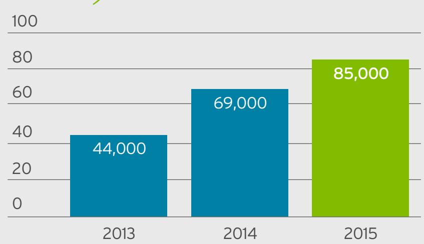
Reserves and resources
(net bnboe)

4.2



Production
(bopd, working interest)

85,000



c.$148 million cash proceeds received for KRI oil exports and domestic sales

< $2/bbl production costs at our producing oil assets

c.22% increase in oil production year-on-year

A clear and focused strategy

Our strategy *for developing a major oil and gas business*

1: Maintain the highest level of corporate governance

The strength of our management team, and an experienced Board, provides the expertise to grow the business and the governance necessary to maintain the integrity of the Company and effectively manage risk.

2: Maximise the value of our KRI oil assets and commercialise our KRI gas business

Our oil production in the KRI is managed to ensure long-term value creation, with production maximised over the life of the field and investment made at a level appropriate to the external environment. During 2015 production averaged 84,900 bopd, a rise of 22%. Our world-class Miran and Bina Bawi fields contain an estimated 11 tcf of mean raw gas resources, and steps have been taken to move them towards development.

3: Create value with the drill bit

We are committed to realising the value in our portfolio through a focused drilling programme to explore, appraise and develop our assets, with the flexibility in our portfolio allowing us to manage expenditure appropriately.

4: Pursue selective, accretive M&A opportunities

Leverage the skills and knowledge of the management team to identify upstream assets with a view to adding reserves and/or resources which complement the existing KRI position.

5: Return excess cash to shareholders

We will continue to evaluate and evolve our capital structure to reflect the needs of the business, with a view to returning capital to investors when appropriate.

Our business model *underpins our strategy*

Monetise at all points of the exploration, development and production cycle

Oil production in the KRI provides ongoing cash generation. We will aim to bring in partners to our KRI gas business with a view to crystallising value, reduce future funding requirements and delivering an appropriate balance of risk and reward.

Retain a strong balance sheet

The Company aims to retain a strong balance sheet and flexibility in our capital structure in order to pursue its strategic objectives and underpin future growth.

Leverage our unique regional relationships

Genel's long-term presence in the Kurdistan Region of Iraq has allowed us to build lasting and beneficial relationships with the KRG and the local business community. These, allied with our Turkish heritage, play a vital role in creating value for shareholders.

Responsible operations

The way in which we conduct ourselves with our host communities and governments, and our record on health, safety and the environment, is the bedrock for all of our operations, and is crucial to our success as a business.

Our investment case *differentiates Genel*

01 Low-cost asset base

Our oil reserves are being produced at some of the lowest costs in the industry and are cash flow breakeven at a Brent oil price of less than $20/bbl. The KRI gas development will also benefit from an industry leading cost structure. Our gas resources have been independently certified and are already committed by the KRI for export to Turkey, which will both diversify and lower the cost of energy imports.

Read more:
Group at a glance p.06 & Operating review p.16

02 Exposure to the Kurdistan Region of Iraq growth story

As the economic situation in the region improves – driven by an improving oil price, increased oil exports, or KRG cost-cutting measures – regular export payments will facilitate the commercialisation of our gas assets. The clarity over the payment schedule for our oil exports allows us to explore and appraise, at low cost, a number of other exciting opportunities in our portfolio.

Read more:
Market overview p.04

03 Significant future cash generation

Our KRI gas business has the potential to generate a material and stable free cash flow stream once onstream. These cash flows, combined with those from the oil assets, will be redeployed to create value for shareholders in other upstream assets, or returned to shareholders if such opportunities don't meet internal criteria.

Read more:
Operating review p.16 & Financial review p.24

About the Kurdistan Region of Iraq

Robust long-term market fundamentals

Despite the significant challenges faced by the Kurdistan Regional Government, action is being taken to ensure a prosperous future.

With a population of 5.2 million, the Kurdistan Region of Iraq comprises the governorates of Erbil, Suleimaniah, and Dohuk. It covers 40,000 km^2, bordering Turkey to the north and Iran to the east. Due to events in the region, the semi-autonomous KRI has increasingly found itself the focus of the attention of the international community.

The fight against ISIS

The Kurdistan Regional Government has been a crucial partner in the global fight against ISIS. The KRI is on the front line of the fight, with the Peshmerga proving themselves as the most effective force, best able to repel ISIS, on the ground.

During and after the initial ISIS offensive in 2014, the KRG successfully defended the integrity of its borders, and the Region has remained safe and secure. Since the initial ISIS offensive, when the KRG prevented Kirkuk from falling into ISIS hands, the Peshmerga has retained control of 27,000 km^2 from ISIS. Crucially, this included the November 2015 liberation of Sinjar, which split the ISIS controlled area in half, cutting supply lines and weakening its grip on Mosul and other territories in Iraq.

Challenging economic situation

The necessary fight against ISIS has been expensive, placing a major burden on the KRI's economy, which is currently in crisis. As well as funding the Peshmerga, the KRI hosts over 1.8 million refugees and internally displaced persons ('IDPs'), which has boosted the total population by 30%. These displaced peoples have been sheltered by the KRG, whose efforts alongside NGOs have helped to prevent a full-scale humanitarian catastrophe. The financial strain of this support, compounded with the fall in the oil price and the failure of Baghdad to make budgetary payments, has left the KRG struggling to pay its salary obligations and recompense oil companies for their production.

Oil export growth

In order to compensate the Kurdistan Region of Iraq for the significant revenue shortfalls due to budgetary non-compliance by the Iraqi federal government, in June 2015 the KRG resumed its policy of direct oil sales via the Turkish port of Ceyhan.

With oil exports absolutely vital to economic self-sufficiency, the export of crude oil rose throughout the year as upgrades to the pipeline network increased export capacity. Exports also included the flow of oil from the Kirkuk field, with the KRG continuing its cooperation with the North Oil Company to maximise flows.

The success of the KRI is intrinsically linked with the success of the oil industry, and the KRG has repeatedly affirmed its awareness that in order for IOCs to maintain and grow oil production, payments for oil exports need to be forthcoming.

Despite the severe economic difficulties, the KRG made payments for the last four months of 2015, and has now formalised a payment procedure that will see companies paid monthly based on contractual entitlements, with a further payment towards the recovery of outstanding receivables.

Regional relationships

While the tentative agreement, made at the end of 2014, with the Federal Government of Iraq ('FGI') broke down, the relationship between Baghdad and Erbil remains civil. Both the KRG and FGI have stated their willingness to discuss issues and find a cooperative solution to any differences.

The KRG's relationship with Turkey remains strong. An inconclusive general election result in June 2015 was followed by the Justice and Development Party (AKP) returning to single-party government in November. Throughout the period the mutually beneficial relationship enjoyed by Erbil and Ankara remained strong.

Turkey remains comfortably the KRI's largest trading partner, exporting billions of dollars worth of goods and services. This economic relationship will be solidified once the KRI fulfils its obligations under the Turkey-KRI Gas Sales Agreement, which will see an initial 10 bcma delivered to Turkey in 2019/20.

Turkey remains one of the world's fastest growing, major gas markets, and this provision of gas, which will be supplied by Genel's Miran and Bina Bawi assets, will be transformational for the economy of the Kurdistan Region of Iraq. The import of KRI gas, which is far more strategic than KRI oil, is set to significantly reduce Turkey's gas import costs.

While tensions between Turkey and the PKK flared up in the middle of 2015, unrest did not spread into the Kurdistan Region, indeed KRG-Turkey energy cooperation strengthened. Sabotage of the KRI-Ceyhan pipeline by PKK affiliates was strongly condemned by the KRG, and such incidents became rarer, making a minimal impact on oil exports at the end of the year.

Well over a decade of operating in the Kurdistan Region of Iraq has allowed us to build meaningful and beneficial relationships, and we are proud that our partnership with the KRG has made a valuable contribution to the development of the region.

"We have been a partner of the KRG for many years, and we recognise the efforts that have been made to meet its commitments in difficult circumstances."

Murat Özgül
Chief Executive Officer

Political developments in the KRI

Relations between the parties that make up the KRG have come under increasing strain over the presidency of Massoud Barzani, whose mandate expired on 20 August 2015 but remains in office. The two main parties, the KDP and PUK, continue to work together to help overcome the difficulties facing the KRI, and President Barzani has affirmed that he will meet all political parties in the Kurdistan Region to reach a consensus on outstanding issues.

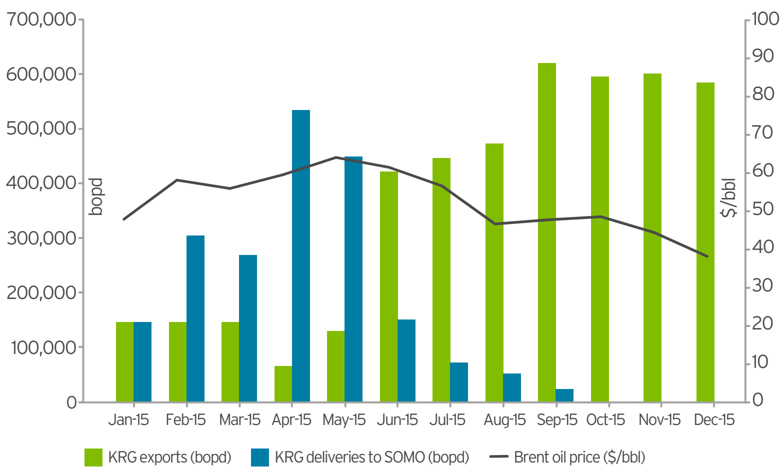
Catalysts for growth

The key issue facing the Kurdistan Region of Iraq remains the state of the economy. There are three ways in which the situation can be mitigated. While the first one, the oil price, cannot be affected by the KRG, the government is focusing on the two things that it can control – the volume of oil exports and reducing government costs and energy subsidies.

The upgrading of the KRG's export infrastructure, which is ongoing, has allowed oil exports to hit record levels, and the KRG has committed to cutting its costs. Prime Minister Nechirvan Barzani has stated that steps to be taken include overhauling the taxation system, reducing allowances of higher ranking staff, implementing other financial reforms, reforming the electricity sector and reducing energy subsidies.

NORTHERN IRAQ OIL EXPORT EVOLUTION

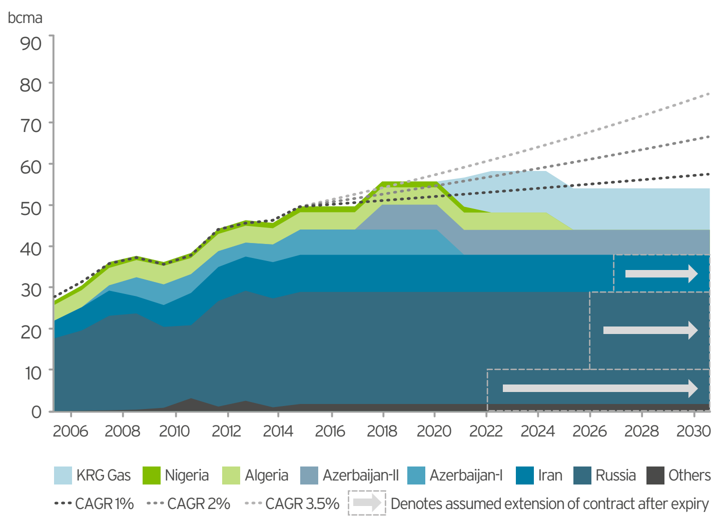
KRI pipeline exports - the key economic driver for the KRI



Source: KRG Ministry of Natural Resources figures

TURKISH SUPPLY AND DEMAND FORECAST

2005-2014 gas demand growth CAGR = 6.8%



Source: Turkish Energy Markets Regulatory Authority, BOTAS, Company estimates

Our portfolio

Genel has an asset portfolio with the potential to deliver significant returns in a low oil price environment. Assets include low-cost oil production, a world-class gas development, and high-impact, cost-effective, exploration.

"The low-cost of our production helps make Genel a very resilient business, with our producing oil assets benefiting from production costs forecast at less than $2/bbl in 2016."

Murat Özgül
Chief Executive Officer

Oil

Taq Taq
- 44% working interest (joint operator through TTOPCO)
- Gross 2P reserves 172 mmbbls, 76 mmbbls net to Genel Energy
- Gross 3P reserves 416 mmbbls, 183 mmbbls net to Genel Energy

Tawke
- 25% working interest (DNO International, operator)
- Reserves subject to completion of operator review in March 2016

Read more p.18

Gas

Miran
- 75% working interest (operator)
- Gross 2P reserves 30 mmbbls
- Mean contingent resources of 4.3 tcf raw gas, 62 mmbbls oil and condensates

Bina Bawi
- 80% working interest (operator)
- Mean contingent resources of 7.1 tcf raw gas, 17 mmbbls oil

Dohuk
- 40% working interest (DNO International, operator)
- Licence under relinquishment

Read more p.20

Exploration

KRI

Peshkabir
- 25% working interest
- Part of Tawke PSC
- Drilling planned to appraise discovered resource and test upside potential

Ber Bahr
- 40% working interest (operator)
- Licence under relinquishment

Chia Surkh
- 40% working interest
- Gross contingent resources of 250 mmboe ahead of further exploration and appraisal activity

OTHER ASSETS

Morocco
- Sidi Moussa: 60% working interest
- Juby Maritime (37.5% working interest) and Mir Left (75% working interest) licenses being relinquished

Côte d'Ivoire
- Block C1-508: 24% working interest
- Gross acreage 1,060 km^2
- Licence under relinquishment

Somaliland
- SL-10B & SL-13: 75% working interest
- Odewayne: 50%
- Gross acreage 40,300 km^2

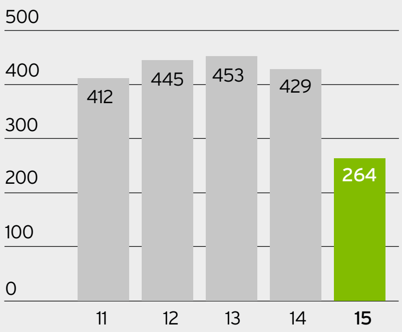
Ethiopia
- Adigala Block: 40% working interest
- Licence under relinquishment

Read more p.22

The largest holder of reserves and resources in the Kurdistan Region of Iraq

NET 2P RESERVES

264 ↓
(net mmbbls)



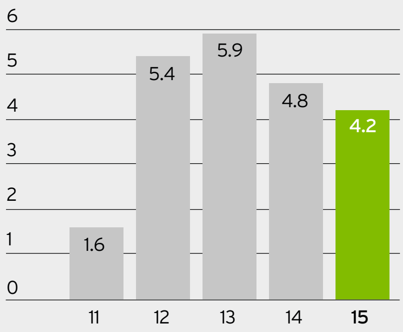
Definition
2P reserves are proved plus probable reserves.

Performance
A review of the Taq Taq field reserves, following production declines seen during 2015, resulted in a revision of gross 2P reserves at the field to 172 mmbbls, 76 mmbbls net to Genel. A significant part of this reduction was due to a revised assumption on the fracture porosity within the Shiranish, the shallowest interval of the three Cretaceous producing units.

Production at Taq Taq and Tawke of 42 mmbbls and 49 mmbbls respectively also contributed to the fall in 2P reserves.

NET UNRISKED RESERVES AND RESOURCES

4.2 ↓
(bnboe)



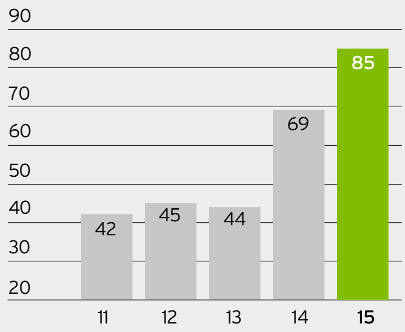
Definition
Net reserves and resources include reserves, and contingent and prospective resources.

Performance
The acquisition of OMV's stake in Bina Bawi increased Genel's working interest in the licence, in turn increasing the contingent resources net to Genel by 300 mmboe. An increase in prospective resources of the same magnitude at the Sidi Moussa licence, offshore Morocco, was the result of integrated post-well analysis and the identification of alternative play concepts.

Limited remaining prospectivity in other Moroccan assets and a disappointing drilling result offshore Côte d'Ivoire resulted in the decision to relinquish these licences. As part of Genel's portfolio management, the Ber Bahr and Dohuk licences were also exited in the Kurdistan Region of Iraq, as was the Adigala Block, Ethiopia.

NET PRODUCTION

85,000 ↑
(bopd)



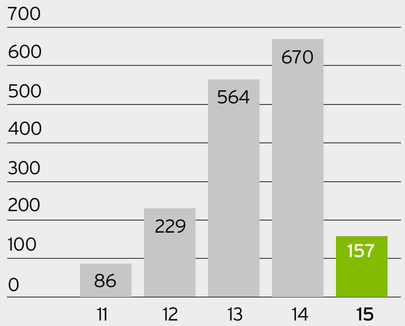
Definition
Our oil production in the KRI is managed to ensure long-term value creation, with production maximised over the life of the field. It is measured in barrels of oil produced per day.

Performance
Oil production at both Taq Taq and Tawke benefited from an improvement in production facilities and, with the pipeline infrastructure fully functional for the whole year, outflow was not constrained.

CAPITAL EXPENDITURE

157 ↓

($ million)



Definition

Genel aims to derisk and increase the value of assets by capital development and exploration.

Performance

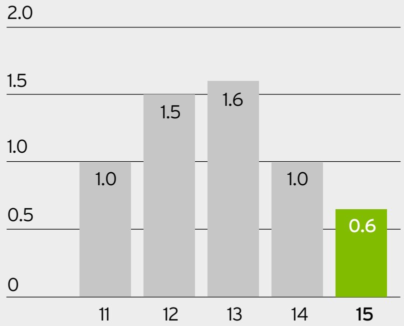
Capital expenditure outlay is diligently managed to ensure the continued strength of our balance sheet, and the flexibility in our portfolio allows expenditure to be focused, targeted and appropriate to the external environment.

In light of the ongoing weakness in the oil price and the delay in the receipt of export payments, the capital expenditure programme for 2015 was materially reduced, with the year-on-year fall also exacerbated by a significant reduction in expenditure on African exploration assets.

LOST TIME INCIDENTS

0.6 ↓

Hours lost due to injury per million work hours



Definition

The safety of our workforce remains of paramount importance. Genel is committed to running safe and reliable operations across our portfolio, aiming at zero fatalities and no lost time incidents ('LTIs'). Lost time incident frequency measures the number of lost time incidents per million work hours.

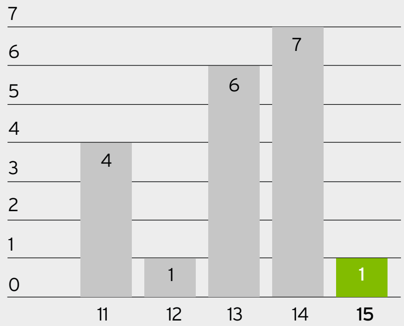
Performance

The reduction in incidents, from an already low base - and another year of zero fatalities - reflects continuing progress achieved in our safety culture and performance. The figure includes both Genel Energy, relating to which there were zero incidents, and TTOPCO figures. Note that the previous year's figure has been rebased to include LTIs at TTOPCO.

SPILLS - LOSS OF PRIMARY CONTAINMENT

1 ↓

Incidents where there has been a loss of primary containment



Definition

Loss of primary containment records any unplanned or uncontrolled release of material from a piece of equipment (such as a pipe, vessel or tank) used for containment of potentially harmful or hazardous substances and products.

Performance

Asset integrity is a key priority for the company and we plan and execute the operations of our business and our engagement of subcontractors so as to minimise risk and mitigate potential impact, aiming for zero incidents.

In 2015 there was a single incident at Chia Surkh, relating to an unplanned gas release. The incident did not lead to any harm for either employees or the environment. As always, a full investigation of the incident was undertaken and lessons learned.

Resetting the business in challenging times

Low-cost production, flexibility in the portfolio, and the financial strength to pursue our strategy.

Tony Hayward
Chairman

I am pleased to welcome you to Genel Energy's fifth annual report. 2015 was a challenging year across the oil sector as a whole. The sustained low oil price has placed a significant strain on both the industry and the economy of the Kurdistan Region of Iraq.

As the external environment has deteriorated, we have been proactive in ensuring that your Company remains robust. Our production costs are amongst the lowest globally, and our asset base allows us to flex our capital expenditure programme to align with our cashflow and to preserve a robust balance sheet.

Despite the reserve reassessment and write down at Taq Taq, which is very disappointing, our asset base remains strong, with many years of production ahead of us.

Despite the difficulties of the external environment, 2015 saw record production for Genel, up 22%. Payments for pipeline exports in the second half of the year, followed by a payment mechanism being confirmed in 2016, both demonstrated the firm commitment of the Kurdistan Regional Government to fully compensate IOCs for all production, both in the past and going forward.

The Kurdistan Region of Iraq oil industry

The Kurdistan Region of Iraq remains safe and secure, and our operations have been unaffected by the ongoing presence of ISIS in Iraq and Syria. The ISIS offensives against the KRI in 2014 were successfully repelled, and the terrorist group was very much on the defensive throughout 2015. Significant ground was retaken by the Peshmerga, with the support of its allies, and ISIS has seen its supply lines cut and increasing pressure placed on those areas west of the KRI which remain under its control.

While we continue to monitor the situation, we do not expect ISIS to have any operational impact on the KRI oil industry going forward. The main impact ISIS has is on the economy of the region, with the funding of the Peshmerga and provision of support for refugees and internally displaced peoples ('IDPs') causing a strain on the KRG's financial position.

2015 began with the implementation of an agreement between Baghdad and Erbil promising an end to uncertainty about the KRG's economic situation, with promises of the transfer of a full monthly budget allocation to Erbil, and SOMO control of all sales of crude from Ceyhan. Unfortunately, while exports from KRI fields ramped up, the budget transfers stalled, forcing the KRG to resume independent export sales.

The KRG has since successfully increased exports to record levels, hitting over 650,000 bopd and reaching a ready market of international purchasers. Unfortunately, the shortfall of revenue received in the first half of the year delayed payments to oil companies, a situation compounded by the low oil price and the necessity of funding the Peshmerga.

Against this backdrop, the receipt of four payments for pipeline exports pertaining to the last four months of 2015 was very encouraging. These initial payments, totalling c.$100 million, helped stabilise our receivable and maintain our robust balance sheet. We recognise the efforts that the KRG is making to meet its commitments to IOCs in a very difficult environment. The crystallisation of the payment mechanism in February 2016 was a very positive move, and has provided clarity over the quantum and certainty over the timing of future payments.

As these payments are forthcoming, our investment in the region will continue, with the aim of maximising the value of our oil fields and facilitating the investment required to drive the development of the gas business, a business that will help further transform the economy of the KRI.

Management changes

At a difficult time for the industry, it is vital that a company has a Board with the experience and expertise to help navigate through choppy waters and to monitor carefully the risk across our operations.

2015 saw the retirement of people who were integral in the establishment of Genel Energy as a respected London-listed company. Rodney Chase, my predecessor as Chairman, and Julian Metherell, former CFO, both made invaluable contributions and left Genel with a strong reputation, and the financial strength to prosper. Mark Parris and Murat Yazici also stepped down in 2015, and we wish both well.

In order to retain the knowledge of Genel Energy assets, the political and oil industry environment, and an in depth understanding of operating in the KRI, the Board decided that I would replace Rodney as Chairman, with Murat Özgül, previously President, Turkey and KRI, becoming Chief Executive.

Murat has overseen the development of our Kurdistan business to make Genel Energy into one of the largest independent oil producers on the London Stock Exchange, and there is nobody better qualified to progress the development of our world-class KRI gas fields.

Finally, the year also saw the retirement of our President, Mehmet Sepil. The Kurdistan Region of Iraq's oil industry would not be where it is today without the foresight and efforts of people like Mehmet.

Mehmet left a legacy of a company with unsurpassed relationships in the region, world-class assets, significant production and transformational growth opportunities. With Murat, and Julian's successor Ben Monaghan, we have the right management team, with the relevant and complementary skills, to drive the company forward and take advantage of these opportunities.

Responsible operations

Supporting and sustaining the communities in which we operate is fundamental to Genel Energy's success and our commitment to being a sustainable business. We take pride in the close relationship that we have with the KRG, with whom we have worked closely for almost 15 years.

With 1.8 million refugees boosting the population of the KRI by over 30%, the KRG, working with NGOs, has done an excellent job to avoid a catastrophic humanitarian incident. We have been glad to provide support to the KRG, while not ignoring the needs of communities we work in to ensure lasting benefit from our operations.

Well positioned in a low-price environment

To ensure the ongoing strength of the business even in a period of prolonged low oil prices, our focus will remain on retaining a strong balance sheet and robust cash position. The flexibility of our investment programme means that we have a fleet-footed business that can take advantage of an improving external environment.

With the unique potential offered by the gas business, and low-cost oil production that promises to be cash generative even in very low oil price scenarios, we continue to look to the future with confidence.

"Our production costs are amongst the lowest globally, and our asset base allows us to flex our capital expenditure programme to align with our cashflow and to preserve a robust balance sheet."

Read more about our operations
p.16

Read more about corporate governance
p.44

Low-cost production, appropriate expenditure, and focused exploration

Genel is well positioned in the Kurdistan Region of Iraq, with a flexibility that provides resilience and the ability to capitalise on both existing and future opportunities.

Murat Özgül
Chief Executive Officer

Having been with Genel since 2008, and seen the Company grow significantly in that time, it is my pleasure to now detail the Company's performance for 2015 as Chief Executive Officer. Unfortunately, I do not write at a buoyant time for the oil industry.

The decline in the oil price placed a significant strain on the entire oil industry in 2015, and the price weakness has continued into 2016. For the Kurdistan Regional Government, despite tremendous success in boosting oil exports, the low oil price and cessation of budget transfers from Baghdad, coupled with the necessity of funding the Peshmerga and averting a humanitarian crisis through managing the influx of refugees into the KRI, has created serious financial challenges.

In this environment three things position Genel well for the future – oil production that is amongst the lowest cost globally, a robust balance sheet, and a tight control on costs. Despite the disappointing revision of our reserves at Taq Taq, Taq Taq and Tawke remain low-cost oil fields by any global benchmark. With 264 million barrels of net 2P reserves across our KRI portfolio, Genel has a robust oil business well positioned in the current oil price environment, and set to be significantly cash generative going forward.

Retaining our financial strength

Our strategy remains clear and focused, as we look to maximise the potential of our KRI oil assets and commercialise our KRI gas business, while seeking growth through the drill bit and the selective pursuit of value accretive M&A opportunities. This strategy is underpinned by our business model – central to which is the retention of a strong balance sheet.

In a challenging external environment it is never more important to retain financial strength, and ensuring that costs were kept to a minimum was a key focus of management in 2015. This focus saw a number of efficiency measures and cost reduction programmes implemented across the business, resulting in production costs and general and administrative costs falling by around 40% compared to 2014. Even without receiving full payment for our oil exports, cash receipts of $148 million local and export sales more than covered production costs, general and administrative costs, and bond interest during the year.

With the receipt of export payments in the fourth quarter of the year stabilising our receivable with the KRG and bolstering our cash position, we finished 2015 with cash balances of $455 million. 2016 cash spend at the Company level is forecast to average c.$20 million per month, showing our ability to withstand even a worst case oil price scenario.

Capital expenditure for 2015 totalled $157 million, a reduction of over $500 million on 2014, as we focused on development programmes at Taq Taq and Tawke.

Low-cost oil production

The development programmes helped drive production at Taq Taq and Tawke to record levels, with production up 22% year-on-year to 84,900 bopd. The low-cost nature of this production helps make Genel Energy a very resilient business, with our producing oil assets in the Kurdistan Region of Iraq benefiting from production costs forecast at less than $2/bbl in 2016.

While some of the lowest costs in the industry provide Genel with a solid foundation, in order to continue investing in the fields it is still vital that payments are received for oil produced. In August 2015, the Kurdistan Regional Government made a public statement that reiterated their commitment to make certain that oil companies are recompensed for their production. Despite the financial crisis facing the region, this commitment was matched by action, and we have received monthly payments for exports since September 2015. We have been a partner of the KRG for many years, and we recognise the efforts that have been made to meet its commitments in difficult circumstances.

Regular and predictable payments

This commitment to remunerating IOCs was confirmed on 1 February 2016, when the Ministry of Natural Resources issued a statement announcing that monthly payments will be based on the contractual entitlements under the production sharing contract governing each license. The statement also illustrated the mechanism through which IOC receivables will be paid off, as each month a percentage of the monthly netback field revenue (starting at 5%) will be used to reduce the outstanding amount. As the oil price rises, this percentage will increase.

The new payment schedule provides clarity over future revenues that was previously lacking, allowing us to tailor our field development plans and progress them with confidence.

The payment mechanism removes the uncertainty of 2015, when the KRG's ability to make sustained and predictable payments was hampered by the external environment. This uncertainty resulted in the prudent decision to reduce investment in our producing fields, suspending sub-surface investment.

We retain a significant level of flexibility over the investment that can be made at our producing fields, with the potential to insert electric submersible pumps in existing wells, sidetrack existing wells, and drill new horizontal wells. The extent of this activity will reflect the quantum of export payments, which are now largely tied to the oil price, as well as the technical results of the ongoing work programme. Our 2016 capital expenditure guidance of $80-120 million illustrates this flexibility, and we will aim to progress our oil development in a way that is broadly cash flow neutral to Genel in the near-term.

Production is expected to be 60,000-70,000 bopd in 2016. The Taq Taq and Tawke entitlement achieves breakeven at a Brent oil price around $20 a barrel, and promises to be significantly cash generative as the external environment improves.

"The new payment schedule provides clarity over future revenues that was previously lacking, allowing us to tailor our field development plans and progress them with confidence."

"Despite the recent reserve revision at Taq Taq, the Company is well positioned in the Kurdistan Region of Iraq, with a flexibility that provides resilliece to the ongoing downturn and the ability to capitalise on both existing and future opportunities."

Taq Taq reserves revision

Given the significant ramp-up in production at the Taq Taq field in recent years and subsequent decline during 2015, Genel took the decision to review its reservoir model and its future investment profile for Taq Taq.

To support this analysis, we commissioned an updated Taq Taq competent persons report ('CPR') from McDaniel & Associates. This internal review and the CPR are now largely complete. The result is that the initial proven and probable reserves in place at the field have been revised from the estimated 683 mmbbls (as of June 2011) to an estimated 356 mmbbls (as of 31 December 2015).

With Taq Taq having produced a total of 184 mmbbls up to the end of 2015, the remaining gross recoverable 2P reserves as of 31 December 2015 are therefore 172 mmbbls.

The vast majority of the original Taq Taq oil in place was reservoired within fractures in Cretaceous carbonate formations. The Cretaceous has three principal producing units – the Qamchuga, Kometan and Shiranish – with the Shiranish being the shallowest interval. Genel's internal Taq Taq review and the CPR process have focused on the fracture porosity within the Shiranish reservoir. Both processes have utilised recently acquired data to establish that the fracture porosity within the Shiranish is lower than estimated in the original McDaniel CPR from 30 June 2011.

The revision in reserves is of course disappointing, but Taq Taq still has significant low-cost production to come. The field has been crucial in the development of the Kurdistan Region of Iraq oil industry, and will continue to make an important contribution in the future.

Commercialising the gas business

As well as our oil production, the development of our Kurdistan Region of Iraq gas business also benefits from low costs. The onshore location and scale of the development means that it delivers an industry leading cost structure - with an estimated upstream capital and operating expenditure of less than $3/boe.

In September 2015, Genel completed the acquisition of OMV's 36% operated stake in the Bina Bawi field, consolidating the ownership structure across both Miran and Bina Bawi, streamlining project management and providing flexibility in meeting development goals.

The development of the fields is a unique opportunity, and promises to deliver significant value for shareholders. The fields are 300 km from Turkey, one of the world's fastest growing major gas markets with expected demand growth of 3% per year until 2020 at least. Turkish gas demand makes the KRI's gas reserves of far greater strategic importance than oil, and they provide Turkey with the opportunity of materially reducing their gas import costs.

Turkey currently consumes approximately 50 bcma of gas, of which more than half is provided by Russia. With the KRG set to provide 20 bcma, this gas will help to diversify, and indeed form the baseload of Turkish supply, at a cheaper price than all current imports.

The project is underpinned by the KRI-Turkey Gas Sales Agreement, and the development is now progressing on the ground in Turkey, with BOTAS having begun its tendering process for the construction of the Turkish stretch of the pipeline.

It is a world-class development with a committed government buyer for the gas in place. As such, the progress towards converting the PSC amendments and gas supply term sheets into fully termed documents has been slower than we anticipated, as the KRG has been focused on oil exports and the difficult economic situation.

At Miran and Bina Bawi, 2016 activity will focus on delivering the upstream gas development plan and geological/geophysical studies, and work will also commence on the front end engineering design and financing plans for the midstream gas processing. Capital expenditure for the gas project during 2016 is estimated at c.$25 million.

Portfolio management

Our portfolio benefits from not having expensive commitments, and our focus on costs meant that a restructuring of the asset portfolio had been undertaken even prior to the rebasing of expectations of future cash-generation from Taq Taq.

As part of our ongoing portfolio management and rigorous control on costs and capital efficiency we are concentrating time and investment on our producing and development assets, and have reshaped our exploration portfolio into a focused and low-expenditure, high-impact potential asset base.

As part of this process, the Ber Bahr and Dohuk licence interests in the KRI are in the process of relinquishment, as is the interest in the Adigala block in Ethiopia. Limited remaining prospectivity in the Cap Juby and Mir Left Moroccan assets, and a disappointing drilling result offshore Côte d'Ivoire, also resulted in the decision to exit these licences.

At Chia Surkh (Genel 40% working interest), 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. Genel will be carried by its partner for the costs of the CS-12 well.

Genel is therefore looking to the future with a portfolio that offers low-cost production, a transformational gas business, and highly prospective exploration acreage – with targeted and flexible spending allowing us to focus on those areas in which shareholder returns can be maximised.

Outlook

Genel will continue to focus on costs, running operations in the KRI on a broadly cash neutral basis. Despite the recent reserve revision at Taq Taq, the Company is well positioned in the Kurdistan Region of Iraq, with a flexibility that provides resilience to the ongoing downturn and the ability to capitalise on both existing and future opportunities.

The quantum of cash receipts will define activity levels, and the KRG has provided clarity over the regularity of future payments, which are set to continue even in this challenging environment. Should the oil price recover, as we expect it will, the level of payments will rise along with our entitlement, accelerating the recovery of our receivable. The new payment agreement will also allow us to progress our field development plans and maximise the value of our producing assets.

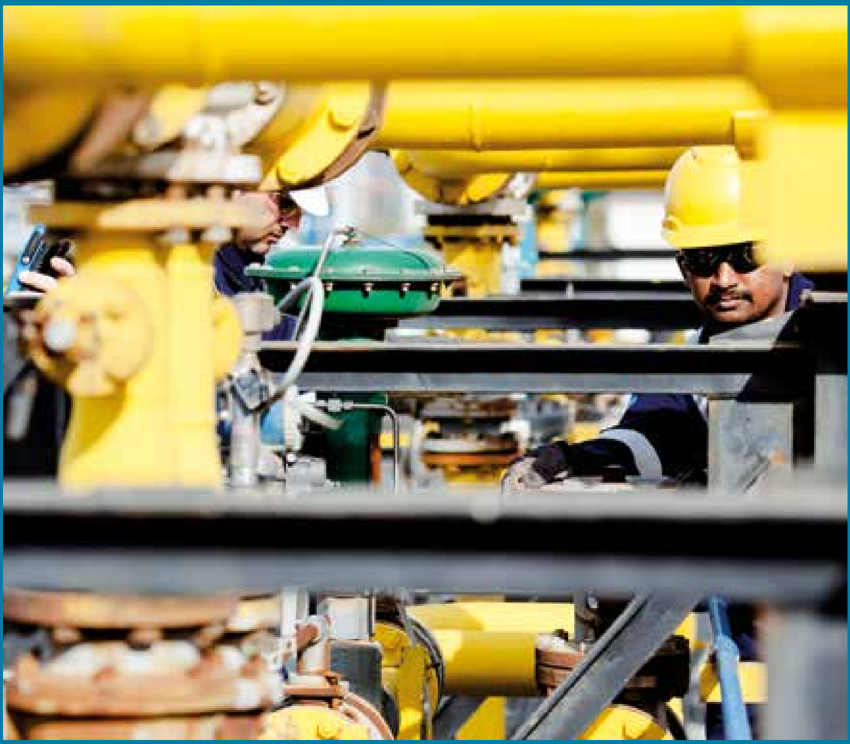
We continue to selectively pursue accretive M&A opportunities, although any transaction that we execute will be the result of careful screening and a robust internal process. We will only proceed with those that meet our strict criteria – complementing the existing KRI position without being detrimental to our balance sheet strength.

Despite the many market challenges, Genel Energy remains a resilient business, with opportunities in the portfolio promising significant future cash generation.

"Despite the market challenges, Genel Energy remains a resilient business, with opportunities in the portfolio promising significant future cash generation."

Unlocking the potential of the Kurdistan Region of Iraq

Below: Workers at the Taq Taq field, Kurdistan Region of Iraq



Key oil highlights

- 2015 production averaged 84,900 bopd, 22% growth on 2014
- Producing oil assets in the Kurdistan Region of Iraq benefit from low production costs, which are forecast at less than $2/bbl in 2016
- Production guidance for 2016 is set at 60-70,000 bopd

22%
production growth on 2014

Key gas highlights

- Detailed term sheets for the upstream and midstream elements of the gas project were signed in early H2 2015
- Purchase of OMV's operated stake in Bina Bawi complete
- Midstream pre-FEED and technical consultancy study tender initiated

11tcf
of raw gas resources

	Proven plus Probable (2P) reserves (mmboe)[1,2]	Contingent resources (mmboe)[3]	2P reserves and contingent resources (mmboe)
Start of 2015	429	1,031	1,460
Production	(31)	–	(31)
Net additions/revisions	(134)	221	87
End of 2015	**264**	**1,252**	**1,516**

1. Proven plus probable 2P reserves at Taq Taq are based on the McDaniel technical reserves assessment dated 27 February 2016
2. Tawke 2P reserves are based on the operator's reported figures at 31.12.2014 less 2015 production. The operator of the Tawke field, DNO ASA, is currently performing its annual review of the Tawke field reserves with the results expected to be announced in March 2016
3. Contingent resources are based on both Genel Energy's estimates and independent reserve reports

Production

Net working interest production in 2015 averaged 84,900 bopd, versus the 85-90,000 bopd guidance range. Production guidance for 2015 was originally set at 90-100,000 bopd, although this was revised lower in October 2015 on the back of Taq Taq and Tawke production declines, which were partly due to a suspension of drilling and completion activity during the year.

Notwithstanding these declines, 2015 production represented growth of 22% on 2014. This increase reflected a full year of oil exports by the KRG via the export pipeline through Turkey. In turn, this allowed both Taq Taq and Tawke to operate at or near surface processing capacity for most of the year.

During 2015 production from Taq Taq and Tawke was either exported by the KRG or sold into domestic markets. The majority (75%) of production was exported in 2015, reflecting the KRG's strategy of maximising revenues from the region's oil output. Sales to traders in the domestic market totalled 12% of total volumes sold, with the balance of production supplied to the Bazian refinery and Tawke topping plant.

Excluding volumes supplied from Taq Taq to the Bazian refinery, the Company expects that the primary sales route for production from Taq Taq and Tawke will continue to be exports by the KRG via Ceyhan in Turkey. However, if pipeline exports are interrupted, production from both fields can be sold into the KRI domestic market at short notice, for which payments have historically been received in advance and directly.

Sub-surface investment at both fields was significantly reduced during 2015, reflecting the uncertainty over the timing of export payments. Payments recommenced in September 2015, and development activity resumed at the Taq Taq field in Q1 2016.

Actual production levels during 2016 will be subject to the level and phasing of investment during the year, which in turn will be influenced by the timing and quantum of payments for oil exported from Taq Taq and Tawke.

Company production guidance for 2016, which encompasses both firm and contingent activity at both fields, is 60-70,000 bopd. Based on this production guidance and planned activity programmes, 2016 accrued revenue is estimated at $200-275 million on a Brent price of $45/bbl. At $35/bbl Brent, 2016 accrued revenue is estimated at $160-220 million.

Reserves and resources

At 31 December 2015, Genel Energy's proven plus probable (2P) working interest reserves were 264 mmbbls (2014: 429 mmbbls), a 39% decrease year-on-year.

The principal factor in the downward revision to the Company's 2P reserves was a significant downgrade at the Taq Taq field.

Given the significant ramp-up in production at Taq Taq in recent years and subsequent declines seen during H2 2015, the Company announced in January 2016 a review of its reservoir model and future investment plans for the field. A Competent Person's Report by McDaniel & Associates ('McDaniel') was also commissioned as a third party validation of the internal work.

In its technical reserves assessment dated 27 February 2016, McDaniel calculated initial gross recoverable 2P reserves (referred to in the industry as Estimated Ultimate Recovery, or EUR) of 356 mmbbls at 31 December 2015. This compares to the original McDaniel assessment (as of 30 June 2011) of 683 mmbbls. Deducting gross production from the Taq Taq field at 31 December 2015 of 184 mmbbls results in gross remaining recoverable 2P reserves for the field at 31 December 2015 of 172 mmbbls. This figure compares to the 541 mmbbls remaining recoverable 2P reserves at 31 December 2014.

The main reason for the downgrade to the Taq Taq EUR was a revised assumption of the fracture porosity within the Shiranish formation, which is one of the three Cretaceous aged producing intervals which comprise the majority of the EUR in the Taq Taq field. This change significantly impacted the oil in place estimate for the Shiranish reservoir, in turn reducing recoverable reserves. In addition, McDaniel also reduced the expected contribution from the matrix porosity in the Cretaceous Shiranish, Kometan, and Qamchuqa reservoirs.

Tawke gross remaining recoverable 2P reserves at 31 December 2015 are estimated at 631 mmbbls. This figure is based on Tawke gross remaining recoverable 2P reserves at 31 December 2014 of 680 mmbbls (as published by Tawke operator DNO ASA) less 2015 gross production of 49 mmbbls. DNO ASA is currently performing its annual review of the Tawke field reserves with the results expected to be announced in March 2016.

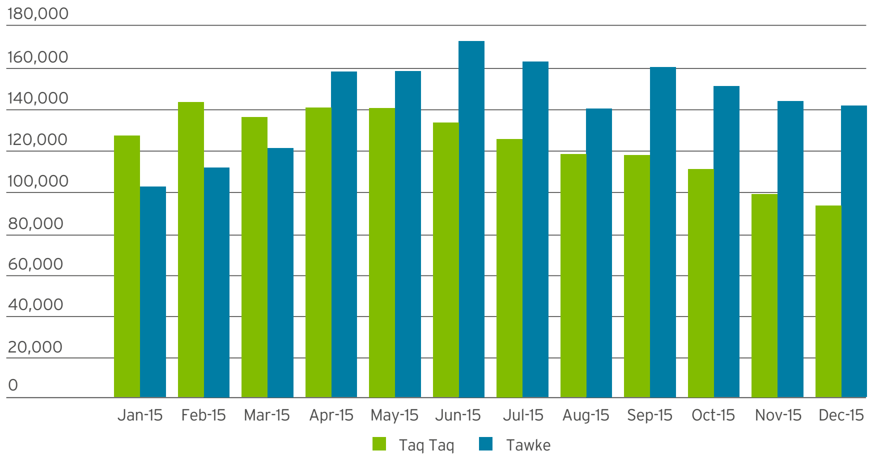
Contingent resources increased by 21% to 1,252 mmboe (2014: 1,031 mmboe), mainly as result of the acquisition of a further 36% operated interest in the Bina Bawi field. This was only partially offset by minor revisions to the contingent resources associated with the reduction of Genel's interest in the Chia Surkh licence and the removal of the contingent resource associated with the Ber Bahr licence, which is in the process of relinquishment.

Low-cost oil production

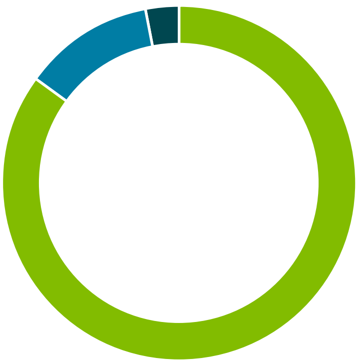
Genel's producing oil assets deliver a cash breakeven (defined as PSC entitlement revenues equal to capital expenditure and cash operating expenditure) at a Brent oil price of c.$20/bbl in 2016.

Taq Taq sales route 2015

2015 oil production (bopd)



Tawke sales route 2015



Right: Central processing facility, Taq Taq

Taq Taq (44% working interest, joint operator)
The Taq Taq field has been producing since 2006 and as a result of a multi-year investment programme in both production wells and surface facilities delivered compound annual growth of 29% between 2010 and 2015. As of 31 December 2015 the field had produced 184 mmbbls. Gross remaining recoverable 2P reserves at 31 December 2015 were estimated at 172 mmbbls by McDaniel in its technical reserves assessment dated 27 February 2016. The proven plus probable plus possible ('3P') reserves at 31 December 2015 were assessed by McDaniel at 416 mmbbls. Going forward, the Company's strategy at Taq Taq will be to maximise recovery of the 2P reserves through its discretionary investment programme, while also exploring opportunities to unlock upside potential by targeting prospective resources in the Cretaceous Qamchuqa reservoir.

The Taq Taq field produced a gross average of 116,000 bopd in 2015, compared to 103,000 bopd in 2014, representing 13% growth year-on-year. Production performance was strong in the first half of 2015, averaging 128,900 bopd on the back of high surface capacity utilisation as the KRG maximised exports through the KRI-Turkey pipeline. During the second half of 2015, production declined, averaging 104,000 bopd and ending the year at 85,000 bopd.

These declines reflected reservoir underperformance and also reflected a suspension of sub-surface investment in the second half of the year as the Company waited for regular export payments to be established. During the year 63% of Taq Taq output was exported by the KRG through the KRI-Turkey pipeline, 27% was sold to the Bazian refinery with the remainder sold into the KRI domestic market.

In H1 2015, two production wells (TT-23 and TT-24) were drilled and brought on production. At end 2015, a total of 28 wells had been drilled across the field, 24 of which were in the main Cretaceous reservoir and 4 in the shallower Tertiary Pilaspi reservoir. The 2016 firm activity programme envisages side-tracks to existing wells and workover operations to arrest production declines. Further activity, which is contingent on implementation of the 1 February 2016 monthly export payment mechanism, could see a horizontal production well drilled in the Cretaceous in addition to further workover operations and side-tracks of existing wells.

During 2015, good progress was made in the construction of the second central processing facility ('CPF 2'). CPF 2 is designed to process 90,000 bpd of oil and has 45,000 bpd of water handling capacity. CPF 2 will commence operations in Q2 2016.

Tawke (25% working interest)
The Tawke field produced a gross average of 135,000 bopd in 2015, compared to 91,000 bopd in 2014, representing 48% growth year-on-year. In H1 2015, wellhead, processing and pipeline capacity was successfully doubled to 200,000 bopd which allowed for a significant ramp-up in field production and exports through the KRI-Turkey pipeline. Peak production of 180,000 bopd was achieved in May 2015. During the second half of 2015, production declined, with the field exiting the year at 124,000 bopd. The decline reflects the suspension of sub-surface investment during H2 2015 as the Tawke partners waited for a regular export payment stream to be established. During the year 85% of Tawke sales were exported by the KRG through the KRI-Turkey pipeline, 13% was delivered into the KRI domestic market with the remainder being sold into the Tawke refinery.

In H1 2015, the final well (Tawke-30) of the approved development plan was drilled and brought onstream. As of end-2015, 30 production wells had been drilled at the field. The proposed 2016 work programme, which is contingent on export payments continuing, consists of further production wells and construction of water handling facilities at the existing central processing facility. The Tawke partners will also drill the Peshkabir-2 exploratory appraisal well in 2016.

KRI pipeline infrastructure

During 2015, the KRG continued to upgrade the capacity and integrity of the pipeline system through which oil is exported from the KRI to the port of Ceyhan on the Mediterranean coast. The pipeline consists of a number of sections. The first, from the Taq Taq field to the Khurmala Dome, has capacity of 150,000 bopd. The second section, from Khurmala to the KRI border, has capacity of 700,000 bopd. At the border, both the KRI pipeline and the dedicated export pipelines from the Tawke field, which have capacity in excess of 250,000 bopd, are tied into the 40-inch section of the Iraq-Turkey pipeline. The 40-inch section currently has 700,000 bopd of capacity. Pipelines on both the KRI and Turkey sides of the border have sufficient capacity to facilitate all current or future oil exports from Genel's fields.

Developing our KRI gas business

The development of Miran and Bina Bawi is a unique opportunity, underpinned by the KRI-Turkey Gas Sales Agreement, with the onshore location and scale of the development delivering an industry leading cost structure.

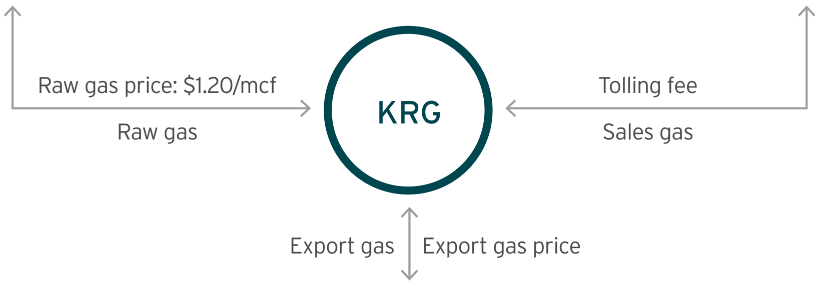
KRI gas: commercial structure

Upstream

- Miran and Bina Bawi, 100% operated and owned by Genel Energy[1]
- Delivery of raw gas at 1,200 mmscfd to KRG
- Payment mechanism on take-or-pay basis
- Raw gas price guaranteed by Turkey/KRG GSA and crude oil exports
- Raw gas price: $1.20/mcf

MidstreamCo

- Responsible for the gas treatment facilities at Miran and Bina Bawi
- Genel leading on EPC tender and securing equity and debt financing
- Receives a Tolling fee from the KRG on a toll-or-pay basis
- Tolling fee guaranteed by Turkey/KRG GSA and crude oil exports
- Genel to retain a stake in MidstreamCo, targeting 10%



Turkey/KRG GSA

- Binding intergovernmental GSA signed November 2013
- Gas exports commencing at 4 bcma and ramping up to 10 bcma

1. Assumes transfer of the KRG's interests in Miran and Bina Bawi

Miran (75% working interest, operator) and Bina Bawi (80% working interest)
During the first half of 2015, Genel continued its negotiations with the KRG on the commercial framework for the development of the Miran and Bina Bawi fields. Detailed term sheets for the upstream and midstream elements of the KRI gas project were signed in early H2 2015, replacing the original documentation announced in November 2014. The revised structure delivers complete alignment along the value chain, from the KRI-Turkey Gas Sales Agreement through the midstream to the upstream, and helps the KRG manage its obligations and de-risks the wider project. Genel expects to convert these term sheets into fully termed documents during Q2 2016.

In September 2015, the Company acquired OMV's 36% operated stake in the Bina Bawi field. Genel now has an 80% operated working interest in Bina Bawi. The consideration comprised an upfront payment of $5 million. A contingent payment of $70 million is payable once gas production exceeds agreed threshold volumes from the Miran and Bina Bawi fields. A further contingent payment of $75 million is payable two years after the date of the second payment. In consideration of the KRG agreeing to the transfer of OMV's stake in the Bina Bawi field, on completion Genel offset $25 million against monies owed by the KRG to Genel in respect of past expenses incurred on the Miran field.

Upstream
The main elements of the upstream gas structure are as follows:

- Genel will be sole contractor in both Miran and Bina Bawi with a 100% interest in both fields
- The responsibilities of Genel will be drilling of gas wells, installation of flowlines and first stage condensate separation at Miran and Bina Bawi. The Company will also be responsible for development of the oil resources at Miran and Bina Bawi
- Genel's entitlement share of the raw gas, first stage condensate and oil production from Miran and Bina Bawi will be dictated by the terms of an amended upstream PSC

Gross life of field capex for the upstream gas development is estimated at $2.9 billion, with $1 billion of this expected to be incurred before the onset of gas and first stage condensate production. Gross life of field capex for the development of the oil resources at Miran and Bina Bawi is estimated at $400 million, with $60 million of this expected to be incurred before first oil. This represents a combined oil and gas unit life of field development cost of less than $2 per barrel of oil equivalent ('boe'). Upstream opex remains estimated at less than $1/boe. Bids for the upstream development plan have been received, are being evaluated, and the contract is expected to be awarded in April.

In order to achieve the appropriate balance of risk and reward, as well as help fund the Miran and Bina Bawi upstream development, the Company intends to farm-down part of its existing equity interests in both fields.

Midstream
For the midstream gas processing plant, a company ('MidstreamCo') was created during 2015 and will be contracted by the KRG on a build, own, operate and transfer basis for the treatment facilities. Genel is working with the KRG on the midstream development and is currently leading the engineering design process.

Genel is also leading efforts to secure an equity consortium and debt financing. During 2015, Genel mandated ING Bank as financial advisor on the midstream debt financing. Genel has also commenced discussions with potential midstream equity partners.

For the midstream, capex for two separate facilities, totalling 14 billion cubic metres per annum ('bcma') of raw gas (10 bcma sales gas) processing capacity at Miran and Bina Bawi, is estimated at c.$2.5 billion gross.

In December 2015, the Company initiated the pre-Front End Engineering Design (FEED) and technical consultancy study package tender for both the Miran and Bina Bawi gas treatment and processing facilities. Genel expects to award the pre-FEED contact in April 2016. The pre-FEED is expected to complete by end H1 2016 and will focus on site selection and technical design for the gas processing facilities at Miran and Bina Bawi. It will also result in a basic procurement matrix which will facilitate initial discussions with export credit agencies as part of the project financing solution.

Assuming satisfactory completion of the pre-FEED studies, the project will then progress to a full FEED study in H2 2016. Expression of Interest letters have been sent to eligible engineering, procurement and construction (EPC) contractors, with the $2.5 billion midstream cost and 30-36 month construction window verified by EPC contractor responses. The Company also intends to award the contract for the Environmental & Social Impact Assessment in Q2 2016.

Award of the EPC tender and final investment decision on the KRI gas project would follow successful delivery of the steps outlined above.

Development of the Miran and Bina Bawi oil resources is scheduled to commence in H1 2017, although sanctioning of this development activity is subject to continued export payments for oil production, prevailing oil prices and the success of any farm-down process.

During 2015, the Summail field on the Dohuk licence (Genel 40% working interest) ceased production following significant declines on the back of reservoir underperformance. The Summail facilities were subsequently decommissioned and the Company is in the process of relinquishing its interest in the Dohuk licence.

Creating value with the drill bit

Genel continues to prioritise near-term spend on our KRI production and development assets, while our refocused exploration strategy will target lower cost onshore opportunities. In 2016, the focus will be on the upside potential in the existing KRI portfolio, where the Company will participate in two exploration wells on Chia Surkh and Peshkabir.

2015 EXPLORATION REVIEW

A combination of the unsuccessful 2014 exploration programme and falling oil prices led to a decision in early 2015 to prioritise investment on the Company's producing and development assets. As a result, there was a significant reduction in exploration activity during the year, with only one well drilled across the portfolio.

Exploration for new accumulations of oil and gas remains a key element of Genel's strategy, as it has the potential to deliver resource to underpin future growth. In 2016, the focus will be on the upside potential in the existing KRI portfolio, where the Company will participate in exploratory appraisal wells on the Chia Surkh and Peshkabir structures. The Company will also continue to screen opportunities to acquire prospective acreage in its core areas, albeit with a focus on minimising upfront capital commitments.

KRI

In October 2015, Genel disposed of a 20% interest in the Chia Surkh Production Sharing Contract to its partner Petoil, thereby reducing its interest to 40%. As consideration for the sale of the 20% interest, Petoil will carry Genel's share of the costs associated with the Chia Surkh-12 ('CS-12') appraisal well. The total cost of the CS-12 well is estimated at c.$50 million, with drilling expected to commence in April 2016. The drilling will help refine the contingent resource estimate for the Chia Surkh licence, which is now estimated at 225 million barrels of oil equivalent.

Under the terms of the disposal, Petoil has transferred $10 million to Genel in the form of security which will be released at different stages of well operations in accordance with cash calls, well completion and testing. The operatorship of the Chia Surkh PSC will also transfer from Genel to Petoil for the duration of the CS-12 well.

On the Tawke licence, the Peshkabir-2 exploratory appraisal well is scheduled for H2 2016. The operator estimates 32 mmbbls and 225 mmbbls of 2P reserves and prospective resources respectively for the Peshkabir structure.

The Company's 40% working interest in the Ber Bahr licence is in the process of relinquishment as part of a portfolio high-grading exercise.

Africa

In December 2015, Genel announced that the Aigle-1X exploration well on the CI-508 licence offshore Côte d'Ivoire (Genel 24% working interest) had been plugged and abandoned after failing to encounter hydrocarbons. The completion of this well concluded Genel's committed Côte d'Ivoire drilling programme.

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 has commenced as part of the Company's ongoing portfolio management activities, with encouraging levels of interest. Genel will consider its options regarding future activity on the Sidi Moussa licence once the farm-out process is concluded. The Company has agreed with the Moroccan authorities that commitments associated with the Mir Left licence be transferred to Sidi Moussa, with Genel subsequently withdrawing from Mir Left. The Company is also withdrawing from the Juby Maritime licence.

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 (41,000 km^2). Genel continues to support the government's efforts to provide the appropriate level of security in order to conduct future operations. Genel continues to seek a strategic partner for its Somaliland assets, in keeping with its strategy of balancing risk and reward and reducing upfront capital commitments.

After a review of licence potential, Genel has decided to exit its 44% working interest in the Adigala block onshore Ethiopia.

Future exploration activity

KRI

Chia Surkh

On the Chia Surkh licence (Genel 40% working interest) drilling will help refine the contingent resource estimate, which is currently estimated at 225 million barrels of oil equivalent. The costs of the CS-12 well, which is expected to commence in April 2016, will be carried by our partner in the licence, Petoil.

Peshkabir

The Jurassic aged Peshkabir discovery is located on the Tawke licence, with the operator estimating 2P reserves of 32 mmbbls and contingent resources of 225 mmbbls. The Peshkabir-2 well will appraise the Jurassic discovery and explore the Cretaceous horizon, and is scheduled for H2 2016. If successful, the discovery could be quickly tied in to existing infrastructure.

AFRICA

Onshore Somaliland

Onshore Somaliland is a relatively unexplored region, with few exploration wells drilled. The total size of the blocks is approximately equivalent to the entire Kurdistan Region of Iraq. The acquisition of 2D seismic data on the Odewayne (Genel 50%, operator) and SL-10B/13 (Genel 75%, operator) licences is proposed for 2016. Genel continues to support the government's efforts to provide the appropriate level of security in order to conduct future operations.

FINANCIAL REVIEW

Maintaining a strong balance sheet

Results summary

	2015	2014
Revenue ($million)	343.9	519.7
EBITDAX[1]	279.4	410.6
Loss before tax ($million)	(1,160.6)	(312.8)
Cash flow from operating activities ($million)	71.2	134.8
Capital expenditure ($million)	157.2	676.9
Free cash flow[2] ($million)	(179.2)	(560.9)
Cash ($million)	455.3	489.1
Net assets ($million)	2,574.8	3,733.5
EPS (cents)	(417.30)	(112.97)

1. EBITDAX is profit before interest, tax, depreciation, amortisation, impairment and exploration expense
2. Free cash flow is cash flow from operating activities less capital expenditure and associated working capital movements

$344m
Revenue

$455m
Cash

$157m
Capex

"We ended the year with $455 million of cash, providing us with a robust liquidity position relative to our cash expenses from which to weather a prolonged downturn in the oil price."

Ben Monaghan
Chief Financial Officer

Results for the period
For the year ended 31 December 2105, the Company reported revenue of $343.9 million (2014: $519.7 million), a loss before tax of $1,160.6 million (2014: $312.8 million loss) and a loss per share of 417.30 cents (2014: 112.97 cents loss). Free cash flow for the period was an outflow of $179.2 million (2014: outflow of $560.9 million).

Revenue
Revenue of $343.9 million (2014: $519.7 million) and EBITDAX of $279.4 million (2014: $410.6 million) decreased from the comparable period as a result of lower oil price despite higher production volumes.

Operating costs
Cost of sales of $208.3 million (2014: $203.1 million) is comprised of production costs of $36.3 million, reduced from $62.1 million in 2014 and depreciation charges of $172.0 million (2014: $141.0 million) which increased broadly in line with production levels.

Impairment of property, plant and equipment included $1,038.0 million relating to Taq Taq (2014: $80.9 million relating to Dohuk).

Exploration costs written-off of $173.0 million (2014: $476.8 million) represent the write-off of expenditure principally relating to exploration activity in KRI, Morocco, Côte d'Ivoire and Ethiopia.

General and administrative costs amounted to $28.7 million (2014: $47.0 million) for the period.

Finance expense
Finance expense of $56.5 million (2014: $24.7 million) represents interest on the $730 million bonds, together with $7.7 million of discount unwind (2014: $1.8 million).

Taxation
In the KRI, all corporation tax due has been paid on behalf of the Company by the KRG from the KRG's own share of revenues and there is no tax payment required or expected to be made. Tax presented in the income statement relates to taxation of the Turkish and UK service companies.

Dividend
No dividend (2014: nil) will be paid for the year ended 31 December 2015.

Capital expenditure
Capital expenditure in the year amounted to $157.2 million (2014: $676.9 million). Development spend of $109.2 million (2014: $193.4 million) was incurred on the producing assets in KRI with spend on exploration assets amounting to $48.0 million (2014: $480.8 million).

Cash flow
Net cash flow from operations was $71.2 million (2014: $134.8 million), which was impacted by an increase of $189.0 million in amounts due from the KRG. This together with capital expenditure of $250.4 million (2014: $676.9 million), which included significant working capital movements of net $93.2m relating principally to the payment of brought forward accruals relating to 2014 activity, resulted in a free cash outflow of $179.2 million (2014: $560.9 million). Net cash spend on acquisitions was $3.9 million (2014: $76.8 million). Financing raised from the issue of bonds raised a net $196.2 million with interest costs on the bond of $46.1 million and foreign exchange loss of $0.8 million on cash. Overall there was a net cash outflow of $33 million (2014: $210.6 million outflow) in the year.

Cash
At 31 December 2015, the Comany had a cash balance of $455.3 million (2014: $489.1 million) and net debt of $238.8 million (2014: $2.3 million).

Acquisitions
The Company spent $5.0 million (2014: $76.8 million) on the acquisition of the additional 36% operated stake in the Bina Bawi field, thereby increasing the Company's interest to 80%. The consideration is comprised of: an upfront payment of net $3.9 million; a contingent payment of $70m payable once gas production exceeds certain threshold volumes from the Miran and Bina Bawi fields; and a second payment of $75m payable two years after the date of the contingent payment.

Net assets
Net assets at 31 December 2015 were $2,574.8 million (2014: $3,733.5 million) and consist primarily of oil and gas assets of $926.8 million (2014: $2,010.7 million), exploration and evaluation assets of $1,671.0 million (2014: $1,676.6 million) and net debt of $238.8 million (2014: $2.3 million net debt).

Liquidity/counterparty risk management
The Company monitors its cash position, cash forecasts and liquidity on a regular basis. The Company takes a conservative approach to cash management, with surplus cash held in government gilts or treasury bills or on time deposits with a number of major financial institutions. Suitability of banks is assessed using a combination of sovereign risk, credit default swap pricing and credit rating.

Going concern
The directors have assessed that the cash balance held provides the Company with adequate headroom over forecast operational and potential acquisition expenditure for the 12 months following the signing of the annual report for the period ended 31 December 2015 for the Group to be considered a going concern.

Accounting policies
UK listed companies are required to comply with the European regulation to report consolidated statements that conform to International Financial Reporting Standards (IFRS) as adopted by the European Union. Principal accounting policies adopted by the Group and applicable for the period ended 31 December 2015 can be found in the 2015 annual report on page 86.

B. Monaghan

Ben Monaghan
Chief Financial Officer

A partner for local communities

Powering economic growth and working in partnership with local people in order to support and sustain the communities in which we operate is fundamental to our ongoing success.

"We are proud to have worked on over 100 projects in the region in recent years, all of which were carefully chosen to provide lasting benefits."

Murat Özgül
Chief Executive Officer

Supporting the Kurdistan Region of Iraq
The Kurdistan Region of Iraq continued to face significant challenges in 2015. The ongoing fight against ISIS remains a financial drain on the Kurdistan Region of Iraq at a time when the sustained low oil price is already placing a major burden on the economy.

Left : Koya refugee camp funded through a donation from TTOPCO

As well as the direct cost of funding the Peshmerga, the conflict in Iraq and Syria has forced a multitude of people away from their homes and into the sanctuary of the KRI. Having worked with the KRG for well over a decade, we at Genel Energy are keen to help support the region at this difficult time.

The focus of our efforts in 2015 centred on the Syrian refugees and internally displaced persons (IDPs) seeking refuge in the KRI. To put the crisis into perspective, the influx of people has caused a 30% increase in the total population of the Kurdistan Region of Iraq.

The provision of emergency support has helped to tackle pressing short-term needs, but we remain committed to our operations making a tangible long-term difference to those communities in which we operate. This remains a key focus of the business, and our ongoing work in this area central to what we see as the success of Genel Energy.

We are proud to have worked on over 100 projects in the region in recent years, all of which were carefully chosen to provide lasting benefits.

We are committed to conducting all of our operations in a manner that protects Genel's employees and contractors from injuries and illnesses, as well as having regard to the health and safety of the general public and the protection of the environment.

HEALTH AND SAFETY

We firmly believe that a safe workplace is fundamental to protect our people and our business. Our primary consideration is always the safety and wellbeing of our employees, something that we never compromise. Everyone at Genel has to follow our HSE management system requirements, which we appraise and review regularly. Genel's HSE management system defines our approach to managing health, safety and environment matters across all of its facilities and activities. The system provides compliance requirements as well as practical guidance and procedures for all staff conducting operations or managing sites to achieve our health, safety and environmental objectives as an integrated part of our overall goals.

Highlights

During 2015 Genel's HSE performance continued to improve. In particular, we:

- Reduced the number of lost time incidents to zero, compared to one in 2014
- Further developed and updated our HSE strategy and plans
- Improved TTOPCO's HSE and process safety performance
- Continued to roll out procedures and tools for enhanced HSE management
- Continued to report our greenhouse gas emissions

Leadership

In 2015 we continued to enhance operational leadership by conducting a number of learning sessions to further embed HSE management systems and processes to assure a focused and integrated approach to risk management.

Process safety

We commissioned gas dispersion and consequence modelling studies in order ensure that process safety was included in the early stages of a project life cycle. This was done to ensure that the risks are understood and necessary risk reduction measures implemented in a timely fashion.

Working with contractors

Working safely with contractors continues to be a priority for Genel. We continue to focus on rigorous and consistent on-site implementation of our HSE policies and procedures. During 2015 further improvements were made to our on-site leadership and supervision thereby ensuring more effective management of contractors.

Measuring our performance

Lost time incident frequency (LTIF) measures the number of lost time incidents per million work hours and is the headline indicator of the success of our safety programmes. In 2015 we achieved zero LTIF versus a 2014 performance of 0.40. The combined Genel/TTOPCO 2015 LTIF was 0.65 versus a 2014 performance of 1.01. These improvements reflect the progress achieved in our safety culture and performance.

PEOPLE

Our talented, experienced and motivated staff are key to the success of our Company, and we are committed to developing our employees, promoting diversity, fairness and respect in the workplace and providing recognition based on success and achievement.

Highlights

At 31 December 2015, Genel employed 145 people. Of these 145 employees, 74 are based in Ankara, 25 in London, 20 in the Kurdistan Region of Iraq and 26 in our African operations. TTOPCO employed 533 people at the end of 2015.

Unfortunately, during the year we have had to re-align the business to reflect the current operating environment. Steps have been taken to reduce general and administrative costs, and the business has re-focused on our producing assets, in turn scaling back our African exploration programme to target low-cost, onshore opportunities. This has resulted in a large reduction in our workforce across all regions which, while a difficult decision, was the right one to take for the future of the business.

Training and skills

Continually investing in the technical and professional development of our people gives them the tools they need to drive our business forward, operate safely and efficiently and help Genel achieve our strategic and operational goals. Providing staff development opportunities is a priority, and we use an external provider to give employees access to a wide range of professional skills training, including geoscience, technical and engineering courses.

Conduct

Adherence to the highest standards of corporate governance is a key pillar of our strategy, and our commitment to acting responsibly, ethically and in a safe manner across our entire business is embraced by all of our operations. During 2015 our employees undertook face-to-face training on our Code of Conduct. We are proud of our staff and the way that our extremely high standards gain the respect and trust of the governments and communities that host our operations, underpinning the sustainability of our current and future business.

Pay and benefits

A transparent and competitive reward framework allows us to attract and retain a highly skilled employee base. Performance-related-pay is available to all our staff, in line with a well-structured and clearly defined performance management process.

Aid for refugees and internally displaced persons

In 2015, the refugee crisis was putting a significant economic burden on the KRG, and this formed the focus of our community efforts.

Liaising with local authorities and NGOs, Genel Energy provided emergency aid to IDPs finding shelter in Erbil, Suleimaniah and Duhok governorates, as we focused on those areas in close proximity to our operations and those located in places less frequently visited by NGOs.

In the Suleimaniah governorate, Genel purchased and delivered essential items, including beds, blankets, milk, and fans, to local IDP sites and aid centres, targeting the needs of children, women and the elderly.

Our key contribution in the year was the opening of a refugee camp near Koya in February. The camp, funded through a donation from TTPOCO, shelters over fifty families, providing them with permanent housing, electricity, and sanitation.

In the Koya and Taq Taq districts food packs, women's items and children's toys were distributed to 668 IDP families. Out of the 3,350 IDPs in those two districts, 259 were children under the age of 5.

In the Erbil governorate, Genel Energy conducted a significant aid campaign, helping displaced families sheltering in school buildings, churches and the camp located within Erbil's Ainkawa quarter. Aid was distributed to families belonging to religious minorities, including Christians, Yezidis, Shabaks and Kakayees. A total of 200 families were given food packs, bedding items, children's shoes and baby necessities.

Our work with NGOs continued in 2015. With Save the Children, we helped to fund the provision of child resilience support and purchase life-saving hygiene and household equipment in three refugee camps, while our partnership with the International Rescue Committee saw 435 refugee households supported with the provision of essential supplies, with direct financial support then given to a further 2000 families, which in turn boosts the local economy.

This partnership, which followed a fundraising initiative in which Genel Energy matched all donations made by employees and friends, helps reduce the burden on the local community and supports the integration of IDP families.

CORPORATE RESPONSIBILITY
continued

It is essential for us to uphold our commitment to hiring local people in the countries where we operate and continue to be a responsible and attractive employer. To do this, we participate in salary and benefits benchmarking surveys within the various regions to ensure we remain externally competitive and effectively retain and reward all of our employees.

Diversity

Our commitment to employing a diverse and balanced workforce enables us to build an effective and talented workforce at all levels of the organisation, including the Board. The value we place on equal opportunities and diversity of ideas, skills, knowledge, experience, culture, ethnicity and gender is evident in our daily operations as well as formalised in our policies and procedures.

Our recruitment policy is to appoint individuals based solely on their skills, experience and suitability to the role. 32% (46 employees) of our workforce are women. Of those, 9% (four employees) hold senior management positions within our organisation.

ENVIRONMENT

Our operations are managed in accordance with our policy of minimising environmental impacts and potential adverse effects. This includes a focus on effective design, efficient operation, and responsible energy use.

Greenhouse gas emissions

We are reporting our 2015 greenhouse gas (GHG) emissions in accordance with the requirements of the UK's Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The regulations require companies to report on their GHG emissions from activities for which they are responsible. To determine responsibility for our activities we applied the 'operational control approach' to setting organisational boundaries as defined by the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard (the GHG Protocol). The reported data has been sourced from operations where we have identified Genel as having operational control of the facility or asset during 2015.

The regulations require the reporting of emissions associated with: 1) the combustion of fuel, e.g. in stationary equipment and vehicles; and 2) the operation of facilities, e.g. through the purchase of electricity, execution of physical or chemical processes, and unintentional releases through leaks. These two categories are closely aligned with the scope 1 and scope 2 emissions categories as defined by the GHG Protocol. The majority of energy and fuel data collected has been based on actual, measured consumption. 0.26% of emissions (4 tonnes of CO_2 equivalent (tCO_2e)) has been extrapolated from actual consumption figures. Emissions are calculated using appropriate conversion factors sourced from: the Defra/DECC UK Government Conversion Factors for Company Reporting 2015 and the IEA CO_2 Emissions from Fuel Combustion Highlights 2013 Edition.

According to the methodologies outlined above, our total reportable scope 1 emissions in 2015 were 1,185 tCO_2e, which included the combustion of diesel and LPG. Our total reportable scope 2 emissions were 420 tCO_2e, attributable to purchased electricity at our offices and field operations. Our total reportable scope 1 and 2 emissions were therefore 1,605 tCO_2e, normalised to 9.85 tCO_2e per employee (based on the 2015 monthly average number of employees). The GHG emissions from facilities we operate were 1,605 tCO_2e in 2015, which is lower than those reported (36,284 tonnes tCO_2e) in 2014. The main reasons for this significant decrease were the completion and abandonment of exploration wells in Africa and the exploration well at Miran in Kurdistan Region of Iraq.

Environmental impact assessments

During 2015 we commissioned environmental impact assessment studies during the planning phase related to significant activities or the management of projects, such as the drilling testing of wells and the design of early production facilities.

The EIA process is applied prior to major decisions and commitments being made and is designed to identify, predict and evaluate the environmental effects of proposed actions and projects, including the identification of measures to reduce or avoid these effects where possible.

This systematic process helps to ensure compliance with applicable legislation and is an effective way to maintain alignment with industry best practice.

COMMUNITY DEVELOPMENT

We partner with and invest in communities close to our operations to achieve mutual long-term benefits, with a focus on four key areas.

Sustainable Economic Development

Our infrastructure development, capacity building payments and employee and contractor wages have a direct and material impact on development in the countries where we operate.

Our most significant contribution to economic growth so far has been in the KRI, where we continue to play a key part in the development of the oil and gas sector and remain the biggest oil producer and largest holder of reserves and resources.

Lasting economic benefit

Our business operations in the KRI create an economic benefit not only for Genel but also for the wider region, its people and government. Oil production from our fields is of vital importance to the KRI, helping to provide the region with the funds to fuel its economy. As the gas from Miran and Bina Bawi begins flowing to Turkey, there is the clear potential for transformational economic growth.

At Genel we do not wish the benefit to the KRG to be purely the result of direct revenues from oil and gas, and strive to ensure that our operations have a long-term benefit to the community. Genel and TTOPCO employed over 550 people in the KRI, 75% of whom are from the local area, with many others employed by contractors who work for us. We also continue to utilise local companies and suppliers wherever possible.

In 2015, the refugee crisis was putting a significant economic burden on the KRG, and this formed the focus of our community efforts.

Meaningful Community Relations

The development of positive and enduring relationships with the people and communities in which we operate is crucial to our success.

Our work in the community is based on working in partnership to identify and meet community needs. Proactive and constructive engagement with people living and working near our operations is maintained in order to develop an understanding of, and create a spirit of collaboration with, our work and the way it is developing their area and region.

Aligning with local development goals

The people best placed to identify local community needs are local community members. Ongoing communication helps us to identify appropriate projects to support them and their development goals. With this in mind 2015 saw the development of Five Year Plans for communities surrounding the Miran and Taq Taq fields.

The process was done through an open dialogue with local people, authorities and the KRG, listening to feedback and connecting with our operational teams to find ways to improve our interaction with communities and plan for the future.

Approximately 20 villages were visited, demographic data collected, and requests prioritised. Following discussion with the Ministry of Natural Resources the 'Miran Five Year Plan' and 'Taq Taq Five Year Plan' were successfully completed. Genel Energy has developed a clear picture and overview, which will help determine service projects that can be implemented over the next five years.

For further details about our CSR activities, including an educational poster developed for the KRI, please visit the Genel Energy website.

In 2016 the focus at Taq Taq will be on the construction of facilities to provide clean water to five local villages. At Miran, the focus is set to be on the provision of various training courses such as literacy, sewing, learning first aid and awareness-raising regarding health issues. A six classroom building is also set to be constructed. Garbage collection projects at local villages will continue around both fields.

Significant projects in 2015 carried out in the Taq Taq region included the maintenance of the Darbasar village road and electricity supply to Elenjakh, while rubbish collection was ongoing.

At the Miran site, as well as a rubbish collection programme for local villages, over 3000 plants were planted to help enrich the environment surrounding the site.

Land acquisition

Genel continues to strictly adhere to the government process and fully support local landowners in receiving land and crop compensation payments. A roadmap for land acquisition and crop compensation has been designed by our CSR team based on MNR guidelines. In 2015, Genel's CSR team in coordination with the administration department, helped landowners to receive appropriate land and crop compensation in a timely manner.

Improved Community Health

We support local health services and contribute to emergency refugee aid projects to help both local and regional communities.

Some of our operations are in regions that, due to their remoteness and development challenges, can lack consistent access to medical services and infrastructure. We have undertaken a number of projects that directly contribute to the development of the Kurdistan Region of Iraq's health sector and have a direct positive impact on both local and regional communities.

The provision of clean drinking water is a key consideration in areas around our more remote sites. Three villages in close proximity to the Chia Surkh operations - Kani Pamu, Parwezkhan and Sarqizil - were provided with drinking water in 2015.

As well as ongoing projects to improve living conditions in local communities, Genel has also been providing support to the Hiwa Cancer Centre, located in Suleimaniah. The Centre is the region's leading cancer specialist, and the hospital provides treatment to sufferers across the entire KRI, and Iraq as a whole. A total of $120,000 was provided to the Centre in 2015.

In the villages near the Taq Taq field, our medical team has continued regular visits, twice a month, and medical services have been provided to more than 10 villages throughout the year. The medical team also started to visit the newly built camp for refugees at Koya and launched the provision of immediate medical support to the families on a weekly basis.

Local and regional capacity building

We are helping to unlock the potential of our host countries' natural resources, developing infrastructure and supporting economic growth. We also have a responsibility to help the people who live near our sites develop the skills to thrive and play a central part in this exciting process.

Employing locally

The greatest demand we have from local, and the most direct way we can improve the lives of local people, is for jobs. By employing and buying locally whenever possible, and requiring that our contractors do the same, we can make an immediate difference to local families.

Our commitment to this was formalised in our policies and procedures in 2014, including a specific local content procedure for the KRI.

Education as a priority

A focus on education remains one of our priorities, and we strive to help each and every child be given a proper education through creating more effective learning environments and emphasising the significance of education in local communities.

We continue to run educational and training programmes, teaching vocational skills that are mutually beneficial for the area and our company, as it helps grow a local, skilled workforce.

A comprehensive graduate recruitment plan has also been developed and approved by Genel, and will be executed as operations commence in the Chia Surkh region.

Donations of equipment and materials to the schools in the Miran area helped to raise the educational environment.

It is also of vital importance to the lives of children in the refugee camps that their educational needs are met. Students at the Arbat Camp were provided with office equipment, desks, chairs, whiteboards and other necessary schooling items to allow them to continue with their education even in trying circumstances.

The changing environment reinforces the need for careful monitoring across all operations

Maintaining the highest level of corporate governance is a strategic priority as explained on page 2, with the Board's oversight of the risk management systems structured to:

- accurately identify and assess the principal risks to the business
- mitigate controllable risks to an acceptable level; and
- where possible, build resilience to accepted non-controllable risks

The Board is responsible for Genel's risk management, which it does primarily by:

- Setting the overall risk appetite of the Company
- Assessing what level of risk is acceptable to bear
- Providing oversight of appropriate risk management systems and internal control processes

The risk management systems and internal control processes are designed to support the Board in identifying key risks and associated judgements, enabling them to make effective, timely and appropriate decisions.

The Board and its Committees

The Board is supported by its Committees, which apply their expertise to the assessment and management of certain risks. The Committees report findings and/or recommendations to the Board.

The allocation of risks to the appropriate Committees is summarised in the table below:

Committee	Responsibility
Board	• Overall responsibility for risk oversight • Overall responsibility for all principal risks
Audit Committee	• Risk management systems and internal control • Financial controls
Remuneration Committee	• Compensation and reward
Nomination Committee	• Board composition
HSSE Committee	• Health and safety risks • Security risks • Environmental risks

RESPONSIBILITIES

Board
- Identifies and assesses the potential impact, likelihood and sensitivity of the principal risks of the business
- Identifies new risks or changes in the nature, probability or impact of existing risks
- Makes effective, appropriate and timely decisions on how principal risks are managed or accepted
- Ensures that decisions taken are appropriately executed throughout the business through appropriate delegation of authorities and policies
- Approves policies on key risks and provides direction on risk management and appropriate risk mitigation
- Monitors the effectiveness of controls in place through reporting, assurance and detailed reviews in order to assess where action is required
- Identifies where controls are not appropriate or not operating effectively

Executive Committee
- Leads the identification, understanding and assessment of risks to the business for review and discussion by the Board
- Assigns risks to relevant Executive Committee members as risk owners

Risk owners
- Put in place processes and procedures that execute the policy decision taken by the Board for the management or mitigation of each principal risk
- Assess and report risk and monitor the design and operating effectiveness of any mitigating controls and procedures
- Provide oversight of the daily operations of the key areas of the business

The principal risks and uncertainties set out on pages 34 to 39 represent the Board's assessment of the most significant risks that may seriously affect the performance, future prospects or reputation of the Company and may threaten its business model, future performance, solvency or liquidity.

They do not comprise all the risks and uncertainties faced by the Company – risks that are generally part of normal activity as an E&P company are identified, assessed, managed and monitored at the functional level with close oversight and reporting to the Board by a member of the Executive Committee.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK	DESCRIPTION AND IMPACT
Audit Committee	
Development and recovery of reserves and resources	Estimates of commercial reserves and contingent resources can change with time. Adjustments to estimates can arise from a number of circumstances, including but not limited to: - the inherent uncertainty in any oil and gas asset, which can impact well and reservoir performance and recoverable volumes; - sub-optimal development and use of an asset either as a result of subsurface or reservoir uncertainty or plans made with inadequate data; and - poor reservoir performance and realisation of value as a result of failure to consider the most suitable development option for an asset. A change in estimates may impact field production volumes, capital expenditure, operating costs and the life of field, all of which contribute to the valuation of the relevant asset. The Company's generation of returns depends on its ability to exploit, develop and commercialise present assets successfully, as well as to select and acquire suitable assets for exploitation, development and commercialisation in the future. The performance of its producing assets and commercialisation of its exploration and appraisal assets are fundamental to the business going forward. If the Company is unable to develop its reserves and resources there may be material and adverse effects on its business, financial condition, the results of operations and its prospects.
Board	
Major capital projects	The Company is reliant on the completion of major projects to achieve its planned growth. It is necessary to ensure that there is appropriate oversight of projects, whether outsourced to third parties or managed internally, to minimise the risk of projects being delayed or completed above their budgeted cost. If projects are not executed on time and to budget, the planned growth and profitability of the Company will be negatively impacted.
M&A activity	In accordance with Company strategy, management review selective M&A opportunities in the pursuit of value accretive transactions. Execution of a transaction could adversely impact the Company's liquidity, balance sheet, valuation, asset quality, and equity story, among other factors.
KRI natural resources industry	The Company is dependent on its strong relationship with the KRG in order to realise the value of its principal oil and gas assets: Taq Taq, Tawke, Miran and Bina Bawi. The relationship with the KRG is significant in a number of areas, including but not limited to: availability of and access to infrastructure and services in the KRI (including export pipelines, utilities, oilfield police force and third-party services); compliance and observance of the terms of the PSC agreements, including mechanism for calculation of entitlement and payment of monies owed; future development plans and operation of licences; and engagement with local communities. Deterioration in the relationship with the KRG or a change in policy by the KRG may result in a significant loss of value for the Company either through perceived risk of operating in the region or through reduced ability to realise the value of the assets. Internal disputes amongst the parties that form the Kurdistan Regional Government, and pressure being placed on the Ministry of Natural Resources, may lead to a change in the composition of the government or the removal of ministers that may have a detrimental effect on Genel's relationships.

MITIGATION AND MANAGEMENT	ASSESSMENT	CHANGE
The Company has an established subsurface team responsible for defining workflows and modelling reservoirs and processes to optimise the development and use of the Company's assets. Allocation of spend for development of assets is assessed by the Executive Director and the Board.	For much of 2015, the Company was unable to invest in its producing assets because it was not being paid for the export sales made from those assets. At the same time the production at Taq Taq assets was below expectation. Following the decline in production at Taq Taq, management commenced an internal study and commissioned a Competent Persons Report from McDaniel. The result of the internal study was a reduction in assessed gross recoverable proven and probable reserves estimates from 683 mmbls (as of June 2011) to 356 mmbbls (as of December 2015), of which 172 mmbbls remains - this has been confirmed by the competent person. Further explanation is provided on page 14. At Tawke, the annual reserves review by the Operator in March 2015 confirmed the gross recoverable proven and probable reserves estimates at 603 mmbls at 31 December 2014. The results of the Operator's review for the year ended 31 December 2015 are expected in March 2016. The Completion of the Operator's review at Tawke, together with the Company's own detailed analysis of Taq Taq, will provide management with an improved understanding of its assets. This understanding will be enhanced by further work planned for 2016, and should assist in assessing the most appropriate development plans for achieving the maximum realisation of value from both assets. The major gas assets at Miran and Bina Bawi require significant spend in order to deliver value to the Company and its shareholders. Further explanation is provided in the Operating Review on pages 16 to 23.	→ Unchanged
Senior management is involved in the approval, initiation, planning, monitoring, testing and completion of major projects and the oversight of the performance of contractors, with a specific owner being accountable for each project of significance. Project plans, updates, possible risks and outcomes of reviews are reported to the Board and appropriate actions are agreed.	The development of the Miran and Bina Bawi gas assets is a major focus for the business over the next few years and is a significant component of its planned growth. Further explanation is provided in the Chief Executive's statement on page 12 and the Operating review on pages 20 and 21.	↑ Increased
An experienced Board oversees and signs off on all M&A decisions. The Company has an established process to ensure that an appropriate level of due diligence (including sub-surface, engineering, financial, legal, tax and anti-bribery and corruption) is performed in order to appropriately assess each transaction that is considered.	The pursuit of selective, value accretive M&A opportunities is part of our Strategy, outlined on page 2.	→ Unchanged
The Company has been operating in the region since 2002 and hence has a long history of working effectively with the KRG and contributing to the development of its natural resources industry. The Company maintains regular dialogue with the KRG and seeks to work collaboratively with the KRG, local communities, local suppliers and subcontractors to achieve mutually benefical objectives.	The KRI natural resources industry has made significant operational progress in 2015 in both establishing an independent oil export route and increasing production volumes. For the Company, 2015 has seen progress made towards both the normalisation of payments for export sales and the development of the Company gas assets. The development of the Company's gas assets is an important part of the KRG's contractual commitment to deliver gas to Turkey. Further explanation is provided in the Market Overview on pages 4 and 5.	→ Unchanged

PRINCIPAL RISKS AND UNCERTAINTIES
continued

RISK	DESCRIPTION AND IMPACT
Board	
Recovery of amounts owed for export sales	The Company sells its exported oil to the KRG and therefore is reliant on the KRG for payment. In addition to being paid for current sales, the Company is owed a significant balance, reported in the balance sheet as $423 million, for sales made in the past. The KRG has always been fully committed to paying the Company full entitlement but has been unable to do so for a number of reasons, including: non-payment of monies to the KRG by the FGI for monies owed for both pre-2014 export sales and budget allocations; underpayment of budget allocations by the FGI in 2015; severe financial stress on the KRI fiscal regime as a result of decreased oil price; a significant number of displaced people coming to the region as a result of the conflict with ISIS in Syria and Iraq; and funding the war against ISIS. Non-recovery of amounts owed for both past and current sales would have a significant impact on the liquidity and value of the business and significantly impact its access to capital markets, sources of debt or ability to refinance.
Regional risk	There is a history of political and social instability in Iraq and of disputes between the FGI and the KRG. In 2015, additional pressure was added to the political and social instability of Iraq by the economic uncertainty caused by the fall in oil price relative to 2014 and the continued military conflict with ISIS. This has caused significant economic challenges to both the KRG and the FGI, which both parties are working to overcome. Deterioration in the economic, political, diplomatic or social circumstances of Iraq and the KRI, or in the security of the KRI border with Iraq, would represent an increased risk to the operations, revenue, security and development of the Company. The KRG is dependent on its continuing good relationship with Turkey to maintain its export route for its oil production and also intends to market its gas to Turkey in the future. Both these arrangements are underpinned by the energy deal between Turkey and the KRG that was signed in 2013. The Company is a significant producer of the oil that is exported through Turkey and will be a cornerstone provider of the gas that the KRG intends to supply to Turkey. Should diplomatic relations between the KRG and Turkey deteriorate, this may have a negative impact on the Company's operations and potentially impact the cash flows, planned growth and valuation of the Company.
Risk of new hydrocarbon legislation in the KRI	There remains an ongoing dialogue between the KRG and the FGI in relation to both monies owed to the KRG for past exports and awarding of new PSCs, and there is an ongoing risk that new laws may be enacted in the future, governing the regulation of Iraqi oil and gas resources. The enactment of any new law may alter the regulation of oil and gas resources in Iraq and the KRI, reduce the value of the Company's existing PSCs and increase the regulatory requirements placed on the Company. Additionally, depending on the content of any future enacted law, the Company's existing PSCs with the KRG may be subject to review or revision of terms. In the past, the Iraqi Ministry of Oil has disputed the validity of PSCs entered into by the KRG, which granted the licences to the Company's principal assets. If the validity of the Company's PSCs were successfully challenged, the Company could be required by the KRG to accept contractor entitlements that may be materially less favourable than the current PSCs.
Revocation of licence or change of licensing terms	Increased legislative requirements could cause a material and adverse effect on the Company's business, financial conditions, results of operations and prospects. The Company may be unable to obtain or renew required drilling rights, concessions, licences, and other authorisations or such rights may be suspended, terminated or revoked prior to their expiration. The Company conducts its exploration, development and production operations pursuant to drilling rights under a wide variety of licences. There can be no assurance that the host government will not significantly alter the conditions of, or that any third-party will not challenge, the licences held by the Company.

MITIGATION AND MANAGEMENT	ASSESSMENT	CHANGE
The Company's principal management of the risk is through its strong relationship and regular dialogue with the KRG. Over the past year, management has worked with the KRG to put in place processes that are expected to facilitate both regular payment and recovery of amounts owed at a time when KRG finances are under significant stress. At the same time, the Company has maintained liquidity and a robust balance sheet by accessing capital markets opportunistically.	The Company is in regular dialogue with the KRG and has confidence that the KRG will stand by its contractual commitments. The KRG has consistently publicly committed to full payment of IOCs and the Company recognises the significant progress that has been made in the last year at a time when oil price has remained low. Firstly, five monthly payments have been received from the KRG between September 2015 and the end of February 2016. Secondly, on 1 February 2016 the KRG announced a regularised payment mechanism that included a repayment process for the accrued receivable. The KRG made an additional commitment that the allocation of revenues to IOCs would be raised following an increase in oil price. Further explanation is provided in the Chief Executive's statement on page 13.	→ Unchanged
The Company assesses political, social, legal and economic risks as part of its business model and in the evaluation of its projects and investment decisions. The Company actively monitors developments in Iraq and the KRI, as well as the economic and political relationship between Turkey and the KRG so that it is positioned to make the appropriate decisions that mitigate risks as much as possible. The Company has taken measures to protect its employees, equipment and other assets from security risks. Steps include the provision of security personnel and surveillance equipment, and the imposition of security checks and procedures at the sites that it operates. However, there can be no guarantee that such measures will prove effective against all safety risks.	The war in Iraq and increased economic risk in the region increased the risk of social and political instability. Against this difficult backdrop, the KRI borders have remained safe and secure. In May 2015, following underpayment of budget allocations by the FGI, the KRG returned to the independent export sales that it had established in 2014. The success of its independent oil exports has been facilitated by the continued strength of the KRG's relationship with Turkey. Throughout the second half of 2015, the KRG and FGI reiterated their intentions to work together and dialogue between the two governments is ongoing. Further explanation is provided in the Market Overview on pages 4 and 5.	→ Unchanged
The Company has regular dialogue with the KRG and is not aware of any current plans for the enactment of new oil and gas laws that would impact its assets. Based on legal advice obtained by the Company, the directors believe that the Company has good title to its oil and gas assets.	Throughout the second half of 2015, the KRG and FGI reiterated their intentions to work together and resolve differences. There have been no new laws or regulations implemented in 2015 that might impact the Company's PSCs. Further explanation is provided in the Market Overview on pages 4 and 5.	→ Unchanged
The Company continues to maintain a regular dialogue with its key stakeholders in the region, such as the KRG, the Turkish government and other regional public bodies, and expects to obtain and maintain all approvals necessary to operate its business.	There have been no new laws or regulations introduced in 2015 that might adversely impact the Company's PSCs.	→ Unchanged

RISK	DESCRIPTION AND IMPACT
HSE	
Local communities	Local communities may regard IOC operations as detrimental to their environmental, economic or social circumstances. Currently the economic challenges faced by the KRG have led to a backlog in salary payments to public sector workers at a time that payments have been made to IOCs. Failure to manage relationships with local communities, government and non-government organisations could adversely affect the Company, and negatively impact the Company's ability to operate efficiently or its ability to finance an operation. A loss of local community support could give rise to disruption to projects or operations, or cause material reputational damage, which could in turn affect the Company's revenues, operations, and cash flows.
Health and safety risks	The Company's operations are subject to general and specific regulations and restrictions governing workplace health and safety requirements, environmental requirements, social impacts, and other laws and regulations. The Company's primary operational safety risks are those inherent in the oil and gas industry, including the release of hydrogen sulphide gas during flaring, fires, blowouts, explosions, equipment or system failures and transportation accidents, which may result in death or injury to staff or local residents. Certain of the Company's operations may also create environmental risks in the form of spills, the release of gas or soil contamination from site operations, recycling and waste disposal. Unexpected disruptions in the supply of essential utility services, such as water and electricity, could halt or delay the recommencement of Company's production operations. A health, safety or environmental incident could lead to the Company having to make material changes to its facilities or processes and pay compensation to any injured parties. There can be no assurance that the Company will not incur substantial financial obligations, which may lead to an adverse effect on the Company's business, financial condition and prospects.

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision.

The Directors conducted this review for the period up to June 2019, which was felt to be an appropriate period for the following reasons:

- it aligns with the Board's strategic activity plan
- it captures the maturity of the Company's senior unsecured bonds
- forecasting further than three years is likely to be inaccurate given oil price volatility

The Company benefits from a proven producing oil reserves base that allows us to create production and associated cash flow scenarios covering the forecast period. The low-cost onshore nature of our oil business, together with the terms of our Production Sharing Agreements, results in an asset cash flow profile that is resilient to commodity prices below current market levels. In particular, we benefit from asset level operating costs of less than $2 per barrel and currently forecast asset level cash flow neutrality after capital expenditures at an oil price under $20 per barrel.

The Company has ownership of a material gas development project that has not yet progressed to a final investment decision and so has limited committed cash spend. The project is expected to be financed predominantly through asset farm-outs and project financing and is expected to generate material positive cash flows for the Company after the forecast period.

The Directors considered these cash flow scenarios using a base case oil price outlined in our impairment note on page 89. The underlying assumptions were stress tested and reviewed, in the context of the Company's liquidity and the principal risks of the region and industry in which it operates and with regard to the risks set out in the Principal Risks on pages 34 to 38 including:

- Recovery of amounts owed for export sales
- Development and recovery of reserves and resources
- Major capital projects
- KRI natural resources industry
- Regional risk

The Directors also considered the Company's outstanding $730 million bond and the likely refinancing options on its maturity in 2019, together with the results of interim covenant tests, again in the context of the Company's current cash balance of $455 million and the expected recovery of the $423 million receivable from the KRG.

Based on their assessment of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and manage its liabilities as they fall due over the three-year period to June 2019.

Our 2015 strategic report, as set out on pages 1 to 39, has been reviewed and approved by the Board of Directors on 2 March 2016.

Murat Özgül
Chief Executive Officer

MITIGATION AND MANAGEMENT	ASSESSMENT	CHANGE
An ongoing community investment and education programme, and commitment to providing local employment.	The financial strain of supporting the significant influx of refugees and IDPs into the KRI, compounded with the fall in the oil price and the failure of the FGI to make full budgetary payments, has worsened the financial situation of the KRG. The consequent failure by the KRG to pay salaries of civil servants has led to sporadic civil disturbances in the KRI, and increased the risk of local community unrest in the last 12 months. Examples of work done by the Company with local communities is provided on pages 30 and 31.	↑ Increased
The Company has implemented health, safety and environmental policies and complies with international standards for crude oil exploration and production, for example those issued by the International Association of Oil and Gas Producers. The Company monitors compliance with its health, safety and environment policies regularly through a reporting system, inspections, third-party audits and management site inspections as overseen by the Company HSSE Committee. The Company has put in place production operation and maintenance procedures to minimise the impact of unexpected disruptions to the supply of essential utility services.	Health and safety is an important part of our business model set out on page 2, with further explanation provided on page 28.	→ Unchanged

Committed to operating to the highest standards of corporate governance

2015 achievements

- Successful issuance and listing on the Nordic ABN Exchange of a second issuance of 7.5% senior unsecured bonds
- Smooth transition of Board changes at both the Chairman and CEO level
- Successful appointment of Simon Lockett as an Indpependent Non-Executive Director as part of the ongoing refreshing of the Board
- Maintained strong operational oversight ensuring safe ongoing operation of our producing assets
- Undertook an internal review of our effectiveness concluding that the Board continued to operate to a high standard

I am pleased to present my first Corporate Governance Report to shareholders as your new Chairman.

This has been a year of significant transition in the composition of your Board. Julian Metherell and Mark Parris stood down as Directors at the end of our 2015 AGM. In July, Rodney Chase stood down as Chairman and Murat Özgül, a longstanding member of the Genel executive team, was appointed CEO. The Board felt that as a founding member of the Company it was appropriate that, on this occasion and as an exception to the Code, I be appointed to the role of Chairman in order to continue supporting the development of the Company in the challenging environment that we are operating in. Murat Özgül has overseen the growth of our KRI oil production and is very well qualified as CEO to progress the development of our world class KRI gas fields.

Furthermore, on 19 January 2016 and 23 February 2016 respectively, we announced that as part of the ongoing evolution of the Board, Sir Graham Hearne would stand down as an Independent Non-Executive Director and Jim Leng would stand down as the Senior Independent and Non-Executive Director, both at the conclusion of the 2016 AGM. George Rose would be appointed Senior Independent Director in Jim's stead. Simon Lockett was appointed on 19 January 2016 as an Independent Non-Executive Director and has also joined the HSSE and Remuneration Committees.

Mehmet Sepil, Genel's founder, retired from his position as President in October to pursue other interests. In December, Murat Yazici also stood down as a Non-Executive Director as Mehmet Sepil reduced his shareholding to below 10%, thereby losing his right to nominate a Director to the Board.

Following my appointment as Chairman, I have ensured that we remain committed to operating at the highest standards of corporate governance to support us in delivering on our business objectives.

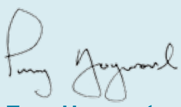
The Board, assisted by the work of the Audit Committee, keeps under review the governance framework, risk management and internal controls.

We comply with the UK Corporate Governance Code as appropriate to support our business and as such, and in accordance with our shareholder approved Remuneration Policy, have voluntarily applied malus and clawback to all performance related remuneration made to executives during the year. Details of how we have applied malus and clawback to our remuneration arrangements are set out in the annual report on remuneration on pages 58 and 62.

In April/May 2015 we successfully issued and listed a further $230m 7.5% senior unsecured bonds on the Nordic ABN Exchange adding further strength to our balance sheet.

We have continued to monitor our performance as a Board. In last year's annual report we had undertaken to complete an external effectiveness review in 2015, however, given the Board changes during the year it was felt appropriate to complete an internal effectiveness review for 2015.

More details of the findings and our improvement programme are set out in this report.



Tony Hayward
Chairman

THE BOARD

Our Committee structure

Board of Directors

Audit Committee
Ensuring integrity and objectivity of published financial information

Chairman
George Rose

Members
Jim Leng
Chakib Sbiti
Mehmet Öğütçü

Meetings in 2015
4

Read more
p.52

Remuneration Committee
Ensuring an appropriate approach to remuneration that supports delivery of the business strategy

Chairman
Jim Leng

Members
George Rose
Simon Lockett
Sir Graham Hearne

Meetings in 2015
4 scheduled 1 ad hoc

Read more
p.56

Nomination Committee
Ensuring the continuance of a high calibre Board

Chairman
Tony Hayward

Members
Mehmet Öğütçü
George Rose
Sir Graham Hearne

Meetings in 2015
2 scheduled 3 ad hoc

Read more
p.54

HSSE Committee
Ensuring a responsible and credible approach to HSSE

Chairman
Chakib Sbiti

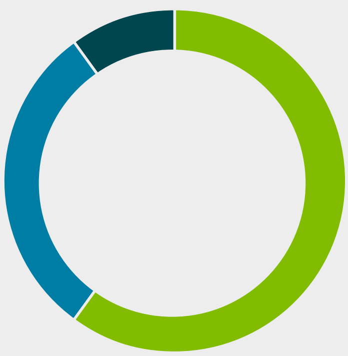
Members
Mehmet Öğütçü
Simon Lockett
Sir Graham Hearne

Meetings in 2015
3

Read more
p.55

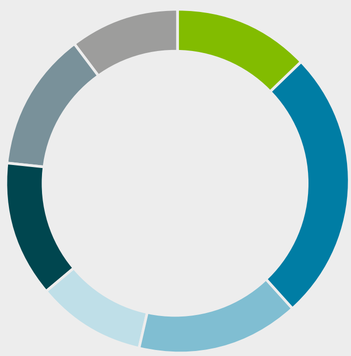
The Political Risk Committee met once in 2015 subsequent to being disbanded in April 2015.

Board composition



- 60% - Independent non-executive directors
- 30% - Non-independent non-executive directors
- 10% - Executive directors

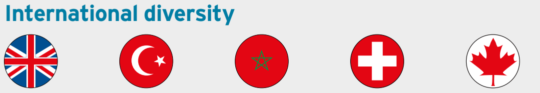
Skills and experience of the Board



- Oil and gas - 5 directors
- Managing and leading - 10 directors
- Governance - 6 directors
- Financial/capital markets - 4 directors
- HSSE - 5 directors
- Remuneration - 5 directors
- Foreign affairs - 4 directors

Total directors 10

International diversity



5 directors | 2 directors | 1 director | 1 director | 1 director

A strong Board with demonstrable skills and experience in international oil and gas markets

Tony Hayward

Chairman

Appointed: **2 June 2011**

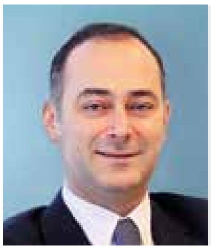
Age: **58**

Tony Hayward was appointed to the Board as Non-Executive Director on 2 June 2011 and as an Executive Director and Chief Executive Officer on 21 November 2011. Tony stepped down as Chief Executive Officer and was appointed as Chairman of the Board on 12 July 2015.

Committee memberships: Chairman of the Nomination Committee.

Skills and experience: Tony is the Non-Executive Chairman at Glencore plc and a Partner and Member of the Advisory Board of AEA Capital. He is a fellow of the Royal Society of Edinburgh and holds honorary doctorates from the University of Edinburgh, Aston University and the University of Birmingham. Tony was Group Chief Executive of BP plc from 2007 to 2010 having joined BP plc in 1982 as a rig geologist in the North Sea. He became Group Treasurer in 2000, Chief Executive for BP plc's upstream activities and a member of the main board of BP plc in 2003. He has also served on the board's of TNK-BP, Corus and Tata Steel.

Tony studied Geology at Aston University in Birmingham and holds a PhD from Edinburgh University.



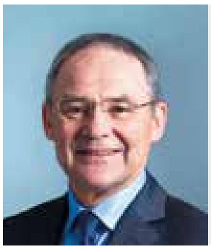
Murat Özgül

Chief Executive Officer

Appointed as an Executive Director and Chief Executive Officer: **12 July 2015**

Age: **44**

Skills and experience: Murat Özgül has more than 20 years' experience in the defence, satellite and oil and gas sectors. He joined Genel in 2008 as Chief Commercial Officer and was responsible for leading its merger with Vallares PLC in 2011. Prior to joining the Company, Murat was the CEO of INTA Spaceturk, an imaging satellite operating company, and held engineering and managerial positions at Roketsan and INTA Defense. He holds a BSc and MSc in Aeronautical Engineering from the Middle East Technical University in Ankara.



Jim Leng

Senior Independent Non-Executive Director

Appointed: **2 June 2011**

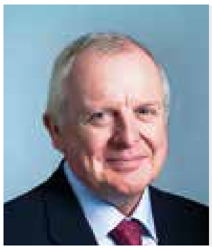
Age: **70**

Committee memberships: Chairman of the Remuneration Committee and member of the Audit Committee.

Skills and experience: Jim is a Director of Aon plc and in December 2015 Jim was appointed as a Director and Non-Executive Chairman of Nomura Europe Holdings plc.

From 2010 to 2013, he was a Director, and from August 2012 Chairman, of HSBC Bank plc. From 2003 to 2008 he was Chairman of Corus Group plc and subsequently Deputy Chairman of Tata Steel of India.

Other past Non-Executive Directorships include, Pilkington plc, Hanson plc, IMI plc and TNK-BP Limited. In an executive capacity, Jim was Chief Executive Officer of Laporte plc and before that Low & Bonar plc. His early business years were spent at John Waddington plc where he was Managing Director of a number of their subsidiaries.



George Rose

Independent Non-Executive Director

Appointed: **2 June 2011**

Age: **63**

Committee memberships: Chairman of the Audit Committee and member of the Remuneration and Nomination Committees.

Skills and experience: George is Senior Independent Non-Executive Director of Experian plc. On 16 February 2016 George was appointed as a Non-Executive Director of EXPO 2020 LLC.

Until December 2015 George served as Non-Executive Chairman of the Audit Committee of Laing O'Rourke plc. George retired from the Board of National Grid plc in July 2013 where he served as a Non-Executive Director and was Chairman of the Audit Committee. He was also on the Board of BAE Systems plc until March 2011, where he had served as Group Finance Director for 13 years. Other past Non-Executive Directorships include Orange plc and Saab AB. He was previously a member of the UK's Financial Reporting Review Panel and the Industrial Development Advisory Board. George's earlier career consisted of several financial management positions in the automotive sector, at Ford Motor Company, Leyland Vehicles Ltd and the Rover Group.

He is a Fellow of the Chartered Institute of Management Accountants.

Chakib Sbiti

Independent Non-Executive Director

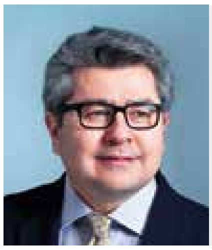
Appointed: **19 April 2012**

Age: **61**

Committee memberships: Chairman of the HSSE Committee and member of the Audit Committee.

Skills and experience: Chakib has over 30 years' experience at Schlumberger, an international oilfield services company, where he was Executive Vice President of Oilfield Services from 2003 to 2010 and President Asia from 1999, a role which was expanded to include the Middle East for the period 2001 to 2003. He has also been special adviser to the Chairman and Chief Executive Officer of Schlumberger (since 2010) and held various senior operational roles prior to 1999.

Chakib studied electrical engineering in France and holds a MSc from the École Nationale Supérieure d'Ingénieurs in Caen, France.



Mehmet Öğütçü

Independent Non-Executive Director

Appointed: **21 November 2011**

Age: **54**

Committee memberships: Member of the Audit Committee, Nomination Committee and the HSSE Committee.

Skills and experience: Mehmet is currently Chairman of the Global Resources Partnership, a natural resources strategy group. In February 2016 Mehmet was appointed as a Non-Executive Director of Saudi Crown Holding. He was also appionted as an Independent Board member of Sisecam Group in April 2015 and as the Energy Charter Secretary - General's special envoy for the MENA region in March 2013. He leads Bosphorus Energy Club, a gathering of top energy, investment and geopolitical executives in Eurasia, MENA and Southeast Europe since September 2013.

Previously, Mehmet served as Director for International Government and Corporate Affairs at BG Group (2005-2011), the head of the OECD's global forum on international investment and regional outreach programmes (2000-2005), the Principal Administrator for Asia-Pacific and Latin America at the International Energy Agency (1994-2000), a Turkish diplomat in Ankara, Beijing, Brussels and Paris (1986-1994), Deputy Inspector at Is Bankasi, NATO Research Fellow, the EU's Jean Monnet Fellow and adviser to the late President Turgut Ozal.

BOARD OF DIRECTORS
continued

Simon Lockett

Independent Non-Executive Director

Appointed: 19 January 2016

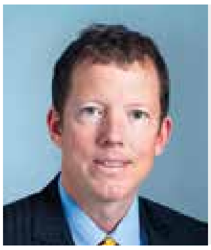
Age: 51

Committee memberships: Member of the Remuneration Committee and the HSSE Committee.

Skills and experience: Simon is currently the Chairman and a member of the Audit, Nomination and Remuneration Committees of Loyz Energy Limited. He is a Non-Executive Director of Triyards Holdings Limited where he also serves as the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. He is also a Non-Executive Advisor to the Board and CEO of Pico Petroleum Limited, a privately owned exploration and production company based in Cairo.

Between 2005 and 2014 Simon was the Chief Executive Officer of Premier Oil plc. Prior to being appointed as CEO Simon held a number of senior operational roles at Premier Oil plc including Operations Director between 2003 and 2005.

Simon studied Biochemistry at Sheffield University and holds an MBA from Manchester Business School.



The Honourable Nathaniel Rothschild

Non-Executive Director

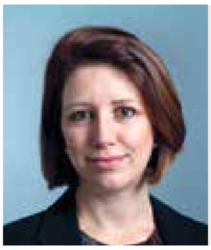
Appointed: 19 May 2011

Age: 44

Skills and experience: Nathaniel was appointed Executive Chairman of Volex plc in November 2015 following his appointment to the Board of the company as a Non-Executive Director in October 2015. Until January 2013, he was a Non-Executive Director of Barrick Gold Corporation, the world's largest gold company. He was previously Co-Chairman of Asia Resource Minerals plc.

Nathaniel is a member of the Belfer Center's International Council at the John F. Kennedy School of Government at Harvard University.

He holds an MA in History from Oxford University and an MSc in addiction studies from King's College London.



Gulsun Nazli Karamehmet Williams

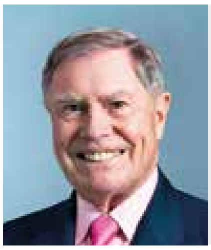
Non-Executive Director

Appointed: 21 November 2011

Age: 38

Skills and experience: Between 2004 and August 2014 Mrs Karamehmet Williams worked at Digiturk, a leading satellite broadcasting network. She was Chief Content Officer between 2007 and August 2014, with primary responsibility for overseeing all content acquisitions, production and creative services (including on-air promotion and print TV guides) and overall content strategy. Previously, she worked for the advertising and sales division at BSkyB in London.

Nazli was also a Board member of Turkcell Iletişim Hizmetleri A.Ş a leading GSM operator in Turkey, until 2013. Turkcell's shares trade on the Istanbul (IMKB) and New York Stock Exchanges (NYSE).



Sir Graham Hearne, CBE

Independent Non-Executive Director

Appointed: 2 June 2011

Age: 78

Committee memberships: Member of the Remuneration Committee, Nomination Committee and HSSE Committee.

Skills and experience: Sir Graham is the Senior Independent Director of Rowan Companies Inc. Sir Graham served as Chairman of Enterprise Oil plc between 1991 and 2002 and as Chief Executive from 1984 to 1991. He has also served as a director of a number of public and private companies including Courtaulds plc (where he was Finance Director), Gallaher Group PLC, Wellcome plc, Reckitt & Colman plc as well as Novar plc, Catlin Group Limited and Braemar Shipping Services Group plc (where he was Chairman). He qualified as a solicitor in England and Wales in 1959 and practised law in England and the US from 1959 to 1967, following which he joined as an executive of the Industrial Reorganisation Corporation and then as an Executive Director of NM Rothschild & Sons Limited.

Sir Graham was appointed a Commander of the Most Excellent Order of the British Empire in 1990 and a Knight Bachelor in 1998.

Sarah Robertson

Company Secretary

Sarah Robertson was appointed as Company Secretary to the Board on 25 July 2013.

Skills and experience: Sarah was Deputy Company Secretary at Misys plc prior to joining Genel in July 2012. Previously she was Regional Head of Secretariat EMEA & the Americas for Standard Chartered Bank plc and had also held senior positions in the secretariat at RSA plc and Telewest Communications plc (now Virgin Media).

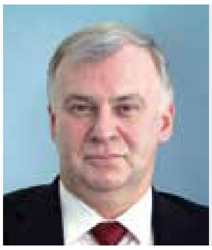
Sarah is a Fellow of the Institute of Chartered Secretaries and Administrators and holds a MSc in corporate governance.

Experienced in the industry and the KRI

Ben Monaghan

Chief Financial Officer

Ben Monaghan joined Genel as CFO in 2015. Prior to joining the Company he was Head of European Oil and Gas Investment Banking at J.P. Morgan in London, where he worked for 20 years raising equity and debt capital and advising on mergers, acquisitions, joint ventures and divestitures in the global energy sector. Ben also has two years' experience as an auditor with Arthur Andersen in the UK, Russia and France, and holds an MA degree from Cambridge University.



Stephen Mitchell

General Counsel

Stephen Mitchell has practiced as a lawyer for over 30 years. Prior to joining the Company he was Vice President – Group Legal with BHP Billiton plc and prior to that he was Group General Counsel and Head of Risk Management at Reuters Group plc, in which he advised on a broad range of matters including mergers and acquisitions, joint ventures, corporate governance and compliance. Stephen was a partner in Freehills in Australia for six years prior to joining Reuters and holds a BEc and LLB from Monash University in Australia.

Pars Kutay

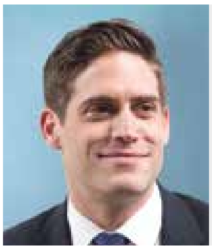
Head of Government & Public Affairs

Pars Kutay joined Genel in December 2010. Pars is responsible for developing, co-ordinating and implementing policies on government and public affairs in countries where we operate. Pars was a partner at AB Consultancy and Investment Services from 1995 to 2010. Between 1984 and 1995 he served in Turkey's Undersecretariat of Treasury and Foreign Trade. He is a graduate of Law from Ankara University and holds degrees in International Finance and Environmental Law from Ankara University.

Macit Merey

Deputy Chief Financial Officer

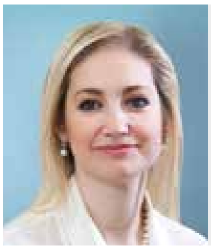
Macit Merey has over 20 years' experience in finance including ten years in oil and gas. Macit joined Genel in 2005 and was the Finance and Accounting Manager of the Taq Taq Operating Company (TTOPCO) from 2006 until 2009. He was CFO of Genel Energy International Limited from 2009 until its merger with Vallares PLC in 2011. Macit holds a BSc degree in Food Engineering and an MBA from the Middle East Technical University in Ankara.



Elliot Milne

Commercial Director

Elliot Milne joined Vallares PLC in 2011 and advised on the merger with Genel that year, following which he has worked at Genel in a variety of commercial roles. Prior to joining Vallares, Elliot worked in Ethiopia for 12 months as a consultant to the Coffee Initiative Project, established by the Bill Gates Foundation. From 2006 to 2010 he worked at Goldman Sachs in their leveraged finance and natural resources M&A teams in Australia. Elliot holds a BEc and LLB from the University of Sydney.



Gozde Tutanc

Head of Human Resources

Gozde has over 20 years' experience in the telecom, consultancy, FMCG and media sectors. She joined Genel in 2014 as Head of Human Resources for Turkey and the Kurdistan Region of Iraq. Prior to joining the Company, Gozde worked in different HR management roles at Turkcell, the leading Turkish telecoms company, and held HR positions at DDI-Development Dimensions International and Coca-Cola. She started her career in Turkish Radio and Television in 1992 as a News Reader. Gozde holds a BSc in Psychology from the Middle East Technical University in Ankara, and an Executive-MBA from the Koc University in Istanbul.

CORPORATE GOVERNANCE

Corporate governance

Our objective remains to create long-term value for shareholders through the exploration, development and production of oil and gas resources. We have high quality assets that are important to the growth of the Kurdistan region and Turkey. In doing this, we have committed to a high level of governance and to developing a culture that values exemplary ethical standards, personal and corporate integrity and respect for others. The Board governs the Company consistent with our business strategy and commitment to a transparent and high-quality governance system.

Our view is that governance is not just a matter for the Board and that a strong governance culture must be fostered throughout the organisation. Our expectations of our employees and of those with whom we conduct business are set out in our code of conduct, which is summarised below and is available on our website at www.genelenergy.com

This report aims to provide shareholders with a comprehensive summary of our governance arrangements and an explanation of how the Company has approached the main principles of the UK Corporate Governance Code (the 'Code') during 2015.

Genel Energy plc is a Jersey incorporated company with a standard listing on the London Stock Exchange. Notwithstanding our standard listing, we are committed to complying with the regulatory requirements in both Jersey and the UK, together with prevailing standards of best practice, as if we were a premium listed company. We are in full compliance with the provisions of the Code with the exception of A.3.1 due to Tony Hayward being appointed Chairman of Genel on 12 July 2015 having previously served as CEO. Accordingly, he was not independent on appointment. Whilst in his role as CEO, Tony Hayward was also appointed Chairman of Glencore plc and as such, for the period to 12 July 2015 we were not in compliance with provision B.3.3. of the Code. It has also been decided to undertake an internal effectiveness review rather than an externally facilitated review for 2015 due to the changes on the Board during the year as described on page 47. A copy of the Code can be found at www.frc.org.uk/corporate/ukcgcode.cfm

As corporate governance principles continue to evolve, we will continue to adopt best practice guidelines as appropriate to our business. For example, in 2015, in line with our undertaking to adopt the changes to the Code, we applied malus and clawback to performance related remuneration for our executive management team.

Model code

We have voluntarily adopted the model code for share dealing as set out in the Listing Rules. The Board is responsible for taking all proper and reasonable steps to ensure compliance with the model code, including training staff in the requirements set out in the model code.

We will be reviewing our share dealing policies during the course of the upcoming year to align with the new Market Abuse regime coming into effect in July 2016.

Code of conduct

Our code of conduct defines what we stand for as a Company and sets out the principles that guide all of our business activities. All staff have received training on how to represent Genel in accordance with the principles of the code of conduct. We strive for operational excellence and aim to conduct our business in a responsible, ethical and safe manner with the highest standards of financial reporting, corporate governance, and compliance with applicable laws. The code of conduct sets guidelines by which we conduct our business and how we expect our board, employees, suppliers, partners and others to behave. As a result, being able to demonstrate behaviours aligned with the code of conduct forms part of the performance objectives for every employee.

SpeakUp

All employees are encouraged to raise any concerns they may have and to report any suspected or known violations of the code of conduct without fear of retaliation. We operate an independently run and confidential 'SpeakUp' hotline. All issues raised via this route are reported to the Audit Committee.

Business conduct

We conduct our business in an open, honest and ethical manner. We do not tolerate any form of bribery. We aim to ensure that all financial and non-financial information we create is complete and accurate, and we strive to provide accurate and timely information to external stakeholders, including governments, in the locations in which we operate. We take steps to protect against inappropriate use of confidential and privileged information and we aim to protect and use our business assets appropriately.

Our policy is not to make political donations and we have not done so in the period under review (2014: nil).

Conflicts of interest

We seek to avoid conflicts of interest wherever possible. We believe it is important that the decision making process is not impaired by an individual being conflicted by either an actual or a potential conflict. However, we recognise that from time to time situations may arise which could result in actual or potential conflicts and, accordingly, we have a formal system in place enabling Directors and members of the executive team to declare any such conflicts and for those conflicts to be reviewed and, if appropriate, authorised by the Board. A register of conflicts is maintained by the Company Secretary. The Audit Committee and the Board have applied the principles and processes set out above during 2015 and confirm that they have operated effectively.

Third parties

We maintain high standards of business conduct in our dealings with all third parties in order to promote mutually beneficial

Board and Committee attendance

	Board		Audit	Nomination		Remuneration		HSSE	Political Risk[9]
	Scheduled/ attended	Ad hoc/ attended	Scheduled/ attended	Scheduled/ attended	Ad hoc/ attended	Scheduled/ attended	Ad hoc/ attended	Scheduled/ attended	Scheduled/ attended
Tony Hayward[1]	7(7)	1(1)		2(1)	3(1)				
Murat Özgül[2]	7(3)								
Julian Metherell[3]	7(3)	1(1)							
George Rose[4]	7(6)	1(1)	4(4)	2(2)	3(3)	4(3)	1(1)		
Jim Leng	7(7)	1(1)	4(4)			4(4)	1(1)		
Chakib Sbiti[5]	7(7)	1(1)	4(3)					3(3)	1(1)
Sir Graham Hearne[6]	7(7)	1(1)		2(1)	3(1)	4(4)	1(1)	3(3)	
Mehmet Öğütçü[7]	7(7)	1(1)	4(3)	2(2)	3(3)			3(3)	
Nathaniel Rothschild	7(6)	1(0)							
Gulsun Nazli Karamehmet Williams	7(7)	1(1)							
Rodney Chase[8]	7(4)	1(1)		2(1)	3(2)			3(2)	1(1)
Murat Yazici[8]	7(7)	1(1)							
Mark Parris[8]	7(3)	1(1)	4(1)			4(1)			1(1)

1. Appointed as Chairman of the Nomination Committee on 12 July 2015
2. Appointed as a Director on 12 July 2015
3. Retired as a Director on 21 April 2015
4. Appointed as a member of the Remuneration Committee on 21 April 2015
5. Appointed as a member of the Audit Committee on 21 April 2015
6. Appointed as a member of the Nomination Committee on 23 July 2015
7. Appointed as a member of the Audit Committee on 21 April 2015
8. Mark Parris, Rodney Chase and Murat Yazici resigned as Directors on 21 April 2015, 12 July 2015 and 15 December 2015 respectively
9. The Political Risk Committee was disbanded on 21 April 2015

relationships and protect our reputation. We do not seek to win or maintain business by acting illegally or contrary to our contractual agreements. Our relationships with third parties are conducted on a fair and honest basis. We expect our third parties to maintain the same standards of business conduct as we adhere to.

Communities and environment

Protecting and sustaining the communities and environment in which we operate is fundamental to maintaining our operating licences and to creating a long-term sustainable business. We strive to maintain high standards of environmental protection and we do not compromise our environmental values for profit or production. We seek to maintain proactive and constructive engagement with the local communities affected by our operations and assets, and invest to help them develop in a sustainable manner. We contribute to socio-economic development and provide transparency in respect of our contributions and their impact. Further information on how we engage with communities can be found in the community engagement and investment section of this report on pages 26 to 31.

The role of the Board

The Board's role is to provide leadership in delivering on the long-term success of the Company. It is responsible for approving the Company's strategy and the business plan and keeping under review the financial and operational resources of the Company. It monitors the performance of the business and management against those strategic objectives with the overall objective of creating and delivering value to shareholders.

The performance of the Board and the contributions of Directors to the Board's decision making processes are essential to fulfilling this role. The Directors may exercise all the powers of the Company subject to the provisions of relevant law, the Company's articles and any special resolution of the Company in the furtherance of their role.

The Board has reserved certain matters for its own consideration and decision making. Authorities have been delegated to Board Committees and these are set out clearly in each Committee's terms of reference which are available on our website.

Specific matters reserved for the Board include setting the Company's objectives and business strategy and its overall supervision. Significant acquisitions, divestments and other strategic decisions will all be considered and determined by the Board in accordance with the Company's delegated authorities matrix. The Board provides leadership within a framework of prudent and effective controls.

The Board reviews the matters reserved for its decision annually, subject to the limitations imposed by the Company's constitutional documents and applicable law.

The Board and its Committees have access to the advice and services of the Company Secretary and the General Counsel and may seek advice from independent experts at the expense of the Company as appropriate. Individual Directors may also seek independent legal advice at the expense of the Company, in accordance with the Board's agreed procedure.

In addition, the Board has extensive access to members of senior management, who attend Board meetings by invitation from time to time, and present to the Board on the performance of the business.

Board composition

There are ten Directors on the Board, of whom one is Executive and nine (including the Chairman) Non-Executive. Six are independent under the Code and four are considered not independent (including the Chairman) who was not considered independent on appointment.

The Company announced on 19 January 2016 and on 23 February 2016 that Sir Graham Hearne and Jim Leng would retire as Director's of the Company at the conclusion of the 2016 AGM. Simon Lockett joined the Company as an Independent Non-Executive Director on 19 January 2016. During the year, Rodney Chase, Julian Metherell, Mark Parris and Murat Yazici stepped down as Directors.

CORPORATE GOVERNANCE
continued

Further details of the Directors and their experience are set out on pages 42 to 44 of this annual report.

Each Director will be submitted for re-election at the 2016 AGM (save for Sir Graham Hearne and Jim Leng, who will retire as Director's on the date of the 2016 AGM).

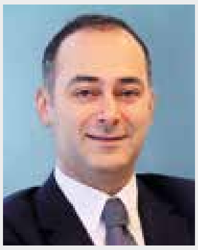
Meetings of the Board
The Board meets around seven times each year and schedules other meetings as necessary to fulfil its role. During the year we held eight meetings in various locations. One of those meetings was in addition to those scheduled. The Board receives updates from management inbetween meetings on the performance of the business against the agreed strategy and on its operations and has a rolling agenda that sets out the key topics for consideration at each meeting.

Independence of the Board
Following the retirement of Graham Hearne and Jim Leng as Directors, the Independent Non-Executive Director's (George Rose, Chakib Sbiti, Simon Lockett and Mehmet Öğütçü) make up exactly half the Board and are responsible for ensuring that the management and decisions of the Board are properly checked and balanced. The Independent Directors meet in private session at the end of each scheduled Board meeting of which there were seven such meetings during 2015.

Roles and responsibilities
There is a clear division of roles between the Chairman, Chief Executive Officer and Senior Independent Director of the Company.

Tony Hayward
Chairman

Tony Hayward is the Chairman. The Chairman reports to the Board and is responsible for the leadership and overall effectiveness of the Board, overseeing the strategy of the Company and for setting the Board's agenda. Specific responsibilities of the Chairman include ensuring the effective running of the Board, ensuring that the Board agenda is forward-looking with an emphasis on strategic issues and ensuring the performance of the Board and its committees is effective and in line with best practice. A culture of openness and debate is encouraged by the Chairman through ensuring constructive relations between Executive and Non-Executive Directors and ensuring effective communication between the Company and its shareholders. The Chairman's other significant commitments are included in his biography on page 42, there have been no changes to these during 2015.



Murat Özgül
Chief Executive Officer

Murat Özgül is the Chief Executive Officer. The Chief Executive Officer is responsible for all executive management matters of the Group. He reports to the Chairman and to the Board directly. Specific responsibilities include the day-to-day management of the Group within delegated authority limits, identifying and executing strategic opportunities, managing the risk profile and ensuring appropriate internal controls are in place, maintaining a dialogue with the Chairman and the Board on important and strategic issues, ensuring the proper development of Executive Directors and Senior Executives and succession planning for executive positions.

Jim Leng
Senior Independent Non-Executive Director

Jim Leng is the Senior Independent Director up until the date of his retirement at the 2016 AGM, following which George Rose will step into the role. The Senior Independent Director is available to shareholders who have concerns that cannot be addressed through the normal channels of the Chairman or the Chief Executive Officer. He chairs the Nomination Committee when it is considering succession to the role of Chairman and acts as a sounding board for the Chairman and an intermediary for other Directors if and when necessary.

The Directors who are not independent comprise the founders of the Company (Nathaniel Rothschild, Non-Executive Director and Tony Hayward, Chairman) plus Gulsun Nazli Karamehmet Williams who has been nominated for appointment to the Board by Focus Investments.

The Board considers that there is an appropriate balance between Executive and Non-Executive, independent and non-independent Directors, with a view to promoting shareholder interests and governing the business effectively.

Skills, knowledge, experience and attributes of Directors

The Board considers that a diversity of skills, background, knowledge, experience, perspective and gender is required in order to govern the business effectively. The Board and its Committees work actively to ensure that the Executive and Non-Executive Directors continue to have the right balance of skills, experience, independence and group knowledge necessary to discharge their responsibilities in accordance with the highest standards of governance.

The Non-Executive Directors bring with them international and operational experience gained both in the sectors in which we operate and in other areas of business and public life. Murat Özgül brings additional perspectives to the Board's work through a deep understanding of the business. Together they oversee the strategy of the Group and monitor the pursuit of the corporate strategy. All Directors are required to devote sufficient time and demonstrate commitment to their role.

Operation of the Board

The Chairman is responsible for ensuring that the Board operates effectively. The Board has an open style of communication and debates issues openly and constructively within an environment that encourages healthy debate and challenge both inside and outside the boardroom.

The Directors receive board papers and other relevant information in a timely manner ahead of meetings. Board papers are delivered through an electronic portal that enables Directors to access them wherever they are in the world. The timely provision of relevant information to Directors is vital in ensuring they are able to fulfil their role of effective oversight and challenge and for enabling the Board to make effective decisions.

Directors' induction and ongoing development

In order to govern the Group effectively, Non-Executive Directors must have a clear understanding of the overall strategy, together with a sound knowledge of the business and the industry within which it operates.

The Chairman, together with the Company Secretary, is responsible for ensuring that all new directors receive a full, formal and tailored induction upon appointment to the Board. This includes a detailed overview of the Company and its governance practices and meetings with key personnel from across the Group in order to develop a full understanding of the business, its strategy and business priorities in each area.

Upon his appointment Simon Lockett received a full and comprehensive induction on the operations, processes, policies and procedures across the business. The induction included a comprehensive schedule of meetings with senior management on the operations and controls of the business.

Risk monitoring and reporting

The Group keeps under constant scrutiny the major risks to which its operations in all regions are exposed by leveraging its local expertise, industry knowledge and strategic relationships. In particular, the Group continues to have a regular dialogue with its key stakeholders in the Kurdistan Region of Iraq, such as the KRG, the Turkish government and other regional public bodies. We maintain similar relationships within the Africa region to ensure the risks across the organisation as a whole are fully understood and mitigated.

The Group's risk management process, established by the executive management and endorsed by the Board, is used to identify the key risks to the business, the controls by which these are managed, and how these controls are monitored. The executive management review and update the risk management process and the risks identified on a quarterly basis. The Board undertakes a robust assessment of the principal risks facing the Company at least annually. It focuses its assessment on those risks that could impact our business model, solvency, liquidity or future performance. The Board also reviews and monitors the risk management and internal control systems and each such review covers all material controls, including financial, operational and compliance controls.

Further details of the principal risks and uncertainties to which the Group's operations are exposed, and the framework within which these risks are managed, are set out on pages 34 to 39 of this annual report.

Board effectiveness

In our last annual report we indicated our intention to commission an external effectiveness review in 2015. However, given the number of changes at Board level, including at the Chairman and CEO level, it was felt appropriate to conduct an additional internal review in 2015 to allow the Board to embed. The 2015 review was facilitated by the Company Secretary.

	2014 actions for the year	Progress made against the actions
Board composition and balance	The Nomination Committee will continue to keep under review the composition of the Board with the aim of ensuring that an appropriate balance of skills and experience is present in the boardroom.	Simon Lockett was appointed to the Board on 19 January 2016, strengthening oil & gas representation on the Board. Sir Graham Hearne and Jim Leng will stand down as Director's at the 2016 AGM. The Nomination Committee keeps under review the composition of the Board to ensure that it remains appropriate both in size and skill set.
Strategy	It was recognised that whilst the business had a clear strategic agenda for business development, in the context of a falling oil price and tensions in the region, the strategic agenda would be kept under close scrutiny in light of the risks facing the business.	The Board has closely monitored the risks faced by the business during the year, including the impact of a falling oil price. Internal Audit also conducted a review of security in light of the potential security risks posed by the instability in the region. The Board was satisfied that the risks were being managed and mitigated appropriately.
Risk management	During the year, a Head of Internal Audit was appointed to reflect the growing complexity of the business. The Directors will keep under review the internal audit programme and the effectiveness of bringing internal audit in-house.	The Head of Internal Audit reported to the Audit Committee on the first full year's work since his appointment. The business had been supportive of the work of Internal Audit and had responded well to any audit findings taking swift remedial action in a timely manner. The Committee is of the opinion that the appointment of a full time Head of Internal Audit has proved effective.

	2015 actions
Board development	Given the significance of the gas development to the Company, the Board would focus its development plan for the year on the development cycle of the gas project, including project financing.
Board effectiveness	It was recognised that following the changes to Board composition during the year, the need to ensure that the new Board operated effectively was a priority for 2016.
Political risk	During the year, the Political Risk Committee was disbanded as it was felt that given the importance of political risk to the Company, this should be a matter for the whole Board. As this is a complex region in which to operate regular updates would be provided to Directors from appropriate commentators.
Remuneration	Whilst the Remuneration Committee scrutinises management targets when considering remuneration payouts to the executives, it will pay particular attention to this area given the difficult economic environment the Company is operating in.

The Board considers that each of the Directors continues to make an effective and valuable contribution and demonstrates their commitment to the role. Accordingly, the Board recommends the election/ re-election of each Director with the exception of Sir Graham Hearne and Jim Leng who will both stand down at the 2016 AGM.

Key investor relations activities during 2015

Q1 Jan - Mar	Q2 Apr - Jun	Q3 Jul - Sept	Q4 Oct - Dec
Key events • Trading statement • Full year results • Senior unsecured bond raise **Key activities** • 4 conferences in the US and UK • Investor meetings in UK, US and Middle East	**Key events** • AGM **Key activities** • 5 conferences in the US and EU • Investor meetings in UK and Asia	**Key events** • Trading statement • Half year results **Key activities** • Investor trip to Ankara office • 3 conferences in UK, EU & US • Investor meetings in UK, EU & US	**Key events** • Trading Statement **Key activities** • 8 conferences in UK, EU, & Middle East • Investor meetings in UK & US

Internal controls
The Board is responsible for maintaining and reviewing the effectiveness of the Group's system of internal control. This system is designed to identify, evaluate and manage the significant risks to which the Group is exposed. The Board has established processes to meet the expectations of the UK Corporate Governance Code and those of a premium listed company. These processes were developed further during 2015 to reflect the most recent changes to the Code requiring companies to publish long-term viability statements and to continually monitor systems of risk management and internal control. Our long-term viability statement can be found on page 38. These processes include having clear lines of responsibility, documented levels of delegated authority and appropriate operating procedures. We recognise that the system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against misstatement or loss.

The Audit Committee supports the Board in the performance of its responsibilities by reviewing those procedures that relate to risk management processes and financial controls. The Audit Committee considers the reports of the internal audit function and the external auditor and reports to the Board on such matters as it feels should be brought to the Board's attention.

A detailed budget is produced annually in accordance with our financial processes and reviewed and approved by the Board. Operational reports are provided to executive management on a monthly basis and performance against the budget kept under regular review in accordance with the Group's financial procedures manual.

The Chief Executive Officer reports to the Board on performance and key issues as they arise.

The assessment of controls and risk management processes provide a reasonable basis for the Board to make proper judgements on an ongoing basis as to the financial position and prospects of the Group.

The Board has conducted a review of the effectiveness of the system of internal control for the year ended 31 December 2015 and up to the date of the signing of the financial statements, and is satisfied that it remains appropriate to the business.

Communication with stakeholders
Part of the Group's code of conduct sets a framework for how it partners with, and invests in, communities (local, regional and global) to achieve mutual long-term benefits. The Group contributes to socio-economic development through taxes, royalties and other local payments and donations. Further details of our community programmes can be found on pages 26 to 31 of this annual report.

2016 AGM
The 2016 AGM will be held on Wednesday, 27 April 2016 at Linklaters LLP, One Silk Street, London, EC2Y 8HQ UK at 11.00am. The notice of AGM accompanies this annual report and sets out the business to be considered at the meeting. The AGM will provide an opportunity for shareholders to meet with the Directors and senior management. Both this annual report and the notice of AGM are available on our website at www.genelenergy.com

Communication with institutional investors
We communicate on a regular basis with our shareholders via presentations, calls and scheduled investor trips as part of our annual investor calendar. We also liaise with them on an ad hoc basis as and when questions arise.

Our major shareholders are also encouraged to meet with the Chairman to discuss any matters that they would like to raise outside the formal investor calendar. Tony Hayward has maintained a regular dialogue with major shareholders following his appointment as Chairman.

The Board receives investor relations updates at each scheduled Board meeting covering key investor meetings and activities, as well as shareholder and investor feedback.

We also engage with our shareholders at our AGM and via our website at www.genelenergy.com

Board committees
The Board has established four committees: the Audit Committee, the Remuneration Committee, the Nomination Committee and the Health, Safety, Security and Environment Committee.

The Political Risk Committee was disbanded during the year as it was felt political risk was a matter for the whole Board.

These Committees have adopted terms of reference under which authority is delegated by the Board and copies of which are available on our website at www.genelenergy.com. Each Committee consists only of Independent Non-Executive Directors (with the exception of the Nomination Committee which is chaired by Tony Hayward who was not independent on his appointment as Chairman).

Ensuring integrity and objectivity of published financial information

Audit Committee

Chairman
George Rose

Meetings in 2015
4

Members
Jim Leng
Chakib Sbiti
Mehmet Öğütçü

Objectives:

- To increase shareholder confidence by ensuring the integrity and objectivity of published financial information
- To advise the Board on whether the annual report taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy
- To assist the Board in meeting its financial reporting, risk management and internal control responsibilities
- To assist the Board in ensuring the effectiveness of the internal accounting and financial controls of the Company
- To strengthen the independent position of the Company's external auditors by providing channels of communication between them and the Non-Executive Directors
- To review the performance of the Company's internal and external auditing arrangements
- To assist the Board in monitoring and addressing potential conflicts of interest between members of the Group and the Directors and/or certain senior managers of the Company

Progress:

- Reviewed and received reports from the external auditors on the annual financial statements and other published financial information; in doing so, the Audit Committee has reviewed and discussed the preliminary results and annual financial statements with management and the external auditors, focusing particularly on:
  - the quality and appropriateness of the accounting policies and practices and financial reporting disclosures and changes thereto
  - areas involving significant judgement, estimation or uncertainty
  - the basis for the going concern assumption
  - the long-term viability statement and underlying assumptions
  - review of reserves, resources and revenue
  - reviewed impairments
  - compliance with financial reporting standards and relevant financial and governance requirements
  - whether the annual report taken as a whole is fair, balanced and understandable
- Monitored the cash position of the Company in a difficult economic environment
- Monitored the work of internal audit and received the output from audits performed in the period
- Monitored the effectiveness and independence of the external auditor
- Reviewed key accounting policies and practices to ensure they remain appropriate
- Monitored the risk register and the Group risk framework
- Reviewed the conflicts of interests of Directors and senior executives
- Kept under review the compliance programme and anti-bribery and corruption processes and procedures
- Reviewed the operation and compliance of the 'SpeakUp' arrangements for the Group
- Reviewed its own effectiveness and terms of reference

All the members of the Committee are Independent Non-Executive Directors. The Chairman, George Rose, has recent and relevant financial experience.

The Committee relies on information and support from management to enable it to carry out its duties and responsibilities effectively.

The Audit Committee has detailed terms of reference which set out its areas of responsibility. The Company also operates an independent 'SpeakUp' hotline for all staff and the Committee reviews annually the number of matters reported and the outcome of any investigations.

The significant issues considered by the Committee in relation to the 2015 accounts and how these were addressed were:

- Impairment triggers were reviewed following the announcement on 29 February of a revision in the estimate of the initial gross recoverable proven and probable reserves from 683 to 356 mmbbls as well as significant change in the oil price
- Reserves and resources – an internal review of the reserves and resources was conducted following production declines seen at the field during 2015. The updated McDaniel Competent Person's Report will be completed shortly
- Risk reporting – the Committee considered and endorsed a paper prepared by management setting out further enhancements to the process for oversight and the reporting of risk, controls and assurance to the Committee and the Board

Internal audit

In September 2014, a full time Head of Internal Audit was appointed. Each year the Committee approves an internal audit plan for the year ahead which is aligned to the Group's risk matrix, the outcome of the previous year's audit and the outcome of the annual assessment of the effectiveness of internal control. In November 2015 the Committee reviewed the internal audit output for the first full year operating under the new model and was satisfied that the internal audit process had been enhanced as a result of the change in approach.

External audit

The effectiveness and the independence of the external auditor are key to ensuring the integrity of the Group's published financial information. Prior to the commencement of the audit, the Committee reviews and approves the external auditor's audit plan. PwC present to the Committee their proposed plan of work which is designed to ensure that there are no material misstatements in the financial statements.

The Committee monitors and approves the provision of non-audit services by the Company's external auditors and has in place a policy on non-audit services. The provision of non-audit services is generally limited to services that are closely connected to the external audit or to projects that require a detailed understanding of the Group (for example, taxation advice) which require pre-authorisation by the Committee under the terms of the policy.

The level of non-audit fees for 2015 was $0.2m, further details of which can be found on page 92 of the notes to the financial statements. These fees reflect the services and advice provided by PwC in respect of tax during the year. PwC have been appointed as the Company's auditors for the past four years following a tendering process in 2011. When considering the re-appointment of the Company's external auditors, the Committee reviewed the external auditor's independence and objectivity and the overall effectiveness of the audit process.

At its meeting in November 2015, the Committee reviewed the effectiveness of the external audit process. It reviewed papers from both management and the external auditors, which set out the planning and execution of the audit process. The Audit Committee met privately with the external auditors in the absence of management. Following this review, the Audit Committee was satisfied that the external auditor remains both effective and independent and on that basis we will be recommending their reappointment at the forthcoming AGM.

The Committee reviewed its own effectiveness during the year. The Committee has also reviewed its terms of reference to ensure they reflect its responsibilities in the context of the review of internal financial control systems and financial risk management systems. The Committee terms of reference can be found on our website at www.genelenergy.com

Ensuring a continuance of a high calibre Board

Nomination Committee

Chairman
Tony Hayward

Meetings in 2015
5

Members
Mehmet Öğütçü
George Rose
Sir Graham Hearne

Objectives:

- To maintain a high calibre Board, by:
  - reviewing the structure, size and composition of the Board, having due regard to the Company's strategic, operational and commercial requirements and overall diversity of Board members
  - identifying and nominating suitably qualified candidates for appointment to the Board as opportunities arise
  - annually reviewing the time required from Non-Executive Directors and making recommendations as to their reappointment at the AGM
  - keeping under review succession arrangements for Directors and other senior executives
  - reviewing Board Committee membership

Progress:

- Oversaw the transition process of Tony Hayward to Chairman and Murat Özgül as CEO. This was facilitated by Jim Leng as the Senior Independent Director
- Conducted the search and appointment process for Simon Lockett, Independent Non-Executive Director

The Committee meets formally at least twice a year. Inbetween formal meetings it provides regular updates to the Board on matters of relevance. All the members of the Nomination Committee, with the exception of Tony Hayward, are Independent Non-Executive Directors.

The Nomination Committee keeps under review the composition and balance of the Board. It assists the Board in ensuring that the Board consists of high-calibre individuals whose background, skills, experience and personal characteristics will augment the present Board and meet its future needs and diversity aspirations. Currently there is one female director on the Board and, when the opportunity arises in the future, we will consider candidates based on merit and against objective criteria and with due regard for the benefits of diversity on the Board.

When considering candidates for appointment to the Board, the Committee undertakes a comprehensive search process using an independent external search agency to consider candidates from a wide range of backgrounds.

During 2015 the Committee appointed Spencer Stuart, an independent external search agency, to assist with the refreshing of the Board over time. As part of their remit they were asked to provide a pool of candidates from a diverse range of backgrounds and with due regard to gender diversity. Spencer Stuart have no other connection with the Company.

When considering the appointment of Simon Lockett to the Board all candidates were assessed on merit with the express desire to retain oil and gas expertise on the Board.

The Board and the Company are committed to employing a diverse and balanced workforce. Diversity of ideas, skills, knowledge, experience, culture, ethnicity and gender are important when building an effective and talented workforce at all levels of the organisation, including the Board.

Ensuring a focused approach to HSSE

HSSE Committee

Chairman
Chakib Sbiti

Meetings in 2015
3

Members
Simon Lockett
Mehmet Öğütçü
Sir Graham Hearne

Objectives:

- To ensure that the Company maintains a responsible and credible approach to HSSE matters (including asset integrity and major hazard risk management), in line with international best practice and emerging legal requirements
- To assist the Company in maintaining its relationships with the communities in which it operates, including through social investment and development activities
- To assist the Board and other committees in assessing HSSE risks, in determining, implementing and reviewing the Company's HSSE strategy and processes
- To ensure the quality of the Company's reporting and disclosure (both internally and to shareholders) in relation to HSSE matters

Progress:

- Kept under review progress made against the medium-term HSSE strategy approved in 2014
- Received detailed updates on progress made in respect of internal audit action points
- Kept under review our environmental impact
- Reviewed the HSSE performance measures in respect of the 2015 annual bonus
- New HSSE policy launched on 16 December 2015
- CSR overview
- Reviewed its effectiveness and its terms of reference

The Committee receives regular updates from management on progress against the HSSE strategy. The HSSE policy reflects international best practice including but not limited to the IFC Performance Standard and ICMM Sustainable Development Framework.

We recognise that good management and governance include a strong moral and social commitment to all health, safety and environmental matters. As such, the Company's health, safety and environment management system defines the Company's approach to managing its standards across all of its facilities and activities. The Committee receives reports from management on performance against those systems.

The Committee recognises the importance of aligning both community development and our business strategy with our approach to community investment and keeps compliance with our CSR policy and investment guidelines under review.

All the members of the Committee are Independent Non-Executive Directors.

DIRECTORS' REMUNERATION REPORT

Jim Leng
Chairman of the Remuneration Committee

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2015.

Although as a Jersey registered company there is no legal requirement for us to prepare our remuneration report in accordance with the UK legislation on the disclosure of executive remuneration, it remains the policy of Genel to comply with the highest standards of corporate governance and we continue to do so voluntarily. Once again we have prepared our report in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), as well as the provisions of the UK Corporate Governance Code (the Code) and the UK Listing Rules as they apply to premium listed companies.

Our remuneration policy continues to offer a clear remuneration structure for our executives with four components: base salary, a cash supplement in lieu of all benefits (including pension), an annual cash bonus and awards under the performance share plan (PSP). Furthermore, any shares vesting under the PSP are normally retained for an additional three years, making this a six year period from award to unrestricted ownership.

Our remuneration policy has been designed to appropriately support the delivery of our strategic objectives. Both the annual bonus and PSP awards have stretching performance targets that have to be met and are aligned to the Company's strategy.

As I have outlined, our policy is to adopt the highest standards of corporate governance and accordingly we comply with the remuneration aspects of the Code. As a consequence we have introduced clawback provisions for both the annual bonus and the PSP in respect of performance periods commencing in 2015.

Changes to Management Team

During the year the Company has seen changes to the executive director team. Julian Metherell, the Company's CFO, retired on 21 April 2015, Tony Hayward stepped down as CEO on 12 July 2015 and was subsequently appointed as Chairman. Murat Özgül was appointed as Tony's sucessor as a Director and CEO, also on 12 July 2015.

Details of the remuneration arrangements regarding these Executive Director changes is set out in the annual report on remuneration on page 60. In summary, their salaries and cash supplements ceased on their respective departure dates and annual bonus opportunities were pro-rated to their periods in office as detailed below.

On the appointment of Murat Özgül as CEO, the Committee were conscious of the need to provide him with appropriate incentives during this critical time in the life of the Company and to more closely align his interests with those of shareholders. The Committee accordingly granted him an award of shares in respect of his appointment as CEO. Further details of this award are set out in the annual report on remuneration on page 60.

Remuneration for 2015

The past year was a very difficult one for the oil industry in general, with brent crude oil prices falling by 34%. Genel with its oil resources located in Kurdistan – Northern Iraq, had to deal with operating in a region with significant political and security challenges. In addition, in February 2016, following a review of the Taq Taq reservoir model, Genel announced an impairment of $1,038 million to the carrying value of the Taq Taq field, based on the revised assumptions on recoverable reserves and the impact of lower oil prices.

In the face of all these challenges the Committee has sought to ensure that remuneration outcomes reflect these. The Committee recognises that the Company did achieve strong performance in several areas, particularly operationally, which in normal circumstances would have resulted in a 2015 annual bonus outcome of 72.5% of maximum for Executive Directors (see page 59 for details of how Genel performed against these targets).

However, having regard to the announcement of the 2015 impairment, the Committee determined that awards of this size would not be an appropriate outcome and so exercised its discretion to reduce the outcome by half. Consequentially the 2015 annual bonus outcome for Murat Özgül was 36.25% of maximum opportunity, pro-rated for the period he served as an Executive Director of the Company. Tony Hayward and Julian Metherell were eligible to be considered to receive pro-rated bonus awards for 2015 but elected to waive such eligibility.

Regarding the PSP awards granted in 2013, Genel's Total Shareholder Return (TSR) performance relative to the 13 peer companies over the three years to 31 December 2015 resulted in Genel finishing 7th. This would normally have resulted in 30% of the shares vesting. However, given the current challenges, and in particular the announcement of the 2015 impairment, the Committee, again exercised their discretion under the PSP, determining that no shares would vest and, as a result, the 2013 PSP awards lapsed in full.

Approach to 2016

The Committee has reviewed Murat Özgül's salary for 2016 and, taking into account his recent appointment as CEO, and the difficult operating environment, it was agreed that no salary increase would be awarded in 2016.

Regarding PSP awards for 2016, the normal policy would be for the CEO to receive an award of 150% of salary. However, given the announcement of the 2015 impairment, the Committee intends to review its approach to the 2016 annual award in the coming months.

Further details of how we will apply our remuneration policy throughout the coming year are set out on page 62.

Structure of the report

This report is in two sections:

- The Directors' annual report on remuneration on pages 58 to 62, sets out the details of how our remuneration policy was implemented during 2015 and will be implemented during 2016. This report will be put to an advisory shareholder vote at our 2016 AGM; and
- The Directors' remuneration policy report on pages 63 to 69. This contains details of the remuneration policy which was approved by Shareholders at the 2014 AGM. As there are no changes to our approved policy, this policy will not be put to Shareholders at this year's AGM.

Together with my fellow Committee members and Board colleagues, I will be available at our 2016 AGM to answer any questions regarding our policy on executive remuneration and the activities of the Committee more generally.

As announced on 23 February 2016 I will be retiring as a Non-Executive Director at the 2016 AGM and consequently this is my final report as Chairman of the Committee. I would like to take this opportunity to thank both my fellow Committee members and shareholders for their support during my tenure as Chairman of the Committee.

Jim Leng
Chairman of the Remuneration Committee

Consideration by the Directors of matters relating to directors' remuneration

Remuneration Committee membership

Name	Role
Jim Leng	Chairman
George Rose	Member
Simon Lockett[1]	Member
Sir Graham Hearne	Member

1. Appointed to the Committee on 19 January 2016

All of the members of the Committee are Independent Non-Executive Directors.

The Committee has adopted clearly defined terms of reference in line with the Code which are available on our website at www.genelenergy.com. The Committee is responsible for determining the remuneration policy for the Executive Directors and the Chairman of the Board. The Committee also reviews, approves and administers all aspects of the Company's share incentive plans.

The Chairman of the Board together with the Executive Director determine the fees and overall remuneration for the Non- Executive Directors. Their fees have remained unchanged since the Company was listed (with the exception of the Chairman's fees which were increased from 1 January 2013).

Activities of the Remuneration Committee

The Committee held four scheduled meetings during the year and a further meeting to consider the remuneration arrangements in respect of the appointment of Murat Özgül as CEO and Tony Hayward as Chairman.

Other key activities during the year included the following:

- Preparation and approval of the Directors' remuneration report
- Review of the executive base salary level in the context of pay for the wider workforce and the current operating environment
- Review of performance objectives of the executive in order to determine the level of bonus earned in respect of the 2015 financial year
- Review of the TSR performance outcomes in respect of the vesting of the 2013 PSP award
- Approval of the annual bonus plan framework for 2016
- Consideration of the remuneration arrangements of the new Chief Executive Officer
- Consideration and determination of the performance criteria for the 2015 PSP awards, including a review of the comparator group
- Approval of share plan awards including to those below Board level
- Consideration of corporate governance and market practice developments

Details of the attendance of Committee members at meetings during 2015 is set out on page 47 of this annual report. Committee members attended 100% of meetings held during the year.

Advisers to the Committee

The Committee has appointed Deloitte LLP ('Deloitte') to provide independent advice on remuneration matters under consideration by the Committee. They were appointed by the Committee as it was felt they had the most relevant experience and expertise to advise the Committee on remuneration related matters.

Deloitte is a leading remuneration adviser and a member of the Remuneration Consultants Group and as such voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. Deloitte have also provided support and advice to the Company including in respect of the operation of the Company's share plans and advice in relation to employment arrangements for new employees below Board level during the year. The Committee is satisfied that the advice they have received has been objective and independent. Deloitte's fees in respect of advice to the Committee in the year under review were £41,050 and were charged on the basis of their standard terms of business for the advice provided.

The Committee also consulted during the year with the Chairman (Rodney Chase and subsequently Tony Hayward), CEO (Tony Hayward and subsequently Murat Özgül), CFO (Julian Metherell up to date of his retirement), and the Company Secretary (Sarah Robertson).

No member of the Committee nor any party from whom advice was sought participated in discussions regarding their own remuneration.

Shareholder voting

At the AGM held on 21 April 2015, votes cast by proxy and at the meeting in respect of the annual report on remuneration for the year ended 31 December 2014 were as follows:

	Number of votes cast	For	Against	Abstentions
To approve the annual report on remuneration for the year ended 31 December 2014	152,738,299	149,032,065	3,706,234	22,120,918
		(97.57%)		

The Committee is pleased to note that the vast majority of our shareholders approved the annual report on remuneration.

ANNUAL REPORT ON REMUNERATION

This part of the annual report provides details of the implementation of the Directors' remuneration policy ('the Policy') for the year ended 31 December 2015 and discusses how the Policy will be implemented in the 2016 financial year. Details of the Policy can be found on pages 63 to 69 .

Audited information

Single total figure table showing remuneration for each Director

The following table sets out the total remuneration for Executive Directors and Non-Executive Directors for the year ended 31 December 2015, and comparison figures for 2014.

	Salary/fees £'000		Benefits £'000		Bonus £'000		PSP[1] £'000		Total £'000	
Name	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Executive Directors										
Murat Özgül[2]	296	–	74	–	161	–	0	–	531	–
Tony Hayward[3]	374	685	94	171	0	925	0	740	468	2,521
Julian Metherell[4]	153	475	38	119	0	641	0	478	191	1,713

1. The 2013 awards under the PSP lapsed following the announcement of the Company's results in 2016
2. Murat Özgül was appointed as a Director and CEO on 12 July 2015
3. Tony Hayward stepped down as CEO on 12 July 2015 and was subsequently appointed Chairman (see below)
4. Julian Metherell retired as a Director on 21 April 2015

	Salary/fees £'000		Benefits £'000		Bonus £'000		PSP £'000		Total £'000	
Name	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Non-Executive Directors										
Tony Hayward[1]	122	-	-	-	-	-	-	-	122	-
Rodney Chase[2]	204	260	-	–	-	–	-	–	204	260
Jim Leng[5]	115	115	-	–	-	–	-	–	115	115
Sir Graham Hearne[5]	100	100	-	–	-	–	-	–	100	100
Mehmet Öğütçü	100	100	-	–	-	–	-	–	100	100
Mark Parris[3]	46	150	-	–	-	–	-	–	46	150
George Rose	120	120	-	–	-	–	-	–	120	120
Nathaniel Rothschild	80	80	-	–	-	–	-	–	80	80
Chakib Sbiti	115	115	-	–	-	–	-	–	115	115
Gulsun Nazil Karamehmet Williams	80	80	-	–	-	–	-	–	80	80
Murat Yazici[4]	77	80	-	–	-	–	-	–	77	80

1. Tony Hayward was appointed Chairman on 12 July 2015
2. Rodney Chase resigned as a Director on 12 July 2015
3. Mark Parris resigned as a Director on 21 April 2015
4. Murat Yazici resigned as a Director on 15 December 2015
5. Sir Graham Hearne and Jim Leng will retire as Directors at the conclusion of the 2016 AGM

Tony Hayward serves as the Non-Executive Chairman of Glencore plc for which he received and retained fees of £367,341 up to 12 July 2015 when he became Chairman of Genel. Julian Metherell is Non-Executive Director of GASLOG LNG Shipping for which he received and retained fees of $42,192 and a Non-Executive Director of Euronav NV for which he received and retained fees of €49,726 up to the date of his retirement on 21 April 2015.

Additional disclosures in respect of the single total figure table

Base salary

The table below shows base salaries which were effective during 2015.

	Base salary on 1 Jan 2015 or as at date of appointment as a Director	Base salary on 1 Jan 2014
Murat Özgül	£625,000	–
Tony Hayward[1]	£705,000	£685,000
Julian Metherell	£490,000	£475,000

1. Tony Hayward received a fee of £260,000 per annum with effect from 12 July 2015, the date of his appointment as Chairman

Salary information for 2016 is provided on page 62.

Benefits

In line with the Committee's aim to provide a simple, transparent package, Executive Directors receive a cash supplement in lieu of all benefits, including pension, private health insurance, life assurance and company car provision. The cash supplement is not used in the calculation of bonus and long-term incentive quantum.

For 2015 the benefit allowance was 25% of base salary. Tony Hayward ceased to receive a benefit allowance upon his appointment as Chairman.

Annual bonus

The 2015 annual bonus scorecard was based on the Company's performance against key business objectives (with a weighting of 70%) and individual performance (with a weighting of 30%). Key business objectives included financial and operational targets (45%), health and safety (15%) and people (10%).

Although Genel delivered strong performance against operational, safety and people capability objectives, inevitability the Company's financial performance was impacted by the extremely difficult trading environment, both globally and in Kurdistan, as well as the Taq Taq reserves. Overall, the performance delivered would have, in normal circumstances, resulted in a 2015 annual bonus outcome of 72.5% of maximum. Details of the Company's performance against each of the objectives are set out below.

However, in the context of the Taq Taq review the Committee determined that awards of this size would not be an appropriate outcome and so exercised their discretion to reduce the outcome by 50%. Consequentially the 2015 annual bonus outcome for Murat Özgül was 36.25% of maximum opportunity, pro-rated for the period he served as an Executive Director of the Company. Tony Hayward and Julian Metherell were eligible to be considered to receive pro-rated bonus awards for 2015 but elected to waive that eligibility and consequently received no bonus.

	2015 bonus	As % of maximum
Murat Özgül	**£161,000**	36.25%
Tony Hayward	-	0%
Julian Metherell	-	0%

Performance share plan awards made in 2015

PSP awards are granted in the form of nil-cost options over shares in the Company with the number of options granted determined by reference to a percentage of base salary. The 2015 awards were based on a face value of 150% of salary for the CEO and 140% of salary for the CFO at the time of award.

The Committee decided that, for the 2015 awards, it would continue to measure the performance of the Company against that of its sectoral peers using a relative TSR measure. The Committee consider that TSR is the most appropriate measure to create maximum alignment with shareholders and encourage long-term value creation. The sectoral peer group for the 2015 PSP awards was reviewed in November 2014 to ensure that it remained appropriate. Following that review the Companies highlighted in bold below were added to the peer group.

Afren	**Nostrum Oil & Gas**
BP	Ophir Energy
Cairn Energy	Premier Oil
DNO	Royal Dutch Shell
Dragon Oil	**Seplat Petroleum**
Enquest	SOCO International
Gulf Keystone	Tullow Oil

Awards will vest according to the following schedule:

TSR ranking of the Company	Proportion of award vesting
Below median	0%
Median	30%
Between median and upper quartile	Straight-line basis
Upper quartile	100%

2015 – Annual Bonus, Remuneration Committee assessment of performance against targets

The 2015 Annual Bonus was assessed based on the Company's performance against key business objectives (with a weighting of 70%) and based on the individual's performance (with a weighting of 30%). The Committee has reviewed the Company's performance against key business objectives. Further detail is set out in the table below:

Bonus performance measures	Weighting	Performance target	Assessment of performance against metrics	Performance assessment
Operational and Financial	45%	Secure the financial strength of the Company	While cash payments received from the KRG were below expectations due to the Government's liquidity crisis, management proactively scaled back capital expenditure and cut G&A by c.45%.	17.5%
		Meet key operational KPIs in relation to production, costs, capex and reserve replacement	Working interest production for 2015 of 85kbopd was slightly below guidance of 90kbopd. Capex was within guidance. No reserves were added during the year.	
		Completion of Taq Taq CPF2	Was not completed in 2015.	
		Progress the commercialisation of the gas business	A revised commercial structure was agreed with the KRG in 2015 including updated PSC terms, gas supply terms and the creation of an independent midstream company. However progress on converting this deal into full form agreements was not completed in 2015. Further progress was made on the midstream project in relation to financing and engineering. ING was appointed as project finance adviser and work commenced on obtaining project finance for the project. An EOI for the EPC contract was completed and a tender for engineering studies commenced.	
Safety and Environment	15%	Maintain existing safety performance	Strong performance with zero LTI's, no high potential incidents and no spills reported in 2015.	15%
		Strengthen internal capability and contractor management	Made good progress, hiring a local advisor and enhancing the contractor management processes.	
		Enhance the existing HSE culture	Continued to build on the positive HSE culture through coaching, HSE leadership training and further embedding of management systems throughout the Company.	
Building Operational Capacity through People	10%	Embed and mature the performance management process	A robust performance management cycle in place for all employees with regular communications to all employees in all parts of the business.	10%
		Right size the organisation to align with the business environment	During the year the organisation was re-sized to reflect the changes to the 2015 work plans.	
		Enhance the compliance culture	All staff completed mandatory training on the code of conduct. Anti-bribery and trade sanctions training was provided to relevant staff.	

DIRECTORS' REMUNERATION REPORT
continued

The following table provides details of the awards made under the PSP on 15 April 2015. Performance for these awards is measured over the three financial years from 1 January 2015 to 31 December 2017.

	Type of award	Face value (£)	Face value (% of salary)	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Tony Hayward	Nil-cost options	1,057,500	150%	30% (median)	100% (upper quartile)	31 Dec 2017
Julian Metherell		686,000	140%			

Face value has been calculated using the average share price 10 dealing days, prior to the date of grant, of 498.75p.

Share awards

The following table provides a summary of all share awards as at 31 December 2015.

	Scheme	Grant date	Exercise price (pence)	At 1 January 2015	Granted during the year	Vested/released during the year	Exercised during the year	Lapsed during the year	At 31 December 2015	Performance period end/Vesting date	Expiry date
Murat Özgül[2]											
	SOP	19/12/2011	787.58	31,764	–	–	–	–	31,764	19/12/2014	19/12/2021
	PSP	01/03/2013[1]	Nil	49,009	–	–	–	–	49,009	31/12/2015	01/03/2023
	PSP	21/03/2014	Nil	34,588	–	–	–	–	34,588	31/12/2016	21/03/2024
	PSP	15/03/2015	Nil	–	112,757	–	–	–	112,757	31/12/2017	15/03/2025
	RSP	15/03/2015	Nil	–	260,210	–	–	–	260,210	n/a	15/04/2025
	CEO award	21/08/2015	Nil	–	375,000	–	–	–	375,000	n/a	21/08/2025
Tony Hayward[3]											
	PSP	29/05/2012	Nil	123,796	–	102,131	–	21,665	102,131	31/12/2014	29/05/2022
	PSP	01/03/2013[1]	Nil	134,352	–	–	–	–	134,352	31/12/2015	01/03/2023
	PSP	21/03/2014	Nil	98,231	–	–	–	–	98,231	31/12/2016	21/03/2024
	PSP	15/04/2015	Nil	–	212,030	–	–	–	212,030	31/12/2017	15/04/2025
Julian Metherell[4]											
	PSP	29/05/2012	Nil	79,991	–	–	65,992	13,999	–	31/12/2014	29/05/2022
	PSP	01/03/2013[1]	Nil	86,739	–	–	–	19,981	66,758	31/12/2015	03/09/2016
	PSP	21/03/2014	Nil	63,575	–	–	–	35,881	27,694	31/12/2016	–
	PSP	15/04/2015	Nil	–	137,543	–	–	123,475	14,068	31/12/2017	–

1. The 2013 awards under the PSP lapsed following the announcement of the Company's results in 2016
2. Awards made to Murat Özgül prior to 12 July 2015 were made to him in his capacity as President, KRI and Turkey
3. Awards made to Tony Hayward prior to 12 July 2015 were made to him in his capacity as CEO
4. Julian Metherell's awards expire six months from the date of vesting. The awards vest immediately following the announcement of the Company's annual results

CEO Award

On 21 August 2015 Murat Özgül was granted a share award over 375,000 shares in respect of his appointment to the role of CEO of the Company on 12 July 2015. The award was made under Listing Rule 9.4.2(2) and was granted in the form of a nil-cost option. The award will normally become exercisable in three tranches: 25% on the first anniversary of his appointment as CEO, 25% on the second anniversary and 50% on the third anniversary of appointment. Vesting is subject to his continued employment with the Company. To the extent that awards vest, his award will be exercisable until the tenth anniversary of his appointment. The award is non-pensionable.

Upon vesting, the acquired shares will be subject to a further holding period of three years from the vesting date. The other terms of the award are consistent with awards made under the RSP described in the Directors' Remuneration Policy stated on page 64.

Retaining Murat Özgül as CEO is critical to the future success of the Company, in particular in navigating the exceptional circumstances related to our operations in Kurdistan. This award is intended to support the retention of the CEO and to more closely align his interests with those of shareholders over the next four to six years.

Payments to past Directors

Tony Hayward stepped down as CEO on 12 July 2015 and was appointed as Chairman. For the period 1 January to 12 July 2015 he received his base salary and benefits allowance as CEO. He was also eligible to be considered to receive a pro-rated annual bonus for this period but has since waived his eligibility. From 12 July 2015 onwards he received a fee for his role as Chairman. He did not receive a benefits allowance and was not eligible for an annual bonus in respect of his role as Chairman. In accordance with our remuneration policy, his outstanding PSP awards will continue, with performance assessed at the normal time and will remain subject to a three year holding period following vesting. He will not be granted any share awards in respect of his role as Chairman.

Julian Metherell retired as a Director on 21 April 2015. For the period 1 January to 21 April 2015 he received his base salary and benefits allowance. He was also eligible to be considered to receive a pro-rated annual bonus for this period but has since waived his eligibility. In accordance with our remuneration policy, his outstanding PSP awards were pro-rated based on the proportion of the performance period completed prior to his retirement. The performance conditions for these awards will be assessed at the normal time and vested awards will remain subject to a holding period which will expire three years after his retirement date.

Payments for loss of office

In 2015, there were no payments to directors for loss of office.

Statement of Directors' shareholding and share interests

The beneficial interests of the Directors in the Company's shares as at 31 December 2015 are shown in the table below. There have been no changes in the Directors' shareholdings and interests since 31 December 2015.

The Company does not currently operate a formal shareholding guideline as Executive Directors must normally hold any vested shares under the PSP for three years following vesting and are expected to build up their holding over time.

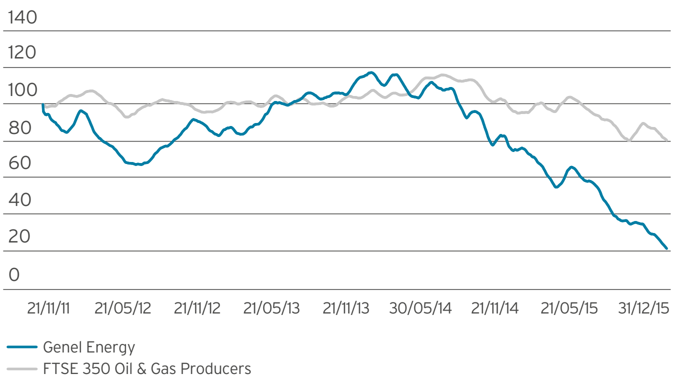
Director	Ordinary shares as at 31 December 2015 or date of leaving	Interest in share options granted under the Company share plans as at 31 December 2015	Ordinary shares as at 31 December 2014 or appointment date
Murat Özgül	37,942	863,328	7,942
Tony Hayward	1,483,876	546,744	1,633,876
Jim Leng	50,000	–	50,000
Sir Graham Hearne	90,000	–	90,000
Mehmet Öğütçü	–	–	–
George Rose	90,000	–	90,000
Nathaniel Rothschild	22,119,970	–	22,119,970
Gulsun Nazli Karamehmet Williams	–	–	–
Chakib Sbiti	80,100	–	80,100
Rodney Chase	400,000	–	400,000
Julian Metherell	1,633,876	108,520	1,633,876
Mark Parris	31,603	–	31,603
Murat Yazici	–	–	946,919

This represents the end of the audited section of the report.

Historical TSR performance and CEO remuneration outcomes

The following graph shows the Company's TSR since trading of Genel Energy plc's shares began on the London Stock Exchange on 21 November 2011 against the FTSE 350 Oil & Gas Producers Index. The Committee believes that the FTSE 350 Oil & Gas Producers Index remains the most appropriate Index as these companies are Genel's direct UK listed comparators.

Total shareholder return



The table below summarises the CEO single figure for total remuneration, annual bonus pay-outs and LTIP vesting levels as a percentage of maximum opportunity over the period since listing to the end of the 2015 financial year.

					2015	
Chief Executive Officer	2011	2012	2013	2014	Tony Hayward	Murat Özgül
CEO single figure of remuneration (£'000)	139	1,691	1,779	2,521	468	531
Annual bonus pay-out (as a % of maximum opportunity)	n/a	90%	95%	90%	0%	36.25%
Long-term incentive vesting out-turn (as a % of maximum opportunity)	n/a	n/a	n/a	82.5%	0%	0%

Percentage change in remuneration of the Chief Executive Officer

The table below shows the percentage change in the Chief Executive Officer's salary, benefits and annual bonus between the financial 2015 compared to the average for permanent employees of the Group.

	% change in base salary 2015/2014	% change in benefits 2015/2014	% change in annual bonus 2015/2014
Chief Executive Officer	-2.2%	-1.8%	-74.8%
All employees	-25%	-38%	-4%

The percentage change in base salary for the CEO for 2015 includes data for Tony Hayward up to 12 July 2015 and Murat Özgül thereafter. The percentage change in base salary and annual bonus for all employees reflects a significant decrease in the number of employees at all levels in the organisation during the year.

Relative importance of the spend on pay

The table below illustrates the current year and prior year overall expenditure on pay. The regulations require that we report distributions received by Shareholders through dividends and share buy backs. It is currently the Company's policy not to pay dividends. We did not buy back shares during 2015.

Remuneration paid to all employees	$m
2014	74.8
2015	43.7

Spend on share buyback	$m
2014	24
2015	0

Remuneration paid to all employees represents total staff costs from continuing operations. The $31.1 million decrease in staff costs relates to a decrease in the number of employees (41% reduction during 2015).

Implementation of remuneration policy in 2016

This section provides an overview of how the Committee is proposing to implement our remuneration policy in 2016.

Base salary

In determining Executive Director salary increases for 2016, the Committee took into consideration a number of factors including:

- The individual's skills and experience
- Business performance
- Salary levels for similar roles within the industry
- Pay and conditions elsewhere in the Company

The Committee has decided that no salary increase would be made for Murat Özgül in 2016. At the time of his appointment as CEO in July 2015 a salary increase was awarded commensurate to the change in his role. The table below shows base salaries for 2016.

	Base salary from 1 Jan 2016
Murat Özgül	£625,000

Benefits

As outlined above, Murat Özgül receives a cash supplement in lieu of all benefits, including pension, private health insurance, life assurance and company car provision. The cash supplement is not included in calculating bonus and long-term incentive quantum.

For 2016, the cash supplement remains set at 25% of base salary.

	2016 Benefits allowance £
Murat Özgül	£156,250

2016 – Annual bonus targets

The target bonus for Murat Ozgul for 2016 remains at 100% of base salary, with a maximum bonus of 150% of base salary.

For 2016, the performance of the Executive Director will be measured 70% against company metrics and 30% against individual performance. The metrics have been changed to place a greater emphasis in 2016 on operational and financial performance, 55% of the company metric's will relate to operational and financial performance compared to 40% in 2015.

Bonus performance measures	Specific targets	Percentage
Gas	Demonstrably progress the gas project towards project sanction	25%
Financial	Secure the financial strength of the Company Manage the Group on a cash flow neutral basis	15%
Safety and environment	Maintain existing zero performance rate on LTI's, high potential incidents, fatalities and spills Maintain and continue to embed a pro-active HSSE culture	15%
Operational	Manage the group within guidance	15%
Individual performance	Objectives linked to strategy	30%

Performance share plan

PSP awards are granted in the form of nil-cost options over shares in the Company with the number of options granted normally determined by reference to a percentage of base salary.

For 2016 awards, given the fall in share price in February 2016 following announcement of the 2015 impairment charge, the Committee intends to review whether a normal award of 150% of salary is appropriate in the current circumstances.

The Committee continues to consider that relative TSR is the most appropriate measure to create maximum alignment with shareholders and encourage long-term value creation. The vesting of the PSP award will therefore continue to be determined based on the Company's relative TSR against a sectoral peer group. The Committee has reviewed the TSR peer group and accordingly the peer group for the 2016 award will be as follows:

BP	Ophir Energy
Cairn Energy	Premier Oil
DNO	Royal Dutch Shell
Dragon Oil	Seplat Petroleum
Enquest	SOCO International
Gulf Keystone	Tullow Oil
Nostrum Oil & Gas	

The vesting schedule will remain the same as for awards made in 2015, as outlined on page 59.

Clawback provisions

The Committee has considered clawback in the context of the Code and will apply clawback provisions to both the annual bonus and the PSP where it is considered appropriate. Such circumstances may include a material misstatement of the Company's audited results, misconduct of the individual and any error in the calculation of any performance condition. Clawback may be applied up to one year after payment for bonus awards and three years after vesting for PSP awards. In compliance with the UK Corporate Governance Code, PSP awards are subject to malus provisions. Details of these provisions are set out in the policy report on page 65.

Chairman and Non-Executive Director remuneration

The fee policy for the Chairman and Non-Executive Directors remains unchanged in 2016.

Role	Fee
Non-Executive Chairman	£260,000
Senior Independent Director	No additional fee
Non-Executive Director fee	£80,000
Additional fee for membership of two Board Committees	£20,000

Additional fee for Committee chairmanship:

Role	Fee
Audit Committee	£20,000
Remuneration Committee	£15,000
HSSE Committee	£15,000
Nomination Committee	No additional fee

Jim Leng
Chairman of the Remuneration Committee
2 March 2016

REMUNERATION POLICY REPORT

This part of the report sets out a summary of the Directors' remuneration policy as determined by the Remuneration Committee ("the Committee") and approved by shareholders at the 2014 Annual General Meeting. A copy of the shareholder approved Policy is available at www.genelenergy.com in the Investors Relations section.

The Company is incorporated in Jersey rather than the UK. Accordingly, the Company does not have the benefit of the statutory protections afforded by the UK Companies Act 2006 in the event that there were to be any inconsistency between this Policy and any contractual entitlement or other rights of a Director. Therefore, in the event that there were to be any payment which was inconsistent with this Policy, the Company would not have the statutory right, under section 226E of the UK Companies Act 2006, to recover such payments from its Directors.

Remuneration policy table

Fixed remuneration

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Salary	• To provide fixed remuneration which is balanced, taking into account the complexity of the role and the skills and experience of the individual	• The Committee takes into account a number of factors when setting salaries, including: – scope and complexity of the role – the skills and experience of the individual – salary levels for similar roles within the international industry – pay elsewhere in the Group • Salaries are reviewed, but not necessarily increased, annually with any increase usually taking effect in January	• While there is no defined maximum opportunity, salary increases are normally made with reference to the average increase for the Company's wider employee population • The Committee retains discretion to make higher increases in certain circumstances, for example, following an increase in the scope and/or responsibility of the role or the development of the individual in the role	None
Benefits	• To provide a simple and broadly market competitive benefit cash allowance	• A cash supplement is provided in lieu of benefits (including pension) • The cash supplement is not included in calculating bonus and long-term incentive quantum	• Cash supplement is set as a percentage of base salary and paid in lieu of all benefits (including pension) • While there is no defined maximum opportunity, the cash supplement is currently 25% of base salary • The Committee keeps the benefit policy and level of cash supplement under review. The Committee may adjust cash supplement levels in line with market movements	None

Remuneration policy table continued

Variable remuneration

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	• To incentivise and reward the achievement of annual financial, operational and individual objectives which are key to the delivery of the Company's short-term strategy	• Awards are based on objectives set by the Committee over a combination of financial, operational and individual goals measured over one financial year • Objectives are set annually to ensure that they remain targeted and focused on the delivery of the Company's short-term goals • The Committee sets targets which require appropriate levels of performance, taking into account internal and external expectations of performance • As soon as practicable after the year-end, the Committee meets to review performance against objectives and determines payout levels • Bonus payments are made in cash, although there is the flexibility to pay in shares • No part of the bonus is currently subject to deferral, although the Committee retains the flexibility to apply deferral to all or part of the bonus (in cash or shares) in the future should it be considered appropriate	• Maximum award opportunity for Executive Directors is 150% of base salary for each financial year	• At least 70% of the award will be assessed against Group metrics including financial, operational, safety and environment, and CSR performance. The remainder of the award will be based on performance against individual objectives • A sliding scale of between 0% and 100% of the maximum award is paid dependent on the level of performance
Performance share plan (PSP)	• To incentivise and reward the creation of long-term shareholder value • To align the interests of the Executive Directors with those of Shareholders	• Awards granted under the PSP (normally in the form of conditional share awards or nil-cost options) vest subject to achievement of performance conditions measured over a period of at least three years • Awards can be reduced or cancelled in certain circumstances as set out below • Any shares that vest may benefit from the value of dividends (if any) which would have been paid during the period between award and vesting and may assume reinvestment in the Company's shares • Shares that vest are normally subject to a holding period of three years from the vesting date although the Committee retains the discretion to apply a different holding period, or no holding period • Any vested options must be exercised within ten years of the date of grant	• The usual maximum award opportunity in respect of a financial year is 200% of base salary • However, in circumstances that the Committee deems to be exceptional, awards of up to 300% of base salary may be made	• Vesting of awards is dependent on financial, operational and/or share price measures, as set by the Committee, which are aligned with long-term strategic objectives of the Company. No less than half of an award will be based on share price measures. The remainder will be based on either financial, operational or share price measures • At the minimum level of acceptable performance, no more than 30% of the award will vest rising to 100% for maximum performance
Restricted share plan (RSP)	• Normally used to buy-out awards forfeited by new Executive Directors on recruitment • Murat Özgül will not participate in this plan from his date of appointment as CEO	• The Committee will where possible make buy-out awards on a like-for-like basis as set out in the recruitment policy • Awards can be reduced or cancelled in certain circumstances as set out below • Awards will vest on a date determined by the Committee at grant, subject to the individual's continued employment and, if the Committee considers appropriate, performance conditions • Any shares that vest may benefit from the value of dividends paid (if any) during the period between award and vesting which may assume reinvestment in the Company's shares	• The plan rules allow for a maximum award of 300% of base salary in respect of a financial year. Only in circumstances that the Committee deems to be exceptional will awards be made at this level	• Awards will only be made to Executive Directors in recruitment scenarios • The Committee may attach performance conditions to awards if appropriate

Notes to the policy table

The Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the Policy set out above, where the terms of that payment were agreed:

- before the Policy came into effect; or
- at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company

For these purposes 'payments' includes the Committee satisfying awards of variable remuneration (including awards under any of the Company's share plans) and, in relation to an award or option over shares, the terms are 'agreed' at the time the award is granted.

Performance measures and targets

Annual bonus

The annual bonus performance measures are designed to provide an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to deliver specific strategic, operational and personal goals. This balance allows the Committee to review the Company's performance in the round against the key elements of our strategy and appropriately incentivise and reward Executive Directors.

Bonus targets are set by the Committee each year to ensure that Executive Directors are focused on the key objectives for the next 12 months. In doing so, the Committee takes into account a number of internal and external reference points, including the Company's business plan.

PSP

The ultimate goal of our strategy is to provide long-term sustainable returns to shareholders. The Committee currently considers that relative TSR is the most appropriate measure to assess the underlying financial performance of the business while creating maximum alignment with Shareholders and encouraging long-term value creation.

Malus provisions

Under the PSP and RSP, prior to vesting, the Committee may cancel or reduce the number of shares awarded or impose additional conditions on an award in circumstances where the Committee considers it to be appropriate. Such circumstances may include a material misstatement of the Company's audited financial results, a material breach of health and safety regulations, a material failure of risk management or serious reputational damage to the Company.

The Committee has considered malus provisions in the context of the annual bonus and is satisfied that malus is appropriately taken into account at the time the Committee approves a bonus payment.

Plan rules

The PSP and RSP shall be operated in accordance with the rules of the plans as approved by Shareholders and amended from time to time in accordance with those rules. In particular:

- The plan rules provide for adjustments in certain circumstances, for example, awards may be adjusted in the event of variation of the Company's share capital, demerger, special dividend, reorganisation or similar event;
- In the event of a change of control of the Company, existing share awards will vest in line with the plan rules to the extent the Committee determines, taking into account the extent to which any performance conditions (where applicable) have been satisfied and, unless the Committee determines otherwise, the time elapsed since that time. The Committee may, in the event of a winding-up of the Company, demerger, delisting, special dividend or other event which the Committee considers may affect the price of shares, allow awards to vest on the same basis;
- The performance conditions may be replaced or varied if an event occurs or circumstances arise which cause the Committee, acting fairly and reasonably, to determine that a substituted or amended performance condition would be more appropriate (taking into account the interests of the Shareholders of the Company) provided that the amended performance condition would not be materially less difficult to satisfy; and
- The Committee may elect, prior to vesting or exercise in the case of options, to deliver the value of vested awards as cash.

Remuneration arrangements throughout the Company

The remuneration policy for Executive Directors is designed in line with the remuneration principles that underpin remuneration across the Company. When making decisions in respect of Executive Director remuneration arrangements, the Committee takes into consideration the pay and conditions for employees throughout the Company, including the local inflationary impact for the countries in which we operate. As stated in the policy table, salary increases are normally made with reference to the average increase for the wider employee population.

The Company places a significant focus on variable remuneration, ensuring that a meaningful proportion of remuneration across all employees is based on performance, through its operation of the annual bonus plan throughout the Company and participation in share incentive plans.

Genel is committed to strengthening and widening employee share ownership by the use of share incentives granted under our share plans. As a result approximately 90% of employees participate in our share plans.

The Committee does not directly consult with our employees as part of the process of determining executive pay. However, there is wide employee participation in our share plans.

Chairman and Non-Executive Directors

Element	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Chairman fees	• To provide an appropriate reward to attract and retain a high-calibre individual with the relevant skills, knowledge and experience	• The fee for the Chairman is normally reviewed annually but not necessarily increased • The remuneration of the Chairman is set by the Committee • The Chairman receives a set fee for the role; no additional fees are payable for other Committee memberships • The fee is payable in cash, although the Committee retains the right to make payment in shares	• Whilst there is no maximum fee level, fees are set considering: – market practice for comparative roles – the time commitment and duties involved – the requirement to attract and retain the quality of individuals required by the Company • Expenses reasonably and wholly incurred in the performance of the role of Chairman of the Company may be reimbursed or paid for directly by the Company, as appropriate, and may include any tax due on the expense • The Chairman does not participate in any of the Group's incentive plans	• None
Non-Executive Director (NED) fees	• To provide an appropriate reward to attract and retain high-calibre individuals with the relevant skills, knowledge and experience	• The fees for the Non-Executive Directors are normally reviewed annually but not necessarily increased • The remuneration of the Non-Executive Directors is a matter for the Chairman and the Executive Directors • Non-Executive Directors receive a standard basic fee. Where applicable, they also receive additional fees for Committee chairmanship and for the membership of two or more Committees • Although no additional fee is currently paid for the role of the Senior Independent Director or the Chairman of the Nomination Committee, the Company retains the flexibility to pay such a fee if appropriate • The fee is payable in cash, although the Committee retains the right to make payment in shares	• Whilst there is no maximum fee level, fees are set considering: – market practice for comparative roles – the time commitment and duties involved – the requirement to attract and retain the quality of individuals required by the Company • Expenses reasonably and wholly incurred in the performance of the role of Non-Executive Director of the Company may be reimbursed or paid for directly by the Company, as appropriate, and may include any tax due on the expense • The Non-Executive Directors do not participate in any of the Group's incentive plans	• None

Non-Executive Directors may receive professional advice in respect of their duties with the Company which will be paid for by the Company. Non-Executive Directors will also be covered by the Company's directors and officers insurance policy.

Recruitment policy

In determining remuneration for new appointments to the Board, the Committee will consider all relevant factors including, but not limited to, the calibre of the individual and their existing package, the external market and the existing arrangements for the Company's current Executive Directors, with a view that any arrangements offered are in the best interests of the Company and shareholders and without paying any more than is necessary.

Where the new appointment is replacing a previous Executive Director, salaries and total remuneration opportunity may be higher or lower than the previous incumbent. If the appointee is expected to develop into the role, the Committee may decide to appoint the new Executive Director to the Board at a lower than typical salary. Larger increases (above those of the wider employee population) may be awarded over a period of time to move closer to market level as their experience develops.

Benefits will normally be limited to those outlined in the remuneration policy table above. However, additional benefits may be provided by the Company where the Committee considers it reasonable and necessary to do so. Such circumstances may include where an Executive Director is required to relocate in order to fulfil their duties. In such cases, a cash payment higher than the 25% of salary that is ordinarily paid would normally be provided under the Company's standard expatriate policy in lieu of certain benefits, which may include the provision of a housing allowance, education support, health insurance, tax advice, a relocation or repatriation allowance and a home leave allowance.

It is expected that the structure and quantum of the variable pay elements would reflect those set out in the policy table above. However, the Committee recognises that, as an independent oil and gas company, it is competing with global firms for its talent. As a result, the Committee considers it important that the recruitment policy has sufficient flexibility in order to attract the calibre of individual that the Company requires to grow a successful business.

Therefore:

- Under the annual bonus, the Committee reserves the right to provide either a one-off or ongoing maximum bonus opportunity of up to 200% of salary if this is required to secure an external appointment
- The Committee would also retain the discretion to flex the balance between annual and long-term incentives and the measures used to assess performance for these elements, whilst maintaining the intention that a significant portion of variable pay would be delivered in shares
- Variable pay could, in exceptional circumstances, be delivered via alternative structures, again with the intention that a significant portion would be share-based, but in all circumstances subject to an ongoing over-riding cap of 600% of salary. This cap excludes any awards made to compensate the director for incentive awards or any other remuneration arrangements forfeited from their previous employer (see below)

The above flexibility will only be used if the Committee believes such action is absolutely necessary to recruit and motivate a candidate from the global market. The Committee commits to explain to shareholders the rationale for the relevant arrangements following any appointment.

Where an Executive Director is appointed from within the Group, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following an acquisition of or merger with another company, legacy terms and conditions would be honoured.

The Committee retains the discretion to make appropriate remuneration decisions outside the standard policy to meet the individual circumstances of the recruitment, when an interim appointment to fill an Executive Director role is made on a short-term basis or a Non-Executive Director or the Chairman takes on an executive function on a short-term basis.

Buy-outs

In order to facilitate recruitment, the Committee may make a one-off award to 'buy-out' incentive awards and any other compensation arrangements that a new hire has had to forfeit on leaving their previous employer. In doing so, the Committee will take into account all relevant factors including any performance conditions attached to the forfeited awards, the likelihood of those conditions being met, the proportion of the vesting/performance period remaining and the form of the award (e.g. cash or shares). Where possible, the forfeited awards will normally be bought out on an estimated like-for-like basis.

The Committee is at all times conscious of the need to pay no more than is necessary, particularly when determining any possible buy-out arrangements.

Executive Director service contracts

The key employment terms and other conditions of the current Executive Director, as stipulated in his service contract, is set out below.

Element	Policy
Notice period	• 12 months' notice by either the Company or the Executive Director. This is also the policy for new recruits
Termination payment	• It is the Company's policy for new service contracts that it may terminate employment by making a payment in lieu of notice (PILON) equivalent to (i) 12 months' base salary and (ii) the Executive Director's annual benefit allowance • Upon termination by the Company, an Executive Director has a duty to mitigate, and use reasonable endeavours to secure alternative employment as soon as reasonably practicable. In Murat Özgül's service contract, there are specific provisions requiring a reduction in any phased PILON payments in the event that he finds alternative employment
Remuneration and benefits	• Participation in all incentive plans, including the annual bonus and the PSP, is non-contractual • Outstanding awards will be treated in accordance with the relevant plan rules

Recruitment of Chairman and Non-Executive Directors

In the event of the appointment of a new Chairman and/or Non-Executive Director, remuneration arrangements will normally be in line with those detailed in the relevant table above. The service contract of an Executive Director may also be terminated immediately and with no liability to make payment in certain circumstances, such as the Executive Director bringing the Group into disrepute or committing a fundamental breach of their employment obligations.

Unless otherwise approved, an Executive Director may accept only one position as a Non-Executive Director (but not as a Non-Executive Chairman) of a FTSE 100 company that is not a competitor of the Company, subject to prior notification to the Chairman of the Company and the approval of the Board or duly authorised Committee thereof.

Policy on payment for loss of office

In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans.

The Company considers a variety of factors when considering leaving arrangements for an Executive Director, including individual and business performance, the obligation for the Director to mitigate loss (for example by gaining new employment) and other relevant circumstances (e.g. ill health).

If the Executive Director's employment is terminated by the Company, the Executive Director may receive a time pro-rated bonus, subject to remuneration committee discretion.

The treatment of outstanding share awards is governed by the relevant share plan rules. The following table summarises the leaver provisions of share plans under which Executive Directors may currently hold awards.

Plan	Leaver reasons where awards may continue to vest	Vesting arrangements	Treatment for any other leaver reason
Performance share plan and restricted share plan	• Death • Injury, ill-health or disability • Retirement • Sale of the Company or business by which the participant is employed outside the Group • Any other scenario in which the Committee determines good leaver treatment is justified (other than summary dismissal)	• Awards will vest to the extent determined by the Committee taking into account the achievement of any performance conditions at the relevant vesting date and, unless the Committee determines otherwise, the period of time which has elapsed between grant and cessation of employment • The vesting date for such awards will normally be the original vesting date, although the Committee has the flexibility to determine that awards can vest upon cessation of employment • In the event of death, all unvested awards will normally vest at that time to the extent determined by the Committee taking into account the achievement of any relevant performance conditions as at the date of death and, unless the Committee determines otherwise, the period of time that has elapsed since grant	• Awards lapse in full

Chairman and Non-Executive Director letters of appointment

The Chairman and Non-Executive Directors have letters of appointment which set out their duties and responsibilities. They do not have service contracts with either the Company or any of its subsidiaries.

The key terms of the appointments are set out in the table below.

Provision	Policy
Period	• In line with the UK Corporate Governance Code, the Chairman and all Non-Executive Directors are subject to annual re-election by shareholders at each AGM • After the initial three-year term, the Chairman and the Non-Executive Directors are typically expected to serve a further three-year term
Termination	• The appointment of the Chairman and Non-Executive Directors is terminable by either the Company or the Director by giving three months' notice • The Chairman and Non-Executive Directors are not entitled to any compensation upon leaving office

Consideration of shareholder views

The Committee continues to be mindful of shareholder views when evaluating and setting ongoing remuneration strategy and we commit to consulting with Shareholders prior to any significant changes to our remuneration policy.

It is the Committee's policy to correspond with Shareholders that have engaged on remuneration matters during the year, which it has done and the Committee have considered their views at its meetings.

Minor changes

The Committee may make minor amendments to the Policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without obtaining Shareholder approval for that amendment.

OTHER STATUTORY AND REGULATORY INFORMATION

Principal activities
The Company is the holding company for the Group. The Group is principally engaged in the business of oil and gas exploration and production.

Results and dividends
Ordinary activities after taxation of the Group for the period 1 January 2015 to 31 December 2015 amounted to a loss of $1,161.6 million. No interim dividend was paid and the Directors are not recommending a final dividend for the period ended 31 December 2015.

Subsequent events
There have been no subsequent events since 31 December 2015.

Share capital
As at 2 March 2016, the Company had allotted and fully paid up share capital of 280,248,198 ordinary shares of 10 pence each with an aggregate nominal value of £28,024,819.80. 1,865,720 shares are held as treasury shares.

Founder securities
Prior to admission, the Founders (including Nathaniel Rothschild, Tony Hayward and Julian Metherell) were issued C shares in Vallares Holding Company Limited (since renamed Genel Energy Holding Company Limited), known as founder securities.

These founder securities were put in place to encourage the Founders to grow the Company following an acquisition in order to maximise value for holders of ordinary shares by entitling the Founders to a share of the upside in the Company's value once certain performance has been achieved. The exchange of founder securities for ordinary shares was subject to certain performance conditions which were required to be met by 21 November 2015.

These performance conditions were not met by this date and accordingly the right to exchange founder securities for ordinary shares in Genel Energy plc has now lapsed.

Resolutions in relation to share capital
At the AGM of the Company held on 21 April 2015, the Shareholders granted the Company authority to make market purchases of up to 24,870,080 voting ordinary shares (representing approximately 10% of the aggregate issued voting ordinary share capital of the Company at 17 March 2015) and hold as treasury shares any voting ordinary shares so purchased.

Shareholders will be asked to renew this authority at the forthcoming AGM. Full details are included in the notice of AGM.

The right of Founders to exchange founder securities for ordinary shares in the Company lapsed on 21 November 2015. Accordingly, authorities granted on 16 June 2011 for: (a) the allotment of relevant securities; and (b) the disapplication of pre-emption rights for the purposes of the allotment of equity securities, for the purposes of or in connection with: (i) satisfying the share matching award; or (ii) satisfying the rights of Founders to exchange founder shares and founder securities for ordinary shares, have now lapsed and will not be renewed.

Rights attaching to the voting ordinary shares
Holders of voting ordinary shares are entitled to attend, speak and vote at general meetings of the Company and may receive a dividend and, on a winding-up, may share in the assets of the Company.

As at 24 February 2016 the Company no longer has any suspended voting ordinary shares in issue, however they were in issue during 2015 and accordingly the rights attaching to the suspended voting ordinary shares are set out below.

Except as set out below, the suspended voting ordinary shares rank pari passu with the voting ordinary shares (and any other suspended voting ordinary shares issued on substantially equivalent terms to the suspended voting ordinary shares) in all respects and no action may be taken by the Company in relation to, or offer made by the Company to the holders of, the voting ordinary shares (or any other suspended voting ordinary shares issued on substantially equivalent terms to the suspended voting ordinary shares) unless the same action is taken in respect of, or the same offer is made to the holders of, the suspended voting ordinary shares.

On the 23 October 2015 the Code Committee of the Takeover Panel punlished its response statement followng the consultation on PCP 2015/2 in relation to restrictions and suspensions of voting rights ('RS 2015/2').

As stated in RS 2015/2, with effect from 23 November 2015 the definition of 'Voting Rights' in the Takeover Code will change, so that any shares which are subject to a suspension of voting rights will normally be regarded as having voting rights which are currently exercisable at a general meeting.

Paragraph 1.8 of RS 2015/2 provides that companies that have in the past issued suspended voting shares, which remain in issue, should consult with the Panel Executive in order to obtain a ruling regarding the application of the Takeover Code to the Company, taking account of the facts of the particular case.

The Company had 29,621,685 existing suspended voting shares in issue and it had consulted with the Panel Executive in accordance with paragraph 1.8 of RS 2015/2.

The Panel Executive has confirmed to the Company that its suspended voting shares would not be treated as having 'Voting Rights' for the purposes of the Takeover Code.

The following rights attach to the suspended voting ordinary shares as set out in a statement of rights submitted to the Jersey Financial Services Commission by the Company on 8 April 2013 (the 'Statement of Rights').

(a) Voting at general meetings
A holder of suspended voting ordinary shares shall be entitled to receive notice of, and to attend and speak at, any general meeting of the Company, but shall not be entitled to vote in respect of any suspended voting ordinary shares held, except on any resolution:

(i) proposed by any person other than a Seller or any of its Affiliates or any person acting in concert with a Seller or any of its Affiliates, to wind up the Company or to present a petition to wind up the Company, other than for the purposes of a reconstruction or amalgamation whilst solvent;

(ii) proposed by any person other than a Seller or any of its Affiliates or any person acting in concert with a Seller or any of its Affiliates, to appoint an administrator or to present a petition for the appointment of an administrator in relation to the Company, or to approve any arrangement with the Company's creditors;

(iii) proposed by the board for the purposes of, or in connection with, any scheme of arrangement of the Company under the Jersey Companies Law (or its equivalent in any other jurisdiction) under which a body corporate (Newco) will acquire the Company and the holdings of the members of Newco following the scheme becoming effective will be substantially the same as the holdings of the members of the Company immediately before the scheme becoming effective; or

(iv) proposed by any person other than a Seller or any of its Affiliates or any person acting in concert with a Seller or any of its Affiliates, in accordance with the articles of association, to vary, modify or abrogate any of the class rights attaching to the suspended voting ordinary shares, in which case each holder of suspended voting ordinary shares on a show of hands shall have one vote, and on a poll shall be entitled to vote on the resolution on the basis of one vote for each suspended voting ordinary share held. For the purposes of any resolution of a type referred to in paragraphs (i) to (iii) above, the suspended voting ordinary shares shall be treated for all purposes as being of the same class as the voting ordinary shares (and any other suspended voting ordinary shares issued on substantially equivalent terms to the suspended voting ordinary shares) and no separate meeting or resolution of the holders of the suspended voting ordinary shares shall be required to be convened or passed.

The rights attaching to the suspended voting ordinary shares shall not be, and shall not be deemed to be, varied or abrogated in any way by the creation, allotment or issue of any voting ordinary shares and the rights attaching to the voting ordinary shares shall not be, and shall not be deemed to be, varied or abrogated in any way by the creation, allotment or issue of any suspended voting ordinary shares.

(b) Conversion
Upon a transfer of suspended voting ordinary shares by any person to a person who is not a Seller or an Affiliate of any Seller, such suspended voting ordinary shares shall convert into voting ordinary shares (on a one-for-one basis) automatically upon, and contemporaneously with, registration by the Company (or its registrars) of the transfer in the register of members of the Company.

Upon:

(i) a transfer of voting ordinary shares to a person who is not a Seller or an Affiliate of any Seller as a result of which the Seller's Voting Shareholding is reduced below the Maximum Voting Percentage; or

(ii) any issue of further shares by the Company or conversion of suspended voting ordinary shares as referred to below, as a result of which the Sellers' Voting Shareholding is reduced below the Maximum Voting Percentage,

such number of suspended voting ordinary shares as, immediately following conversion, will result in the Sellers' Voting Shareholding being equal to the Maximum Voting Percentage, shall convert into voting ordinary shares (on a one-for-one basis) automatically upon, and contemporaneously with, registration by the Company (or its registrars) of the transfer in the register of members of the Company or the issue of such further shares or conversion of such suspended voting ordinary shares. In any such case, each Seller and its Affiliates' holding of suspended voting ordinary shares (whether held directly or on their behalf by an escrow agent) at the time of such transfer, issue or conversion shall be subject to conversion into voting ordinary shares in accordance with a written notice of instructions as to the proportion of the suspended voting ordinary shares held by each of them (including by an escrow agent on their behalf) to be converted. Such notice shall be executed by each Seller (or such nominee of a Seller as the relevant Seller may notify the Company in writing from time to time) and must be received by the Company at its registered address not less than five business days before registration by the Company (or its registrar) of the transfer in the register of members of the Company or the issue of such further shares or conversion of such suspended voting ordinary shares (the "Conversion Notice") (in each case rounded up or down to the nearest whole number as determined by any Director of the Company in his absolute discretion). The Company shall be under no obligation to verify the validity of any Conversion Notice (or notification of nominees) or the authority and capacity of the relevant signatory.

(c) Conversion at the instance of a Seller (or any Affiliate)
At any time, a Seller (or any of its Affiliates) shall be entitled (but shall not be bound) to require the Company to convert suspended voting ordinary shares held by such Seller (or such Affiliate) into voting ordinary shares, on a one-for-one basis, so long as such conversion does not result in the Sellers' Voting Shareholding being more than the Maximum Voting Percentage.

(d) Conversion following a pre-emptive offer
If the Company makes an offer of suspended voting ordinary shares in accordance with the provisions of the articles of association, it shall be entitled to convert into voting ordinary shares, on a one for-one basis, any suspended voting ordinary shares issued to persons other than the Sellers or any of their respective Affiliates in connection with such offer.

Within 21 days after the conversion of any suspended voting ordinary shares into voting ordinary shares, the Company shall forward to the relevant Seller (or relevant Affiliate) at its own risk, free of charge, a definitive certificate for the appropriate number of fully paid up voting ordinary shares and a new certificate for any unconverted suspended voting ordinary shares comprised in the certificate surrendered by it. Pending the despatch of definitive certificates, transfers shall be certified against the register of members of the Company.

(e) General
The Company shall use best endeavours to procure that the voting ordinary shares arising on conversion of the suspended voting ordinary shares are admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. No admission to listing or admission to trading shall be sought for the suspended voting ordinary shares whilst they remain suspended voting ordinary shares.

Restrictions on transfer of shares
There are no specific restrictions on the transfer of shares in the Company other than (i) as set out in the articles of association (ii) pursuant to the Company's share dealing code (iii) as imposed from time to time by law and regulation and (iv) as set out in the Merger Agreement and in the Statement of Rights. Save as set out in the Merger Agreement, the Statement of Rights and the Relationship Agreement, the Company is not aware of any arrangements or agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Employee share schemes
Details of the Company's employee share schemes are set out in note 19 to the financial statements of this annual report.

OTHER STATUTORY AND REGULATORY INFORMATION
continued

Articles of association of the Company

Under the Jersey Companies Law, the capacity of a Jersey company is not limited by anything contained in its memorandum or articles of association. Accordingly, the memorandum of association of a Jersey company does not contain an objects clause.

Certain provisions have been incorporated into the articles of association to enshrine rights that are not conferred by the Jersey Companies Law, but which the Company believes shareholders would expect to see in a company listed on the London Stock Exchange.

Provisions in the articles of association also require Shareholders to make disclosures pursuant to chapter 5 of the Disclosure and Transparency Rules, and require the Directors to comply with chapter 3 of the Disclosure and Transparency Rules and themselves to require any persons discharging managerial responsibilities (within the meaning ascribed in the Disclosure and Transparency Rules) in relation to the Company who are not Directors to do so, and to use reasonable endeavours to procure that their own and such persons' connected persons do so. The articles of association may be amended by a special resolution of the Shareholders.

Appointment and replacement of directors

The rules for the appointment and replacement of Directors are set out in the articles of association. Certain additional provisions relating to the appointment of Directors are included in the Relationship Agreement between the Company, Elysion and Focus Investments.

Directors

The biographical details of the Directors of the Company who were in office during the year and as at the date of this annual report are set out on pages 42 to 44. Details of Directors' service agreements and letters of appointment are set out on pages 68 to 69.

Details of the Directors' interests in the ordinary shares of the Company and in the Group's long-term incentive schemes are set out in the remuneration report on page 61 of this annual report.

Details of Directors submitting themselves for election and re-election at the AGM are set out in the notice of meeting.

Service contracts and letters of appointment for all Directors are available for inspection at the registered office of the Company and will be available for inspection at the AGM.

Subject to applicable law and the articles of association and to any directions given by special resolution, the business of the Company will be managed by the Board, which may exercise all the powers of the Company.

Directors' indemnities

As at the date of this annual report, indemnities granted by the Company to the Directors are in force to the extent permitted under Jersey law. The Company also maintains directors' and officers' liability insurance cover, the level of which is reviewed annually.

Related party transactions

Details of transactions with Directors and Officers are set out in note 22 to the financial statements on page 102 of this annual report. There were no other related party transactions to which the Company was a party during the period.

Agreements with substantial shareholders

Merger Agreement

On 7 September 2011, the Company, Elysion Energy Holding B.V. (formerly Genel Energy Holdings B.V.), Focus Investments and PRM entered into a merger agreement (the "Merger Agreement") pursuant to which the Company agreed to purchase, and the Sellers agreed to sell, the entire issued ordinary share capital of Genel Energy International Limited in consideration for the issue of 130,632,522 ordinary shares (the "Consideration Shares"). The Merger Agreement was amended by a deed of amendment entered into on 29 October 2011.

Due to the size of the interest the Sellers have in the Company following completion, the Sellers agreed that part of the consideration they received under the Merger Agreement would be in the form of suspended voting ordinary shares in order to ensure that the Sellers' aggregate holding of voting ordinary shares does not exceed the Maximum Voting Percentage. The suspended voting ordinary shares will automatically convert into voting ordinary shares in the event of further equity issues by the Company, provided that, following conversion, the Sellers' holding of voting ordinary shares does not exceed the Maximum Voting Percentage.

Notwithstanding any other restriction or obligation under the Merger Agreement, PRM was permitted to distribute all ordinary shares owned by it to its shareholders in proportion to the shares in PRM held by such shareholders, which it duly made on 8 April 2013. In connection with this distribution, the relevant PRM shareholders agreed to be bound by the terms of the Merger Agreement.

Relationship Agreement

On 7 September 2011, the Company, Elysion and Focus Investments entered into a relationship agreement which regulates the ongoing relationship between Elysion, Focus Investments and the Company (the 'Relationship Agreement').

The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of Elysion and Focus Investments (and their respective Associates) and that all transactions and relationships between the Company, Elysion and Focus Investments are at arm's length and on a normal commercial basis. For the purposes of the Relationship Agreement, the term 'Associate' includes, in the case of Elysion, Mehmet Sepil and, in the case of Focus Investments, Mehmet Emin Karamehmet.

On 12 February 2015 the Relationship Agreement was amended to reflect changes to the Listing Rules that apply to controlling shareholders. Whilst the Relationship Agreement reflected the majority of the requirements we felt it prudent to amend it to align it to the specific obligations under Listing Rule 6.1.4(d).

The Relationship Agreement will terminate upon the earlier of (i) the Company ceasing to have any of its ordinary shares listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities, and (ii) Elysion and Focus Investments together with their respective Associates ceasing between them to be entitled to exercise, or control the exercise of, in aggregate 10% or more of the Voting Rights.

Pursuant to the terms of the Relationship Agreement, it has been agreed that, among other things:

(a) For so long as Elysion and Focus Investments and their respective Associates are, between them, entitled to exercise or control the exercise of, in aggregate, 10% or more of the Voting Rights, each of Elysion and Focus Investments will, and will procure so far as it is reasonably able to do so, that each of its Associates will:

  i. not take any action which precludes or inhibits any member of the Group from carrying on its business independently of each of Elysion and Focus Investments and their respective Associates;

  ii. not exercise any of its Voting Rights to procure any amendment to the articles of association of the company which would be inconsistent with or breach any provision of the Relationship Agreement;

  iii. if and for so long as paragraph 11.1.7R(3) of the Listing Rules applies to the Company, abstain from voting on any resolution required by paragraph 11.1.7R(3) of the Listing Rules to approve a 'related party transaction' (as defined in paragraph 11.1.5R of the Listing Rules) involving Elysion or Focus Investments or any of their Associates as the related party;

  iv. comply with all provisions of the Listing Rules, the Disclosure and Transparency Rules, the requirements of the London Stock Exchange and the FSMA that apply to it in connection with the Company;

  v. ensure that the business and affairs of the Company are conducted in accordance with its articles of association; and

  vi. exercise all of its Voting Rights in a manner consistent with the intention that at all times at least half of the Directors (excluding the Chairman) are Independent Non-Executives and that certain committees of the Board shall comply with the UK Corporate Governance Code;

(b) For so long as Elysion and Focus Investments and their respective Associates are, between them, entitled to exercise or control the exercise of, in aggregate, 10% or more of the Voting Rights, each of Elysion and Focus Investments will, and will procure that each of its Associates will:

  i. conduct all transactions and arrangements with any member of the Group on arm's length and on normal commercial terms;

  ii. not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and

  i. not propose or procure the proposal of a Shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules;

(c) Provided that Focus Investments and its Associates are entitled to exercise or control the exercise of 10% or more of the Voting Rights, Focus Investments shall be entitled to nominate for appointment to the Board one director by giving notice to the Company;

(d) Provided that Elysion and its Associates are entitled to exercise or control the exercise of 10% or more of the Voting Rights, Elysion shall be entitled to nominate for appointment to the Board one director by giving notice to the Company;

(e) For as long as Elysion and Focus Investments and their respective Associates are between them entitled to exercise or control the exercise of 10% or more of the Voting Rights, but provided neither Elysion nor Focus Investments (in each case, together with its Associates) is entitled to exercise or control the exercise of 10% or more of the Voting Rights, Elysion and Focus Investments will, acting jointly, be entitled to nominate for appointment to the Board one director by giving notice to the Company;

(f) Provided that Elysion and its Associates are between them entitled to exercise or to control the exercise of, in aggregate, 10% or more of the Voting Rights, Mehmet Sepil will have the title of President;

(g) For so long as Elysion or Focus Investments together with their respective Associates are between them entitled to exercise or to control the exercise of, in aggregate, 10% or more of the Voting Rights, subject to compliance by the Company with its legal and regulatory obligations, the Company shall procure that Elysion and Focus Investments are provided with financial and other information as is necessary or reasonably required by them for the purposes of their accounting or financial control requirements or to comply with their legal or tax obligations as a shareholder of the Company.

The rights described at (b)–(g) above will terminate and cease to be of any effect:

  i. (in the case of Elysion, in the event that it, or any Affiliate (as defined in the Merger Agreement) of Elysion that holds any ordinary shares) ceases to be controlled by Mehmet Sepil; or

  ii. in the case of Focus Investments, in the event that Focus Investments (or any Affiliate (as defined in the Merger Agreement) of Focus Investments that holds any ordinary shares) ceases to be controlled by Mehmet Emin Karamehmet.

In addition, certain rights and/or obligations (as the case may be) of Elysion under the Relationship Agreement (subject to certain exceptions) shall cease to be of any effect in the event that Mehmet Sepil ceases to beneficially own (directly or indirectly through other entities controlled by Mehmet Sepil) ordinary shares carrying, in aggregate, 10% or more of the Voting Rights.

OTHER STATUTORY AND REGULATORY INFORMATION
continued

The Directors nominated by Elysion and Focus Investments pursuant to the Relationship Agreement were Murat Yazici (Non-Executive Director) and Gulsun Nazli Karamehmet Williams (Non-Executive Director), respectively.

On 14 October 2015 Mehmet Sepil resigned as President and on 18 November 2015 Mehmet Sepil's holding in the Company fell to below 10% of the voting rights in the Company. Accordingly, certain rights of Elysion under the Relationship Agreement ceased to have effect including the right to nominate a representative to the Genel Board. On 15 December Murat Yazici (Elysion's nominated Director) resigned from his position as a Non-Executive Director.

Information in strategic report
Particulars of the Group's use of financial instruments, an indication of the Group's financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction for which hedge accounting is used and details of the exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk are set out in note 17 to the financial statements and in the strategic report in this annual report.

Particulars of important events affecting the Group which have occurred since the last financial year and indications of likely future developments in the business of the Group are set out in the strategic report in this annual report. Details of our approach to greenhouse gas emissions are set out on page 30.

Corporate responsibility
The Group is fully committed to high standards of environmental, health and safety management. The report on the Group's corporate responsibility programme, together with an outline of the Group's involvement in the community, are set out on pages 26 to 31 of this annual report.

Employment policies
We are an equal opportunities employer and base all decisions on individual ability regardless of race, religion, gender, sexual orientation, age or disability. Applications for employment by disabled persons will always be considered, having regard to their particular aptitudes and abilities. Should any employee become disabled, every practical effort is made to provide continued employment. Depending on their skills and abilities, they will enjoy the same career prospects and scope for realising their potential as other employees. Appropriate training will be arranged, including retraining for alternative work for those who become disabled, to promote their career development within the Group.

Substantial shareholdings
As at 31 December 2015, the Company had been notified of the following significant holdings (being 5% or more of the voting rights in the Company) in the Company's ordinary share capital, which are set out below.

Name	Number of ordinary shares	Number of voting ordinary shares	Number of suspended voting ordinary shares
Focus Investments Limited	64,589,351	42,917,339	21,672,012
NR Holdings Limited	22,119,970	22,119,970	–
Encompass Capital Advisors LLC	22,785,255	22,785,225	–
Elysion Energy Holding BV	25,474,594	24,412,834	1,061,761
Putnam Investments LLC	12,450,160	12,450,160	–

Between the 31 December 2015 and 2 March 2016 the Company has received a notification from Morgan Stanley that they hold 13,794,745 (5.55%) voting ordinary shares and subsequently the Company has received a notification that their holding has reduced to less than 5%. The Company has also received notifications from Elysion Energy Holding BV and Putnam Investments LLC that their holdings have reduced to less than 5% of voting ordinary shares.

Political donations
No political donations were made, and nor was any political expenditure incurred, by any Group company in the year ending 31 December 2015 (2014: nil).

Auditors and disclosure of relevant audit information
So far as each Director is aware, there is no relevant information of which the Company's auditor is unaware. Each Director has taken all steps that ought to have been taken as a Director to make him or herself aware of any relevant audit information and to establish that PwC are aware of that information.

Following a review of the independence and effectiveness of the auditor, a resolution to reappoint PricewaterhouseCoopers LLP as the Company's auditor will be proposed at the AGM.

AGM
Your attention is drawn to the notice of AGM enclosed with this report, which sets out the resolutions to be proposed at the forthcoming AGM. The meeting will be held at Linklaters LLP, One Silk Street, London, EC2Y 8HQ UK on Wednesday, 27 April 2016 at 11.00am.

By order of the Board

Murat Özgül
Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report, Directors' remuneration report and the Group financial statements in accordance with applicable law and regulations.

The Directors prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union. The Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance and
- make an assessment of the Group's ability to continue as a going concern

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey or the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Directors' report contained in this annual report includes a fair review of the development and performance of the business and the position of the Company and the Group together with a description of the principal risks and uncertainties that they face; and
- the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Murat Özgül
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENEL ENERGY PLC

REPORT ON THE GROUP FINANCIAL STATEMENTS

Our opinion

In our opinion, Genel Energy plc's group financial statements (the "financial statements"):

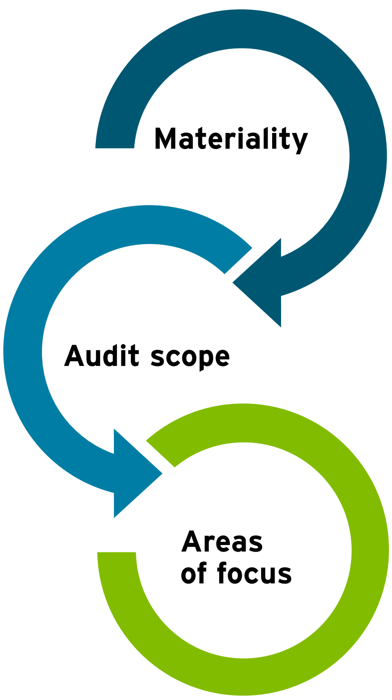
- give a true and fair view of the state of the group's affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the consolidated balance sheet as at 31 December 2015;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.



Overview

- Overall group materiality: $35 million which represents 1% of total assets.

- We performed an audit of the complete financial information of two reporting units due to their size and risk characteristics. These reporting units are the producing assets in Kurdistan.
- Specific audit procedures on certain balances and transactions were performed on 10 other reporting units, relating to exploration activity in the African territories, operating expenses and the bond accounting in the UK.

- Risk of impairment of oil and gas properties.
- Risk of recoverability of debtors.
- PSC revenue recognition and interpretation

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

AREA OF FOCUS

IFRS 6 and IAS 36 impairment reviews of oil and gas properties (Note 9 and Note 10)
In 2015, world oil prices continued to decline significantly with the performance of the Company's producing assets being below expectation, partly caused by lack of investment. Both are indicators of potential impairment in the company's assets.

Management performed an impairment assessment of each of its assets in accordance with the requirements of IFRS 6 – Exploration for and evaluation of mineral resources ("IFRS 6") and IAS 36 – Impairment of assets ("IAS 36") as at 31 December 2015.

A number of exploration assets in Africa and Kurdistan were either relinquished or no hydrocarbons were encountered during test well drilling in 2015. Full write offs totalling $173 million were recorded in the income statement relating to these exploration assets.

The oil producing assets, Taq Taq and Tawke, were assessed for impairment by management and a charge of $1,038 million was recorded in accordance with IAS 36 reflecting the fall in oil prices and a reduction in 2P reserves in the Taq Taq oil field.

HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS

We assessed management's evaluation of each of the exploration assets in both the Africa and Kurdistan portfolios and corroborated this evaluation by making enquiries of management and reading information in the public domain such as press releases from joint venture partners.

Based on our assessment, we agreed with management on the impairment triggers and resulting impairment charges recorded against the Ethiopia concession, Mir Left in Morocco and the concession in Côte d'Ivoire. We also agreed with the full write off of Ber Bahr in Kurdistan after the decision to relinquish the licence.

For the Miran/Bina Bawi exploration and evaluation assets we evaluated management's plans for the business, the underlying resource model and management's estimate of the associated costs and volumes of gas available for development by agreeing these assumptions to the competent person's reports and assessing the competent persons' qualifications, experience and independence to determine whether there were any impairment indicators. We also assessed management's pricing assumptions by referencing them to consensus broker prices. We agreed with management's assessment that there are no significant indicators of impairment and that therefore no impairment assessment was required.

We evaluated management's assessment for impairment triggers in its producing assets in Kurdistan and agreed with management that impairment triggers exist.

For both Taq Taq and Tawke we agreed the cash flow forecast used in the impairment models for 2016 to Board approved budgets. These budgets were also approved by both the joint venture partners and the Kurdistan Regional Government ("KRG"). We agreed the cash flow forecast for periods after 2016 to management's business plans which are based on management's update of the reserves. For Taq Taq, 2P reserves have been downgraded since the last year-end. We checked that the oil reserve estimates incorporated in the model were consistent with the estimates prepared by qualified reservoir engineers. We considered the directors' expectations in respect of cash receipts from the KRG from the sale of oil in Taq Taq and Tawke under the terms of the production sharing contracts and the recent announcement made by the KRG on 1 February 2016 and consider the assumptions to be aligned with this 2016 announcement.

We compared short and long term price assumptions used by management to the assumptions used by a collection of 13 brokers and 5 independent consultants. We found that management's assumptions were close to consensus prices.

We independently calculated a weighted average cost of capital by making reference to market data and verified the long term growth rate market data. The discount rate of 12.5% falls within what we considered a reasonable range.

We assessed the mathematical accuracy of the model and assessed the compliance of the model with the requirements of IAS 36.

We assessed the sufficiency of the impairment charge and the extent of disclosure made in note 10 of the financial statements. We considered the impairment charges and the disclosure provided to be appropriate.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENEL ENERGY PLC

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
Risk of recoverability of trade receivable (Note 1 and Note 11) The trade receivable has increased to $423 million from $233 million since December 2014. Cash receipts totalling approximately $74 million were received for export sales in September 2015, October 2015 and December 2015. In January 2016 a payment of $24 million was received and on 1 February 2016, the Ministry of Natural Resources of the KRG released an announcement explaining that 2016 payments would be based on the entitlement revenue derived from each field on a netback basis, adjusting for crude quality differentials compared to Brent prices plus a deduction for applicable transportation charges. The amount is based on the contractual entitlements under the Production Sharing Contract for each licence. In addition, the KRG will make further monthly payments equivalent to 5% of the respective monthly netback revenue derived from each field. The KRG envisages raising the allocation of netback revenues as oil price levels rebound to permit an accelerated recovery of outstanding receivable balances. The timing of the recovery of the trade receivable at 31 December 2015 is uncertain and there is a risk that it is impaired. Management has made significant judgements and estimates in calculating the present value of the receivable. The principal judgement is in estimating the timing and quantum of the acceleration of payments by the KRG to international oil companies which is driven by the pace of recovery of oil prices, the KRG's financial budget, the ability of the KRG to raise finance, and oil production within the Kurdistan Region of Iraq ("KRI") as a whole which management has disclosed in note 1 of the accounts. Management has used information available in the market, has relied on dialogue with the Minister for Natural Resources and estimated when oil prices are going to recover in forecasting the timing of the recovery of the outstanding trade receivable balance. This is estimated between two and four years from the balance sheet date. The impact of discounting is offset principally by management including full PSC entitlements in the present value calculation whereas the receivable itself is recognised on the balance sheet after deducting netback costs (principally selling, transportation and handling costs) at the higher end of a likely range.	We reconciled the opening trade receivable balance to the closing trade receivable balance by testing revenue (as described in our area of focus, 'PSC revenue recognition and interpretation') and vouching cash receipts in 2015 to bank statements. No misstatements were noted. We assessed management's review of the recoverability of the receivable and note that a number of significant assumptions were made in concluding that the trade receivable is recoverable and is not impaired. Based on the recent payment profile by the KRG and the 1 February 2016 announcement we agreed with management that the trade receivable is recoverable and is not materially impaired. There is also uncertainty in the pace of recovery of the debtor and we agreed that the judgements made by management are significant and that appropriate disclosure has been made in note 1 and note 17 to the financial statements. We evaluated management's judgements and estimates by agreeing the KRG's production targets to those reported publicly, future oil prices to broker consensus data that we independently verified, KRG cash costs to publicly available information and checked that the assumptions used in the recovery of the trade receivable were consistent with the assumptions used in the impairment discounted cash flow models. We also assessed the classification of the trade receivable between current and non-current and checked that the current portion represents amounts already received in 2016 that relate to the 31 December 2015 receivable and amounts forecasted for the remainder of 2016 under the 1 February 2016 payment mechanism (being Genel's share of 5% of the respective netback revenue derived for each field).
PSC revenue recognition and interpretation (Note 1) The Production Sharing Contracts ("PSCs") to which the Group is party are complex in nature and subject to potential alternative interpretation. The terms of the PSCs dictate the amount of revenue recognised by the Group. The Group maintains a revenue model which is developed from the terms in the PSCs. The main inputs into this model are volumes, price and capital expenditure. Certain assumptions and estimates are made within the PSC model. There is an inherent risk that these inputs, assumptions and estimates are inaccurate and that the interpretations and calculations made are not appropriate. This complexity of the PSCs and alternative interpretations could result in misstatements in various balances (revenue, cost of sales, property plant and equipment, trade and other receivables, trade and other payables and income taxes) in the financial statements.	We designed our procedures to test that the revenue recorded is in accordance with the PSCs and tested the calculations in the PSC model. We tested the capital expenditure by agreeing a sample of transactions to third party evidence. We tested the volumes sold and prices as follows: – Volume of oil sold – for a sample of domestic and export sales, we agreed the internal daily production reports to third party signed volume reports and third party signed loading documents. Our testing did not identify any material misstatements. – Pricing of oil sold – for a sample of domestic sales, we agreed the price recognised to KRG ministerial pricing orders. For export sales, we assessed the pricing assumptions made by management. We compared the pricing estimates to the historical pricing information provided by third parties and to industry and market data available. We found that management's estimates fell within a reasonable range indicated by this data, noting that an element of contingency in the pricing reflects the uncertainty in the amount that is expected to be received in cash.

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
Management continued to account for export sales on an accruals basis in 2015. The key pricing assumptions on transportation and other netback costs are based on management estimates owing to the absence of formal pricing agreements with the KRG. Management has reassessed accrual accounting for export sales and continues to be able to estimate revenue earned and has confidence that cash receipts on export and Bazian refinery sales from the KRG will continue.	We reconciled the financial statements to the revenue calculated in the PSC models. We did not identify any material misstatements. We checked the disclosure provided by management in note 1, significant estimates and judgements. We agreed with management that the pricing assumption is a significant judgement that leads to an estimate in the amount of revenue recorded.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group is structured along two business segments being the geographic areas in which it operates: Kurdistan and Africa. The group financial statements are a consolidation of reporting units, comprising the Group's operating businesses in these segments and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We performed an audit of the complete financial information of two reporting units. Because of its size, the majority of our audit work was performed on one of these – the main trading entity for Kurdistan assets. The other reporting unit relates to the gas assets, Miran and Bina Bawi. We also performed specified procedures on certain account balances within the other reporting units, including the audit of the following items: exploration expenses within the entities that hold the Africa exploration licences, operating expenses and related payables within the UK and Ankara companies, and cash and cash equivalents and the bond in the UK.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	\$35 million (2014: \$45 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	In 2015, we calculated materiality using a total assets benchmark and applied a 'rule of thumb' of 1%. We benchmarked our materiality level against published materiality thresholds used by auditors of other mid-size exploration and production companies and noted that the materiality level we selected is consistent with those benchmarked. We considered using an income statement benchmark in determining materiality; however, as a significant portion of the value of the Company is locked up in exploration/development oil and gas assets, we believe an asset measure remains more relevant. When the Company begins production on its significant oil and gas exploration/development assets, we will revisit our determination of materiality. We applied a lower specific materiality of \$5 million (2014: \$10 million) for the following areas: Revenue, Cost of Sales, Exploration Expense, Operating Expense and Interest Expense. Additionally we applied a threshold of \$0.5 million on the Remuneration Report and related party transactions.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$1.75 million (2014: \$2.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

The directors have voluntarily complied with Listing Rule 9.8.6(R)(3)(a) of the Financial Conduct Authority and provided a statement in relation to going concern, set out on page 75, required for companies with a premium listing on the London Stock Exchange.

The directors have requested that we review the statement on going concern as if the company were a premium listed company. We have nothing to report having performed our review.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENEL ENERGY PLC

continued

The directors have chosen voluntarily to report how they have applied the UK Corporate Governance Code (the "Code") as if the company were a premium listed company. Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw your attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

Other required reporting

Consistency of other information – ISAs (UK & Ireland) reporting

As a result of the directors' voluntary reporting on how they have applied the Code, under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- information in the Annual Report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
  - otherwise misleading.

We have no exceptions to report.

- the statement given by the directors on page 75, in accordance with provision C.1.1 of the Code, that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.

We have no exceptions to report.

- the section of the Annual Report on page 52, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report.

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

As a result of the directors' voluntary reporting on how they have applied the Code, under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- the directors' confirmation on page 75 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.

We have nothing material to add or to draw attention to.

- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

We have nothing material to add or to draw attention to.

- the directors' explanation on page 75 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

Adequacy of information and explanations received

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Other voluntary reporting

Opinions on additional disclosures

Strategic Report and Directors' Report and Governance

In our opinion, the information given in the Strategic Report and the 'Directors' Report and Governance' for the financial year for which the financial statements are prepared is consistent with the financial statements.

Directors' remuneration report

The company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the UK Companies Act 2006. The directors have requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the parent company were a UK Registered listed company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The company voluntarily prepares a corporate governance statement that includes the information with respect to internal control and risk management systems and about share capital structures required by the Disclosure Rules and Transparency Rules of the Financial Conduct Authority. The directors have requested that we report on the consistency of that information with the financial statements.

In our opinion the information given in the Corporate Governance Statement set out page 51 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matter on which we have agreed to report by exception

Corporate governance statement

The company's voluntary Corporate Governance Statement includes details of the company's compliance with the UK Corporate Governance Code. The directors have requested that we review the parts of the Corporate Governance Statement relating to the company's compliance with the ten further provisions of the UK Corporate Governance Code specified for auditor review by the Listing Rules of the Financial Conduct Authority as if the company were a premium listed company. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 75, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nicholas Blackwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 March 2016

(a) The maintenance and integrity of the Genel Energy plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER

	Notes	2015 $m	2014 $m
Revenue		**343.9**	519.7
Production costs	4	**(36.3)**	(62.1)
Depreciation	4	**(172.0)**	(141.0)
Gross profit		**135.6**	316.6
Exploration costs written-off	3	**(173.0)**	(476.8)
Impairment and write-off of property, plant and equipment	10	**(1,038.0)**	(80.9)
General and administrative costs	4	**(28.7)**	(47.0)
Operating loss		**(1,104.1)**	(288.1)
EBITDAX		**279.4**	410.6
Depreciation of oil and gas assets	4	**(172.5)**	(141.0)
Exploration costs written-off	3	**(173.0)**	(476.8)
Impairment of property, plant and equipment	10	**(1,038.0)**	(80.9)
Finance expense	6	**(56.5)**	(24.7)
Loss before income tax		**(1,160.6)**	(312.8)
Income tax expense	7	**(1.0)**	(1.5)
Loss for the period		**(1,161.6)**	(314.3)
Other comprehensive items		**-**	-
Total comprehensive loss for the period		**(1,161.6)**	(314.3)
Attributable to:			
Shareholders' equity		**(1,161.6)**	(314.3)
		(1,161.6)	(314.3)
Earnings per ordinary share attributable to the ordinary equity holders of the Company			
Basic loss per share – cents per share	8	**(417.30)**	(112.97)
Diluted loss per share – cents per share	8	**(417.30)**	(112.97)

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER

	Notes	2015 $m	2014 $m
Assets			
Non-current assets			
Intangible assets	9	**1,672.7**	1,679.3
Property, plant and equipment	10	**929.4**	2,015.2
Trade and other receivables	11	**365.3**	-
		2,967.4	3,694.5
Current assets			
Trade and other receivables	11	**79.0**	303.7
Cash and cash equivalents	12	**455.3**	489.1
		534.3	792.8
Total assets		**3,501.7**	4,487.3
Liabilities			
Non-current liabilities			
Trade and other payables	13	**(78.0)**	(5.0)
Deferred income	14	**(46.0)**	(47.8)
Provisions	15	**(25.2)**	(19.4)
Bank and other borrowings	16	**(694.1)**	(491.4)
		(843.3)	(563.6)
Current liabilities			
Trade and other payables	13	**(80.6)**	(184.0)
Deferred income	14	**(3.0)**	(6.2)
		(83.6)	(190.2)
Total liabilities		**(926.9)**	(753.8)
Net assets		**2,574.8**	3,733.5
Equity shareholders			
Share capital	18	**43.8**	43.8
Share premium		**4,074.2**	4,074.2
Retained earnings		**(1,543.2)**	(392.3)
Total shareholders' equity attributable to equity holders		**2,574.8**	3,725.7
Non-controlling interest		**-**	7.8
Total equity		**2,574.8**	3,733.5

These consolidated financial statements on pages 82 to 102 were authorised for issue by the Board of Directors on 2 March 2016 and were signed on its behalf by:

Murat Özgül
Chief Executive Officer

Ben Monaghan
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER

	Notes	**Share capital 2015 $m**	**Share premium account 2015 $m**	**Accumulated losses 2015 $m**	**Total equity attributable to equity holders 2015 $m**	**Non-controlling interest 2015 $m**	**Total equity 2015 $m**
At 1 January 2015		**43.8**	**4,074.2**	**(392.3)**	**3,725.7**	**7.8**	**3,733.5**
Loss and total comprehensive expense for the period		**-**	**-**	**(1,161.6)**	**(1,161.6)**	**-**	**(1,161.6)**
Transactions with shareholders:							
Share-based payment transactions		**-**	**-**	**2.9**	**2.9**	**-**	**2.9**
Release of non-controlling interest[1]		**-**	**-**	**7.8**	**7.8**	**(7.8)**	**-**
At 31 December 2015		**43.8**	**4,074.2**	**(1,543.2)**	**2,574.8**	**-**	**2,574.8**

	Notes	Share capital 2014 $m	Share premium account 2014 $m	Accumulated losses 2014 $m	Total equity attributable to equity holders 2014 $m	Non-controlling interest 2014 $m	Total equity 2014 $m
At 1 January 2014		43.8	4,074.2	(21.6)	4,096.4	7.8	4,104.2
Loss and total comprehensive expense for the period		-	-	(314.3)	(314.3)	-	(314.3)
Transactions with shareholders:							
Share-based payment transactions		-	-	6.8	6.8	-	6.8
Purchase of shares for ESOP[2]		-	-	(39.2)	(39.2)	-	(39.2)
Purchase of own shares[3]		-	-	(24.0)	(24.0)	-	(24.0)
At 31 December 2014		43.8	4,074.2	(392.3)	3,725.7	7.8	3,733.5

1. The non-controlling interest of $7.8 million was released following the expiry of the C shares in Genel Energy Holding Company Limited
2. Purchase of shares in the open market to satisfy the Company's commitments under various employee share plans
3. Purchase of own shares in the open market and held as treasury shares

CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER

	Notes	2015 $m	2014 $m
Cash flows from operating activities			
Loss for the period		**(1,161.6)**	(314.3)
Adjustments for:			
Finance expense	6	**56.5**	24.7
Taxation		**1.0**	1.5
Depreciation and amortisation	4	**172.5**	144.3
Exploration costs written off		**154.8**	471.1
Impairment of property, plant and equipment		**1,038.0**	80.9
Other non-cash items		**1.1**	6.8
Changes in working capital:			
Trade and other receivables		**(190.2)**	(287.8)
Trade and other payables and provisions		**(0.9)**	8.1
Cash generated from operations		**71.2**	135.3
Interest received		**1.0**	1.0
Taxation paid		**(1.0)**	(1.5)
Net cash generated from operating activities		**71.2**	134.8
Cash flows from investing activities			
Purchase of intangible assets	9	**(130.2)**	(482.1)
Purchase of property, plant and equipment	10	**(120.2)**	(194.8)
Acquisition of intangibles	20	**(3.9)**	(76.8)
Net cash used in investing activities		**(254.3)**	(753.7)
Cash flows from financing activities			
Purchase of ESOP shares		**-**	(39.2)
Purchase of own shares		**-**	(24.0)
Net proceeds from bond issuance		**196.2**	490.3
Interest paid[1]		**(46.1)**	(18.8)
Net cash generated from financing activities		**150.1**	408.3
Net decrease in cash and cash equivalents		**(33.0)**	(210.6)
Foreign exchange loss		**(0.8)**	-
Cash and cash equivalents at 1 January		**489.1**	699.7
Cash and cash equivalents at 31 December	12	**455.3**	489.1

1. The presentation of the prior year cash flows has been amended to include interest expense as part of financing activities

In the year the Company acquired an additional interest in Bina Bawi. Consideration includes gross $145.0 million of deferred consideration (see note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of Genel Energy Plc (the Company or the Group) have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) are prepared under the historical cost convention and comply with Jersey company law. The significant accounting policies are set out below and have been consistently applied throughout the period.

Items included in the financial information of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US dollars to the nearest million ($m) rounded to one decimal place, except where otherwise indicated.

For explanation of the key judgements and estimates made by management in applying the Company's accounting policies, refer to significant accounting estimates and judgement on pages 86 to 88.

Going concern

At the time of approving the consolidated financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore its consolidated financial statements have been prepared on a going concern basis.

Foreign currency

Foreign currency transactions are translated into the functional currency of the relevant entity using the exchange rates prevailing at the dates of the transactions or at the balance sheet date where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income within finance income or finance costs.

Consolidation

The consolidated financial statements consolidate the Company and its subsidiaries. These accounting policies have been adopted by all Group companies.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Joint arrangements

Arrangements under which the Company has contractually agreed to share control with another party or parties are joint ventures where the parties have rights to the net assets of the arrangement, or joint operations where the parties have rights to the assets and obligations for the liabilities relating to the arrangement. Investments in entities over which the Company has the right to exercise significant influence but neither control nor joint control are classified as associates.

Investments in joint ventures and associates are accounted for using the equity method, under which the investment is initially recognised at cost and subsequently adjusted for the Company's share of post-acquisition income less dividends received and the Company's share of other comprehensive income and other movements in equity, together with any loans of a long-term investment nature. Where necessary, adjustments are made to the financial statements of joint ventures and associates to bring the accounting policies used into line with those of the Company. In an exchange of assets and liabilities for an interest in a joint venture, the non-Group share of any excess of the fair value of the assets and liabilities transferred over the pre-exchange carrying amounts is recognised in income. Unrealised gains on other transactions between the Company and its joint ventures and associates are eliminated to the extent of the Company's interest in them; unrealised losses are treated similarly but may also result in an assessment of whether the asset transferred is impaired.

The Company recognises its assets and liabilities relating to its interests in joint operations, including its share of assets held jointly and liabilities incurred jointly with other partners.

Acquisitions

The Company uses the acquisition method of accounting to account for business combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquiree at fair value at time of recognition or at the non-controlling interest's proportionate share of net assets. Acquisition-related costs are expensed as incurred.

Farm-in/farm-out

Farm-out transactions relate to the relinquishment of an interest in oil and gas assets in return for services rendered by a third party or where a third party agrees to pay a portion of the Company's share of the development costs (cost-carry). Farm-in transactions relate to the acquisition by the Company of an interest in oil and gas assets in return for services rendered or cost-carry provided by the Company.

Farm-in/farm-out transactions undertaken in the development or production phase of an oil and gas asset are accounted for as an acquisition or disposal of oil and gas assets. The consideration given is measured as the fair value of the services rendered or cost-carry provided and any gain or loss arising on the farm-in/farm-out is recognised in the statement of comprehensive income. A profit is recognised for any consideration received in the form of cash to the extent that the cash receipt exceeds the carrying value of the associated asset.

Farm-in/farm-out transactions undertaken in the exploration phase of an oil and gas asset are accounted for on a no gain/no loss basis due to inherent uncertainties in the exploration phase and associated difficulties in determining fair values reliably prior to the determination of commercially recoverable proved reserves.

Significant accounting judgements and estimates

The preparation of the financial statements in accordance with IFRS requires management to make judgements and assumptions that affect the reported results, assets and liabilities. Where judgements and estimates are made, there is a risk that the actual outcome could differ from the judgement or estimate made. Management has assessed the following as being areas where changes in estimates or assumptions could have a significant impact on the financial statements.

Estimation of oil and gas reserves

Reserves and resources impact the Company's financial statements in a number of ways, including: the calculation of depreciation and amortisation; testing for impairment; determining the timing of decommissioning activity and associated costs and going concern and viability.

Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to future revision.

Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from oil and gas assets. The Company estimates its reserves using standard recognised evaluation techniques. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves. Future development costs are estimated taking into account the level of development required to produce the reserves.

In general, estimates of resources for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and being depleted. As a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available through, for example, the drilling of additional wells or the observation of long-term reservoir performance under producing conditions. As those fields are further developed, new information may lead to revisions.

Future development costs used in impairment testing and depreciation of oil and gas properties

Certain classes of property, plant and equipment related to oil and gas exploration and production activities are depreciated using a unit-of-production method over 2P reserves. Since 2P reserves assume future development cost to access the proved and probable reserves, an estimate of future development costs is required for the calculation of depreciation.

The Group's estimation of future development costs is based on past costs, experience and data of similar in the region, future petroleum prices and the Company's plans to develop its assets. However, actual costs may be different from those estimated. Changes in estimates of reserve quantities and/or estimates of future development expenditure are reflected prospectively in the depreciation and amortisation calculation.

Estimation of realised export price used to calculate reported revenue and trade receivables

Export sales are accrued using a netback, principally comprised of the estimated realised sales price for each barrel of oil sold, less selling, transportation and handling costs and estimates to cover additional costs. The Company does not have direct visibility on the components of netback because sales are managed by the KRG. As no reconciliation has been performed and agreed with the KRG, management has estimated the price or cost for each component of netback. For each component of netback, management has made its best estimate of prices or costs based on a range communicated by the KRG. Management has estimated the costs outlined above at the higher end of the likely range, reflecting uncertainties in actual realised netback.

Actual realised sales price used to calculate netback and entitlement when a reconciliation is performed with the KRG may be different to the estimate made by management.

Trade receivables

The Company reported trade receivables of $422.9 million owed by the KRG principally for export sales that were made after 2014. The KRG has stated publicly on a consistent basis that it intends to fully repay the debt and has demonstrated its commitment by making 5 monthly payments between September 2015 and the end of February 2016. On 1 February 2016, the KRG announced an interim measure whereby monthly payments to IOCs would be made based on an agreed mechanism. The mechanism has been put in place with the objective of simplifying the calculation of a monthly payment that will include an element that is a proxy for entitlement for the month, together with an element that is intended to contribute towards repayment of the receivable. The KRG has stated that it intends to increase the repayment contribution as the oil price improves.

Management expect that ultimately a reconciliation calculating full entitlement under the terms of the PSC will be agreed with the KRG – this reconciliation will form the basis for calculating amounts owed and the final settlement of the balance.

The Company assess the receivable balance as fully recoverable, with management expectation that it will be settled with cash, although it is possible that the debt could be settled in a number of ways. The success and pace of the recovery of the balance depends on some or all of a number of factors, including: the financial environment in the KRI and the financial budget of the KRG; oil price; volumes of production from the KRI as a whole; and ongoing negotiations with regard to various sources of potential finance. Management does not have direct visibility on the working capital of the KRG or its budget constraints, but continues to monitor the position based on its regular conversations with the KRG.

Management has compared the carrying value of trade receivables reported in the balance sheet to its fair value. When assessing fair value, management has taken into account a range of inputs related to likely pricing of domestic, government refinery and export sales, interest accruing at LIBOR plus 2% in line with the PSC and management's assessment of the likely timing of discounted cash flows.

No revenue or receivable has been recognised for export sales that were made before 2014 (including exports marketed by SOMO) where payment is outstanding), the total unrecognised receivable balance is estimated of circa $340 million.

1. Summary of significant accounting policies continued

Decommissioning costs

Provision for decommissioning represents the present value of decommissioning costs relating to the Kurdistan oil and gas interests, which are expected to be incurred at the end of field life, currently estimated to be in the period 2031 – 2039. These provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. Those estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

Business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Company makes judgements and estimates in relation to the fair value allocation of the purchase price.

The fair value exercise is performed at the date of acquisition. Owing to the nature of fair value assessments in the oil and gas industry, the purchase price allocation exercise and acquisition-date fair value determinations require subjective judgements based on a wide range of complex variables at a point in time. Management uses all available information to make the fair value determinations.

In determining fair value for the acquisition, the Company has utilised valuation methodologies including discounted cash flow analysis. The assumptions made in performing these valuations include assumptions as to discount rates, foreign exchange rates, commodity prices, the timing of development, capital costs, and future operating costs. Any significant change in key assumptions may cause the acquisition accounting to be revised.

Segmental reporting

IFRS 8 requires the Company to disclose information about its business segments and the geographic areas in which it operates. It requires identification of business segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. The Company has two reportable business segments: Kurdistan and Africa. These are described in note 2.

Intangible assets

Exploration assets

Exploration assets are explained under oil and gas assets in property, plant and equipment below.

Other intangible assets

Other intangible assets (predominantly software) that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use, unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date.

Property, plant and equipment

Property, plant and equipment comprises the Company's tangible oil and gas assets together with leasehold improvements and other assets and is carried at cost, less any accumulated depreciation and accumulated impairment losses. Costs include purchase price and construction costs together with borrowing costs where applicable for qualifying assets. Depreciation of these assets commences when the assets are available for their intended use.

Oil and gas assets

Costs incurred prior to obtaining legal rights to explore are expensed immediately to the statement of comprehensive income.

Exploration, appraisal and development expenditure is accounted for under the successful efforts method. Under the successful efforts method only costs that relate directly to the discovery and development of specific oil and gas reserves are capitalised as exploration and evaluation assets within intangible assets. Costs of activity that do not identify oil and gas reserves are expensed.

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible assets or property, plant and equipment according to their nature. Intangible assets comprise costs relating to the exploration and evaluation of properties which the directors consider to be unevaluated until reserves are appraised as commercially viable, at which time, following an impairment review, they are transferred to property, plant and equipment and reclassified as development assets. Where properties are appraised to have no commercial value, the associated costs are expensed as an impairment loss in the period in which the determination is made.

Development expenditure on producing assets is accounted for in accordance with IAS 16–Property, plant and equipment.

Assets are depreciated once they are available for use and are depleted on a field-by-field basis using the unit of production method. Depreciation takes account of book costs and estimated future development costs and uses the unit of production method by dividing production for the period by 2P reserves by production. Changes to depreciation rates as a result of changes in reserve quantities and estimates of future development expenditure are reflected prospectively.

Depreciation is charged so as to write off the cost, less estimated residual value, over the estimated useful lives of the assets using the straight-line method:

Motor vehicles	5 years
Computer equipment	3 years
Other equipment	3-5 years

The estimated useful lives of property, plant and equipment and their residual values are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income for the relevant period.

Where exploration licences are relinquished or exited for no consideration or exploration expenses are neither derisking an asset nor adding value to the asset, the associated costs are expensed to the income statement as exploration costs written-off.

Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The net book value of the replaced part is expensed. The costs of the day-to-day servicing and maintenance of property, plant and equipment are recognised in the statement of comprehensive income.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Financial assets and liabilities

Classification

The Group assesses the classification of its financial assets on initial recognition as either at fair value through profit and loss, loans and receivables; or available for sale. The Group assesses the classification of its financial liabilities on initial recognition as fair value through profit and loss or amortised costs.

Recognition and measurement

Regular purchases and sales of financial assets are recognised at fair value on the trade date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Trade and other receivables

Trade receivables are amounts due from crude oil sales, sales of gas or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

In the consolidated balance sheet and consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and includes the Group's share of cash held in joint operations.

Interest-bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are presented as long or short-term based on the maturity of the respective borrowings in accordance with the loan or other agreement. Borrowings with maturities of less than twelve months are classified as short-term. Amounts are classified as long-term where maturity is greater than twelve months. Where no objective evidence of maturity exists, related amounts are classified as short-term.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

The unwinding of any discount is recognised as finance costs in the statement of comprehensive income.

Decommissioning

Provision is made for the cost of decommissioning assets at the time when the obligation to decommission arises. Such provision represents the estimated discounted liability for costs which are expected to be incurred in removing production facilities and site restoration at the end of the producing life of each field. A corresponding item of property, plant and equipment is also created at an amount equal to the provision. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure attributable to changes in the estimates of the cash flow or the current estimate of the discount rate used are reflected as an adjustment to the provision.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment

Property, plant and equipment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing fair value, an estimation is made of the price that would be received to sell an asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Key assumptions in the discounted cash flows used to assess the fair value of property, plant and equipment are oil price, reserves and resources, operating expenditure and government deductions from revenue and discount rate.

1. Summary of significant accounting policies
continued

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash generating unit).

The estimated recoverable amount is then compared to the carrying value of the asset. Where the estimated recoverable amount is materially lower than the carrying value of the asset an impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate of future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised as an expense in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Share capital
Ordinary shares are classified as equity.

Revenue
Revenue for petroleum sales are recognised when the significant risks and rewards of ownership have passed to the buyer and the associated revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, value added tax (VAT) and other sales tax or duty.

The significant risks and rewards of ownership are deemed to have passed on delivery of crude oil to the customer at the point of loading and revenue is recognised accordingly to the extent that the receipt of cash is assessed as sufficiently probable and the amount of revenue can be reliably measured.

Where income tax arising from the Group's activities under production sharing contracts is settled by a third party at no cost and on behalf of the Group and where the Group would otherwise be liable for such income tax, the associated sales are shown gross including the notional tax and a corresponding income tax charge is presented in the statement of comprehensive income.

Employee benefits
Short-term benefits
Short-term employee benefit obligations are expensed to the statement of comprehensive income as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments
The Group operates a number of equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the statement of comprehensive income equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models, principally Monte Carlo and adjusted Black-Scholes models. The charge is recognised in the statement of comprehensive income over the vesting period of the award.

At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. Any revision to the original estimates is reflected in the statement of comprehensive income with a corresponding adjustment to equity immediately to the extent it relates to past service and the remainder over the rest of the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Finance income and finance costs
Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings, and foreign currency losses. Borrowing costs directly attributable to the acquisition of a qualifying asset as part of the cost of that asset are capitalised over the respective assets.

Borrowing costs, including the accretion of any discount on initial recognition of borrowings, incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the consolidated statement of comprehensive income.

Taxation
Under the terms of the Kurdistan PSCs, under which oil sales are made, any tax due is paid directly from the government's take of revenues. This would normally be presented for as a gross up of revenue with a corresponding taxation expense in the statement of comprehensive income. No gross up of revenue and presentation of taxation expense has been accounted for in the period because, as a consequence of the uncertainty over the payment mechanism for oil sales in Kurdistan, it has not been possible to measure the quantum of taxation that has been paid on behalf of the Group by the KRG.

Related parties
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial or operational decisions. Parties are also related if they are subject to common control. Transactions between related parties are transfers of resources, services or obligations, regardless of whether a price is charged and are disclosed separately within the notes to the consolidated financial information.

New standards
The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 and do not have a material impact on the group: IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint arrangements' and IFRS 12, 'Disclosures of interests in other entities'.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and not early adopted. None of these are expected to have significant effect on the consolidated financial statements of the Group.

2. Segmental information

The Group has two reportable business segments, which are its oil and gas exploration and production business in the KRI and its oil and gas exploration business in Africa. Capital expenditure decisions for the KRI business segment are considered in the context of the cash flows expected to be made from the production and sale of crude oil. Capital expenditure for the African segment is considered in the context of the available cash of the Group.

Finance income is not considered part of a business segment and forms part of the reconciliation to reported numbers. For the period ended 31 December 2015:

	KRI $m	Africa $m	Other $m	Total reported $m
Revenue	343.9	-	-	343.9
Cost of sales	(208.3)	-	-	(208.3)
Gross profit	135.6	-	-	135.6
Exploration costs written-off	(69.1)	(103.9)	-	(173.0)
Impairment and write-off of property, plant and equipment	(1,038.0)	-	-	(1,038.0)
General and administrative costs	(1.5)	-	(27.2)	(28.7)
Operating loss	(973.0)	(103.9)	(27.2)	(1,104.1)
Finance expense	(1.0)	-	(55.5)	(56.5)
Loss before tax	(974.0)	(103.9)	(82.7)	(1,160.6)
Capital expenditure	139.3	17.9	-	157.2
Total assets	3,080.6	43.8	377.3	3,501.7
Total liabilities	(195.5)	(21.1)	(710.3)	(926.9)

General and administrative costs represent non-segmental items related to head office activities. Total assets and liabilities in the other segment are predominantly cash and debt balances.

For the period ended 31 December 2014:

	KRI $m	Africa $m	Other $m	Total reported $m
Revenue	519.7	-	-	519.7
Cost of sales	(203.1)	-	-	(203.1)
Gross profit	316.6	-	-	316.6
Exploration costs written-off	-	(476.8)	-	(476.8)
Impairment and write-off of property, plant and equipment	(80.9)	-	-	(80.9)
General and administrative costs	(1.9)	-	(45.1)	(47.0)
Operating profit/(loss)	233.8	(476.8)	(45.1)	(288.1)
Finance expense	(0.9)	-	(23.8)	(24.7)
Profit/(Loss) before tax	232.9	(476.8)	(68.9)	(312.8)
Capital expenditure	331.2	343.0	2.7	676.9
Total assets	3,946.1	115.1	426.1	4,487.3
Total liabilities	(168.1)	(78.8)	(506.9)	(753.8)

General and administrative costs represent non-segmental items related to head office activities. Total assets and liabilities in the other segment are predominantly cash and debt balances.

3. Exploration costs written-off

	2015 $m	2014 $m
Write off of previously capitalised exploration assets (see note 9)	**144.1**	471.1
Current year exploration expenses	**28.9**	5.7
	173.0	476.8

Write off of previously capitalised exploration costs includes costs previously capitalised principally in relation to the following licences: Ber Bahr, Morocco Mir Left, Côte d'Ivoire and Ethiopia. Current year exploration expenses related principally to work commitments and costs incurred on assets that the Company has exited or is in the process of exiting.

4. Operating costs

	2015 $m	2014 $m
Operating loss is stated after charging cost of sales and general and administration costs:		
Depletion and amortisation of oil and gas assets	**172.0**	141.0
Production costs	**36.3**	62.1
Cost of sales	**208.3**	203.1
Share based payment charge	**1.5**	4.0
Depreciation and amortisation of other fixed assets	**0.5**	3.3
Other administrative costs	**26.7**	39.7
General and administrative expenses	**28.7**	47.0
Fees payable to the Company's auditors for:		
Audit of parent company and consolidated financial statements	**0.4**	0.4
Tax services	**0.2**	0.3
Total fees	**0.6**	0.7

5. Staff numbers and costs

	Average number 2015	Average number 2014
Turkey	**102**	126
UK	**32**	56
Other	**51**	136
	185	318

The numbers presented above are the average for the year. They include all employees of Group companies but exclude the employees of all joint operations including 577 employees (2014: 624) in TTOPCO.

The Company incurs payroll costs related to a number of different activities. Some of the costs are expensed to the income statement and some are capitalised against assets, depending on the related activity and whether the cost meets capitalisation requirements under IFRS.

	2015 $m	2014 $m
Wages and salaries	**38.1**	70.0
Share-based payments (note 19)	**2.9**	6.8
Social security costs	**2.7**	3.5
	43.7	80.3

6. Finance/expense income

	2015 $m	2014 $m
Interest on bank deposits	**1.3**	0.6
Interest payable on bond	**(50.1)**	(23.5)
Unwind of discounts	**(7.7)**	(1.8)
	(56.5)	(24.7)

7. Income tax expense

A taxation charge of $1.0 million (2014: $1.5 million) was made in the Turkish and UK services companies. All other corporation tax due in KRI is deemed paid on behalf of the Group by the KRG from it's own share of revenues. There is no tax payment required or expected to be made by the Group as revenue is received after tax.

The tax paid by the government in accordance with the terms of the KRI PSCs would usually be presented as a gross up of revenue and a corresponding taxation expense in the statement of comprehensive income with no cash outflow. In the Group's results for the periods ended 31 December 2015 and 31 December 2014, no presentation of taxation expense with an equivalent gross up for revenue has been accounted for because it has not been possible to measure reliably the amount of taxation paid on behalf of the Group because of uncertainties over how the amount of taxation should be calculated. This is an accounting presentational issue and there is no taxation to be paid. For the same reason, it has not been possible to assess whether it is necessary to gross up the acquired assets for deferred tax.

8. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

	2015 $m	2014 $m
Loss for the period attributable to equity holders of the Company ($million)	**(1,161.6)**	(314.3)
Weighted average number of ordinary shares (number)[1]	**278,351,746**	278,177,070
Basic earnings per share (cents per share)	**(417.30)**	(112.97)

1. Excluding the purchase of own shares now held as treasury shares

Diluted

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all potential dilutive ordinary shares. The Group has four types of potential dilutive ordinary shares:

- Shares granted to directors and employees under the performance share plan, to the extent that performance conditions have been met at the period end
- Share options granted to employees under the share option plan, where the exercise price is less than the average market price of the Company's ordinary shares during the period
- Shares granted to employees under the restricted share plan
- Shares and securities issued to the founders of the Company, to the extent that performance conditions have been met at the period end

Further details of these potentially dilutive shares are shown in note 19.

	2015 $m	2014 $m
Loss for the period attributable to equity holders of the Company ($million)	**(1,161.6)**	(314.3)
Weighted average number of ordinary shares (number)[1]	**278,351,746**	278,177,070
Adjustment for performance shares, restricted shares, share options and founder shares and securities (number)[2]	**-**	-
Weighted average number of ordinary shares for diluted earnings per share (number)	**278,351,746**	278,177,070
Diluted earnings per share (cents per share)	**(417.30)**	(112.97)

1. Excluding the purchase of own shares now held as treasury shares
2. As the Group reported a loss in 2014, there are no dilutive adjustments to be made

9. Intangible assets

	Exploration and evaluation assets $m	Other assets $m	Total $m
Cost			
At 1 January 2015	**1,676.6**	**5.8**	**1,682.4**
Acquisitions (note 20)	**101.0**	**-**	**101.0**
Additions	**48.0**	**0.5**	**48.5**
Transfer to property, plant and equipment (see note 10)	**(12.9)**	**-**	**(12.9)**
Other	**2.4**	**-**	**2.4**
Disposals and exploration costs written off (see note 3)	**(144.1)**	**-**	**(144.1)**
At 31 December 2015	**1,671.0**	**6.3**	**1,677.3**
Accumulated amortisation and impairment			
At 1 January 2015	**-**	**(3.1)**	**(3.1)**
Amortisisation charge for the period	**-**	**(1.5)**	**(1.5)**
Balance at 31 December 2015	**-**	**(4.6)**	**(4.6)**
Net book value			
At 31 December 2015	**1,671.0**	**1.7**	**1,672.7**

	Exploration and evaluation assets $m	Other assets $m	Total $m
Cost			
At 1 January 2014	1,630.9	4.5	1,635.4
Acquisitions (note 20)	76.8	-	76.8
Transfer to property, plant and equipment (see note 11)	(40.8)	-	(40.8)
Disposals and exploration costs written off	(471.1)	-	(471.1)
Additions	480.8	1.3	482.1
At 31 December 2014	1,676.6	5.8	1,682.4
Accumulated amortisation and impairment			
At 1 January 2014	-	(1.5)	(1.5)
Amortisation charge for the period	-	(1.6)	(1.6)
At 31 December 2014	-	(3.1)	(3.1)
Net book value			
At 31 December 2014	1,676.6	2.7	1,679.3

The exploration write off represents exploration expenditure in respect of Angola, Malta, Morocco (Sidi Moussa and Juby Maritime fields), Côte d'Ivoire and Ethiopia now expensed to the income statement.

Exploration and evaluation assets are comprised of the Group's PSC interests in exploration assets in the Kurdistan Region of Iraq and Africa. Exploration and evaluation assets are not amortised as they are not available for use but are assessed for impairment indicators under IFRS 6.

The net book value of $1.7 million (2014: $2.7 million) of other assets is principally software.

10. Property, plant and equipment

	Oil and gas assets $m	Other assets $m	Total $m
Cost			
At 1 January 2015	**2,432.8**	**9.2**	**2,442.0**
Additions	**109.2**	**-**	**109.2**
Transfer from intangible assets (see note 9)	**12.9**	**-**	**12.9**
Other	**4.0**	**(0.3)**	**3.7**
At 31 December 2015	**2,558.9**	**8.9**	**2,567.8**
Accumulated depreciation and impairment			
At 1 January 2015	**(422.1)**	**(4.7)**	**(426.8)**
Depreciation charge for the period	**(172.0)**	**(1.6)**	**(173.6)**
Impairment	**(1,038.0)**	**-**	**(1,038.0)**
At 31 December 2015	**(1,632.1)**	**(6.3)**	**(1,638.4)**
Net book value			
At 31 December 2015	**926.8**	**2.6**	**929.4**

	Oil and gas assets $m	Other assets $m	Total $m
Cost			
At 1 January 2014	2,279.5	7.8	2,287.3
Additions	193.4	1.4	194.8
Write-off	(80.9)	-	(80.9)
Transfer from intangible assets (see note 9)	40.8	-	40.8
At 31 December 2014	2,432.8	9.2	2,442.0
Accumulated depreciation and impairment			
At 1 January 2014	(281.1)	(3.0)	(284.1)
Depreciation charge for the period	(141.0)	(1.7)	(142.7)
At 31 December 2014	(422.1)	(4.7)	(426.8)
Net book value			
At 31 December 2014	2,010.7	4.5	2,015.2

Oil and gas assets comprise principally the Group's share of oil assets at the Taq Taq and Tawke producing fields in the Kurdistan Region of Iraq. Other assets include leasehold improvements, office furniture and motor vehicles.

Property, plant and equipment is assessed annually for impairment indicators and if impairment indicators exist the assets are then assessed for impairment. In the current year, sustained low oil price and production that was lower than expectation represented indicators of impairment for the Company's two producing oil assets: Taq Taq and Tawke. Impairment assessments for both assets were prepared on a value in use basis using discounted future cash flows based on estimated 2P reserves profiles. The key assumptions used for the impairment testing were:

	Discount rate	Short-term Brent oil price assumption 2016/2017	Long-term Brent oil price assumption from 2020
Kurdistan	**12.5%**	**$40-45/bbl**	**$75/bbl**

The Taq Taq asset was impaired by $1,038 million following a reduction in reserves and long term oil price. For the Tawke asset, where there was no impairment, a $5/bbl change in Brent oil price assumption would result in an impairment of circa $50 million; and a 1% change in discount rate assumption would result in an impairment of circa $25 million.

11. Trade and other receivables

	2015 $m	2014 $m
Trade receivables – non current	**365.3**	–
Trade receivables – current	**57.6**	232.9
Other receivables	**17.2**	49.4
Prepayments	**4.2**	21.4
	444.3	303.7

Trade receivables are monies owed by the KRG, principally for export sales. Although the trade receivable balance is due for payment, management has assessed that, based on current price of oil and the current payment mechanism in place, it is unlikely that the full balance will be recovered before the end of 2016. Management has therefore classified the balance expected to be recovered in the year, based on current oil prices, as current, with the remainder of the balance presented as non-current. The pace of recovery of the balance owed may vary according to a number of factors, including oil price. Further information is provided in note 17 and in the Significant accounting estimates and judgements in note 1.

12. Cash and cash equivalents

	2015 $m	2014 $m
Cash and cash equivalents	**455.3**	489.1

Cash is primarily held in US Treasury bills or treasury bills or on time deposit with a major financial institution. They include the Group's share of cash held in its joint operations and $21 million (2014: $166.1 million) of restricted cash used as cash collateral on letters of credit and performance guarantees.

13. Trade and other payables

	2015 $m	2014 $m
Trade payables	**15.1**	69.0
Other payables	**15.2**	16.5
Accruals	**50.3**	98.5
Deferred consideration (see note 20)	**78.0**	5.0
	158.6	189.0
Non-current	**78.0**	5.0
Current	**80.6**	184.0
	158.6	189.0

The Company's payables are predominantly short-term in nature or are repayable on demand and, as such, for these payables there is minimal difference between the value of these financial liabilities and their carrying amount.

Deferred consideration includes a balance of $73.0 million. The principal value of this balance is $145.0 million and its payment is contingent on gas production at the Bina Bawi asset meeting a certain volume threshold. The unwind of the discount on the deferred consideration will be capitalised against the asset and the balance reassessed at each balance sheet date.

14. Deferred income

	2015 $m	2014 $m
Non-current	**46.0**	47.8
Current	**3.0**	6.2
	49.0	54.0

Deferred income is royalty income received in advance for the Taq Taq PSC. The deferred income is recognised in the statement of comprehensive income in a manner consistent with how the royalty income becomes due. Once the deferred income has been fully recognised, the joint operating partner will recommence cash payment for the royalty.

15. Provisions

	2015 $m	2014 $m
At 1 January	**19.4**	16.9
Interest unwind	**0.8**	0.8
Additions	**5.0**	1.7
At 31 December	**25.2**	19.4
Non-current	**25.2**	19.4
Current	**-**	-
	25.2	19.4

Non-current provisions cover expected decommissioning and abandonment costs resulting from the net ownership interests in petroleum and natural gas assets, including well sites and gathering systems. The decommissioning and abandonment provision is based on management's best estimate of the expenditure required to settle the present obligation at the end of the period.

The cash flows relating to the decommissioning and abandonment provisions are expected to occur between 2031 and 2039. The provision is the discounted present value of the cost, using existing technology at current prices.

16. Borrowings and net debt

	1 Jan 2015 $m	New Bond Issue $m	Merger of bonds $m	Discount unwind $m	Net Cash Outflow and FX $m	31 Dec 2015 $m
2014 bond issue maturing May 2019	**491.4**	**-**	**196.2**	**6.5**	**-**	**694.1**
2015 bond issue maturing May 2019	**-**	**196.2**	**(196.2)**	**-**	**-**	**-**
Cash	**(489.1)**	**(196.2)**	**-**	**-**	**230.0**	**(455.3)**
	2.3	**-**	**-**	**6.5**	**230.0**	**238.8**

The Company completed the issue of senior unsecured bonds on 26 March 2015 on the same commercial terms and coupon as the existing bonds issued 14 May 2014. The bonds were priced in line with the trading level of the existing bonds and consequently were issued at discount. Posit-issuance, the new bonds were merged with the existing bonds resulting in a merged senior unsecured $730 million bond with a coupon rate of 7.5% ($54.8 million per annum) payable on a biannual basis. The fair value of the $730 million bond at 31 December 2015 was $511 million (at 31 December 2014, the fair value of the $500 million bond was $452 million).

17. Financial risk management

Financial risk factors and fair values

Counterparty risk

Credit risk is managed centrally and arises from cash and cash equivalents, trade and other receivables and other assets. The carrying amount of financial assets represents the maximum credit exposure, the maximum credit exposure to credit risk at 31 December was:

	2015 $m	2014 $m
Trade receivables	**422.9**	232.9
Other receivables	**17.2**	49.4
Cash and cash equivalents	**455.3**	489.1
	895.4	771.4

17. Financial risk management
continued

Trade receivables
The Company reported trade receivables of $422.9 million owed by the KRG principally for export sales that were made after 2014. The KRG has stated publicly on a consistent basis that it intends to fully repay the debt. On 1 February 2016, the KRG announced an interim measure whereby monthly payments to IOCs would be made based on an agreed mechanism. The mechanism has been put in place with the objective of simplifying the calculation of a monthly payment that will include an element that is a proxy for entitlement for the month, together with an element that is intended to contribute towards repayment of the receivable. The KRG has stated that it intends to increase the repayment contribution as the oil price improves.

Management expect that ultimately a reconciliation calculating full entitlement under the terms of the PSC will be agreed with the KRG – this reconciliation will form the basis for calculating amounts owed and the final settlement of the balance.

The Company assess the receivable balance as fully recoverable, with management expectation that it will be settled with cash, although it is possible that the debt could be settled in a number of ways. The success and pace of the recovery of the balance depends on some or all of a number of factors, including: the financial environment in the KRI and the financial budget of the KRG; oil price; volumes of production from the KRI as a whole; and ongoing negotiations with regard to various sources of potential finance. Management does not have direct visibility on the working capital of the KRG or its budget constraints, but continues to monitor the position based on its regular conversations with the KRG.

Management has compared the carrying value of trade receivables reported in the balance sheet to its fair value. When assessing fair value, management has taken into account a range of inputs related to likely pricing of domestic, government refinery and export sales, interest accruing at LIBOR plus 2% in line with the PSC and management's assessment of the likely timing of discounted cash flows.

No revenue or receivable has been recognised for export sales that were made before 2014 (including exports marketed by SOMO), where payment is outstanding the total recognised recievable balance is estimated at circa $340 million.

Cash
The Company takes a conservative approach to its cash management. Cash is deposited in treasury bills or term deposits with banks that are assessed as appropriate based on, among other things, sovereign risk, CDS pricing and credit rating.

All of the Company's financial assets are payable on demand. Generally the timing of the cash flows associated with the assets results in the carrying value being a reasonable estimation of their fair value.

Liquidity risk
The Group is committed to ensuring it has sufficient liquidity to meet its payables as they fall due. At 31 December 2015 the Group had cash and cash equivalents of $455.3 million (2014: $489.1 million).

Commodity price risk
The revenue of the Company is sensitive to oil price, although impact is somewhat reduced by the PSC mechanism of calculating revenue based on cost oil and profit oil.

Interest rate risk
The Group had borrowings of $694.1 million (2014: $491.4 million) as of 31 December 2015. Interest is payable at a fixed coupon rate of 7.5% on the nominal value of $730 million.

Capital management
The Company manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The funding needs of the Company are met principally from the cash flows generated from its operations, with a robust balance sheet and cash at year-end of $455.3 million.

18. Share capital

	Suspended voting ordinary shares 2015	Voting ordinary shares 2015	Total ordinary shares 2015
At 1 January 2015	**33,538,301**	**246,709,897**	**280,248,198**
Conversion of 3,916,616 suspended ordinary voting shares on 13 February 2015 as a result of a sale of 2,000,000 and 1,400,000 ordinary shares by affiliated shareholders to third parties on 10 December 2014 and 16 December 2014 respectively	**(3,916,616)**	**3,916,616**	**-**
At 31 December 2015 – fully paid[1]	**29,621,685**	**250,626,513**	**280,248,198**

	Suspended voting ordinary shares 2014	Voting ordinary shares 2014	Total ordinary shares 2014
At 1 January 2014	47,166,873	233,081,325	280,248,198
Sale of 3,250,000 ordinary shares by affiliated shareholders to third parties on 27 January 2014 and 21 February 2014	(4,642,857)	4,642,857	-
Sale of 2,170,000 ordinary shares by affiliated shareholders to third parties on 10 March 2014	(3,100,000)	3,100,000	-
Sale of 1,120000 and 3,000,000 ordinary shares by affiliated shareholders to third parties on 2 July 2014 and 7 July 2014 respectively	(5,885,715)	5,885,715	-
At 31 December 2014 – fully paid[1]	33,538,301	246,709,897	280,248,198

1. Voting ordinary shares includes 1,865,720 (2014: 2,006,362) treasury shares

On the sale of voting ordinary shares from an affiliated shareholder to a third party, the affiliated shareholders have a right of conversion of suspended voting ordinary shares to voting ordinary shares in order to maintain their voting ordinary share percentage at just below 30% of the Company. Details of those sales and resulting conversions are set out below.

On 13 February 2015, 3,916,616 suspended voting ordinary shares were converted to voting ordinary shares in accordance with the terms of the suspended voting ordinary shares.

On 27 January 2014 2,250,000 voting ordinary shares were transferred from affiliated shareholders to third parties. On 21 February 2014 a further 1,000,000 voting ordinary shares were transferred from affiliated shareholders to third parties. On 7 March 2014 4,642,857 suspended voting ordinary shares were converted to voting ordinary shares in accordance with the terms of the suspended voting ordinary shares.

On 10 March 2014 2,170,000 voting ordinary shares were transferred from affiliated shareholders to third parties and on the 11 March 2014 3,100,000 suspended voting ordinary shares were converted to voting ordinary shares in accordance with the terms of the suspended voting ordinary shares.

On 2 July 2014, 1,120,000 voting ordinary shares were transferred from affiliated shareholders to third parties. On 7 July 2014 a further 3,000,000 voting ordinary shares were transferred from affiliated shareholders to third parties. On 24 July 2014, 5,885,715 suspended voting ordinary shares were converted to voting ordinary shares in accordance with the terms of the suspended voting ordinary shares.

On 10 December 2014 2,000,000 voting ordinary shares were transferred from affiliated shareholders to third parties. On 16 December 2014 a further 1,400,000 voting ordinary shares were transferred from affiliated shareholders to third parties. On 13 February 2015 3,916,616 suspended voting ordinary shares were converted to voting ordinary shares in accordance with the terms of the suspended voting ordinary shares.

On 16 December 2014 a further 1,400,000 voting ordinary shares were transferred from affiliated shareholders to third parties.

There have been no changes to the authorised share capital since it was determined to be 10,000,000,000 ordinary shares of £0.10 per share.

19. Share-based payments

The Company has three share-based payment plans. These plans have been accounted for in accordance with IFRS 2 – Share based payments.

Performance Share Plan (PSP), Restricted Share Plan (RSP) and Share Option Plan (SOP)
The Company operates a performance share plan, restricted share plan and a share option plan. In 2015, awards were made under the performance share plan and restricted share plan, no awards were made under the share option plan. The main features of these share plans are set out below.

features	PSP	RSP	SOP
Form of awards	Performance shares. The intention is to deliver the full value of vested shares at no cost to the participant (e.g. as conditional shares or nil-cost options).	Restricted shares. The intention is to deliver the full value of shares at no cost to the participant (e.g. as conditional shares or nil-cost options).	Market value options. Exercise price is set equal to the average share price over a period of up to 10 days to grant date.
Performance conditions	Performance conditions will apply. For awards granted to date, these are based on relative TSR measured against a Group of industry peers over a threeyear period.	Performance conditions may or may not apply. For awards granted to date, there are no performance conditions.	Performance conditions may or may not apply. For awards granted to date, there are no performance conditions.
Vesting period	Awards will vest when the remuneration committee determine whether the performance conditions have been met at the end of the performance period.	Awards typically vest over three years.	Awards typically vest after three years. Options are exercisable until the 10th anniversary of the grant date.
Dividend equivalents	Provision of additional cash/shares to reflect dividends over the vesting period may or may not apply. For awards granted to date, dividend equivalents do not apply.	Provision of additional cash/shares to reflect dividends over the vesting period may or may not apply. For awards granted to date, dividend equivalents do not apply.	Provision of additional cash/shares to reflect dividends over the vesting period may or may not apply. For awards granted to date, dividend equivalents do not apply.

The numbers of outstanding shares under the PSP, RSP and SOP as at 31 December 2015 are set out below:

	PSP		RSP		SOP		CEO award	
	Options (at nil cost)	Weighted average exercise price	Options (at nil cost)	Weighted average exercise price	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of the period	**1,333,961**	**-**	**182,265**	**-**	**1,550,627**	**844p**	**-**	**-**
Granted during the period	**1,022,795**	**-**	**1,067,588**	**-**	**-**	**-**	**375,000**	**-**
Forfeited during the period	**(461,284)**	**-**	**(126,941)**	**-**	**(1,224,900)**	**787p**	**-**	**-**
Exercised during the period	**146,649**	**-**	**154,774**	**-**	**-**	**-**	**-**	**-**
Outstanding at the end of the period	**1,748,823**	**-**	**968,138**	**-**	**325,727**	**847p**	**375,000**	**-**
Exercisable at the end of the period	**102,131**	**-**	**84,463**	**-**	**53,368**	**774p**	**-**	**-**

The range of exercise prices for share options outstanding at the end of the period is nil to 1,046.00p. The weighted average remaining contractual life of the outstanding share options is 1.6 years. The weighted average fair value for PSP awards granted in the period is 322.4p and for RSP awards granted in the period is 563.05p.

Fair value was measured either by use of the Black-Scholes pricing model or by use of a formula based on past calculations. The model takes into account assumptions regarding expected volatility, expected dividends and expected time to exercise. In the absence of sufficient historical volatility for the Company, expected volatility was estimated by analysing the historical volatility of FTSE-listed oil and gas producers over the three years prior to the date of grant. The expected dividend assumption was set at 0%. The risk-free interest rate incorporated into the model is based on the term structure of UK Government zero coupon bonds. The inputs into the fair value calculation for RSP and PSP awards granted in 2015 and fair values per share using the model were as follows:

	PSP		RSP		
	15th Apr 2015	5th May 2015	15th Apr 2015	5th May 2015	17th Sep 2015
Share price	559p	603p	559p	603p	338p
Exercise price	-	-	-	-	-
Expected life	3	3	1-3years	1-3 years	1-3 years
Expected dividends	-	-	-	-	-
Fair value on measurement date	320p	345p	559p	603p	338p

Total share based payment charge for the year was $2.9 million (2014: $6.8 million). The numbers of outstanding shares under the PSP, RSP and SOP as at 31 December 2014 are set out below:

	PSP		RSP		SOP	
	Options (at nil cost)	Weighted average exercise price	Options (at nil cost)	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of the period	891,569	-	301,087	-	1,230,449	773p
Granted during the period	473,403	-	40,124	-	708,755	1,008p
Forfeited during the period	(31,011)	-	(38,041)	-	(377,909)	936p
Exercised during the period	-	-	(120,905)	-	(10,668)	781p
Outstanding at the end of the period	1,333,961	-	182,265	-	1,550,627	844p
Exercisable at the end of the period	-	-	68,380	-	324,070	787p

20. Acquisitions

On 22 September 2015 the group acquired a 36% operated stake in the Bina Bawi field, thereby increasing its interest to 80%. The consideration comprises an upfront payment of $5 million; a contingent payment of $70 million is payable once gas production exceeds certain threshold volumes from the Miran and Bina Bawi fields; a second contingent payment of $75 million is payable two years after the date of the second payment. In addition, in consideration for the KRG approving the transaction, the Company released the KRG from monies owed of $25 million, which was owed in relation to past expenses incurred on the Miran field that accured after KRG exercised it back in right in September 2013.

	Bina Bawi 2015 $m
Intangible assets	101.0
Liabilities	(1.5)
Cash acquired	1.1
Fair value of assets agreed	100.6

In order to recognise the deferred consideration at its fair value, the balance has been discounted using an estimate for the credit risk of the Company by using the implied cost of debt of the Company at the time of the transaction of circa 13%. This has resulted in a balance of $70.6 million being recognised at the acquisition date.

21. Capital commitments and operating leases

Under the terms of its PSCs and JOAs, the Group has certain commitments that are generally defined by activity rather than spend. The Group's capital programme for the next few years is explained in the operating view on pages 16 to 23 and is in excess of the activity required by its PSCs and JOAs. The Company has a work obligation of $33.0 million in relation to its Sidi Moussa licence.

The Group leases temporary production and office facilities under operating leases. During the period ended 31 December 2015 $4.0 million (2014: $5.1 million) was expensed to the statement of comprehensive income in respect of these operating leases.

Drill rigs are leased on a day-rate basis for the purpose of drilling exploration or development wells. The aggregate payments under drilling contracts are determined by the number of days required to drill each well and are capitalised as exploration or development assets as appropriate.

The Group had no material outstanding commitments for future minimum lease payments under non-cancellable operating leases.

22. Related parties

Transactions with key management personnel

The compensation of key management personnel including the directors of the Company is as follows:

	2015 $m	2014 $m
Directors' fees	**1.8**	1.8
Key management emoluments and short-term benefits	**9.0**	16.8
Share-related awards	**1.6**	3.6
	12.4	22.2

The directors have identified senior management and the Board members, Their associates, investments and joint ventures as related parties of the Group under IAS24.

There are no other significant related party transactions.

23. Subsidiaries and joint arrangements

For the period ended 31 December 2015 the principal activity of all companies related to oil and gas exploration, development and production.

	Country of Incorporation	2015 Ownership % (ordinary shares)
Genel Energy International Ltd	Anguilla	100
A&T Petroleum Company Limited	Cayman Islands	100
Barrus Petroleyum Côte d'Ivoire Sarl	Côte d'Ivoire	100
Barrus Petroluem Limited	Isle of Man	100
Genel Energy Gas Company Limited	Jersey	100
Genel Energy Holding Company Limited	Jersey	100
Genel Energy Finance 2 Limited	Jersey	100
WRG Angola Block 38 Limited (in liquidation as of 9 October 2015)	Jersey	50
WRG Angola Block 39 Limited (in liquidation as of 9 October 2015)	Jersey	50
Phoenicia Energy Company Limited	Malta	100
Genel Energy Netherlands Holding 1 Cooperatief B.A.	Netherlands	100
Genel Energy Netherlands Holding 2 B.V.	Netherlands	100
Genel Energy Yonetim Hizmetleri Anonim Sirketi	Turkey	100
Genel Energy Limited	England and Wales	100
Genel Energy Petroleum Services Limited	England and Wales	100
Genel Energy UK Services Limited	England and Wales	100
Genel Energy Finance 3 plc	England and Wales	100
Genel Energy Miran Bina Bawi Limited	England and Wales	100
Genel Energy Somaliland Limited	England and Wales	100
Genel Energy Africa Exploration Limited	England and Wales	100
Genel Energy Africa Limited	England and Wales	100
Genel Energy Exploration 2 Limited	England and Wales	100
Genel Energy Finance plc	England and Wales	100
Taq Taq Petroleum Refining Company Limited	British Virgin Islands	100
Taq Taq Drilling Company Limited	British Virgin Islands	55
Taq Taq Operating Company Limited	British Virgin Islands	55

Taq Taq Operating Comapny Limited is the service company through which the Group jointly operates the Taq Taq PSC with its partner, it has a branch in Turkey. The Company shares equal voting rights with its partner.

SHAREHOLDER INFORMATION

ShareGift
If you hold a small number of shares and find it uneconomical to sell them, you may wish to donate your shares to charity free of charge through ShareGift. ShareGift collects donations of unwanted shares, sells them and then donates the proceeds to UK charities. Further details are available at www.sharegift.org or by calling +44 (0) 20 7930 3737.

AGM
This year's AGM will be held at Linklaters LLP, One Silk Street, London, EC2Y 8HQ, UK on Wednesday, 27 April 2016 at 11:00am.

Details of the business to be considered at the AGM are set out in the accompanying notice of meeting.

Dividend and dividend history
We have not paid any dividends to shareholders to date and no final dividend is proposed in respect of the year ended 31 December 2015.

Registrars
Our registrars are Equiniti Registrars.

All enquiries relating to the administration of shareholdings should be directed to Equiniti Registrars, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

Telephone: 0371 384 2030 lines are open Monday – Friday excluding UK Bank Holidays, 8.30 am – 5.30 pm (from outside the UK: +44 121 415 7047).

Share price information
The current price of the Company's shares is available on the Company's website at www.genelenergy.com

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