Genel Energy

ANNUAL REPORT 2017

A landmark year, sustainable delivery

Who we are

Genel Energy is the largest holder of reserves and resources in the Kurdistan Region of Iraq, where we have been operating for over a decade.

Material free cash flow generation from our oil assets provides the ability to execute our strategy for growth.

Our strategic ambition

To become a world-class independent E&P creator of shareholder value.

ESSENTIAL READING

CEO statement

READ MORE P6

Key Performance Indicators

READ MORE P12

Our sustainable approach

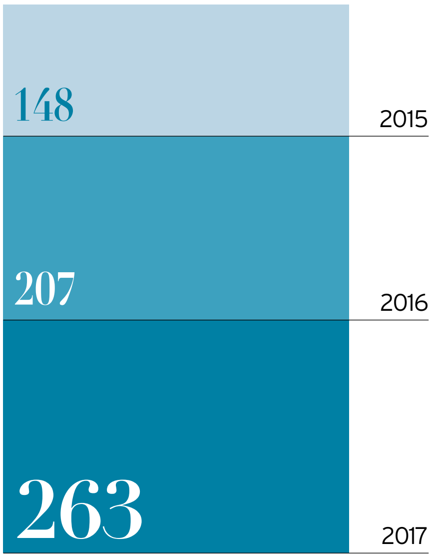
READ MORE P18

CONTENTS

Business highlights

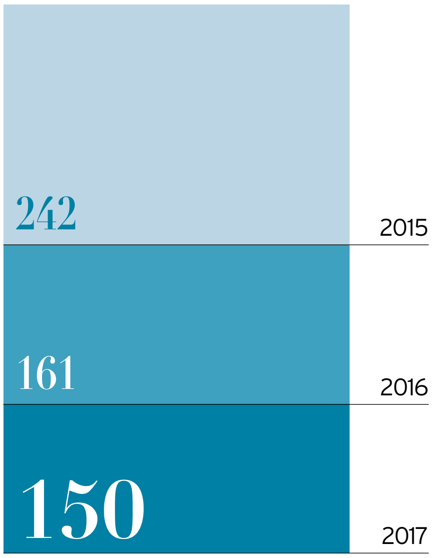
CASH PROCEEDS

($ MILLION)



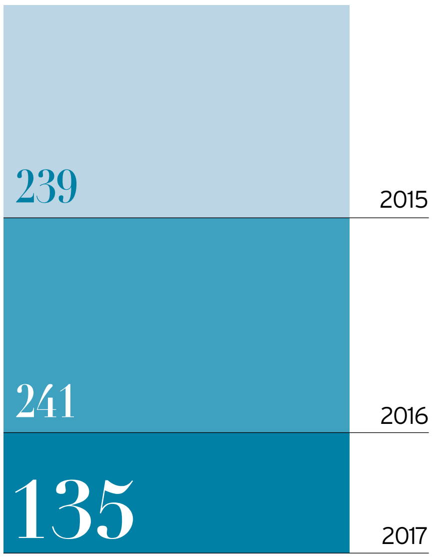
2P RESERVES

(NET MMbbls)



NET DEBT

($ MILLION)



HIGHLIGHTS

- $263 million of cash proceeds received in 2017 (2016: $207 million), with strong free cash flow generation of $142 million (2016: $59 million)
- Year-end net debt of $135 million, a 44% reduction year-on-year (2016: $241 million)
- Year-end gross debt of $300 million, a 56% reduction year-on-year (2016: $675 million), with debt extended until 2022 and interest cost reduced by 40%
- Receivable Settlement Agreement resulted in cash benefit of $26 million in Q4 2017
- Focused capital allocation – 66% of capital expenditure was spent on cash-generative producing assets, and has been cost recovered

- Drilling success at Peshkabir, with gross production rising to c.15,000 bopd at year-end
- Taq Taq field production stabilised in H2 2017, with Q4 average of 14,035 bopd in line with Q3 average of 14,080 bopd
- In January 2018 Bina Bawi and Miran CPRs confirmed c.45% uplift to gross 2C raw gas resources to 14.8 Tcf

READ MORE P22

OUTLOOK

- Combined net production from the Tawke and Taq Taq PSCs during 2018 is expected to be close to Q4 2017 levels of 32,800 bopd, unchanged from previous guidance
- Genel expects to continue the generation of material free cash flow in 2018
- Tangible steps to be taken to further de-risk gas resources and unlock value from Bina Bawi and Miran, including the high-value oil resources
- Capital allocation discipline to continue, with ongoing prioritisation of spend on cash-generative producing assets. Capital expenditure guidance unchanged at c.$95-140 million net to Genel
- Opex and G&A cash cost guidance unchanged at c.$30 million and c.$15 million respectively

READ MORE P7

Clear strategy, material upside

Stephen Whyte
Chairman

I am pleased to welcome you to Genel's seventh annual results statement, and my first as Chairman.

Looking at Genel from an external perspective it was clear that the Company operated in a challenging environment, but it had demonstrated resilience while retaining real growth potential. In 2017 Genel delivered on that potential.

I am now more confident than ever that, while challenges remain, there is material upside in the Genel portfolio and significant opportunities ahead. As we enter 2018, I believe that we have both the right strategy to take advantage of these and the right management team to deliver on that strategy.

The macroeconomic climate altered again in 2017. On the positive side, the increase in the oil price helped to boost cash flows from our producing assets, and also provided a more solid basis for the economy of the Kurdistan Region of Iraq ('KRI'). The unfortunate events in the KRI in the last quarter of the year and the subsequent material reduction in KRG exports caused by these events significantly disrupted the status quo. However, despite the decrease in oil exports, the KRG continued to demonstrate its ability and willingness to make payments, and Genel has received payments for sales on a monthly basis since September 2015. This has enabled investment by the Company to continue.

Financial strength underpinning opportunity

Genel is currently on a sound financial footing, and continues to generate significant free cash flow, something boosted by the signing of the Receivable Settlement Agreement ('RSA') in August 2017. The successful refinancing in December then provided a bedrock from which we can move forward with a proactive growth strategy.

There are exciting opportunities available for cash-generative, proactive companies, and the Board and management carried out a comprehensive review of Genel strategy in order to define a clear and focused roadmap to creating significant shareholder value. The refreshed strategy focuses on the creation of shareholder value, providing growth opportunities while retaining a firm focus on prudent financial planning.

Our strategy builds on our core strengths – a robust and cash-generative asset portfolio, technical and commercial expertise, and our ability to leverage regional relationships and manage risk in complex areas. These were key drivers behind our excellent performance in 2017.

We have significant organic development options within Genel's KRI portfolio, the financial ability to add assets to the portfolio, and management with the skills and experience to maximise the value of these opportunities.

Focus on cost and capability

Genel will continue to ensure that its cost base reflects the external economic situation. Total general and administrative cash costs were more than halved from 2014 to 2016, and the Company continues to ensure the most appropriate structure and cost base from which to grow and deliver maximum value to stakeholders. In 2017 reductions were made to remuneration at all levels, and executive remuneration brought into line with comparable listed E&P companies.

Side by side with this focus on cost, is a focus on operational capability. There has been significant change at both Board and management levels over the last twelve months or so, and we have a high-quality team working well together. As we go forward, the Board will work to ensure continuity at management level and provide leadership on management succession.

In 2017 we welcomed Tim Bushell and Martin Gudgeon to the Board, adding relevant skills and experience. Both have made a significant contribution to the healthy dynamics and strong processes confirmed by an external board evaluation review carried out at the end of 2017.

Despite changes to personnel, one thing that has not changed has been the Company-wide focus on health, safety, and responsible operations. Genel takes pride in its operations and strives for positive community impact, and it was pleasing to see a repeat of 2016's performance in achieving no lost-time incidents, while reducing incidents of primary containment loss to a single minor event. I would like to thank all employees across our operations for their ongoing vigilance and hard work.

Focus in 2018

We have a robust balance sheet, a clear strategy, and the correct team to implement it. Going through 2018 we look forward to clearly setting out the growth potential that this provides, and as such plan for active capital market engagement.

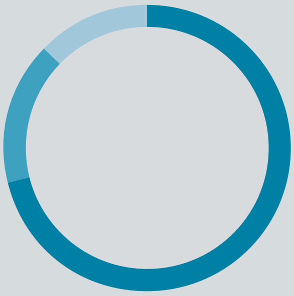
We appreciate the patience and confidence that our shareholders have shown in Genel over the last few turbulent years, and hope that the successes seen in the second half of 2017, and our strong financial position, provide renewed confidence that we can deliver on our plans to add material shareholder value in the years to come.

> "We have a robust financial position, a clear strategy, and the correct team to implement it."

Genel at a glance

NET 2P RESERVES BY LICENCE

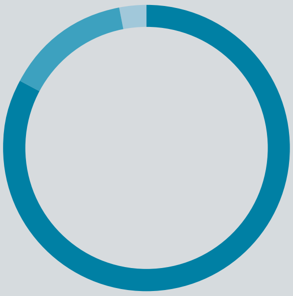
(MMbbls)



- **Tawke -** 107
- **Taq Taq -** 24
- **Peshkabir -** 19

2017 GROSS PRODUCTION

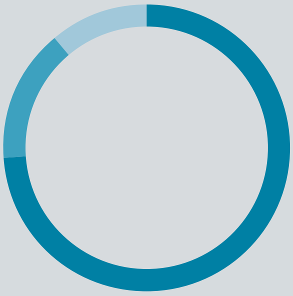
(bopd)



- **Tawke -** 105,460
- **Taq Taq -** 18,050
- **Peshkabir -** 3,590

CAPEX/OPEX FY2017

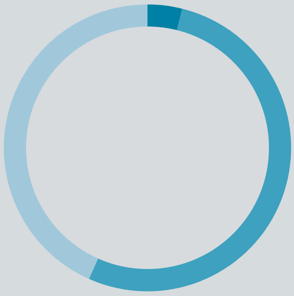
($ million)



- **Tawke/Taq Taq cost recovered spend -** 90
- **KRI -** 18
- **Africa -** 14

NET UNRISKED RESERVES AND RESOURCES

(MMboe)



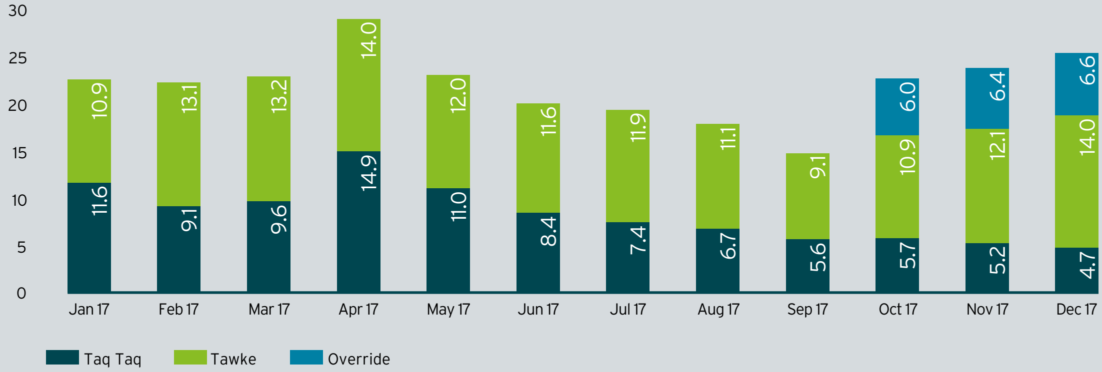
- **Tawke and Taq Taq -** 227
- **Bina Bawi and Miran -** 2,911
- **Africa -** 2,374

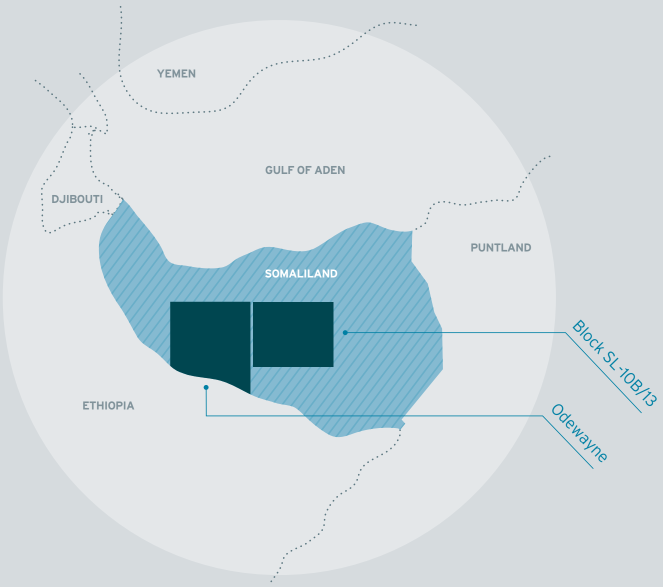
NET PAYMENTS RECEIVED FROM THE KRG

($ MILLION)

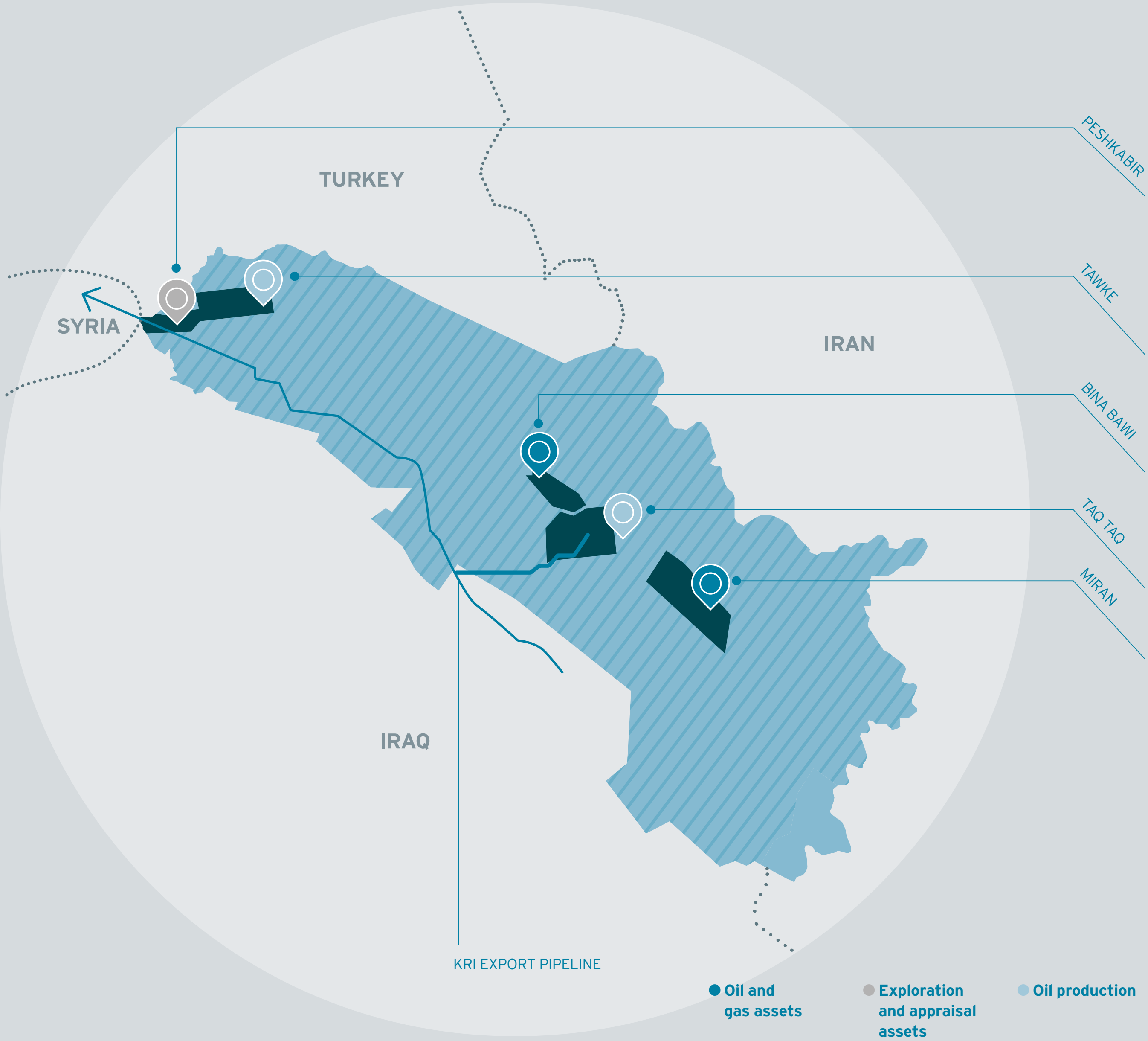
263

2016: 207




YEMEN
GULF OF ADEN
DJIBOUTI
PUNTLAND
SOMALILAND
ETHIOPIA
Block SL-10B/13
Odewayne


MOROCCO
ALGERIA
Sidi Moussa


TURKEY
SYRIA
IRAN
IRAQ
PESHKABIR
TAWKE
BINA BAWI
TAQ TAQ
MIRAN
KRI EXPORT PIPELINE
Oil and gas assets
Exploration and appraisal assets
Oil production

A landmark year of delivery

Murat Özgül
Chief Executive Officer

2017 was a successful year for Genel Energy. We went into the year with a clear focus, and took proactive steps to deliver our key goals.

Delivering on our focus
I was pleased to welcome Esa Ikaheimonen as Chief Financial Officer and Bill Higgs as Chief Operating Officer, both of whom bring the qualities and experience to help us deliver on these goals.

A primary aim was to maximise the generation of free cash flow from our producing oil assets in the KRI. In the year, monthly payments totalling $263 million were received from the KRG, with our ongoing focus on cost and disciplined capital allocation helping to convert this into $142 million in free cash flow, before bond interest payments.

This figure was boosted in the second half of the year by additional proceeds received under the RSA. This was a very positive deal for Genel, and helped to fulfil our second aim for 2017 of converting the receivable into cash generation.

Writing off the past receivable in favour of increased future cash flows helped to simplify our balance sheet while significantly increasing cash flow. Under the RSA, Genel receives override payments of 4.5% of Tawke gross PSC revenues for the five year period from 1 August 2017 to 31 July 2022, while capacity building payments ('CBP') on the profit share element of our Tawke entitlement are eliminated over the entire life of the field.

This definitive agreement was the positive culmination of a constructive dialogue with the KRG, and has already provided significant benefits to Genel, with the promise of more to come. $19 million was received in 2017 under the override, and the elimination of CBP resulted in a $7 million benefit to Genel in Q4.

Cash-generative oil assets
The receipt of 4.5% of gross Tawke PSC revenues means that the positive performance of Peshkabir adds material cash flow to Genel. The successful Peshkabir-2 well was followed by the equally successful Peshkabir-3 well, and production of c.5,000 bopd from the former was commingled with the latter to end the year at a very consistent 15,000 bopd from the field. Working with the operator, we will continue to focus on Peshkabir in 2018.

The Peshkabir-4 well spud in February, and will potentially be followed by a further five wells in 2018. Field production is expected by the operator to reach 30,000 bopd by the summer and continue to ramp up in the second half of the year. This is very encouraging, and when added to the robust production from the main Tawke field, highly cash-generative.

Despite operational activity at the Tawke PSC being focused on maximising the potential of Peshkabir, general Tawke field production was solid in 2017. Work done at Taq Taq also provided encouragement. While the field declined year-on-year as anticipated, production was relatively stable in the second half of 2017, with the TT-29w well providing a positive result in December 2017. The well encountered a deeper free water level and more extensive oil bearing cretaceous reservoirs on the northern flank of the field than previously forecast, and potentially opens up further development avenues.

This well result, and the stabilisation of production, led to a 12% reserves replacement at Taq Taq for 2P, and 40% reserves replacement at the higher confidence 1P level, as upwards technical revisions partially offset the five million barrels of production in 2017. 2P reserves more than doubling at Peshkabir also bolstered reserves at the Tawke PSC, and prudent expenditure will allow ongoing cash generation from across the Genel portfolio for years to come.

Opportunities for growth
Prudent capital allocation is at the core of everything that we do, and we spend each dollar in a way that creates the greatest value for our shareholders. The most cost-effective way of spending is to invest in our producing assets, as money spent is cost-recoverable. In 2017, 66% of our capital expenditure was spent on our producing fields. As payments are received monthly, this is currently recovered through cash receipts within approximately 90 days.

This focus on expenditure and value creation, with a cash investment of $345 million in buying back bonds at below par reducing gross cash debt from $675 million to $300 million, helped to reduce our net debt as at end-2017 to $135 million. This was a 44% reduction year-on-year from the end-2016 figure of $241 million, providing Genel with the financial flexibility to take advantage of new opportunities. We are focused on finding those opportunities that promise to add to our financial strength, and capital allocation will remain biased on near-term cash generation.

"Prudent capital allocation is at the core of everything that we do, and we spend each dollar in a way that creates the greatest value for our shareholders."

Below: Operations at Taq Taq

Some of these near-term cash-generative opportunities can be found within the Genel portfolio. The significant increase in high-value Bina Bawi 2C oil resources we saw in the recent CPR by RPS Consultants offers a tangible opportunity. As Bina Bawi oil is both high-quality and in close proximity to the Taq Taq field and associated export infrastructure, it is an attractive near-term development candidate for the Company.

This would be the beginning of tangible value crystallisation of our Bina Bawi and Miran assets, another key strategic focus for Genel. In 2017 we moved towards this goal through the finalisation of PSC amendments together with the Gas Lifting Agreements ('GLA's) for both fields, incorporating the commercial terms as announced in the term sheets signed in 2015. This provided certainty and allowed the progression of talks with potential partners, which were slowed down following developments in the KRI in the second half of 2017. Entering 2018 we are now in a stronger position to move the project forward, with upstream materially de-risked. The updated CPRs, announced in January 2018 confirmed a c.40% increase in gross combined 2C resources to almost 15 Tcf. Even at a 1C level, gross raw gas resource estimates are significantly higher than the gas volumes agreed under the Gas Lifting Agreements.

The extension to the schedule for satisfying the conditions precedent, signed in January 2018, provided further clarity over the timetable, and the bolstered financial position of the Company means that we are well-positioned to progress with the building blocks of value creation. We have optionality about the progression of the project, with the ability to take the upstream towards FID with 100% ownership, should this be the best way to maximise shareholder value. Expenditure will remain prudent, as the upstream development matches the progress of the midstream. An extended well test at Bina Bawi will then provide valuable data on well deliverability and gas composition, and we will proactively engage with potential farm-in partners at the best possible time and terms for Genel. Bina Bawi and Miran remain a significant opportunity for Genel, and we will work to convert that opportunity into shareholder value in 2018.

"Bina Bawi and Miran remain a significant opportunity for Genel, and we will work to convert that opportunity into shareholder value in 2018."

Genel will also make appropriate expenditure on our African exploration assets, which offer longer-term opportunities. Following the completion of over 3,000 km of 2D seismic in Somaliland, which was purchased from the government, the first in this highly prospective area for over 25 years, we are excited about the long-term opportunities and see significant geological potential on the Genel acreage position. This 10-month seismic acquisition project was completed with an impeccable HSE and security record. There were successful elections held in 2017, and increasing international investment is opening up opportunities. Of particular note is DP World's almost half a billion dollar investment in the port at Berbera, which being just 100 km from our licence offers a clear route to market. 2018 will see the processing of the Somaliland seismic, which will then guide the optimal strategy to maximise future value.

Offshore Morocco the conversion of our well commitment to a 3D seismic acquisition programme was both cost-effective for Genel and will help materially de-risk the Sidi Moussa licence. It is worth noting ENI's recent acquisition of the licence block adjacent to Sidi Moussa.

Outlook

Genel is a highly cash-generative business, and we expect to continue to generate significant free cash flow throughout 2018. Prudent expenditure will progress the significant near-term opportunities within the portfolio, and our sound financial position allows us to explore the possibility of bolstering our portfolio and adding to the strength of our core assets. I look forward to updating all stakeholders on our progress throughout the year.

Below: Bina Bawi field facilities

Top: Drilling operations at Peshkabir

Below: Workers at Bina Bawi

"Genel is a highly cash-generative business, and we expect to continue to generate significant free cash flow throughout 2018."

Our strategy for the creation of shareholder value

Genel's strategic ambition is to become a world-class independent E&P creator of shareholder value.

Our strategic ambition is underpinned by our core strengths – a robust and cash-generative asset portfolio, technical and commercial expertise, and our ability to leverage regional relationships and manage risk in complex areas. These strengths and capabilities were key drivers behind our excellent performance in 2017, and are transferrable to other regions. With a strong Board and a management team with proven track records of executing strategies and delivering value, this provides a significant opportunity.

As we deliver on our strategy, we place robust corporate governance, excellence in HSE, and a keen awareness of our place in the community at the heart of everything that we do. We believe that the way we conduct ourselves with host governments and local people is crucial to our success, and we strive to deliver in a manner that protects the health and safety of our employees, minimises adverse environmental impact, and provides benefits to local communities.

Our success at value creation is judged as first-quartile performance in total shareholder returns amongst our peer group.

The key components of our strategy are below.

MAXIMISE THE VALUE OF OUR KRI ASSETS

Generating material free cash flow from our KRI oil assets, systematically progressing our world-class gas resources.

Oil production from the Tawke, Peshkabir and Taq Taq fields generates significant free cash flow, and we will continue to maximise this through efficient reservoir management and disciplined capital allocation. Our Bina Bawi and Miran fields provide material upside opportunities, with both high-value oil resources and 15 Tcf of mean raw gas. As we continue our investment in the KRI as a committed partner, our asset potential and strong relationships with key regional stakeholders gives us a solid basis for increased value creation.

READ MORE
P15

MAINTAIN A STRONG BALANCE SHEET

Disciplined capital allocation, maximising financial flexibility to execute our strategy.

A highly cash-generative portfolio, low leverage and disciplined and value driven capital allocation provides us with a robust financial base that is highly resilient to changes in the macro-economic environment. It also allows us the optionality to benefit from growth opportunities and make value-accretive additions to our portfolio. At the appropriate time, this paves the way to returning capital to shareholders.

READ MORE
P22

BUILD A PORTFOLIO OF HIGH-VALUE ASSETS

Developing a rich funnel of new opportunities, with prudent allocation of capital to the highest return projects.

Genel systematically seeks opportunities to leverage our strengths and capabilities, utilising our management team members' track record in successful M&A execution. We aim to add assets that build on the strengths of the current portfolio, prioritising areas with low to moderate political risk while retaining a focus on significant cash generation. We are governed by clear investment criteria and our commitment to value creative capital allocation, focused on assets that provide the highest returns and enhance the quality of our existing portfolio.

READ MORE
P8

OUR DIFFERENTIATED BUSINESS MODEL

HOW WE CREATE VALUE

We create value by finding and monetising hydrocarbons, and generating cash flow. To achieve this we must execute exploration and appraisal campaigns, successful M&A, deliver selective development projects, maximise production and free cash flow over the life of field, and be prepared to monetise at all points of the cycle. As we do this, we leverage our following key strengths:

- The ability to attract a world-class Board and Management team, ensuring a high level of corporate governance and ensuring a robust approach to risk management and strategic planning
- Long-term strategic thinking, allying our goals with those of host governments and partners to build deep and valuable relationships, helping to unlock value in complex commercial situations
- Experience in managing risk in complex areas, both technical and geopolitical, making portfolio decisions based on a holistic assessment
- A constant focus on shareholder value, with an aim of providing sector-leading returns through organic growth, portfolio events and through the building of an asset profile capable of sustaining a long-term dividend

1

GROWING THE RESOURCE BASE

Increasing reserves and resources through cost-effective development, exploration and appraisal campaigns, and selective acquisitions. Maintaining a disciplined approach to capital allocation, focused on value creation and capital efficiency, investing in a profitable portfolio that is balanced on the risk-reward spectrum

Key focus

Genel continues to prioritise near-term spend on our KRI production and development assets, with only a modest percentage of cashflow spent on exploration. Our exploration strategy targets low-risk, low-cost opportunities and partnerships that de-risk higher risk exploration opportunities in the existing portfolio.

We draw on our Board and management's significant M&A experience, with a Company focus on value accretive acquisitions targeting near term cash flow with low to moderate political risk.

2017 activity

Successful appraisal work at Peshkabir added 43 MMbbls of gross 2P resources, and updated CPRs for Bina Bawi and Miran stated a significant upgrade to the combined 2C gross raw gas resources to 15 Tcf. Technical adjustments also saw a material increase in high-value oil resources at Bina Bawi. In Africa, seismic acquisition was completed in Somaliland, with processing now underway.

READ MORE P15

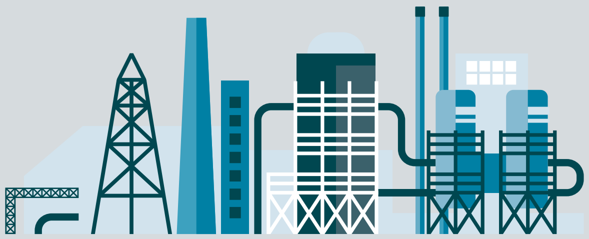
2

DEVELOPMENT AND PRODUCTION

Safely and efficiently deliver development projects for the benefit of both Genel and the communities in which we operate. The key aim is to maximise production of available natural resources over the life of field and generate maximum free cash flow.

Key focus

Genel is concentrating on cash-generative assets in the KRI, where production costs are amongst the lowest in the world. We are also actively looking to leverage our capabilities outside KRI for accelerated profitable growth.



2017 activity

Activity on the Tawke PSC was focused on Peshkabir, with gross production rising to 15,000 bopd by the end of the year, with more to come in 2018. Tawke production remained solid, and activity at Taq Taq mitigated field declines, resulting in December production being at a higher level than that in June.

READ MORE P16

Our oil assets

Oil production in the KRI provides material cash generation, with $263 million received in 2017 for oil sales, generating $142 million in free cash flow. Our reserves are being produced at some of the lowest costs in the industry, with the Receivable Settlement Agreement boosting cash flow from the Tawke PSC. Genel will apply our technical and commercial experience to unlock and fast-track further oil development opportunities.

READ MORE P16

Bina Bawi and Miran

Underpinned by a government-backed gas sales agreement between Turkey and the KRG, gas resources at Miran and Bina Bawi provide a unique and transformational opportunity. Genel continues to progress the building blocks towards value creation, as we further de-risk the upstream development. In 2017 PSC amendments and Gas Lifting Agreements ('GLA's) were finalised for both fields.

3

FINANCE AND PORTFOLIO MANAGEMENT

Manage financial and business assets to provide flexibility in our capital structure in order to pursue strategic objectives and underpin future value-add growth. Retaining balance sheet discipline appropriate to the external environment, ensuring the ability to take advantage of opportunities and be ahead of the curve to capitalise on sector opportunities

Key focus

Disciplined capital allocation in areas that maximise the creation of shareholder value. We re-invest our cash smartly and allocate capital towards those areas with the highest returns, making sure that we are suitably financed through a mix of diverse funding options and portfolio management, providing a base from which to accelerate the growth of our portfolio.

2017 activity

66% of our capital expenditure was value-accretive, cost-recoverable, spend on our producing assets. Coupled with another year of consistent payments this helped generate material free cash flow, and the successful refinancing in December 2017 solidified a significant improvement in the balance sheet, reducing year-end net debt by 44% to $135 million.

READ MORE P22

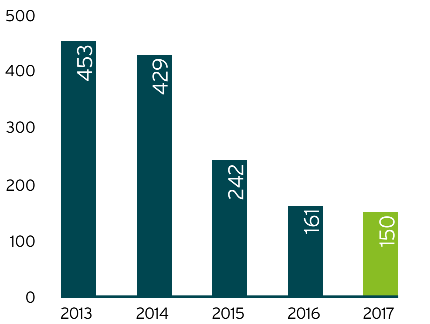
Measuring our progress

NET 2P RESERVES

(NET MMboe)

150↓

2016: 161



Definition

2P reserves are proved plus probable reserves.

Performance

The significant increase in 2P reserves at Peshkabir, with gross reserved adding 44.2 MMbbls to 75 MMbbls, more than offset declines from the Tawke. Taq Taq gross 2P stood at 55 MMbbls, compared to 61 MMbbls as of 31 December 2016, with the difference being production in the intervening period, partly offset by a small upward technical revision.

Relevance to strategy

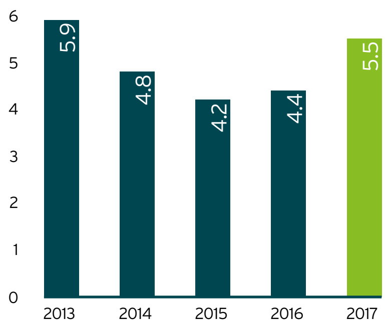
Our strategy is to enhance the value of our existing 2P reserves through active reservoir management and cost effective development. The Company also looks to replace 2P reserves through a combination of maturing contingent resource to commerciality, exploration for new sources of hydrocarbons and M&A activity.

TOTAL NET RESERVES AND UNRISKED RESOURCES

(Bboe)

5.5↑

2016: 4.4



Definition

Net reserves and resources include 2P reserves, 2C contingent resources and prospective resources.

Performance

Net reserves and resources grew by 1.1 BNboe in 2017, largely due to the significant increase in gross raw gas resources at Bina Bawi and Miran detailed in the CPRs announced in January 2018. These detailed a 46% increase in combined gross 2C raw gas resources to 14.8 Tcf, from 10.2 Tcf as at 31 December 2016. Note that previous years' figures have been restated, due to the amendment of sales gas to raw gas.

Relevance to strategy

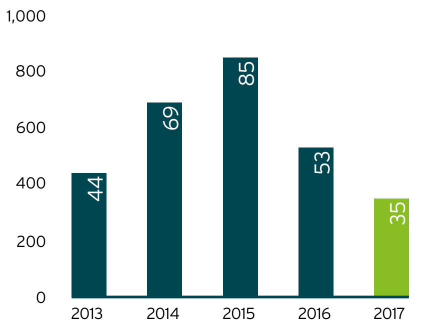
Prospective resources are those quantities of hydrocarbons estimated to be potentially recoverable from undiscovered accumulations by application of future development projects, and have the potential to drive long term growth.

NET PRODUCTION

(bopd)

35,200↓

2016: 53,300



Definition

Production is measured in barrels of oil produced per day.

Performance

Ongoing investment at the Tawke field facilitated a solid performance in 2017, and the contribution of production from Peshkabir led to a slight increase in production from the Tawke PSC. Taq Taq production fell year-on-year, although investment in the second half of 2017 saw production stabilise, with field output in December surpassing that of the previous five monthly figures.

Relevance to strategy

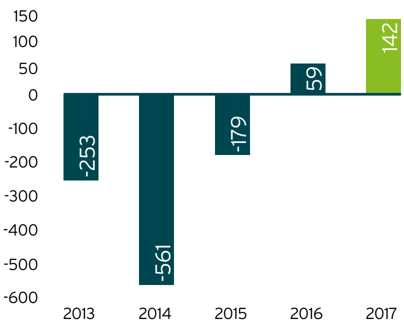
Production from our fields provides Genel's revenue generation, and is a key measure of our operational performance. Our oil production in the KRI is managed to ensure long-term value creation, with production maximised over the life of the field.

FREE CASH FLOW

($ MILLION)

142↑

2016: 59



Definition
Cash flow generated from operating activities, minus capital expenditure, before interest payments.

Performance
The receipt of over $250 million in payments for oil exports, and disciplined capital allocation, and our ongoing focus on costs, led to another year of positive free cash flow generation.

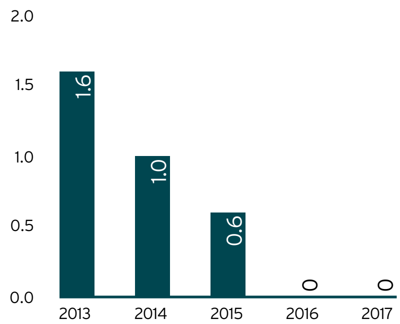
Relevance to strategy
Production from operating activities forms Genel's revenue generation. Net cash illustrates the success of monetisation of these activities, reflecting both money received and the minimisation of operating costs. Free cash flow has replaced capital expenditure as a KPI, which did not reflect Genel's focus on cash generation.

LOST TIME INCIDENTS

(FREQUENCY)

0↔

Number of lost time injuries per million work hours
2016: 0



Definition
Lost time incident frequency measures the number of lost time incidents per millions work hours.

Performance
2017 matched the performance of 2016, as we again achieved our target of zero LTIs across both TTOPCO and Genel operations. This is a testament to our operational team, and work continues across our assets to ensure that processes and procedures remain of the highest possible standard.

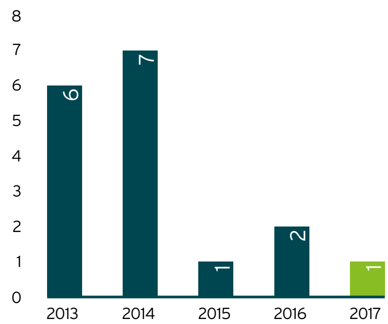
Relevance to strategy
The safety of our workforce remains of paramount importance. Genel is committed to running safe and reliable operations across our portfolio, aiming at zero fatalities and no lost time incidents.

LOSS OF PRIMARY CONTAINMENT

(INCIDENTS)

1↓

Incidents where there has been a loss of primary containment **2016:** 2



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
There was a solitary loss of primary containment in 2017, as a production facility heater suffered an internal fire at Taq Taq. There were no injuries or spills. The heater was decommissioned and replaced with another unit, with updated and safer technology.

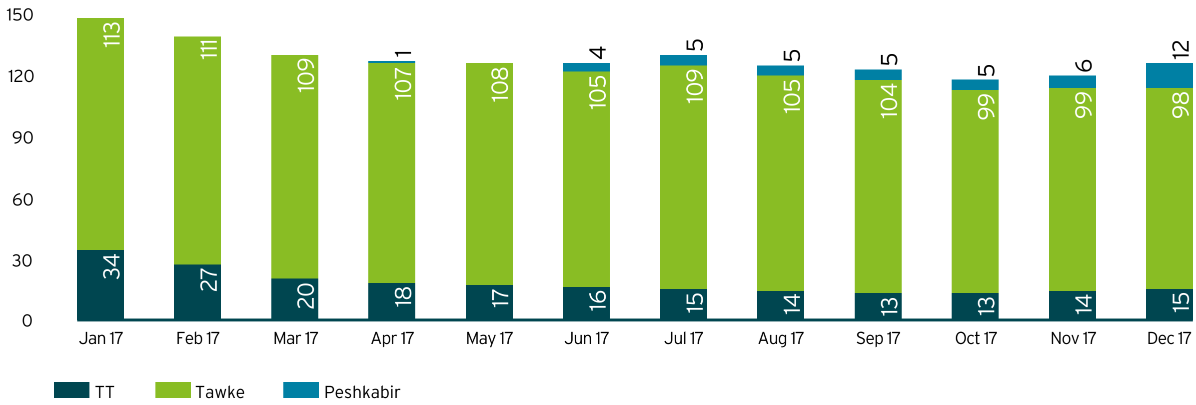
Relevance to strategy
Part of our commitment to being a sustainable business is for the impact on the environment around our operations to be minimised. Asset integrity is a major priority for Genel and we plan and execute the operations of our business and our engagement of subcontractors so as to minimise risk and mitigate potential impact.

Cash-generative oil production, opportunities in the portfolio

Bill Higgs
Chief Operating Officer

MONTHLY PRODUCTION CHART

(kbopd)



Production and sales

Net production in 2017 averaged 35,200 bopd. While production at the Tawke PSC increased, boosted by the contribution from the Peshkabir field, overall production declined year-on-year as Taq Taq continued its decline in the first half of 2017. The implementation of an active well intervention programme and contributions from new well stock arrested this decline in H2 2017.

Exports by the KRG were consistent in 2017, and almost all Tawke PSC production was exported via Ceyhan. Approximately two thirds of Taq Taq production was exported by the KRG, with the remainder being sold to the local Bazian refinery, for which Genel invoices at the same price under the terms of the February 2016 payment mechanism.

Consistent and predictable payments throughout the year allowed for a proactive drilling programme to be carried out across Genel assets. Drilling activity was targeted in line with our capital allocation policy, aiming for cost-effective activity for the greatest reward. As such, a significant focus was placed on the appraisal of Peshkabir, which promised and delivered near-term cash generation. Activity at Taq Taq in the year led to a stabilisation of production, with the TT-29w then contributing to an uplift at the end of the year.

Average production in 2018 to date has been 33,300 bopd, in line with guidance.

Reserves and resources

At 31 December 2017, Genel's proven (1P) and proven plus probable (2P) net working interest reserves totalled 97.1 MMbbls and 150.0 MMbbls respectively. 1P and 2P reserves increased by 9.8 MMbbls and 2.2 MMbbls, when compared to the figures as at 31 December 2016, after adjustment for 2017 production of 12.9 MMbbls. This is a reserves replacement of 75% for the high-confidence proven reserves, and yields a reserves to production ratio of greater than seven years for 1P, and greater than 11 years for 2P reserves.

Genel has booked 504 MMbbls gross (126 MMbbls net working interest) 2P reserves at the Tawke PSC, as a 133% increase in 2P reserves at Peshkabir to 75 MMbbls helped to offset a downward technical revision of 36.6 MMbbls at the Tawke field, leading to an overall increase in Tawke PSC 2P reserves of 7.6 MMbbls. The reserves booked are in line with the operator's Annual Statement of Reserves, but do not include those associated with the proposed enhanced oil recovery project at the Tawke field. While the Company sees merit in the proposal, further definition of the project is required prior to FID and reserves booking.

Taq Taq gross 2P reserves were largely unchanged, estimated at 54.7 MMbbls, compared to 59.1 MMbbls as of 28 February 2017, with the difference being production in the intervening period, partly offset by a small reserves increase, a result of stabilising production and the integration of the TT-29w well into the field model.

Bina Bawi gross 2C light (c.45Ð API) oil resources are estimated by RPS at 37.1 MMbbls, compared to 13 MMbbls as of July 2013. Due to the high-quality of the Bina Bawi oil, and given the value of these barrels, this represents an attractive near-term development candidate.

	Remaining reserves (MMboe)				Resources (MMboe)					
					Contingent				Prospective	
	1P		2P		1C		2C		Best	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
31 December 2016	380	100	597	161	1,082	1,037	2,142	1,937	3,923	2,556
Production	(47)	(13)	(47)	(13)	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	(7)	(3)	(78)	(31)	(109)	(44)
Extensions and discoveries	-	-	-	-	-	-	-	-	-	-
New developments	11	3	62	15	-	-	-	-	-	-
Revision of previous estimates	27	7	(53)	(13)	231	205	958	907	(132)	37
31 December 2017	371	97	559	150	1,306	1,239	3,022	2,813	3,682	2,549

> "In line with Genel's stated aim of investing in those areas that provide the best returns, the focus of drilling in 2018 will be on the Peshkabir field."

Below: Worker at Taq Taq

A decline in estimated Miran West gross 2C heavy (c.15Ð API) oil resources from the previously carried 52 MMbbls to 23.7 MMbbls is based on Management estimates that include a downwards revision for the removal of matrix contribution from the Shiranish reservoir, a lesson learnt from Taq Taq.

Genel's 2C raw gas resources at Miran and Bina Bawi were lifted c.40% to 14,792 Bscf, a figure which excludes associated condensate volumes attributable to the upstream partners of 137 MMbbls. Even on a 1C gross raw gas resources basis, estimated at 6,618 Bcf, volumes at Miran and Bina Bawi greatly exceed those agreed under the Gas Lifting Agreement.

KRI assets

Genel's KRI oil assets provide the cash generation that drives the business and provides the bedrock for future growth. As such, maximising the cash flow from these assets is a key priority for Genel. With capital expenditure being cost-recoverable, they are also the focus of the majority of Genel activity.

Tawke PSC (25% working interest)

Tawke PSC production averaged 109,050 bopd in 2017, a slight increase year-on-year, with aggregate production from the Peshkabir-2 and Peshkabir-3 wells contributing 3,590 bopd to this figure.

In line with Genel's focus to invest in those areas that provide the best returns, the focus of drilling in 2018 will be on the Peshkabir field. A total of six Peshkabir wells are planned to be drilled this year, and field production is expected by the operator to reach 30,000 bopd by summer and continue to ramp up in the second half of the year. Following the signing of the RSA, these are highly cash-generative barrels for Genel.

The first of the six wells, Peshkabir-4, is currently drilling, with results expected in Q2.

At the Tawke field, the Tawke-48 well was recently completed and is being brought onto production. The focus in the first half of the year is on workovers and rebuilding of the Tawke field reservoir models to incorporate the learning from the 2017 campaign. Further drilling will be weighted to the back half of 2018 and will be agreed by the joint venture after completion of the model rebuild.

Taq Taq PSC (44% working interest, joint operator)

Production in 2017 averaged 18,050 bopd, with production stabilising in the second half of the year, with Q4 2017 averaging 14,035 bopd, in line with Q3 2017 of 14,080 bopd. The implementation of a proactive well intervention and production optimisation programme helped slow the rate of production decline in the first half of 2017. The successful TT-29w well then led to a small increase in production, and average production in December 2017 of 15,068 bopd was the highest monthly average in H2.

The TT-29w well encountered a deeper free water level and more extensive oil bearing cretaceous reservoirs on the northern flank of the field than previously forecast. The results of the well are still being analysed, and will drive the 2018 drilling programme. The well intervention programme, focused on the provision of artificial lift and water shut off in existing wells, will continue throughout 2018. Drilling activity is set to resume in the second half of the year, with two wells scheduled targeting the flanks of the field.

Bina Bawi and Miran fields (100% working interest, operator)

In line with our capital allocation strategy, there was limited field activity in 2017, as Genel focused on our producing oil assets. The finalisation of PSC amendments and Gas Lifting Agreements was an important step, reasserting the opportunity ahead, which was then furthered in 2018 through the uplift in mean raw 2C gas resources to 15 Tcf.

The gas development is in an almost unique position as an upstream project without volume or price risk. As such, Genel will focus its efforts in 2018 to characterise the remaining uncertainties, namely surface facilities and drilling capital expenditure, well deliverability and design, and operating costs. This work will be combined with that carried out by Baker Hughes in 2017, to deliver an optimised Field Development Plan that will help define the roadmap to unlocking the value of the assets.

Later in the year, Genel expects to undertake an extended well test of Bina Bawi-4, which will provide valuable data on well deliverability and gas composition.

The significant increase in gas resources detailed in the updated CPR helped to build momentum behind the development, and Genel will now maintain upstream readiness in alignment with progress on the midstream, engaging with potential farm-in partners for upstream participation at an optimal time to secure maximum value for Genel shareholders.

Exploration and appraisal

Africa

Onshore Somaliland, the acquisition of 2D seismic data on the SL-10B/13 (Genel 75% working interest, operator) and Odewayne (Genel 50% working interest, operator) blocks began in March 2017, completing in January 2018 having acquired c.3,150 km in total. This was the first time that seismic has been obtained in this highly prospective area for over 25 years. Evidence of a thick Mesozoic rift basin provided encouraging results, and led to the targeted infill 2D seismic acquisition on the SL-10B/13 block. Processing of the data has commenced. Seismic interpretation and the associated development of a prospect inventory, in turn guiding the optimal strategy to maximise future value, is expected to be completed by year-end.

> Genel's KRI oil assets provide the cash generation that drives the business and provides the bedrock for future growth. As such, maximising the cash flow from these assets is a key priority.

Genel's prior commitment to drill one well on the Sidi Moussa licence (Genel 60% working interest, operator), offshore Morocco, has been replaced by an obligation to carry out a 3D seismic campaign across the acreage, significantly reducing anticipated expenditure. Planning is ongoing, with seismic acquisition set to begin in 2018, which is expected to materially de-risk the licence.

UNDERSTANDING SOMALILAND

Somaliland, with a population of 3.5 million, declared independence in 1991. Though not internationally recognised, Somaliland has a working political system, government institutions, a police force and its own currency.

In November 2017 Somaliland held its third presidential election, and the first in the world to use retina scans to recognise voters. International observers praised the smooth and peaceful conduct of voting and the integrity of the electoral process.

Somaliland's north coast, on the major shipping route of the Gulf of Aden, is host to the natural deep water port of Berbera where continued stability and has promoted increased investment towards export potential.

Left: Seismic acquisition, Somaliland

Below: Operations in the KRI

Making a lasting contribution to communities

Supporting and sustaining the communities in which we operate is fundamental to Genel's success. Natural resources should be a boon to a region, and it is imperative that local people share the benefits of the resources found in their area.

BOOSTING EMPLOYABILITY IN THE LOCAL COMMUNITY

As well as providing economic benefits for a country as a whole, we strive to directly support local communities through providing opportunities.

Genel, with its partner in TTOPCO, is committed to supporting local communities, with economic development and training a key priority.

In partnership with a local NGO, in the communities around Taq Taq 42 young men received training on air conditioning units and repairs and maintenance using electrical tools. In addition, 50 farmers were trained to take advantage of new farming techniques.

In total, 92 people were provided with training to increase their capabilities and skills in order to boost their employability status and generate their own private income.

Above: Football pitch near Taq Taq

Below: Students in Sulaimaniyah

ENVIRONMENTAL AWARENESS

Leaving the environment untarnished for future generations is a core priority for Genel Energy. Educating local children on environmental awareness is a way of spreading this goal.

Genel conducted a campaign with students in Sulaimaniyah to raise awareness about environmental issues and encourage positive action regarding the protection of nature and the cleanliness of the environment in the Kurdistan Region of Iraq.

Working with the Sulaimaniyah Educational Department, a team from Genel led 100 students to Hawari Shar Public Park. All students were provided with information leaflets and Genel branded T-shirts prior to an organised litter pick, and Charles Walker, HSE Supervisor at TTOPCO, gave a talk on environmental awareness.

Left: Environmental awareness, Sulaimaniyah

Above: Local students in the KRI

Right: Skills training, near Taq Taq

STRATEGIC REPORT
OUR SUSTAINABLE APPROACH
CONTINUED

Supporting and sustaining the communities in which we operate is fundamental to Genel Energy's success. Natural resources should be a boon to a region, and it is imperative that local people share the benefits of the resources found in their area. As well as providing economic benefits for a region, we strive to support local communities directly through providing opportunities, while leaving the environment untarnished for future generations.

HEALTH AND SAFETY

A safe workplace remains a top priority for Genel, and we are proud that 2017 matched the success of 2016 in achieving our target of zero lost time incidents across TTOPCO and Genel operations.

This is a testament to the ongoing focus of our operational team, who worked hard to achieve this result. The Company also works with contractors in order that they share Genel's high standards. In 2017, contractor assurance management plans were developed for five existing contracts. On the ground at Taq Taq and Genel-operated sites, 57 HSE visits were made in the year, and site emergency exercises take place on a monthly basis.

Comprehensive risk assessments take place ahead of any operational work, with a focus of 2017 being the Miran and Bina Bawi pre-FID work programme. 12 training and knowledge sharing sessions were held with 161 attendees in 2017 on a wide range of HSE topics including HSE observation, intervention and recognition, oil spill preparedness and response, crisis management and relative response, and first aid, as the Company continues to engender a strong HSE culture across the business.

The awareness of HSE issues amongst the workforce is illustrated through the 38 observation/intervention cards that were submitted by Genel employees in 2017, which contribute to ensuring the safest possible working environment for our employees and contractors.

The attentiveness to the safe running of our operations also saw losses of primary containment reduced to a solitary minor event, as a production facility heater suffered a small internal fire at Taq Taq, with no injuries or spills.

PEOPLE

Our talented, experienced and motivated staff are key to the success of our Company.

As of 31 December 2017, Genel employed 121 people. Of these, 65 are based in Ankara, 17 in London, 15 in the Kurdistan Region of Iraq, and 24 in our African operations. TTOPCO employed 384 people, of whom 298 are local employees.

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. 30% (37 employees) of our workforce are women. Of those, 19% (7 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.

In this regards, during 2017 we awarded the contract for environmental, social and health impact assessment (ESHIA) studies for the planning phase related to future work on the Miran and Bina Bawi gas developments.

The ESHIA identifies, predicts, and evaluates the environmental effects of proposed actions and projects, including the identification of measures to reduce or avoid these effects where possible.

We continue to report our greenhouse gas ('GHG') emissions in accordance with the requirements of the UK's Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, for all Genel operated assets or facilities.

The majority of energy and fuel data collected has been based on actual, measured consumption. 2.59% of emissions (26.6 tonnes of CO_2 equivalent (tCO_2e)) has

Above: Refugee support, KRI

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 2017 were 661 tCO_2e, which included the combustion of diesel and LPG. Our total reportable scope 2 emissions were 367 tCO_2e, attributable to purchased electricity at our offices and field operations. Our total reportable scope 1 and 2 emissions were therefore 1028 tCO_2e, normalised to 10.49 tCO_2e per employee (based on the 2017 monthly average number of employees).

The GHG emissions from facilities we operate were 1028 tCO_2e in 2017, which is lower than those reported (1156 tonnes tCO_2e) in 2016. The main reasons for this decrease were lower level of exploration and development activities at the Miran and Bina-Bawi blocks in the KRI.

At a local level, we aim to leave the environment in an untarnished state for future generations, and work with the local community to raise awareness about environmental issues. Genel conducted a one-day campaign with students in Sulaimaniyah to do this and encourage positive action regarding the protection of nature and the cleanliness of the environment in the Kurdistan Region of Iraq.

Working with the Sulaimaniyah Educational Department, a team from Genel led 100 students from Twy Malik Preparatory School for Girls and Kurdistan Educational Community to Hawari Shar Public Park. All students were provided with information leaflets and Genel branded T-shirts prior to an organised litter pick.

Waste collection work continues in the villages surrounding Taq Taq. A local company is employed to remove waste from nine villages on a daily basis, transporting the waste to municipal disposal sites.

COMMUNITY DEVELOPMENT

We partner with and invest in communities close to our operations to achieve mutual long-term benefits, and we see it as our responsibility to help local people develop the skills to thrive and play a part as we work with them to unlock the potential of our host countries' natural resources. Over three quarters of TTOPCO employees are from the local community, with such direct employment making a tangible difference to local areas.

Education is a key priority, and Genel works to maximise opportunities for people of all ages. As the KRI continues to face economic hardship, boosting worker skills increases employment opportunities. Working with its partner in TTOPCO and with a local NGO, 42 young men in the communities around Taq Taq received training on air conditioning units and repairs and maintenance using electrical tools. In addition, 50 farmers were trained to take advantage of new farming techniques. In total, 92 people were provided with training to increase their capabilities and skills that enabled them to boost their employability status and generate their own private income.

In the villages surrounding Taq Taq, there are four primary schools educating 222 children. As part of our commitment to ensure that all children have every necessity required for school, the 108 boys and 114 girls were provided with brand new clothes. Genel then rolled out this support for local children to those in the proximity of Miran and Bina Bawi. In total, 183 children from five villages near to Miran, and a further 64 from three villages near to Bina Bawi, all benefitted from the programme.

Genel continues to work with medical facilities in the KRI to fulfil the most pressing requirements. Most notably in 2017 a $99,000 donation fulfilled a request from the Koya District Commissioner to answer an urgent requirement for a Siemens cardiac catheterisation machine, which was installed by a local contractor. The machine directly contributes to the provision of better health services.

As operations ramp up in Somaliland so will our social programme, and we will strive to ensure that the local community directly benefits from Genel's operations. In 2017 Genel worked with and supported the Government, financially and logistically, with their efforts to bring relief to areas suffering from a severe drought that continued to engulf the region early in 2017. This took the form of providing emergency water and food to some of the impacted communities.

Top: Quarto school

Below: Skills training, near Taq Taq

Strong financial performance

Esa Ikaheimonen
Chief Financial Officer

In 2017, Genel's strong free cash flow generation, the RSA, and the successful reduction and extension of the Company's debt has built a robust and simplified balance sheet.

Proceeds received in 2017 increased significantly from the prior year as a result of, first, the temporary CBP offset arrangement in the first half of the year and, subsequently, the RSA that was signed in August. The RSA formalised enhanced cash flow generation from Tawke PSC production into enduring contractual terms. In line with our focus on rigorous capital discipline, spend was prioritised on cash-generative producing assets, with non-production related capital expenditure minimised.

This increased cash flow generation, which the Company expects to sustain, together with the reduction in net debt and refinancing, leaves Genel well positioned for future growth.

Through the year, the Company has taken proactive and determined steps to deliver on the three key financial priorities that were set out in last year's annual report:

- Continue to work with the KRG for timely and full payments for oil deliveries, and for a transparent mechanism for reconciliation and recovery of the receivable
- Continue to focus on all aspects of the Company's cost base, whether capital, operating or administrative expenditure
- Manage liquidity appropriately ahead of the 2019 maturity of the Company's bond debt

The key milestones in achieving these objectives are further explained in the following paragraphs.

In March, the Company's confidence in consistent payments enabled the continuation of its proactive approach to rightsizing its debt by buying back to $252.8 million nominal value of its bonds at an average 13% discount to par. This resulted in an accounting gain of $32.6 million, a reduction in total debt from $675.0 million to $421.8 million and a reduction in interest costs from over $50 million last year to just over $30 million.

In June, the Company received formal endorsement that capacity building payments due on proceeds received in the final quarter of 2016 and the first half of 2017 should be offset against the overdue receivable balance – this represented a cash benefit of $46.9 million.

In August, the Company successfully negotiated the RSA, converting its overdue receivable balance, which prior to the RSA was being recovered through an agreed 5% incremental take of gross revenues from the Tawke and Taq Taq PSCs, into contractual rights to benefit from increased shares of future revenue from the Tawke PSC (both the Tawke and Peshkabir fields). This benefit is received by way of:

(1) the overriding royalty interest ('ORRI') of 4.5% of Tawke PSC gross revenue, which continues until July 2022; and
(2) the waiver of CBP due on all proceeds received under the Tawke PSC, throughout the life of the licence.

Cash received from the RSA in 2017 amounted to $26.0 million, relating to sales made in August, September and October. The RSA also confirmed that the KRG reverted to making entitlement payments in line with the contractual terms of the PSC rather than under the proxy mechanism that was used in 2016 and for the first half of 2017.

In December, the Company reduced the debt from $421.8 million to $300 million and extended the maturity from May 2019 to December 2022. The extended bonds pay a coupon of 10%.

Results summary ($ million unless stated)

	2017	2016
Production (bopd, working interest)	**35,200**	53,300
Revenue	**228.9**	190.7
EBITDAX[1]	**475.5**	130.7
Depreciation and amortisation	**(117.4)**	(128.9)
Exploration expense	**(1.9)**	(815.1)
Impairment of property, plant and equipment	**(58.2)**	(218.3)
Impairment of receivables	**-**	(191.3)
Operating profit / (loss)	**298.0**	(1,222.9)
Cash flow from operating activities	**221.0**	131.0
Capital expenditure	**94.1**	61.2
Free cash flow before interest[2]	**141.8**	59.1
Cash[3]	**162.0**	407.0
Total debt	**300.0**	674.6
Net debt[4]	**134.8**	241.2
Basic EPS (¢ per share)	**97.1**	(448.6)

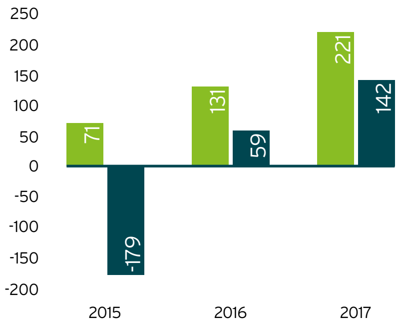
1. EBITDAX is earnings before interest, tax, depreciation, amortisation, exploration expense and impairment which is operating profit / (loss) adjusted for the add back of depreciation and amortisation ($117.4 million), exploration expense ($1.9 million) and impairment of property, plant and equipment ($58.2 million).
2. Free cash flow before interest is net cash generated from operating activities less cash outflow due to purchase of intangible assets and purchase of property, plant and equipment (oil and gas assets only).
3. Cash reported at 31 December 2017 excludes $18.5 million of restricted cash.
4. Reported debt less cash.

Throughout the year the Company retained its focus on its cost base and disciplined capital allocation. Capital investment was focused on cost recoverable investment in production at Tawke and Taq Taq in order to maximise the benefit of the improving oil price and the improved cash flow generation explained above. As a result, 74% of operating and capital expenditure incurred in the year was cost recoverable and consequently received back within circa three months of being incurred.

CASH FLOW

($ MILLION)

142 free cash flow ↑

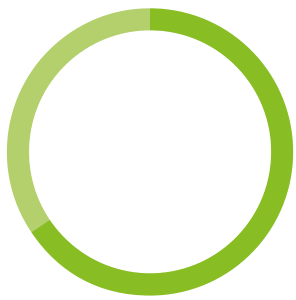


● Operating cash flow
● Free cash flow before interest

2017 CAPITAL EXPENDITURE

($mm)

94.1↑



● **Producing assets** - 61.9
● **Exploration and appraisal** - 32.2

Operating expenditure at our producing assets was already one of the lowest in the world at around $2/bbl – in 2017 the average operating expense per barrel remained at around the same level.

This careful cost management, together with the positive impact of the CBP offset in the first half of the year, the RSA in the second half of the year, and reduced interest cost, has resulted in a significant increase in free cash flow generation, which increased from $59 million in 2016 to $142 million in the current year. The Company aims to continue the generation of significant free cash flow in future years through an ongoing efficient

"Increased cash flow generation, which the Company expects to sustain, together with the reduction in net debt and refinancing, leaves Genel well positioned for future growth."

allocation of capital, a focus on cost discipline, and the ongoing enhanced cash flows from the Tawke PSC.

The strong cash flow, together with the buyback of debt at a discount to par, has resulted in a reduction in net debt from $241 million at the start of the year to $135 million at year-end. This deleveraging of the balance sheet and increased financial capacity increases the resilience of the business and the options available to the Company going forward.

The fourth financial priority for 2017 was to secure equity and debt investment into the Miran and Bina Bawi licences. The Company has made further progress in evaluating the options to maximise the value of these licences for Genel, options which have increased as a result of the Company's improved cash generation. Further appraisal work is now planned in order to evaluate the optimal timing for farm-out and/or to pursue sole development of near term cash generating opportunities in order to maximise value delivery for shareholders. CPR's for both licences were updated in early 2018 and confirmed the oil and gas potential of these assets.

For 2018 the financial priorities of the Company are the following:

- Maintenance of a strong balance sheet and management of liquidity runway throughout the development of the Miran and Bina Bawi fields
- Continued focus on capital allocation, with prioritisation of highest value investment in assets with ongoing or near-term cash generation
- Continued focus on cost optimisation and performance management
- Selective investment in value accretive opportunities that provide visible cash generation and debt capacity

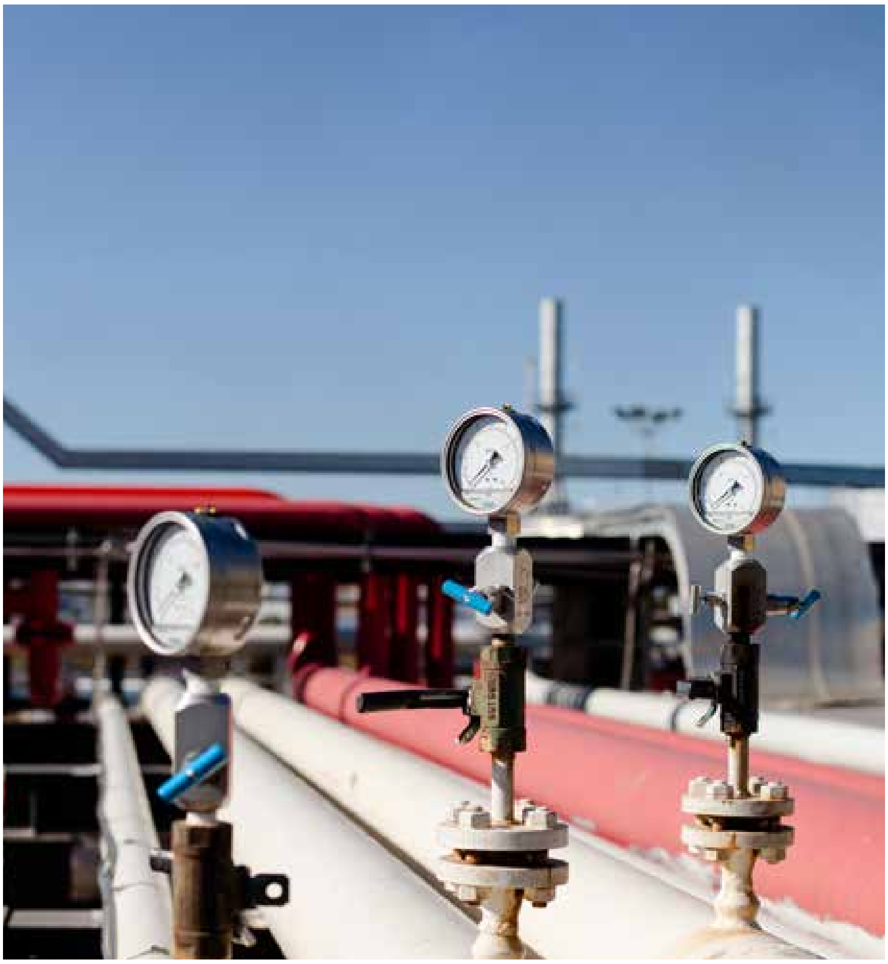
A summary of the financial results for the year is provided below, in addition there is some explanation of the RSA and how it is accounted for in the financial statements.

Financial results for the year

Income statement

Working interest production of 35,200 bopd was significantly reduced compared to last year (2016: 53,300 bopd), principally as a result of decline in Taq Taq through 2016 and in Q1 2017 before stabilising at around working interest production of 6,500 bopd.

Revenue has increased from $190.7 million to $228.9 million. The year-on-year increase has been caused principally by the improved revenue generation of the Tawke PSC following the RSA, which was effective from



August, and generated incremental revenue of $48 million. The negative impact of lower production was partly offset by improved Brent oil price.

Production costs of $27.5 million decreased from last year (2016: $35.1 million) primarily as a result of lower use of consumables, personnel costs and well maintenance costs.

The Company reported a net gain arising from the RSA of $293.8 million. The RSA effectively saw the Company write-off its existing overdue receivable balance in exchange for the ORRI, a royalty income stream on Tawke PSC sales, and the waiver of CBPs that otherwise would have been due on proceeds received under the Tawke PSC. The net increase in the value of booked assets on the balance sheet of $293.8 million has been presented on the face of the income statement as 'Net gain arising from the RSA' – effectively representing the difference in value between the previous book value of receivables and the discounted cash flow value of the RSA.

The increase in revenue and the net gain arising from the RSA has resulted in EBITDAX increasing to $475.5 million (2016: $130.7 million).

Depreciation of $83.3m (2016: $127.8 million) was reduced year-on-year as a result of lower production. Amortisation of Tawke intangibles is a new item arising from the RSA and resulted in an expense of $32.8 million.

Exploration expense of net $1.9 million is significantly decreased from last year (2016: $815.1 million), which included impairment of Miran, Bina Bawi and Chia Surkh ($779.0 million) and the accrual of the Morocco minimum work obligation ($33.0 million). The current year expense includes a credit of $16.0 million, which is comprised of the release of about half of the accrual relating to Morocco.

An impairment expense of $58.2 million (2016: $218.3 million) has been recorded in relation to the Taq Taq PSC. Whilst the results of TT-29 and the CPR are encouraging, the Company is still assessing the amount of capital expenditure and related returns that would be required to deliver the CPR 2P production profile.

The Company's planned capital expenditure for Taq Taq results in a more conservative production profile than the 2P forecast from last year's CPR, and is also lower than the 2P production profile from the latest CPR announced in February 2018.

General and administrative costs were $21.0 million (2016: $26.0 million), of which cash costs were $16.9 million (2016: $17.4 million).

Finance income of $4.9 million (2016: $16.2 million) was comprised of $2.7 million discount unwind on trade receivables (2016: $14.2 million) and $2.2 million of bank interest income (2016: $2.0 million). Other finance expense of $28.0 million (2016: $10.0 million) was comprised of $3.7 million premium paid and $16.0 million accelerated discount unwind on redemption of the bonds (2016: $- million) together with non-cash discount unwind expense on liabilities of $8.3 million (2016: $10.0 million).

In the KRI, the Company is either exempt from tax or tax due has been paid on its behalf by the KRG from the KRG's own share of revenues, resulting in no tax payment required or expected to be made by the Company. Tax presented in the income statement of $1.0 million relates to taxation of the Turkish and UK service companies.

Capital expenditure

Capital expenditure in the year was $94.1 million (2016: $61.2 million). Cost recovered spend on producing assets in the KRI was $59.5 million (2016: $40.3 million) with spend on exploration and appraisal assets amounting to $34.6 million (2016: $20.9 million), principally incurred on the Miran, Bina Bawi and Somaliland PSCs.

Cash flow and cash

Net cash flow from operations was $221.0 million (2016: $131.0 million). This was positively impacted by $86.5 million (2016: $53.9) of proceeds being received for the historic KRG receivable, and $176.8 million (2016: $153.4 million) received for current sales.

Free cash flow before interest was $141.8 million (2016: $59.1 million) and free cash flow after interest was $99.1 million (2016: $7.1 million). After which, $216.7 million (2016: $35.4 million) was used in March to buy back Company bonds with nominal value of $252.8 million (2016: $55.4 million), with a further $128.5 million spent on buying back Company bonds as part of the bond refinancing.

$18.5 million (2016: $19.5 million) of cash is restricted and therefore excluded from reported cash of $162.0 million (2016: $407.0 million). Overall there was a net decrease in cash of $245.1 million compared to a decrease of $47.8 million last year.

Debt

Total debt has been reduced from $675.0 million at the start of the year to $300.0 million of bonds maturing in December 2022 – this is reported under IFRS net of capitalised costs at $296.8 million (2016: $648.2 million) and results in net debt of $134.8 million (2016: $241.2 million).

The bond has three financial covenant maintenance tests:

Financial covenant	Test	YE2017
Net debt / EBITDAX	< 3.0	0.3
Equity ratio (Total equity/Total assets)	> 40%	76%
Minimum liquidity	> $30m	$162m

Net assets

Net assets at 31 December 2017 were $1,609.8 million (2016: $1,333.4 million) and consist primarily of oil and gas assets of $1,847.9 million (2016: $1,538.7 million), trade receivables of $73.3 million (2016: $253.5 million) and net debt of $134.8 million (2016: $241.2 million).

Liquidity / cash counterparty risk management

The Company monitors its cash position, cash forecasts and liquidity on a regular basis. The Company holds surplus cash in 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.

Dividend

No dividend (2016: nil) will be paid for the year ended 31 December 2017.

Going concern

The Directors have assessed that the Company's forecast liquidity provides adequate headroom over forecast expenditure for the 12 months following the signing of the annual report for the period ended 31 December 2017 and consequently that the Company is considered a going concern.

BOARD AND COMMITTEE STRUCTURE

BOARD
- Overall responsibility for risk oversight
- Overall responsibility for all principal risks

AUDIT COMMITTEE
READ MORE P42
- Risk management and internal control systems
- Financial controls

REMUNERATION COMMITTEE
READ MORE P49
- Compensation and reward
- Board composition

NOMINATION COMMITTEE
READ MORE P44
- Board composition

HSSE COMMITTEE
READ MORE P46
- Health and safety risks
- Security risks
- Environmental risks

RESERVES COMMITTEE
READ MORE P48
- Review reserves and resources

RESPONSIBILITIES

Board

STRATEGY

RISK ASSESSMENT AND REVIEW IDENTIFIED RISKS

BOARD SETS CONTROLS TO MITIGATE OR MANAGE RISKS

- 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
- Where appropriate, 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

READ MORE P39

Executive Committee

RISK REGISTER DOCUMENTS RISKS AND ALLOCATES EACH RISK TO A RISK OWNER

- 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

READ MORE P36

REPORTING AND ASSURANCE ON EFFECTIVENESS OF CONTROLS

RISK OWNER REPORTS ASSESSMENT OF RISKS TO THE BOARD

Risk owners

RISK OWNER DESIGNS, OPERATES, MONITORS AND REPORTS ON CONTROLS

- Put in place processes and procedures that execute the decision taken by the Board as to what is the appropriate 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

READ MORE P28

Principal risks and uncertainties

Board

RISK:
DEVELOPMENT AND RECOVERY OF OIL RESERVES AND RESOURCES
Bill Higgs, COO

READ MORE P16

APPROACH:
Genel aims to realise the value in its portfolio through a focused drilling programme to explore, appraise and develop our assets.

OPPORTUNITIES:
- Successful exploration and appraisal activity increases the Company reserves
- Good reservoir management increases recoverable volumes
- Progress on Miran and Bina Bawi unlocks resource value

THREATS:
- Poor reservoir performance
- Capital constraints in non-payment scenario impact field development.

MITIGATING ACTIONS:
- Drilling at Tawke and Taq Taq aims to maximise reserve recovery
- Activity is continuing at Peshkabir following the 2017 drilling success

RISK:
COMMERCIALISATION OF KRI GAS BUSINESS
Murat Özgül, CEO

READ MORE P8

APPROACH:
The development and commercialisation of Genel's existing gas assets in the KRI is a key focus for the Company. There is potential to generate material and stable cash flows from these assets once onstream

OPPORTUNITIES:
- Progress on the gas business moves Miran and Bina Bawi towards commercial development and transformational monetisation

THREATS:
- The gas project is reliant on certain key milestones some of which are beyond the control of the Company
- Failure to engage a farm-in partner would lead to increased exposure to costs and could threaten the viability of the project

MITIGATING ACTIONS:
- Level of expenditure maintained at an appropriate level
- Updated CPRs complete for Bina Bawi and Miran
- Extension to conditions precedent agreed
- Ongoing discussions with potential partners

RISK:
M&A ACTIVITY
Esa Ikaheimonen, CFO

READ MORE P24

APPROACH:
The pursuit of selective, value accretive M&A opportunities is part of the Company strategy.

OPPORTUNITIES:
- Execution of a transaction positively impacts the Company's valuation, asset quality, and equity story, among other factors

THREATS:
- Execution of a transaction could adversely impacts the Company's liquidity, balance sheet, valuation, asset quality, and equity story, among other factors

MITIGATING ACTIONS:
- An experienced Board oversees and signs off on all M&A decisions

Key

Increased | Unchanged | Decreased

Board

RISK:
KRI NATURAL RESOURCES INDUSTRY
Pars Kutay, Head of Government Affairs

READ MORE P6

APPROACH:
A strong relationship with the KRG facilitates the realisation of the value of Genel's principal oil and gas assets.

OPPORTUNITIES:
- Ongoing strong relationship with KRG facilitates further success in KRI

THREATS:
- A change in situation of the KRG adversely effects operating environment in the KRI, including payments

MITIGATING ACTIONS:
- The Company has a long history of cooperation with the KRG, maintaining a regular dialogue and seeking to work collaboratively with them, local communities, local suppliers and subcontractors to achieve mutually beneficial objectives

RISK:
PAYMENT FOR KRI SALES
Murat Özgül, CEO

READ MORE P6

APPROACH:
Genel is paid by the Kurdistan Regional Government for ongoing exports.

OPPORTUNITIES:
- Ongoing payments under the RSA provide significant increase in cashflow

THREATS:
- Payments from the KRG stall, reducing the Company's ability to manage debt and carry out its strategic priorities

MITIGATING ACTIONS:
- Ongoing dialogue with the KRG

RISK:
REGIONAL RISK
Pars Kutay, Head of Government Affairs

READ MORE P6

APPROACH:
There is a history of political and social instability in the regions in which the Company operates.

OPPORTUNITIES:
- Stable environment for operations allows Genel to pursue strategic objectives

THREATS:
- A deterioration of the relationship between the KRG and regional neighbours impacts the monetisation of KRI oil and gas

MITIGATING ACTIONS:
- Active monitoring of developments in Turkey, Iraq, the KRI, and Somaliland, and regular dialogue with key political figures

RISK:
CORPORATE GOVERNANCE FAILURE
Murat Özgül, CEO

READ MORE P37

APPROACH:
The Company's strategy is to maintain the highest standards of corporate governance

OPPORTUNITIES:
- Good corporate governance is proven to provide benefits to business and value to shareholders

THREATS:
- Corporate governance failure would likely negatively impact investor perception of the Company

MITIGATING ACTIONS:
- An external Board evaluation in December 2017 confirmed effectiveness of the Board and strong processes

Key

Increased | Unchanged | Decreased

Audit Committee

RISK:
CAPITAL STRUCTURE AND FINANCING (Decreased)
Esa Ikaheimonen, CFO

READ MORE P22

APPROACH:
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.

OPPORTUNITIES:
- Ongoing payments under the RSA lead to increased cash receipts and increased liquidity

THREATS:
- Failure of KRG to make payments for export sales (as above)
- A deterioration in the oil price

MITIGATING ACTIONS:
- Refinancing in 2017 provided a solid basis for Genel's capital structure
- Ongoing focus on reducing our G&A costs
- Prudent capital expenditure

HSSE Committee

RISK:
LOCAL COMMUNITIES (Unchanged)
Pars Kutay, Head of Government Affairs

READ MORE P18

APPROACH:
Supporting and sustaining the communities in which we operate is fundamental to Genel's success.

OPPORTUNITIES:
- Positive local relationships continue to facilitate Genel's pursuit of strategic objectives

THREATS:
- 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

MITIGATING ACTIONS:
- An ongoing and appropriate community investment and education programme, and commitment to providing local employment

RISK:
HEALTH AND SAFETY RISKS (Unchanged)
Bill Higgs, COO

READ MORE P20

APPROACH:
The safety of employees is a primary consideration across all Genel operations.

OPPORTUNITIES:
- Continued strong performance enhances Company reputation

THREATS:
- Failure of safety procedures leads to injuries and/or fatalities, adverse environmental impact, and material reputational damage

MITIGATING ACTIONS:
- Contractor assurance management plans developed
- Regular HSE site visits

Viability statement

In accordance with provision C.2.2. of the 2016 revision of the Code, the Directors have assessed the prospects and viability of the Company over a longer period than the 12 months required by the 'Going Concern' provision.

Choice of assessment period
The Directors retain their assessment of five years as the appropriate period for their viability statement. Although inevitably containing cash flow uncertainty given the inherent volatility in long-term oil price, cost and production forecasting, five years was felt to be an appropriate period for the following reasons:

- The production assumptions are supported by recent external reserve reports on both existing producing assets
- The period captures the maturity of the Company's $300 million unsecured bonds, maturing December 2022

Review of financial forecasts
In reviewing the expected evolution of the Company's business, cash flows and capital structure over the review period the Directors took into account:

- The Company's five-year plan, which incorporates the latest life of field cash flow projections for the oil producing assets
- The various capital allocation scenarios that may evolve in relation to the Bina Bawi and Miran licences and the Company's other potential asset portfolio investment decisions
- The Company's $300 million bond and compliance with its financial covenants
- The availability of debt capital markets and other sources of finance
- The oil price forecast set out in the notes to our financial statements

A range of sensitivities was run on the assumptions set out above to reflect different scenarios including, but not limited to, changes to production profiles, commodity price assumptions, and payments.

Consideration of principal risks
The principal assumptions underlying the forecasts above were reviewed in the context of the risks and mitigating actions set out in the Principal Risks on pages 28 to 30 including in particular those that relate to the company's viability including:

- Payment for KRI sales
- Development and recovery of reserves and resources
- KRI natural resources industry
- Regional risk

Viability assessment
Based on their review of these assumptions and sensitivities in the context of the funding options and risks referred to above, the Directors found that there was a reasonable expectation that the company will be able to continue in operation and manage its liabilities as they fall due over the five year period to December 2022.

Our 2017 strategic report, from pages 1 to 31 has been reviewed and approved by the Board of Directors on 21 March 2018.

Murat Özgül
Chief Executive Officer

Continued commitment to high standards of corporate governance

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

2017 saw numerous changes at Board level. Three new Directors were appointed, including myself, and there was a reduction in the number of Directors appointed to the Board from nine to seven with the majority now being Independent Non-Executive Directors. Furthermore, on 14 March 2018 we announced that Mehmet Öğütçü will stand down as an Independent Non-Executive Director at the conclusion of the 2018 AGM. Board composition and size will continue to be reviewed as the strategy and business plans for the Company evolve.

The appointment of Martin Gudgeon and Tim Bushell provide significant relevant skills to the Board including technical, financial and corporate experience. I look forward to continuing to work with all Board members as we carry on building the business and delivering our strategy.

Changes at Board level led to a review of our committee structures to ensure each Board Committee has the correct skills and experience required for it to perform its duties. George Rose was appointed as Chairman of the Remuneration Committee and Mehmet Öğütçü as Chairman of the HSSE Committee. Following Mehmet Öğütçü's retirement a review of Committee composition will be undertaken. In September 2017 the Board took the decision to adopt the Reserves Committee as a formal Committee of the Board, and Tim Bushell was appointed as its Chairman. This decision was taken to further strengthen the Company's governance framework and provide oversight to the reserves and resources review process. Further information on the Reserves Committee can be found on page 48.

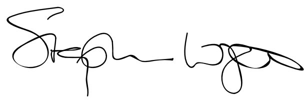
The Company has established a comprehensive induction programme, which is provided to all new Non-Executive Directors. The induction programme includes meetings with key department heads at both the Company's London and Ankara offices and with relevant external advisors.

The successful completion of the bond refinancing in December 2017 has solidified Genel's financial foundation, and provides us with a stable platform from which to execute our strategy and meet our business objectives. As we do this, the Company remains committed to operating to high standards of corporate governance, and we will continue to comply with the UK Corporate Governance Code as is appropriate to our Company.

During the year the Board spent a considerable amount of time reviewing the Company's strategy. Further information on our strategy can be found on pages 10 and 11.

Following the results of our 2017 AGM, and in line with the UK Corporate Governance Code, the Board undertook to review remuneration. Following this review, effective as of 1 August 2017, Murat Özgül's annual salary was reduced from £625,000 to £500,000 and PSP award increased from 150% to 200% of annual salary. These changes brought the CEO's remuneration in line with comparable listed peers. Further details can be found in our 2017 Annual Report on Remuneration on pages 52 to 59.

In accordance with the Company's commitment to comply with the UK Corporate Governance Code the Board undertook a formal and rigorous external evaluation of its own performance and that of its Committees and each individual Director led by Spencer Stuart. Further details of the Board evaluation can be found on page 41.



Stephen Whyte
Chairman

BOARD TIME SPENT

(%)

- **Business strategy** - 40%
- **Finance, budgets and risk** - 30%
- **Corporate governance and risk management** - 15%
- **Projects** - 15%

THE BOARD
Our Committee structure

BOARD OF DIRECTORS

AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE	HSSE COMMITTEE	RESERVES COMMITTEE
Ensuring integrity and objectivity of published financial information	Ensuring an appropriate approach to remuneration that supports delivery of the business strategy	Ensuring the continuation of a high calibre Board	Ensuring a responsible and credible approach to HSSE	Ensuring a robust reserves review process
CHAIRMAN George Rose	**CHAIRMAN** George Rose	**CHAIRMAN** Stephen Whyte	**CHAIRMAN** Mehmet Öğütçü	**CHAIRMAN** Tim Bushell
MEMBERS Martin Gudgeon, Mehmet Öğütçü	**MEMBERS** Martin Gudgeon, Mehmet Öğütçü	**MEMBERS** Tim Bushell, George Rose	**MEMBERS** Tim Bushell	**MEMBERS** Stephen Whyte
MEETINGS IN 2017 3 scheduled	**MEETINGS IN 2017** 3 scheduled, 3 ad hoc	**MEETINGS IN 2017** 1 scheduled	**MEETINGS IN 2017** 3 scheduled	**MEETINGS IN 2017** 1 scheduled, 1 ad hoc
READ MORE P42	**READ MORE** P49	**READ MORE** P44	**READ MORE** P46	**READ MORE** P48

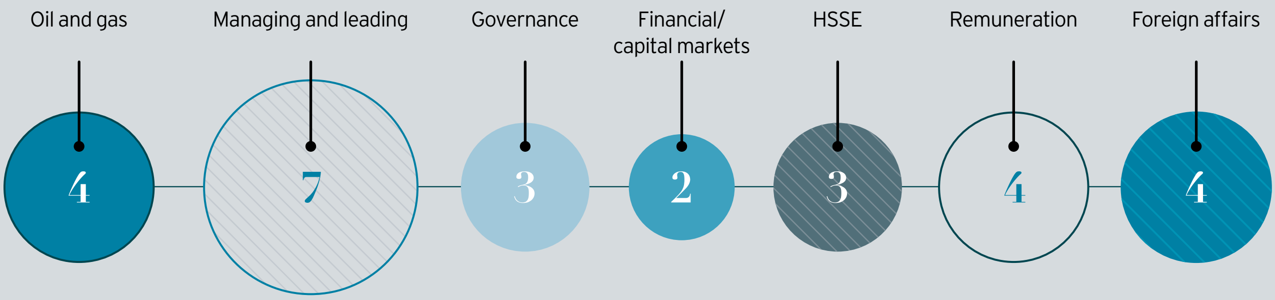
BOARD COMPOSITION

- Independent Directors
  72% (5 Directors)
- Non-Independent Directors
  14% (1 Director)
- Executive Director
  14% (1 Director)

INTERNATIONAL DIVERSITY
Number of Directors

British 4
Swiss 1
Turkish 2

SKILLS AND EXPERIENCE OF THE BOARD
Number of Directors



TOTAL NUMBER OF DIRECTORS
7

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

STEPHEN WHYTE (52)
Chairman

Appointed: as an Independent Non-Executive Director on 24 April 2017 and as Chairman of the Board on 6 June 2017.

Committee memberships: Chairman of the Nomination Committee, and member of the Reserves Committee.

Key skills and experience: Stephen Whyte has extensive knowledge in the oil and gas industry through his almost 30 year career within the industry. A significant part of his career has been spent at Royal Dutch Shell, where he held a variety of technical and commercial roles gaining extensive leadership experience. He also spent six years with UK Independent Clyde Petroleum, as Exploration Leader and then Commercial Director.

Current external appointments: Stephen is currently a Non-Executive Director of Echo Energy plc and an Independent Non-Executive Director of KazMunaiGas.

Previous relevant experience: Stephen was the SVP, Europe and Central Asia, Commercial, for BG Group and the Head of Exploration and Production at Galp Energia, Portugal's largest listed company, where he also served on the Board. Between July 2016 and January 2018 he served as the Non-Executive Chairman of Sound Energy plc.

MURAT ÖZGÜL (45)
Chief Executive Officer

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

Key skills and experience: Murat Özgül joined Genel in 2008 as Chief Commercial Officer and was responsible for leading its merger with Vallares PLC in 2011. From his roles within Genel Murat brings his experience within the industry, leadership, and foreign affairs to the Board.

Previous relevant experience: 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.

GEORGE ROSE (66)
Senior Independent Non-Executive Director

Appointed: 2 June 2011.

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

Key skills and experience: George brings with him recent and relevant financial experience. Until March 2011 George served as the Group Financial Director and member of the Board of BAE Systems plc, a position he held for 13 years. George is also a Fellow of the Chartered Institute of Management Accountants and has a wealth of experience in governance to draw on from his former appointment as Non-Executive Chairman of the Audit Committee of Laing O'Rourke plc amongst other appointments.

Current external appointments: George is the Senior Independent Non-Executive Director of Experian plc and a Non-Executive Director of EXPO 2020 LLC.

Previous relevant experience: 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. 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.

MEHMET ÖĞÜTÇÜ (56)
Independent Non-Executive Director

Appointed: 21 November 2011.

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

Key skills and experience: Mehmet brings with him his expertise in foreign affairs and the oil and gas industry having previously served as Director for International Government and Corporate Affairs at BG Group (2005–2011) and as a Turkish diplomat in Ankara, Beijing, Brussels and Paris (1986–1994).

Current external appointments:
Mehmet is currently Chairman of Global Resources Partnership, a natural resources strategy group. Since September 2013 he has led the Bosphorus Energy Club, a gathering of top energy, investment and geopolitical executives in Eurasia, MENA and Southeast Europe. In March 2013 he was also appointed as the Energy Charter Secretary – General's special envoy for the MENA region.

Previous relevant experience:
Between February 2016 and March 2017 Mehmet was appointed as a Non-Executive Director of Saudi Crown Holding. He was also appointed as an Independent Board member of ŞiŞecam Group between April 2015 and March 2018. Mehmet served as the head of the OECD's global forum on international investment and regional outreach programmes (2000–2005) and the Principal Administrator for Asia-Pacific and Latin America at the International Energy Agency (1994–2000).

TIM BUSHELL (58)
Independent Non-Executive Director

Appointed: 11 September 2017.

Committee memberships:
Chairman of the Reserves Committee and member of the Nomination Committee and of the HSSE Committee.

Key skills and experience: Tim Bushell is a qualified geologist with over 35 years' experience working in the oil and gas sector. He has worked at British Gas, Ultramar, LASMO, and Paladin Resources. Most recently Tim spent a decade as Chief Executive Officer at Falkland Oil and Gas Limited, and was co-founder of Core Energy AS.

Current external appointments:
Tim is a Non-Executive Director at Petro Matad, Rockhopper Exploration, and Point Resources.

MARTIN GUDGEON (51)
Independent Non-Executive Director

Appointed: 11 September 2017.

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

Key skills and experience: Martin Gudgeon has significant financial and corporate experience, and is a Partner at PJT Partners. Prior to joining PJT Partners he worked at Blackstone for eight years, serving as a Senior Managing Director, and was the Chief Executive at Close Brothers Corporate Finance. Before that, he was at Hill Samuel, including two years on secondment to Macquarie Bank in Sydney, Australia.

Current external appointments:
None.

NAZLI K. WILLIAMS (40)
Non-Executive Director

Appointed: 21 November 2011.

Key skills and experience:
Nazli has experience in managing and leading large corporations. Between 2004 and August 2014 Nazli 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.

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

Experienced in the industry and the KRI

ESA IKAHEIMONEN
Chief Financial Officer

Esa Ikaheimonen joined Genel as CFO in July 2017. He has over 25 years of oil and gas industry experience, most recently as CFO of publicly listed offshore drilling companies Transocean and Seadrill. Prior to that, he had a c.20 year career at Royal Dutch Shell, culminating in the role of Vice President of Finance for Shell Africa E&P. Esa currently serves as a Non-Executive Director and Chairman of the Audit Committee at Vantage Drilling. He holds a Masters Degree in Law from the University of Turku, specialising in tax law and tax planning.

BILL HIGGS
Chief Operating Officer

Dr. William (Bill) Higgs joined Genel in November 2017. Bill has nearly 30 years of global exploration, development and operations experience, including over five years in executive roles for independent E&P companies. He is a qualified geologist with extensive expertise in all engineering and other technical and commercial aspects of hydrocarbon development and production. Most recently, as Chief Operating Officer for Ophir Energy plc, he was responsible for managing the global asset portfolio. Prior to joining Ophir he was CEO of Mediterranean Oil and Gas, overseeing the successful sale of the company in 2014. Bill previously spent 23 years at Chevron across a number of global roles, including responsibility for reservoir management of the giant Tengiz oil and sour gas field in Kazakhstan.

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 as regards 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.

STEPHEN MITCHELL
General Counsel

Stephen Mitchell has practised as a lawyer for over 33 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.

GOZDE TUTANC
Head of Human Resources

Gozde has over 20 years' experience in the telecom, consultancy, FMCG and media sectors. She joined Genel Energy 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 certification from the Koc University in Istanbul.

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 low-cost oil producing assets and large-scale gas development assets that are important to the growth of the KRI. Further information on our business model can be found on page 11.

We operate to a high level of governance within a culture that values 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 2017.

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. We are in full compliance with the provisions of the Code with the exception of B 1.2 for part of the year, as between the 16 March 2017 and 6 June 2017, less than half the Board was made up of Independent Non-Executive Directors. 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.

Market Abuse Regulation
The Board is responsible for taking all proper and reasonable steps to ensure full compliance with the Market Abuse Regulation, including ensuring that staff are fully trained and understand their obligations under the new regime. During November 2017 additional face-to-face training was provided to relevant employees focusing on the Company's disclosure obligations under the Market Abuse Regulation.

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 high 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.

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 investigated and 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 (2016: 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 senior management 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 2017 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 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 18 to 21.

The role of the Board
The Board's role is to provide leadership in delivering on the long-term success of the Company within a framework of prudent and effective controls. It is responsible for approving the Company's strategy and 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.

BOARD ATTENDANCE

Date	January	February	March	June	July	August	September	September	November	December	Attendance[7] scheduled
Scheduled/Ad-hoc	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Ad-hoc	Ad-hoc	Scheduled	Scheduled	Ad-hoc	
Stephen Whyte[1]	n/a	n/a	n/a	✓	✓	✓	✓	✓	✓	✓	100%
Murat Özgül	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Tim Bushell[2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	100%
Martin Gudgeon[2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	100%
Mehmet Öğütçü[3]	✓	✓	×	✓	✓	✓	✓	✓	×	✓	71%
George Rose	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Nazli K. Williams	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Tony Hayward[4]	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%
Ümit Tolga Bilgin[5]	n/a	n/a	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%
Simon Lockett[6]	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%
Nathaniel Rothschild[6]	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%
Chakib Sbiti[4]	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%

1. Stephen Whyte was appointed as a Director on 24 April 2017.
2. Tim Bushell and Martin Gudgeon were appointed as Directors on 11 September 2017.
3. Mehmet Öğütçü was unable to attend the Board meetings scheduled for March and November 2017 due to conflicting engagements.
4. Tony Hayward and Chakib Sbiti retired as Directors on 6 June 2017.
5. Ümit Tolga Bilgin was not elected as a Director at the Company's AGM on 6 June 2017.
6. Simon Lockett and Nathaniel Rothschild resigned as Directors on 3 June 2017.
7. Denotes the attendance percentage at scheduled Board meetings by each Director.

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 reviewed regularly to ensure that they remain appropriate and relevant. Copies of the terms of reference 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.

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 General Counsel and Company Secretary 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, and present regularly to the Board on the performance of the business.

Board composition
There are seven Directors on the Board, of whom one is Executive and six (including the Chairman) Non-Executive. Five are independent under the Code (including the Chairman who was independent on appointment) and two are not considered independent.

During 2017, Tony Hayward, Simon Lockett, Nathaniel Rothschild and Chakib Sbiti stepped down as Directors. Ümit Tolga Bilgin was put forward for election as a Director at the Company's 2017 AGM but did not receive the required 50% majority of votes in favour of his election and accordingly was not appointed as a Director. On 14 March 2018 the Company announced that Mehmet Öğütçü will retire as a Director at the conclusion of the 2018 AGM.

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 and the region within which it operates. 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.

Further details of the Directors' skills and experience are set out on pages 34 and 35 of this Annual Report.

Independence of the Board
Upon the retirement of Mehmet Öğütçü as a Director, the Independent Non-Executive Directors (Tim Bushell, Martin Gudgeon and George Rose) will make up exactly half the Board and are responsible for ensuring appropriate challenge of management and the decisions of the Board. Stephen Whyte (as Chairman) was considered independent at the time of his appointment. In order to ensure strong governance the Independent Directors (plus the Chairman) have a voting majority.

The Independent Directors and the Chairman meet regularly in private session after Board meetings and on other occasions.

Nazli K. Williams has been nominated for appointment to the Board by Focus Investments Limited in accordance with the relationship agreement between the Company and Focus, and is not considered to be independent.

The Board considers that, following the changes to the Board composition that took place during the year, 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.

Meetings of the Board

The Board meets approximately six times each year and schedules other meetings as necessary to fulfil its role. During the year the Board held ten meetings in total in various locations, three of which were in addition to those scheduled.

There are detailed agendas for each Board meeting which are developed by the Chairman and the Company Secretary. The Board also has an annual rolling agenda that sets out the key topics for consideration at each meeting.

In addition to scheduled meetings of the Board, Directors receive updates from management in-between meetings on the performance of the business against the agreed strategy and on its operations.

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 Stephen Whyte received a full and comprehensive induction on the operations, processes, policies and procedures across the business. His induction included a comprehensive schedule of meetings with senior management in London and Ankara, meeting with key shareholders and advisors.

Tim Bushell and Martin Gudgeon also underwent a full and tailored induction programme upon their appointment as Independent Non-Executive Directors.

Roles and responsibilities

It is important to ensure that there is a clear division of roles between the Chairman, Chief Executive Officer and Senior Independent Director of the Company.

STEPHEN WHYTE
Chairman

Stephen Whyte 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 34.

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 senior management and succession planning for executive positions.

GEORGE ROSE
Senior Independent Non-Executive Director

George Rose is the Senior Independent Director. 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.

Risk monitoring and reporting
The Group keeps under review 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 appropriately and within the Group's tolerance for risk.

Our risk management procedures facilitate the identification of the key risks and key risk indicators, the controls by which these are managed and mitigated, and how these controls are monitored. Senior management review and update the risk management process and keep under constant review the risks identified. 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 26 to 30.

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 obligations placed on listed companies and the expectations of the UK Corporate Governance Code to publish a long-term viability statement and to continually monitor systems of risk management and internal control. 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. Our long-term viability statement can be found on page 31.

The Audit Committee supports the Board in the performance of its responsibilities by reviewing those procedures that relate to risk management and internal control. 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. Further information on the actions taken by the Audit Committee during the year can be found on pages 42 and 43.

The assessment of controls and risk management processes provides 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 2017 and up to the date of the signing of the financial statements, and is satisfied that it remains appropriate to the business.

A detailed budget is produced annually in accordance with our financial processes and reviewed and approved by the Board. Operational reports are provided to the Executive Committee on a monthly basis and performance against the budget kept under regular review in accordance with the Group's financial procedures manual. The CEO reports to the Board on performance and key issues as they arise. During 2017, a five year business plan and forecasting process was introduced with the intention that it will support and supplement our budget processes. In addition, the introduction of the five year business plan and forecast provides an additional tool for the Board to consider when making decisions on capital allocation, creating value through our assets and de-risking possibilities.

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 18 to 21. During the year a stakeholder management plan was adopted by the Board. The plan considers the Company's key stakeholders, their impact on key strategic objectives and how the Company engages with each stakeholder.

2018 AGM
The 2018 AGM will be held on Thursday, 17 May 2018 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 investors
We communicate on a regular basis with our shareholders via presentations and calls as part of our annual investor calendar. We also liaise with them on an ad-hoc basis as and when questions arise. During the year we also communicated with our bondholders via calls and scheduled meetings.

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. Several such meetings took place during the year and we welcome an open dialogue with our investors.

The Board receives regular investor relations updates covering key investor meetings and activities, as well as shareholder and investor feedback.

During 2018, as the Company's strategy and business plan evolves we intend to increase our interaction with shareholders through proactive engagement.

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

2017 Investor relations activity

Q1
– 2 investor conferences in the UK – Investor meetings in the UK
Q2
– 3 investor conferences in the UK and USA – Investor meetings in the UK
Q3
– 1 investor conference in the UK – Investor meetings in the UK
Q4
– 4 investor conferences in the UK – Investor meetings in the UK

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

During the year the Reserves Committee was formally adopted as a Board Committee, the Committee is made up of Tim Bushell and Stephen Whyte, both of whom are Directors with strong technical backgrounds. The objective of the Committee is to provide additional oversight on the assessment of the Company's reserves and resources.

Each Committee has adopted terms of reference under which authority is delegated by the Board and copies of which are available on our website. Each Committee consists only of Independent Non-Executive Directors with the exception of the Nomination Committee and the Reserves Committee. Stephen Whyte was independent upon his appointment as Chairman, chairs the Nomination Committee and is a member of the Reserves Committee.

Board effectiveness
The Board engaged independent advisors Spencer Stuart to facilitate an evaluation of the Board's effectiveness during 2017. The previous four years' Board evaluations were conducted internally by the Company Secretary, with the last external evaluation being conducted in 2012. The scope of the evaluation covered the Board, its four Board Committees and the Directors individually.

Actions from the 2016 effectiveness review	Progress made against the actions
Board development As the gas business develops, Directors should continue to be educated on the complex project inputs throughout 2017 and beyond.	Detailed updates on the gas project have been part of the Board agendas throughout the year. The Company has added gas commercialisation and capital project delivery capability at the Board and executive level. During the course of the year an external consultant was also engaged to provide additional capability with the planning and development of the gas project.
Board effectiveness Following further changes to Board composition during the year, the Directors should continue to focus on its operational effectiveness during 2017 and the induction process for new Directors.	There have been significant changes to the Board and senior management team in the past twelve months. The effectiveness of the Board is at a good level and the relationship between the new Board and senior management team is developing in a very positive manner. All new Directors undertook a formal induction programme.
Financing The Board, supported by the Audit Committee, will focus on maintaining the financial strength of the Company in the lead up to the refinancing in 2019.	The successful bond buyback in April 2017 and completion of refinancing the high-yield bond in December 2017 with the expectation of ongoing material free cash flow, provides us with a solid platform and financial flexibility to execute our growth plans.
Underlying business The Directors recognise the need to focus on the achievement of core business targets and the need to support management in that regard.	During 2017 Directors provided support to management to deliver core business achievements including but not limited to executing the RSA, refinancing our high-yield bond, replacing the commitment to drill a well on the Sidi Moussa license to a 3D seismic campaign.

Actions arising from the 2017 effectiveness review	
Board Effectiveness	The Board has decided to add an additional strategy meeting to the annual calendar from 2018 to review comprehensively and regularly the Company's strategy in an offsite setting. The Board has reviewed the current agenda formulation for Board meetings and identified items for additional regular inclusion in the coming year; cyber security; performance culture; developing talent and succession planning. The Reserves Committee has been elevated to a full Board Committee and the Chairmen of the Audit and Reserves Committees have reviewed their terms of reference, Committee membership and ways of strengthening the linkages between the two Committees.
Shareholder and Regional Relationships	The Chairman will continue to work closely with the Chief Executive Officer to further develop shareholder and regional stakeholder relationships and to report regularly to the Board. The Chairman and SID will further strengthen the regular cycle of shareholder discussions on an annual basis.
Board Development	Longer-term Board succession planning and the future composition of the Board will be reconsidered by the Nomination Committee in consultation with the full Board taking into consideration the future strategic direction of the Company.

The independent review of the performance of each of the Directors has been undertaken by the Chairman and the Senior Independent Director led the review of the Chairman's performance. Following these performance reviews, the Board considers that each of the Directors continue to make an effective and valuable contribution and demonstrate their commitment to the role. It is the Board's intention to continue to review its performance annually including that of its Committees and individual Directors. Accordingly, the Board recommends the election/re-election of each Director with the exception of Mehmet Öğütçü who will stand down as a Director at the Company's forthcoming AGM.

Ensuring integrity and clarity of published financial information

AUDIT COMMITTEE

Chairman	Member	Meetings in 2017
George Rose	Martin Gudgeon Mehmet Öğütçü	3 scheduled

Objective	Action
To increase shareholder confidence by ensuring the integrity and objectivity of published financial information	Scrutinised areas involving significant judgement, estimation or uncertainty in particular impairments and accounting of the RSA Monitored changes to reserves and resources Reviewed and received reports from the external auditors on the annual financial statements and other published financial information Ensured compliance with financial reporting standards and relevant financial and governance requirements
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	Considered the quality and appropriateness of the accounting policies and practices and financial reporting disclosures, in particular in respect of accounting for the RSA, impairment testing and refinancing of the Company high-yield bond Considered the Annual Report as a whole including the basis for the going concern assumption, the viability statement and underlying assumptions. Assessed the Annual Report in the context of whether, taken as a whole, it is fair, balanced and understandable
To assist the Board in meeting its financial reporting, risk management and internal control responsibilities	Monitored compliance with financial reporting standards and relevant financial and governance requirements Kept under review the risk register and retained oversight of the Group risk framework and by doing so supports the Board on assessing the Company's tolerance for risk Kept key accounting policies and practices under review to ensure that they remain appropriate
To assist the Board in ensuring the effectiveness of the internal accounting and financial controls of the Company	Kept under review the effectiveness of the systems of internal control, including the adherence to Company policies, internal audit outputs and the compliance programme including the 'SpeakUp' arrangements and the anti-bribery and corruption and trade sanction processes and procedures
To monitor the Company's treasury and financing arrangements	Monitored the cash position of the Company and kept the treasury policy under review to ensure it remains appropriate and aligned with the Company's cash position Reviewed the long-term financing requirements of the Company including the reduction of gross and net debt and refinancing of the high-yield bond
To strengthen the independent position of the Company's external auditors by providing channels of communication between them and the Non-Executive Directors	Monitored the effectiveness and independence of the external auditor and compliance with the non-audit services policy
To review the performance of the Company's internal and external auditing arrangements	Monitored the effectiveness and independence of the external auditor and compliance with the non-audit services policy Reviewed the Company's internal audit arrangements and endorsed the appointment of the Company's new internal audit structure, further details can be found on page 43.

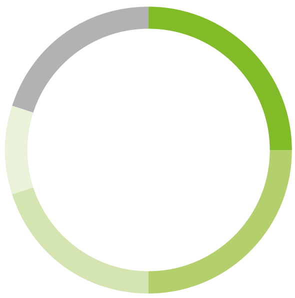
AUDIT COMMITTEE ATTENDANCE

Date	March	July	November	Attendance[5] scheduled
Scheduled/Ad-hoc	Scheduled	Scheduled	Scheduled	
George Rose	✓	✓	✓	100%
Martin Gudgeon[1]	n/a	n/a	✓	100%
Mehmet Öğütçü[2]	n/a	✓	×	50%
Simon Lockett[3]	✓	n/a	n/a	100%
Chakib Sbiti[4]	×	n/a	n/a	0%

1. Martin Gudgeon was appointed as a member of the Audit Committee on 21 September 2017.
2. Mehmet Öğütçü was appointed as a member of the Audit Committee on 6 June 2017 and was unable to attend the November Audit Committee meeting due to a conflicting engagement.
3. Simon Lockett resigned as a Director on 3 June 2017.
4. Chakib Sbiti was unable to attend the Audit Committee meeting in March 2017, he retired as a Director on 6 June 2017.
5. Denotes the attendance percentage at scheduled Committee meetings by each Director.

AUDIT COMMITTEE TIME SPENT

(%)



- **Governance and audit** – 25%
- **Financial reporting** – 25%
- **Financing** – 20%
- **Reserves and resources** – 10%
- **Risk management and internal control** – 20%

All the members of the Committee are Independent Non-Executive Directors. George Rose and Martin Gudgeon have recent and relevant financial experience and the Committee as a whole is considered to be competent in the oil and gas sector.

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 matters reported and the outcome of any investigations.

The significant issues considered by the Committee in relation to the 2017 accounts and how these were addressed were:

Reserves and resources – the Committee considered the underlying processes and judgements made, including the output from the Reserves Committee process, when considering the assessment of reserves and resources for the purposes of the financial statements.

Impairment of oil and gas assets – the Committee considered the process for review, key inputs and judgements made along with the supporting evidence when completing the assessment of the recoverable values of assets and the sensitivities applied.

RSA accounting – the Committee considered the approach taken to accounting for the RSA in the Company's financial statements.

During the year the Committee also considered refinancing of the Bond including consideration of strategy, quantum, structure and yield.

Internal audit

The Board recognises that an effective internal audit function is an important part of delivering a strong governance culture. Each year the Committee approves an internal audit plan for the year ahead which is aligned to the Group's risk profile. In July 2017 the Committee reviewed the outcome of the internal audit work performed during the first half of 2017, there had been no significant findings. In December 2017, the Company created a new internal audit structure, whereby it appointed a secondee from a Big Four firm as its Head of Internal Audit. Audit fieldwork planning, review and follow up is co-sourced with E&Y, with execution of the fieldwork performed by a combination of internal resource, E&Y and/or subject matter experts, depending on the particular requirements or location of the audits.

External audit

The effectiveness and the independence of the external auditor are key to ensuring the integrity of the Group's published financial information. The Audit Committee meet privately with the external auditors in the absence of management to discuss the audit. 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 in accordance with the 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.

In 2017, the ratio of non-audit to audit fee paid to PwC was 1:6, the non-audit fee paid was $0.1 million, 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 and accounting advice received during the year.

PwC have been appointed as the Company's auditors for the past six years following a tendering process in 2011. In 2016 the Audit Partner was rotated and Michael Timar was appointed as the Senior Statutory Auditor to the Company. When considering the re-appointment of the Company's external auditors, the Committee reviews the external auditor's independence and objectivity. In November 2017 the Committee reviewed the effectiveness of the external audit process. It reviewed papers from both management and the external auditors, including the planning and execution of the audit process. Following this review, the Committee was satisfied that the external auditor remains both effective and fully independent and on that basis their reappointment will be proposed and recommended at the forthcoming AGM.

The Audit Committee engaged independent advisors Spencer Stuart to facilitate an evaluation of the Committee's effectiveness during 2017. The review identified some areas for focus in 2018 including; monitoring of internal controls, the Board's current approach to risk oversight and suggested ways to elevate this on the Board's agenda and link it more closely to the strategy, the Annual Report and strengthening the linkages between the Audit Committee and the Reserves Committee.

Following the publication of updated FRC guidance on Audit Committees and new model terms of reference for Audit Committees by the ICSA in 2017 the Committees terms of reference were updated to ensure they were aligned to best practice. The Committees terms of reference 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 high calibre Board

NOMINATION COMMITTEE

Chairman	Members	Meetings in 2017
Stephen Whyte	Tim Bushell George Rose	1 scheduled

Objective	Action
Review 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	The size of the Board has been reduced from nine Directors to seven Reviewed potential candidates as part of the ongoing refresh of the Board and recommended the appointment of two Independent Non-Executive Directors
Annually reviewing the time required from Non-Executive Directors and making recommendations as to their reappointment at the AGM	As part of the external Board effectiveness review performance of the CEO and each of the Non-Executive Directors was undertaken Recommended the appointment/re-appointment of each Director at the 2018 AGM
Keeping under review succession arrangements for Directors and other senior executives	Following a refreshing of the Board and new appointments to the Executive team during the course of the year succession planning has continued to be discussed by the Committee
Review Board Committee membership	A comprehensive review of Committee composition was undertaken during the year following which the composition of the Committees were changed

NOMINATION COMMITTEE ATTENDANCE

Date	November	Attendance[6] scheduled
Scheduled/Ad-hoc	Scheduled	
Stephen Whyte[1]	✓	100%
Tim Bushell[2]	✓	100%
George Rose	✓	100%
Mehmet Öğütçü[3]	n/a	-
Tony Hayward[4]	n/a	-
Simon Lockett[5]	n/a	-
Chakib Sbiti[4]	n/a	-

1. Stephen Whyte was appointed as Chairman of the Nomination Committee on 6 June 2017.
2. Tim Bushell was appointed as a member of the Nomination Committee on 21 September 2017.
3. Mehmet Öğütçü stepped down as a member of the Nomination Committee on 21 September 2017.
4. Tony Hayward and Chakib Sbiti retired as Directors on 6 June 2017.
5. Simon Lockett resigned as a Director on 3 June 2017.
6. Denotes the attendance percentage at scheduled Committee meetings by each Director.

NOMINATION COMMITTEE TIME SPENT

(%)

All the members of the Nomination Committee are Independent Non-Executive Directors. The Chairman of the Board chairs the Nomination Committee except when the Committee considers the appointment of the Chairman.

As part of its remit the Nomination Committee keeps under review the composition and balance of the Board. The Committee is aware of the need to align the Board's composition with the Company's strategy and to ensure the Board has the necessary skills to ensure the Company's long-term success. 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.

During the year George Rose chaired the Nomination Committee during the Company's search process for a new Chairman. The Committee recommended the appointment of Stephen Whyte as Chairman to the full Board.

The Committee spent time considering whether additional Directors needed to be appointed to the Board following the reduction in size of the Board following our 2017 AGM. The Committee reviewed the skills and experience around the boardroom ahead of engaging Spencer Stuart, an external search agency, to undertake a comprehensive search process and making a recommendation to the full Board to appoint two new Independent Non-Executive Directors.

As part of their remit Spencer Stuart were asked to provide a pool of candidates from a diverse range of backgrounds and with due regard to gender diversity. Spencer Stuart were also appointed to provide an external Board evaluation during the year.

Currently there is one female Director on the Board and, when the opportunity arises we consider candidates based on merit and against objective criteria and with due regard for the benefits of diversity on the Board. In the year ahead, the Nomination Committee will keep under review the composition and balance of the Board to ensure the appropriate experience and skills to deliver the Company's strategy.

The Nomination Committee engaged independent advisors Spencer Stuart to facilitate an evaluation of the Committee's effectiveness during 2017. The review concluded that the Nomination Committee was functioning effectively. The relatively small Board is observed as conducive to productive and time-effective discussions and its current composition is well-balanced and a range of sector and other important functional experience is represented.

The review identified some areas for focus in 2018 including Board succession planning and the future composition of the Board which should be reconsidered by the Nomination Committee in consultation with the full Board taking into consideration the future strategic direction of the Company. It was also highlighted that in future Board appointments, the Nomination Committee and Board should aim to improve gender diversity.

The Committee has also reviewed its terms of reference. The Committee terms of reference can be found on our website at www.genelenergy.com

Ensuring a focused approach to HSSE

HSSE COMMITTEE

Chairman	Member	Meetings in 2017
Mehmet Öğütçü	Tim Bushell	3 scheduled

Objective	Action
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 practices and emerging legal requirements	Received updates on developments both from a regulatory and operational perspective Monitors the collaboration of the operators in the region to develop a common approach to mitigating and managing the risks associated with oil field operations and received updates on engagement with government authorities Reviewed the Company's localisation strategy in the KRI and CSR activities
To assist the Company in maintaining its relationships with local communities in which it operates, including through social investment and sustainable development activities	The environmental impact arising from our operations is reviewed regularly and any areas of concern are reviewed by the Committee
To assist the Board and other committees in assessing HSSE risks and their effective management in determining, implementing and reviewing the Company's HSSE strategy and processes	Risks allocated to the Committee under the risk management system were reviewed in detail and a report provided to the Audit Committee on the effectiveness of the HSSE controls and risk mitigation processes
To ensure the quality of the Company's reporting and disclosure (both internally and to shareholders) in relation to HSSE matters	Monitored performance against the HSE KPI targets and LTI targets Reviewed and monitored the GHG emissions output and disclosure made in the Annual Report in accordance with the GHG protocol
To assist the Company in developing the HSSE culture	Received regular updates on the approach to safety culture and security across the organisation particularly following the KRI independence referendum Provided feedback to the Remuneration Committee on the HSSE performance elements of the 2017 annual bonus performance targets

HSSE COMMITTEE ATTENDANCE

Date	March	July	November	Attendance[6] scheduled
Scheduled/Ad-hoc	Scheduled	Scheduled	Scheduled	
Mehmet Öğütçü[1]	×	✓	✓	66%
Tim Bushell[2]	n/a	n/a	✓	100%
Stephen Whyte[3]	n/a	✓	n/a	100%
Simon Lockett[4]	✓	n/a	n/a	100%
Chakib Sbiti[5]	✓	n/a	n/a	100%

1. Mehmet Öğütçü did not attend the HSSE Committee meeting in March 2017 due to a conflicting engagement. He was appointed as Chairman of the HSSE Committee on 6 June 2017.
2. Tim Bushell was appointed as a member of the HSSE Committee on 21 September 2017.
3. Stephen Whyte was appointed as a member of the HSSE Committee on 6 June 2017 and stepped down as a member of the Committee on 21 September 2017.
4. Simon Lockett resigned as a Director on 3 June 2017.
5. Chakib Sbiti retired as a Director on 6 June 2017.
6. Denotes the attendance percentage at scheduled Committee meetings by each Director.

HSSE COMMITTEE TIME SPENT

(%)

- **Planning and monitoring** - 50%
- **Culture** - 15%
- **Security** - 20%
- **Risk monitoring and mitigation** - 15%

Genel's HSSE policy reflects international best practice including but not limited to the IFC Performance Standards and ICMM Sustainable Development Framework. At each meeting of the Committee an update is received from management on the progress made against the HSSE strategic plan which it approves at the beginning of each year. In 2017 the plan contained actions in the following areas: leadership and culture, contractor management, operational activity, HSE management system, health, environment and HSE safety performance.

During the course of the year progress was made against each of these areas including increased site visits to demonstrate visible HSE leadership, arranging various crisis and emergency management exercises in order to ensure preparedness in the event of a crisis and development of contractor assurance management plans for high risk contracts. During the year across the organisation 12 HSE training and knowledge sharing sessions were held on topics including but not limited to oil spill preparedness and response, HSE observation, intervention and recognition and administering first aid. Operations activities also included providing HSE support for the development of the Miran and Bina Bawi gas project.

In line with the UK Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 the Company prepares and reports our greenhouse gas emissions which can be found in our corporate responsibility section on pages 18 to 21. The Committee reviewed the greenhouse gas emissions occurring from operations in 2017 and notes a year-on-year reduction of 12%.

In recognition of the importance of HSSE to our business the 2017 annual bonus objectives contain an element specifically allocated to HSSE. The Committee reviewed progress against the 2017 HSSE objectives and made recommendations to the Remuneration Committee on these elements the details of which may be found on page 54 of the Annual Report on Remuneration.

The HSSE Committee engaged independent advisors Spencer Stuart to facilitate an evaluation of the Committee's effectiveness during 2017. The HSSE Committee was viewed as discharging its duties effectively, further enhancing the already strong HSE culture within the business. Areas for improvement were identified as the inclusion of crisis planning on the Board agenda and a facilitated 'fire drill' for the Board in 2018.

The Committee reviews its terms of reference annually, which can be viewed at www.genelenergy.com. All the members of the Committee throughout the year have been Independent Non-Executive Directors.

Ensuring a robust reserves and resources process

RESERVES COMMITTEE

Chairman	Member	Meetings in 2017
Tim Bushell	Stephen Whyte	1 scheduled 1 ad-hoc

Objective	Progress
To increase shareholder confidence by ensuring a robust reserves and resources review process	In September 2017 the Reserves Committee was adopted as a committee of the Board
To review the Company's statement of reserves, independent reserves evaluators reports and any material changes in reserves volumes	Reviewed the Company's annual statement of reserves and resources Reviewed the independent reserves evaluator reports published by the Company
To review the qualification and independence of the independent qualified reserves evaluator	Endorsed the appointment of McDaniels and RPS Energy

RESERVES COMMITTEE ATTENDANCE

Date	February	March	Attendance[5] scheduled
Scheduled/Ad-hoc	Scheduled	Ad-hoc	
Tim Bushell[1]	n/a	n/a	n/a
Stephen Whyte[2]	n/a	n/a	n/a
Tony Hayward[3]	✓	✓	100%
Simon Lockett[4]	✓	✓	100%
Chakib Sbiti[3]	✓	✓	100%

1. Tim Bushell was appointed as a member and Chairman of the Reserves Committee on 21 September 2017.
2. Stephen Whyte was appointed as a member of the Reserves Committee on 21 September 2017.
3. Tony Hayward and Chakib Sbiti retired as Directors of the Company on 6 June 2017.
4. Simon Lockett resigned as a Director of the Company on 3 June 2017.
5. Denotes the attendance percentage at scheduled Committee meetings by each Director.

In September 2017 the Board as part of a review of Board Committees took the decision to adopt the Reserves Committee as a full Board Committee. This decision was taken to enhance the Company's governance framework. Prior to this, the Committee membership was made up of Board Directors and its findings were reported to the Audit Committee.

The objective of the Reserves Committee is to provide oversight to the assessment of the Company's reserves and resources. The Committee relies on information and support from management and the external independent reserves evaluator to carry out its duties and responsibilities. In addition, the Committee invites experts and professionals to its meetings as appropriate.

The Committee received and considered reports from management, RPS Energy and McDaniels in relation to the 2017 annual reserves and resources statement.

The Reserves Committee has detailed terms of reference which can be viewed at www.genelenergy.com. Following the Reserves Committee being adopted as a Board Committee a full review of the terms of reference was undertaken.

All the members of the Reserves Committee are Independent Non-Executive Directors and have relevant technical and industry experience.

Remuneration Committee Chairman's statement

REMUNERATION COMMITTEE

Chairman	Members	Meetings in 2017
George Rose	Martin Gudgeon Mehmet Öğütçü	3 scheduled 3 ad hoc

On behalf of the Remuneration Committee, I am pleased to present Genel's Directors' Remuneration Report for the year ended 31 December 2017. This is my first Report as Remuneration Committee Chairman and my thanks go to my predecessor, Chakib Sbiti.

We have once again prepared our Directors' Remuneration Policy Report and Annual Report on Remuneration in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). As a Jersey registered company we are not required to prepare a remuneration report in accordance with UK legislation. However, as in previous years it remains the policy of Genel to comply with high standards of corporate governance.

Remuneration Policy

As we have chosen to comply with UK remuneration reporting regulations, at our 2017 AGM we sought shareholder approval for our Remuneration Policy (the 'Policy'). The Policy was strengthened during 2017 with the intention of applying a responsible approach to executive remuneration and aligning with the Company's strategy in the challenging energy business environment.

At the AGM in June 2017, 69.31% of our shareholders approved our Policy. Following this vote, the Board reviewed the total remuneration package of the CEO and made the decision to adjust downwards his remuneration. I would like to thank Murat Özgül for demonstrating his commitment to Genel by working with us on this matter and accepting a 20% decrease of his base salary from £625,000 to £500,000 from 1 August 2017. In tandem, to retain sufficient alignment with the long-term performance of the Company, his 2017 PSP maximum potential award was increased from 150% to 200% of annual salary. This change was within the limits of our Policy. The Committee was satisfied that these adjustments brought CEO remuneration into line with comparable listed E&P companies and responded to the concerns of our shareholders.

With this adjustment, and continued scrutiny of all remuneration issues, the Committee's intention is to continue to operate within the Policy for the three-year period following its approval. The Policy is set out on pages 60 to 67. We believe that the remuneration structure set out in the current Policy remains clear, transparent, and simple and aligned with our strategic priorities while also promoting behaviours which are in the best interests of our shareholders.

Remuneration for 2017

Full details of the Remuneration Committee's decisions for 2017 are set out in the Annual Report on Remuneration on pages 52 to 59.

Overall, 2017 has been a good year for Genel. Operating cash flow was strong, the Receivable Settlement Agreement was a notable achievement as were the Gas Lifting Agreements and the revised Production Sharing Contracts for Miran and Bina Bawi. However, progress on the gas business in total was slower than we had targeted.

The Committee considered the bonus framework for the year and decided that, given the importance of the delivery of the Company's gas, financial, operational and safety and environment objectives, the individual performance element should be matched to the scorecard. Of the maximum potential annual bonus, 82.14% has been achieved.

Further details of the 2017 annual bonus performance objectives and how they were assessed can be found on pages 53 and 54.

The performance period for PSP awards granted in 2015 ended on 31 December 2017. These awards will lapse as Genel's relative TSR ranking was below median of the peer group.

Approach to remuneration in 2018
Details of how we intend to apply our Policy over the coming year are set out on pages 57 to 59. We continue to apply a responsible approach to executive remuneration and, therefore, the Committee has determined that Murat Özgül's base salary will be increased for 2018 at a rate of 3%.

For 2018, the CEO's annual bonus will continue to be based solely on the achievement against the Company scorecard metrics. The scorecard will include metrics based on financial performance (30%), operational performance (20%), Bina Bawi and Miran (20%), strategy execution (15%) and safety and environment performance (15%).

The Committee is committed to the current focus of the Company, namely, absolute long-term value creation through developing our oil assets, recovering monies owed for past sales and establishing the gas business. Therefore, PSP awards for 2018 will again be assessed 50% on relative TSR against our peer group, and 50% against absolute TSR targets. Details of the targets are set out on pages 58 and 59. The Committee considers that these targets are appropriately stretching and that maximum vesting would represent significant value creation.

The 2018 performance metrics, seen on page 58, reflect the focus of the Company and the CEO upon the high potential for value creation from our assess in Miran and Bina Bawi, as well as driving execution of the strategy throughout the year. The Company seeks to maintain positive progress through clear financial and operational targets, and continues to aim for the highest in safety and environment industry standards.

2018 AGM
At the AGM in 2018, our shareholders will be asked to approve this annual report on remuneration and I encourage you to vote in favour. I will be available, along with my Committee members, to answer any questions regarding our Policy on executive remuneration and the activities of the Committee.

George Rose
Chairman of the Remuneration Committee

REMUNERATION COMMITTEE ATTENDANCE

Date	March	June	July	August	September	November	Attendance[6]
Scheduled/Ad-hoc	Scheduled	Ad-hoc	Scheduled	Ad-hoc	Ad-hoc	Scheduled	
George Rose[1]	✓	✓	✓	✓	✓	✓	100%
Martin Gudgeon[2]	n/a	n/a	n/a	n/a	✓	✓	100%
Mehmet Öğütçü[3]	×	✓	✓	×	×	×	33%
Stephen Whyte[4]	n/a	✓	✓	✓	n/a	n/a	100%
Chakib Sbiti[5]	✓	n/a	n/a	n/a	n/a	n/a	100%

1. George Rose was appointed Chairman of the Remuneration Committee on 6 June 2017.
2. Martin Gudgeon was appointed as a member of the Remuneration Committee on 21 September 2017.
3. Mehmet Öğütçü was unable to attend various Remuneration Committee meetings in 2017 due to conflicting engagements.
4. Stephen Whyte was appointed as a member of the Remuneration Committee on 6 June 2017 and stepped down as a member of the Committee on 21 September 2017.
5. Chakib Sbiti retired as a Director on 6 June 2017.
6. Denotes the attendance percentage at scheduled Remuneration Committee meetings.

Objective	Progress
To implement the Remuneration Policy for the Chairman, CEO and broad framework for remuneration for members of the Executive Committee	Received shareholder approval for the Remuneration Policy at the 2017 AGM.
To review and have regard to remuneration practices across the Company	Considered remuneration practices across the Company including management recommendations for salary increases, bonus payments and share awards.
In respect of performance related elements of the Remuneration Policy formulate suitable performance related criteria and monitor their operation	Completed a mid-year review of performance against bonus targets. Reviewed the 2015 PSP performance against relative TSR of a comparator group which resulted in no shares vesting under the award.
To review all aspects of any equity incentive plans operated or to be established by the Company	The Committee considered alternative approaches to the equity incentive plans. As a result of the review it was agreed to review the performance measures for the 2017 PSP award. Further details are set out on pages 54 and 55.
To have regard in the performance of its duties to any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes	As part of its deliberations during the year, governance updates were received from both Deloitte and the Company Secretary to ensure that any decisions taken and recommendations made were done so in the context of the wider remuneration landscape whilst remaining appropriate for the specific challenges facing the Company.
To ensure that provisions regarding the disclosure of information, including pensions, as set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations and the UK Corporate Governance Code, are fulfilled	Reviewed the Annual Report of Remuneration for 2017 prior to submission to shareholders for a non-binding vote at the AGM.

ANNUAL REPORT ON REMUNERATION

Activities of the Remuneration Committee
The Committee held three scheduled and three ad-hoc meetings during the year. Details of the attendance of Committee members at meetings during 2017 is set out on page 50 of this Annual Report. All of the members of the Committee are Independent Non-Executive Directors.

Key activities during the year included the following:

- Review of the Remuneration Policy
- 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 CEO and Executive Committee in order to determine the level of bonus earned in respect of the 2017 financial year
- Review of the TSR performance outcomes in respect of the 2015 PSP award
- Approval of the annual bonus plan framework for 2018
- Consideration of the remuneration arrangements of the Chief Executive Officer and members of the Executive Committee for 2018
- Consideration and determination of the performance criteria for the 2017 PSP awards
- Review of the performance measures applied to the 2018 PSP awards
- Approval of share plan awards, including to those below Board level
- Consideration of corporate governance and market practice developments

REMUNERATION COMMITTEE TIME SPENT

(%)

- **Executive Director remuneration -** 40%
- **Long-term incentive plans for all employees -** 20%
- **Governance -** 15%
- **All employee remuneration -** 25%

Advisers to the Committee
The Committee has again appointed Deloitte LLP ('Deloitte') to provide independent advice on remuneration matters under consideration by the Committee. The continued appointment of Deloitte was approved 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 also provided support and advice to the Company including in respect of the operation of the Company's share plans 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 £44,200 and were charged on the basis of their standard terms of business for the advice provided.

The Remuneration Committee engaged independent advisors Spencer Stuart to facilitate an evaluation of the Committee's effectiveness during 2017. The review concluded the Remuneration Committee was functioning effectively and was seen as taking a pragmatic approach in the interests of the business within the boundaries of a sensible framework for remuneration. The Committee Chairman reports comprehensively to the full Board and it is acknowledged that the Remuneration Committee is operating with an ever increasing level of transparency.

The Committee also consulted during the year with the Chairman (Stephen Whyte and formerly Tony Hayward), CEO (Murat Özgül), the Company Secretary (Stephen Mitchell and formerly Sarah Robertson) and the Head of Human Resources (Gozde Tutanc).

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 6 June 2017, votes cast by proxy and at the meeting in respect of the Annual Report on Remuneration for the year ended 31 December 2016 were as follows:

	Number of votes cast	For	Against	Abstentions
To approve the Annual Report on Remuneration for the year ended 31 December 2016	208,955,834	144,825,765	64,130,069	2,501
To approve the Director' Remuneration Policy	208,954,335	144,818,609	64,135,726	4,000
		69.31%	30.69%	

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 2017 and discusses how the Policy will be implemented in the 2018 financial year. Details of the Policy can be found on pages 60 to 67.

Audited information

Single total figure table showing remuneration for each Director

The following table sets out the total remuneration for the Executive Director and Non-Executive Directors for the period in office for the year ended 31 December 2017, and comparison figures for 2016.

	Salary/fees £'000		Benefits £'000		Bonus £'000		LTIP[1] £'000		Total £'000	
Name	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Executive Director										
Murat Özgül	573	625	143	156	706	670	343	68	1,765	1,519

1. LTIP include shares under the Company's PSP. The 2015 awards under the PSP will lapse following the announcement of the Company's results in 2018 based on performance to 31 December 2017.

	Salary/fees £'000		Benefits £'000		Bonus £'000		LTIP[1] £'000		Total £'000	
Name	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Non-Executive Directors										
Stephen Whyte[1]	152	-	-	-	-	-	-	-	152	-
George Rose	87	96	-	-	-	-	-	-	87	96
Tim Bushell[2]	24	-	-	-	-	-	-	-	24	-
Martin Gudgeon[2]	22	-	-	-	-	-	-	-	22	-
Mehmet Öğütçü	76	80	-	-	-	-	-	-	76	80
Nazli K. Williams	56	64	-	-	-	-	-	-	56	64
Tony Hayward[3]	78	208	-	-	-	-	-	-	78	208
Ümit Tolga Bilgin[4]	13	0	-	-	-	-	-	-	13	-
Sir Graham Hearne[5]	-	33	-	-	-	-	-	-	-	33
Jim Leng[5]	-	37	-	-	-	-	-	-	-	37
Simon Lockett[6]	34	82	-	-	-	-	-	-	34	82
Nathaniel Rothschild[6]	24	64	-	-	-	-	-	-	24	64
Chakib Sbiti[7]	35	92	-	-	-	-	-	-	35	92

1. Stephen Whyte was appointed Chairman on 24 April 2017.
2. Tim Bushell and Martin Gudgeon were appointed to the Board on 11 September 2017.
3. Tony Hayward retired from the Board on 6 June 2017.
4. Ümit Tolga Bilgin was not elected as a Director at the Company's AGM on 6 June 2017.
5. Sir Graham Hearne and Jim Leng retired as Directors on 27 April 2016.
6. Simon Lockett and Nathaniel Rothschild resigned from the Board on 3 June 2017.
7. Chakib Sbiti retired from the Board on 6 June 2017.

Additional disclosures in respect of the single total figure table

Base salary

The table below shows base salaries which were effective during 2017.

	Base salary effective 1 August 2017	Base salary on 1 Jan 2017
Murat Özgül[1]	£500,000	£625,000

1. The actual base salary received for the period 1 January to 31 December 2017 was £572,917.

Salary information for 2018 is provided on page 57.

Benefits

In line with the Committee's aim to provide a simple, transparent package, the CEO receives a cash supplement of 25% of base salary 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. In the event that the CEO participates in the Mandatory Pension Plan offered by the Company the cash supplement will be reduced by the amount contributed by the Company into the Mandatory Pension Plan.

Annual bonus

The 2017 annual bonus scorecard was approved based on the Company's performance against key business objectives with a weighting of 70% against Company metrics and 30% against individual performance. These included progress against the gas project (20%), financial targets (20%), operational targets (15%) and health and safety performance (15%).

Genel delivered strong performance against financial and health and safety performance targets. A successful bond buyback in April was followed by the execution of the landmark Receivable Settlement Agreement in August and successful refinancing completed in December 2017. These, together combined with regular payments, materially reduced the net debt of the Company and resulted in significant free cash flow after interest, providing a robust financial foundation for 2018. However, the strong start to the year for the Company's performance against the gas target was impacted by the political developments after September 2017 in the KRI, ultimately slowing progress in the last quarter of the year. Further details are set out below.

	2017 bonus	As % of maximum
Murat Özgül	**£706,000**	82.14%

2017 – Annual bonus, Remuneration Committee assessment of performance against targets

The Committee discussed the significant, positive impact of the achievement of the Receivable Settlement Agreement and the strong financial position of the Company. Given the close alignment of targets, it was considered appropriate to match the successful outcome of the Company targets to that of Mr Özgül's personal performance. Consequentially, Murat Özgül's overall 2017 bonus outcome was £706,000, being 82.14% of the maximum opportunity.

Bonus performance measure	Weighting	Performance target	Assessment of performance against metrics	Performance assessment
Gas	20%	Progress the commercialisation of the gas business	PSA amendments and Gas Lifting Agreements (GLAs) were successfully concluded with the KRG in February and farm-in negotiations with potential equity partners started in early months of the year. Unfortunately, the strong start to 2017 performance against the gas target was impacted by the political developments in the KRI after September. The upstream GLAs Condition Precedents (CPs) have been accomplished as the Competent Persons Report (CPR) by RPS and Field Development Plan (FDP) by Baker Hughes for Miran and Bina Bawi were both completed on time as required. In addition, Genel managed to conclude a First Amendment & Restatement Agreement to the GLA with the KRG, providing an additional one year period to fulfil the rest of the CPs.	10%
Financial	20%	– Secure the financial strength of the Company – Secure clarity on the mechanism for the recovery of the receivable balance – Manage the Group on a cash flow neutral basis	April 2017 saw the successful bond buyback followed by the execution of the landmark Receivable Settlement Agreement in August, and successful refinancing was completed by the end of the year. A strong financial position for the Company for the year ahead was achieved by a combination of these alongside ongoing regular payments materially reducing the net debt of the company, and resulting in significant free cash flow after interest.	20%

Bonus performance measure	Weighting	Performance target	Assessment of performance against metrics	Performance assessment
Safety and Environment	15%	– Develop contractor capability and management – Maintain existing zero performance rate on LTI's, high potential incidents, fatalities and spills – Continue to embed HSE culture	Another strong HSE performance year with zero LTIs and no serious incidents, plus the development and rollout of the HSE management system and of contract assurance plans for high risk areas. The strong HSE culture continues to be embedded by, for example, regular site visits by senior management, training and crisis management exercises across all sites.	15%
Operational	15%	– Manage the Group within guidance – Increase 2P reserves	Net production for the year averaged within the guidance range given for 2017, however, increases in 2P reserves were neutral.	12.5%

Performance share plan awards made in 2017
PSP awards are granted in the form of a nil-cost conditional share award over shares in the Company with the number of conditional awards granted determined by reference to a percentage of base salary.

As disclosed in the 2016 Annual Report, the Committee decided that, while the relative TSR is an important measure of long-term performance, the current focus of the Company is on absolute long-term value creation through maximising the generation of free cash from existing oil assets, crystallising value from Bina Bawi and Miran, and creating shareholder value through prudent additions to the portfolio. Therefore, 2017 PSP awards were granted based on 50% relative TSR against our peer group, and 50% against absolute TSR targets. The sectoral peer group for the 2017 PSP awards was reviewed in the year to ensure that it remained appropriate.

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

Awards will vest according to the following schedule:

Relative 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%

Absolute TSR of the Company	Proportion of element vesting
Below 15% p.a.	0%
15% p.a.	30%
Between 15% p.a. and 35% p.a.	Straight-line basis
35% p.a. or more	100%

The following table provides details of the awards made under the PSP on during 2017. Performance for these awards is measured over the three years from the date of grant.

	Type of award	Face value (£)	Face value (% of salary)	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Murat Özgül	Conditional share award	937,500[1]	150%	30% (median)	100% (upper quartile)	09/05/2020
	Conditional share award[3]	26,042[2]	5%[4]	30% (median)	100% (upper quartile)	27/08/2020

1. Face value has been calculated using the average share price 10 dealing days, prior to the date of grant, of 80.6 pence.
2. Face value has been calculated using the average share price 10 dealing days, prior to the date of grant, of 125.77 pence.
3. This award was made following the adjustment of the 2017 PSP maximum potential award.
4. This figure represents the percentage of the salary from 1 August 2017.

Share awards

The following table provides a summary of all share awards as at 31 December 2017. Further details of the Company's share plans are set out on pages 99 and 100.

Scheme	Grant date	Exercise price	At 1 January 2017	Granted during the year	Vested during the year	Released during the year	Exercised during the year	Lapsed during the year	At 31 December 2017	Performance period end	Expiry date
Murat Özgül[2]											
SOP	19/12/2011	787.58	31,764	-	-	-	-	-	31,764	19/12/2014	19/12/2021
PSP	21/03/2014	Nil	34,588	-	-	-	-	34,588	-	31/12/2016	21/03/2024
PSP	15/04/2015[1]	Nil	112,757	-	-	-	-	-	112,757	31/12/2017	15/03/2025
RSP	15/04/2015	Nil	195,158	-	-	65,052	-	-	130,106	n/a	15/04/2025
CEO award	21/08/2015	Nil	375,000	-	-	-	187,500	-	187,500	n/a	21/08/2025
PSP	07/05/2016	Nil	1,135,171	-	-	-	-	-	1,135,171	31/12/2018	07/05/2026
PSP	10/05/2017	Nil	-	1,163,151	-	-	-	-	1,163,151	09/05/2020	10/05/2027
PSP	28/08/2017	Nil	-	20,706	-	-	-	-	20,706	27/08/2020	28/08/2027
Tony Hayward[3]											
PSP	29/05/2012	Nil	102,131	-	-	-	102,131	-	-	31/12/2014	29/05/2022
PSP	21/03/2014	Nil	98,231	-	-	-	-	98,231	-	31/12/2016	21/03/2024
PSP	15/04/2015[1]	Nil	212,030	-	-	-	-	-	212,030	31/12/2017	15/04/2025

1. The 2015 awards under the PSP will lapse following the announcement of the Company's results in 2018.
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.

Payments to past Directors

In 2017, there were no payments made to past Directors during the year.

Payments for loss of office

In 2017, 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 2017 are shown in the table below. There have been no changes in the Directors' shareholdings and interests since 31 December 2017.

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 for share awards up to and including 2016 and for two years for awards made in 2017 and beyond. Executive Directors are expected to build up their holding over time.

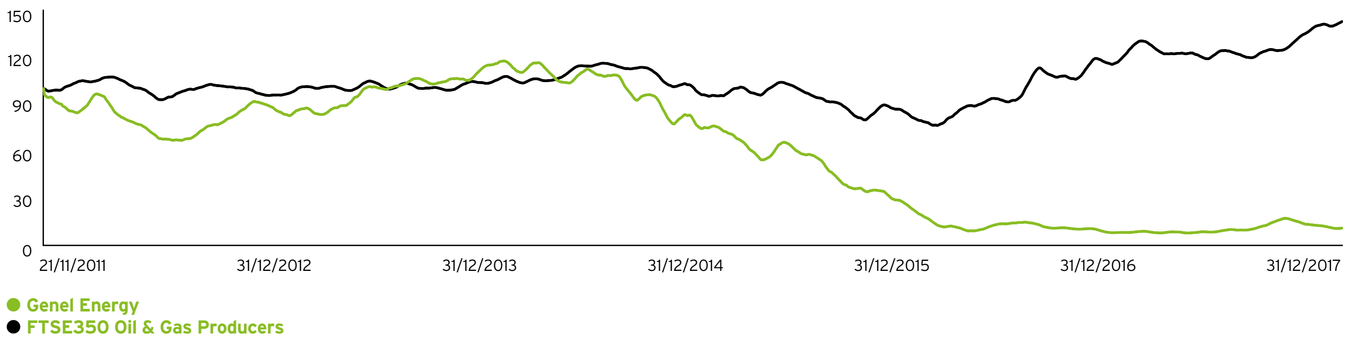
Director	Ordinary shares as at 31 December 2016 or date of leaving	Ordinary shares as at 31 December 2017 or date of leaving	Interest in share options granted under the Company share plans as at 31 December 2017 or date of leaving
Murat Özgül	102,994	355,546	2,760,449
Stephen Whyte	–	15,740	
Tim Bushell	–	–	–
Martin Gudgeon	–	–	–
Mehmet Öğütçü	–	–	–
George Rose	90,000	90,000	–
Nazli K. Williams	–	–	–
Tony Hayward	1,483,876	1,483,876	212,030
Ümit Tolga Bilgin	–	–	–
Simon Lockett	–	–	–
Nathaniel Rothschild	22,119,970	22,119,970	–
Chakib Sbiti	80,100	80,100	–

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 2017 financial year.

	2011	2012	2013	2014	2015	2015	2016	2017
Chief Executive Officer					**Tony Hayward**	**Murat Özgül**		
CEO single figure remuneration (£'000)	139	1,691	1,779	2,521	468	531	1,519	1,765
Annual bonus pay-out (as a % of maximum opportunity)	n/a	90%	95%	90%	0%	36.25%	71.4%	82.14%
Long-term incentive vesting out-turn (as a % of maximum opportunity)	n/a	n/a	n/a	82.5%	0%	0%[1]	0%	0%

1. The Committee exercised its discretion to reduce the vesting under the 2013 PSP awards from 30% to 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 years ended 31 December 2016 and 31 December 2017 compared to the average for permanent employees of the Company.

	% change in base salary 2017/2016	% change in benefits 2017/2016	% change in annual bonus 2017/2016
Chief Executive Officer	(8.3%)	(8.3%)	5.4%
All employees	5.7%	(11.2%)	24.1%

The percentage change in annual bonus for the CEO compares 2017 outcomes against 2016.

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 2017.

Remuneration paid to all employees	$m
2016	22.1
2017	21.6

Remuneration paid to all employees represents total staff costs from continuing operations.

Implementation of Remuneration Policy in 2018

This section provides an overview of how the Committee is proposing to implement our Remuneration Policy in 2018.

Base salary

In determining Executive Director salary increases for 2018, 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 to increase Murat Özgül's base salary by 3% with effect from 1 January 2018. The table below shows the base salary for 2018.

Base salary from 1 Jan 2018	
Murat Özgül	£515,000

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 2018, the cash supplement remains set at 25% of base salary.

2018 Benefits allowance	
Murat Özgül	£128,750

2018 – Annual bonus targets

The target bonus for Murat Özgül for 2018 remains at 100% of base salary, with a maximum bonus of 150% of base salary. For 2018, the performance of the Executive Director will be measured 100% against Company metrics.

In 2018, 50% of the bonus performance measures will relate to operational and financial performance. 20% will relate to Miran and Bina Bawi value creation, and 15% will relate to maintaining the focus on high performance in safety and environment. Strategy execution represents a new performance area and will represent 15% of the bonus, highlighting the importance of the growth strategy for the Company.

Bonus performance measures	Specific targets	Percentage
Safety and Environment	– Maintain existing zero performance rate on LTI's and no serious incident track record – Develop a leading indicator system that tests the robustness of controls we implement to mitigate the most significant risks in our business – Continue to embed HSE culture	15%
Operational	– Manage the Company net working interest production close to guidance – Achieve appropriate incremental gross production from each $1million gross drilling Capex investment programme in 2018	20%
Financial	– Manage Company to a cash flow positive position after interest payment – Maintain strong capital discipline and deliver 2018 programme within approved capex budget	30%
Bina Bawi and Miran	– Progress on value Creation of Bina Bawi and Miran	20%
Strategy Execution	– Make material progress into executing the strategy	15%

Performance share plan

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

The Committee reviewed the most appropriate measure to create maximum alignment with shareholders and encourage long-term value creation. PSP performance will continue to be measured based on 50% relative TSR and 50% absolute TSR.

The 2018 award for the CEO will continue to be based on a face value of 200% of base salary at the time of the award.

The Committee has reviewed the existing TSR peer group and accordingly the peer group for the measurement of the relative TSR element of the 2018 award will remain as:

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

The relative TSR vesting schedule will remain the same as for awards made in 2017, as outlined on page 54.

The absolute TSR targets will be measured on compound annual growth rates (CAGR) as follows:

Absolute TSR of the Company	Proportion of element vesting
Below 12.5% p.a.	0%
12.5% p.a.	30%
Between 12.5% p.a. and 25% p.a.	Straight-line basis
25% p.a. or more	100%

The Committee is comfortable that these targets are appropriately stretching. The thresholds targets have been reviewed and updated after consideration of financial developments in 2017. The threshold target is set in line with Genel's cost of capital to ensure that this element vests only when shareholders make a return.

Chairman and Non-Executive Director remuneration

The fee level for the Chairman has been increased to reflect external market conditions and support the Company's ability to attract and retain the best candidate.

Non-Executive Director fees for 2018 were reviewed against benchmark data for companies with a similar market cap, and also against comparable E&P companies. The fees remain unchanged for 2018.

Role	Fee
Non-Executive Chairman	£220,000
Senior Independent Director additional fee	No additional fee
Non-Executive Director fee	£56,000
Additional fee for membership of two or more Board Committees	£14,000

Additional fee for Committee chairmanship:

Role	Fee
Audit Committee	£14,000
Remuneration Committee	£10,500
HSSE Committee	£10,500
Reserves Committee	£10,500
Nomination Committee	No additional fee

The Committee is responsible for determining the Remuneration Policy for the Executive Director and the Chairman of the Board. The Chairman of the Board together with the Executive Director determine the fees and overall remuneration for the Non-Executive Directors.

George Rose
Chairman of the Remuneration Committee
21 March 2018

GOVERNANCE
REMUNERATION POLICY REPORT

Remuneration policy report
This part of the report sets out our Directors' Remuneration Policy (the 'Policy'). As outlined above in the letter from the Chairman of the Remuneration Committee, this Policy was put forward for binding shareholder approval at the 2017 AGM and the Policy replaced the previous Remuneration Policy approved at the 2014 AGM. The effective date of the Policy is the date on which the Policy is approved by shareholders – 6 June 2017. Further details regarding the operation of the Policy can be found on pages 57 to 59.

As already seen from the actions taken after the 2017 AGM, the Committee will keep the Policy under review to ensure that it continues to promote the attraction, retention and motivation of the high-performing executive talent required to deliver the business strategy. It is the Committee's intention that the Policy be put to shareholders for approval every three years. Should any changes be required before the end of the three-year period, the amended Policy will be put to shareholders, following shareholder consultation as appropriate.

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 2017 Annual General Meeting. A copy of the shareholder approved Policy is available at www.genelenergy.com in the Investors Relations section.

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 – Should an individual participate in the Mandatory Pension Scheme provided by the Company to all UK based employees the cash supplement will be reduced in line with the Company contribution made – 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

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 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 goals which may include financial, operational and individual goals measured over one financial year – Objectives and the mix of goals 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. Any 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

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
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 two 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 receive grants under this scheme following his 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/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the 2014 AGM (the date the Company's first shareholder-approved directors' remuneration policy came into effect); (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) 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 and, in relation to an award over shares, the terms of the payment 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 a combination of 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 twelve 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 a mix of absolute and 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.

Clawback provisions

Clawback provisions apply to the annual bonus, PSP and RSP awards 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 two years after vesting for PSP and RSP awards.

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, re-organisation 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
- 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	Maximum opportunity	Performance measures
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 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 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 are also covered by the Company's directors' and officers' insurance policy and provided with an indemnity.

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.

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.

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.

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 schemes, including the annual bonus and the PSP, is non-contractual – Outstanding awards will be treated in accordance with the relevant plan rules

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). The Committee may make other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

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
PSP and RSP	– 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 has 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 2017 to 31 December 2017 amounted to a profit of $271 million. No interim dividend was paid and the Directors are not recommending a final dividend for the period ended 31 December 2017.

Subsequent events
There have been no subsequent events since 31 December 2017.

Share capital
As at 21 March 2018, 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. 1,234,474 shares are held as treasury shares.

Resolutions in relation to share capital
At the AGM of the Company held on 6 June 2017, the shareholders granted the Company authority to make market purchases of up to 27,839,519 ordinary shares (representing approximately 10% of the aggregate issued ordinary share capital of the Company at 27 April 2017) and hold as treasury shares any 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.

Rights attaching to the ordinary shares
Holders of 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 of 24 February 2016 the Company no longer has any suspended voting ordinary shares in issue.

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 policy, (iii) as imposed from time to time by law and regulation and (iv) as set out in the Merger Agreement. Save as set out in the Merger Agreement 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 18 to the financial statements of this Annual Report.

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 and Focus.

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 34 and 35. Details of Directors' service agreements and letters of appointment are set out on pages 66 and 67.

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 Annual Report on Remuneration on page 55.

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 20 to the financial statements. There were no other related party transactions to which the Company was a party during the period.

Shareholder agreements

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.

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').

On 14 October 2015 Mehmet Sepil retired 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.

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 Focus Investments (and their Associates) and that all transactions and relationships between the Company 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 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 Focus Investments and its respective Associates are entitled to exercise or control the exercise of, in aggregate, 10% or more of the Voting Rights, 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 Focus Investments and its 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 Focus Investments or any of its 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 Focus Investments and its respective Associates are, between them, entitled to exercise or control the exercise of, in aggregate, 10% or more of the Voting Rights, 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
   iii. 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; and
d) For so long as Focus Investments together with their its Associates are 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 Focus Investments is 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)–(d) above will terminate and cease to be of any effect 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.

The Director nominated by Focus Investments pursuant to the Relationship Agreement is Nazli K. Williams (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 16 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 20.

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 18 to 21.

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.

Diversity policy
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. The Company has not formally adopted a Diversity Policy although we continue to believe diversity, equality and non-discrimination are essential for our success as a business. The importance of this is highlighted in our Code of Conduct and underpinned by our recruitment practises and dealings with our partners and suppliers.

Substantial shareholdings
As at 31 December 2017, 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.

Name	Number of ordinary shares
Focus Investments Limited	64,589,351
Bilgin Grup Doğal Gaz A.Ş.	42,000,000
Daax Corporation FZE	41,828,175
NR Holdings Limited	22,119,970
Majedie Asset Management Limited	12,744,963

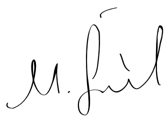
Political donations
No political donations were made, nor was any political expenditure incurred, by any Group company in the year ending 31 December 2017 (2016: nil).

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 Thursday, 17 May 2018 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, IAS 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.

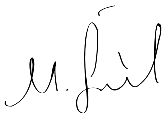
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey or the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the Audited Financial Statements, prepared in accordance with IFRS 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 Audited Financial Statements, 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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

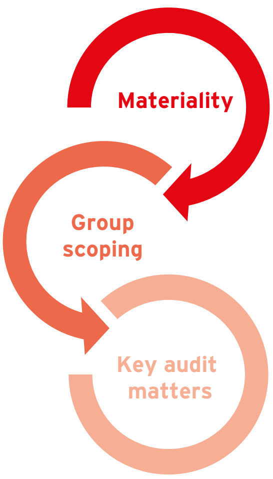
– give a true and fair view of the state of the group's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
– have been properly prepared in accordance with IFRSs as adopted by the European Union; and
– have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated statement of comprehensive income, the consolidated balance sheet as at 31 December 2017, the consolidated statement of changes in equity for the year then ended, the consolidated cash flow statement; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach
Overview



– Overall group materiality: $20 million (2016: $22 million), based on 1% of total assets.

– We identified two significant components out of the group's 22 reporting entities. Specific financial statement line items were in scope for an additional nine entities.
– Overall, our scoping strategy resulted in a minimum of 80% of each financial statement line item being in scope for testing.

– Accounting for the Receivable Settlement Agreement ('RSA') with the Kurdistan Regional Government ('KRG'), and the resulting fair value assessment.
– Impairment reviews of oil producing assets.
– Impairment review of gas evaluation and other exploration assets.

Context:
The context for our audit is set by Genel's major activities in 2017, including the execution of the Receivable Settlement Agreement ('RSA'), together with the steadily improved world oil prices. The group's cash flow generating assets continue to be its interests in the Tawke and Taq Taq producing oil fields in the Kurdistan Region of Iraq ('KRI'). In 2017, oil production was below the prior year CPR 2P forecasts on both oil fields which led to impairment reviews of both assets. Conversely, there were positive developments in relation to the Peshkabir field of the Tawke Production Sharing Contract ('PSC'), and the group's Bina Bawi and Miran PSCs, with a large resource upgrade announced on the gas fields along with an upgrade to Bina Bawi oil resources. The group also obtained a 12 month extension to February 2019 for meeting the conditions precedent in the Miran and Bina Bawi gas lifting agreements, and the remedy period now extends to February 2020. The other notable event for 2017 was the buy-back of bonds with nominal value of $252.8 million in March 2017, and subsequent refinancing of the remaining bonds in December 2017 which reduced total outstanding principal from $421.8 million to $300 million and extended the final maturity of the bonds to December 2022.

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 in aggregate 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	$20 million (2016: $22 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	We considered whether this measure continues to be appropriate and in concluding that it is, we considered the activities of the group and also materiality levels used by auditors of other similar upstream oil and gas companies. As a significant proportion of the group's net assets is represented by exploration assets, we believe an asset measure is the most relevant. Consistent with prior years, we used a lower specific materiality for certain income statement financial statement line items. In 2017, we used 5% of EBITDAX (excluding gain on the RSA) ($6 million) (2016: $7 million) for revenue, production costs, gain on bond buy back, finance income and expenses, and general and administrative costs.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of balance sheet materiality allocated across components was between $14 million and $19 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $1 million (2016: $1.1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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 testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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 structure of the group, the accounting processes and controls, and the industry in which it operates.

The group is structured along three reporting segments being the type of assets it operates: Oil producing assets, Miran and Bina Bawi assets and Exploration assets. The group financial statements are a consolidation comprising the group's operating businesses in these reporting segments as well as centralised functions. While the group's key assets are almost entirely based in the Kurdistan Region of Iraq, accounting functions are largely performed in the company's office in Ankara.

Our group scoping was based on total assets, consistent with our approach to materiality, and identified two financially significant components comprising a high proportion of total group assets, which required an audit of their complete financial information. These two significant components are (a) the main trading entity for the Kurdistan oil producing assets, Taq Taq and Tawke and (b) the entity that holds the Miran and Bina Bawi assets.

We also performed specific procedures on certain financial statement line items within nine other components in the group including: operating expenses, finance expenses and income, gain on the bond buy back, cash and cash equivalents and borrowings.

Overall, our scoping strategy resulted in a minimum of 80% of each financial statement line item being in scope for testing. The PwC UK engagement team performed all of the audit work, both in the UK and at the group's operations in Ankara.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Accounting for the Receivables Settlement Agreement ("RSA") and the fair value assessment Refer to Note 10 for further information. As a result of entering into the RSA, the group has written off the existing overdue receivable balance from the KRG. In exchange for waiving the right to receive the overdue receivable, the group obtained, inter alia, a 4.5% royalty on gross Tawke field revenues (the "ORRI") for a period of five years and a waiver from paying capacity building payments ("CBPs) to the KRG from the group's share of profit oil under the Tawke PSC. The future economic benefits arising from these contractual rights were recognised as intangible assets. As a result of the derecognition of the overdue receivable and recognition of new intangible assets, a net gain of $293.8m has been recorded in the income statement as "Net gain arising from the RSA". There is a material judgment associated with the accounting for the RSA under IFRS, including the classification of the contractual rights as intangible assets. There is also material judgment involved in determining the cost of the intangible assets recognised on the balance sheet, which were acquired for non-cash consideration. Management determined that the cost of the assets approximates the fair value of the overdue receivable waived, and the most reliable determinant of the fair value of the receivable waived is the fair value of assets received in exchange, since the RSA was entered into on arm's length terms between two market participants. The calculation of fair value of the ORRI and the CBP waiver is based on a discounted cash flow analysis which includes a number of forward looking assumptions including production volumes, oil price and capital expenditures. There is also judgment in determining an appropriate discount rate. There is a risk that these inputs, assumptions and estimates are inaccurate and that the interpretations and calculations made are not appropriate. Change in level of risk: New risk	We reviewed the RSA and associated amendments to the PSC in considering the appropriate classification of the ORRI and CBP waiver under IFRS. We concur that the overdue KRG receivable should be derecognised from the group balance sheet in accordance with IAS 39 as the rights to the cash flows have expired. We also concur that intangible assets is the most appropriate classification given the nature of the RSA which grants the company contractual rights to future economic benefits that meet the criteria under IAS 38 for separate recognition, and that the measurement basis is in line with IAS 38. We have reviewed management's valuation models which support the initial recognition of the ORRI and CBP waiver assets, including testing the models for mathematical accuracy. We also tested the key inputs and assumptions included in the models as follows: – Reserves and production profile – The reserves and production profile for the Tawke field which underpinned the valuation as at 1 August 2017 were compared to the Competent Person's Report ('CPR') for Tawke prepared as of 28 February 2017, the forecasts available as at 30 June 2017, and the five year plan submitted to the Board of Directors. We also discussed the key technical assumptions with management. There were no matters arising from this work. – Expenditure – we compared management's forecasts for capital and operating expenditure for Tawke to the CPRs and to approved budgets. We also performed reasonableness tests against historic incurred costs. – Oil prices – Management's oil price forecast was compared to consensus forecasts obtained from a collection of brokers and independent consultants as at 30 June 2017. We found that management's assumptions were within the range of forecasts albeit at the higher end of the range of brokers in the period beyond 2019. Netback adjustments to the oil prices made by management were agreed to those currently included in invoices issued to the KRG. – Discount rate – We obtained an independent view of an appropriate discount rate range from PwC's valuation experts. Management's discount rate was within this range. We also reviewed the presentation and disclosure of the net gain arising from the RSA and concluded this is in line with IFRS.

Key audit matter	How our audit addressed the key audit matter
Impairment reviews of oil producing assets Refer to Note 9 for further information. In 2017, the performance of the group's Taq Taq and Tawke assets were below the prior year CPR 2P forecast, which is an indicator of impairment because this profile was used for assessing recoverable amount at the end of the prior year. As a result, management performed an impairment assessment of each of its producing assets as at 31 December 2017. The outcome of this assessment was an impairment charge of $58m recorded on the Taq Taq Cash Generating Unit ('CGU'). There was no impairment of Tawke. We focused on this area due to the judgment involved in impairment assessments, with the recoverable amount of the Taq Taq and Tawke CGU's dependant on a number of forward looking assumptions. Change in level of risk: No change	We considered management's evaluation of its producing assets in Kurdistan and agree that impairment triggers exist. The recoverable amounts for Taq Taq and Tawke have been estimated on a fair value less costs of disposal (FVLCD) basis using a discounted cash flow. We tested the mathematical accuracy of the impairment models provided by management, and checked that the valuation approach was in accordance with the requirements of IAS 36. We tested the key inputs and assumptions used in the models as follows: – Reserves and production profile – for both producing assets, we compared management's internal reserves and production forecasts used to the production profiles included in the most recent Competent Person's Reports (CPRs) issued in early 2018. In addition, we discussed the key assumptions with management and management's experts who produced the Taq Taq CPR's; we attended the year-end meeting of the Reserves Committee; we read minutes of the Asset Management and Operating Committees and inspected approved budgets. There were no issues arising from this work. – Expenditure – management's internal forecasts for capital and operating expenditure for Taq Taq and Tawke have been compared to the CPRs, and to approved budgets. We have also performed reasonableness tests against historic incurred costs. There were no issues arising from this work. – Oil prices – we compared short and long term price assumptions used by management to the consensus prices from a sample of brokers and independent consultants as at 31 December 2017. We found that management's assumptions up to 2020 are close to average, but in the medium to long term move towards the higher end of the brokers' range. Netback adjustments to the oil prices made by management were agreed to those currently included in invoices issued to the KRG. – Discount rate – We obtained an independent view of an appropriate discount rate range from PwC's valuation experts. Management's discount rate was within this range. We concur with the impairment charge recorded on Taq Taq and consider management's disclosure of impairment testing included in note 9 are appropriate.
Review of Miran and Bina Bawi assets Refer to Note 8 for further information. At the year end, the carrying value of Miran and Bina Bawi assets is $858m. As required by IFRS 6 – Exploration for and evaluation of mineral resources ('IFRS 6') the Group has performed an assessment for impairment indicators as at the year end for Miran and Bina Bawi and concluded that there are no triggers for impairment. Management carried out this assessment at a segment level, as allowed by IFRS 6 due to the current commercial linkages between the two assets. This is an area of focus due to the prior year impairments recorded on these assets, and the continuing gap between the group's net asset value and its market capitalisation, which may be considered an indicator of impairment in isolation. Change in level of risk: Decreased this year due to positive developments on Miran and Bina Bawi assets.	For the Miran and Bina Bawi assets we reviewed management's assessment of impairment indicators. In assessing management's review of impairment indicators we performed the following procedures: – Considered events in 2017, including the extension to the deadline for meeting conditions precedent in the gas lifting agreements and the increase in the company's market capitalisation following the Miran and Bina Bawi gas resource upgrade announcement; – Reviewed the updated CPR and met with the competent person to understand the key assumptions and uncertainties in their report; – Discussed with management their current views on the likely development of the assets, and reviewed changes to management's Miran and Bina Bawi valuation models compared to the prior year and considered whether these reflected our understanding of events occurring in 2017. We did not identify any impairment triggers arising from this work which would have resulted in the requirement for a full impairment assessment of Miran Bina Bawi. We also considered management's approach of carrying out the review at a segment rather than an asset (CGU) level and concluded that this is appropriate at this stage of the assets' development, given no definitive field development plan has been submitted and based on the nature of the agreements and negotiations relating to the assets.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	**Outcome**
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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 UK Corporate Governance Code (the "Code"), we are required to report to you if we have anything material to add or draw attention to regarding:

- The directors' confirmation on page 27 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 31 of the Annual Report 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 to report in respect of this responsibility.

Other Code Provisions

As a result of the directors' voluntary reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the directors, on page 42, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group obtained in the course of performing our audit.
- The section of the Annual Report on page 42 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in respect of this responsibility.

Opinion 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 Guidance and Transparency Rules sourcebook 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 40 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 relevant 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 UK registered premium listed company. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 71, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

OTHER REQUIRED REPORTING

Companies (Jersey) Law 1991 exception reporting
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.

Michael Timar (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Recognized Auditors
London
21 March 2018

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $m	2016 $m
Revenue		**228.9**	190.7
Production costs	3	**(27.5)**	(35.1)
Depreciation and amortisation of oil assets	3	**(116.1)**	(127.8)
Gross profit		**85.3**	27.8
Exploration expense	3	**(1.9)**	(815.1)
Impairment of property, plant and equipment	3	**(58.2)**	(218.3)
Impairment of receivables	3	**-**	(191.3)
General and administrative costs	3	**(21.0)**	(26.0)
Net gain arising from the RSA	10	**293.8**	-
Operating profit / (loss)		**298.0**	(1,222.9)
Operating profit / (loss) is comprised of:			
EBITDAX		***475.5***	*130.7*
Depreciation and amortisation	*3*	***(117.4)***	*(128.9)*
Exploration expense	*3*	***(1.9)***	*(815.1)*
Impairment of property, plant and equipment	*3*	***(58.2)***	*(218.3)*
Impairment of receivables	*3*	***-***	*(191.3)*
Gain arising from bond buy back	15	**32.6**	19.2
Finance income	5	**4.9**	16.2
Bond interest expense	5	**(35.5)**	(51.0)
Other finance expense	5	**(28.0)**	(10.0)
Profit / (Loss) before income tax		**272.0**	(1,248.5)
Income tax expense	6	**(1.0)**	(0.4)
Profit / (Loss) and total comprehensive income / (expense)		**271.0**	(1,248.9)
Attributable to:			
Shareholders' equity		**271.0**	(1,248.9)
		271.0	(1,248.9)
Profit / (Loss) per ordinary share		**¢**	¢
Basic	7	**97.1**	(448.6)
Diluted	7	**96.7**	(448.6)

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2017

	Note	2017 $m	2016 $m
Assets			
Non-current assets			
Intangible assets	8	1,282.9	916.7
Property, plant and equipment	9	565.0	622.0
Trade and other receivables	10	-	172.6
		1,847.9	1,711.3
Current assets			
Trade and other receivables	10	78.5	94.6
Restricted cash	11	18.5	19.5
Cash and cash equivalents	11	162.0	407.0
		259.0	521.1
Total assets		2,106.9	2,232.4
Liabilities			
Non-current liabilities			
Trade and other payables	12	(70.7)	(87.7)
Deferred income	13	(36.1)	(39.2)
Provisions	14	(29.3)	(23.0)
Borrowings	15	(296.8)	(648.2)
		(432.9)	(798.1)
Current liabilities			
Trade and other payables	12	(59.4)	(95.3)
Deferred income	13	(4.8)	(5.6)
		(64.2)	(100.9)
Total liabilities		(497.1)	(899.0)
Net assets		1,609.8	1,333.4
Owners of the parent			
Share capital	17	43.8	43.8
Share premium account		4,074.2	4,074.2
Accumulated losses		(2,508.2)	(2,784.6)
Total equity		1,609.8	1,333.4

These consolidated financial statements on pages 78 to 102 were authorised for issue by the Board of Directors on 21 March 2018 and were signed on its behalf by:

Murat Özgül
Chief Executive Officer

Esa Ikaheimonen
Chief Financial Officer

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital $m	Share premium $m	Accumulated losses $m	Total equity $m
At 1 January 2016	43.8	4,074.2	(1,543.2)	2,574.8
Loss and total comprehensive expense	–	–	(1,248.9)	(1,248.9)
Share-based payments	–	–	7.5	7.5
At 31 December 2016 and 1 January 2017	43.8	4,074.2	(2,784.6)	1,333.4
Profit and total comprehensive income	**–**	**–**	**271.0**	**271.0**
Share-based payments	**–**	**–**	**5.4**	**5.4**
At 31 December 2017	**43.8**	**4,074.2**	**(2,508.2)**	**1,609.8**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $m	2016 $m
Cash flows from operating activities			
Profit / (Loss) and total comprehensive income / (expense)		271.0	(1,248.9)
Adjustments for:			
Gain on bond buy back	15	(32.6)	(19.2)
Finance income	5	(4.9)	(16.2)
Bond interest expense	5	35.5	51.0
Other finance expense	5	28.0	10.0
Taxation	6	1.0	0.4
Depreciation and amortisation	3	117.4	128.9
Exploration expense	3	1.9	815.1
Impairment of property, plant and equipment	3	58.2	218.3
Impairment of receivables	3	-	191.3
Net gain arising from the RSA	10	(293.8)	-
Other non-cash items	3	2.8	7.5
Changes in working capital:			
Proceeds against overdue receivable		86.5	53.9
Trade and other receivables		(52.5)	(49.6)
Trade and other payables and provisions		0.6	(13.2)
Cash generated from operations		219.1	129.3
Interest received	5	2.2	2.0
Taxation paid		(0.3)	(0.3)
Net cash generated from operating activities		221.0	131.0
Cash flows from investing activities			
Purchase of intangible assets		(26.8)	(20.7)
Purchase of property, plant and equipment		(52.4)	(51.2)
Restricted cash	11	1.0	(19.5)
Net cash used in investing activities		(78.2)	(91.4)
Cash flows from financing activities			
Repurchase of Company bonds	15	(216.7)	(35.4)
Bond refinancing	15	(128.5)	-
Interest paid		(42.7)	(52.0)
Net cash used in financing activities		(387.9)	(87.4)
Net decrease in cash and cash equivalents		(245.1)	(47.8)
Foreign exchange income / (loss) on cash and cash equivalents		0.1	(0.5)
Cash and cash equivalents at 1 January	11	407.0	455.3
Cash and cash equivalents at 31 December	11	162.0	407.0

1. Summary of significant accounting policies

1.1 Basis of preparation

The consolidated financial statements of Genel Energy Plc (the Company) have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (together "IFRS"); are prepared under the historical cost convention except as where stated; and comply with Company (Jersey) Law 1991. The significant accounting policies are set out below and have been applied consistently 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 the Company in applying the Company's accounting policies, refer to significant accounting estimates and judgement on pages 20 and 22.

The Company provides non-Gaap measures to provide greater understanding of its financial performance and financial position. EBITDAX is presented in order for the users of the financial statements to understand the cash profitability of the Company, which excludes the impact of costs attributable to exploration activity, which tend to be one-off in nature, and the non-cash costs relating to depreciation, amortisation and impairments. Free cash flow is presented in order to show the free cash flow generated that is available for the Board to invest in the business. Net debt is reported in order for users of the financial statements to understand how much debt remains unpaid if the Company paid its debt obligations from its available cash. There have been no changes in related parties since last year-end and there are not significant seasonal or cyclical variations in the Company's total revenues.

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 12 months from the balance sheet date 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 companies.

Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when 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 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 has neither control nor joint control are classified as associates and accounted for under the equity method.

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.

1. Summary of significant accounting policies continued

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. The resulting exploration and evaluation asset is then assessed for impairment indicators under IFRS6.

1.2 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires the Company 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. The Company has assessed the following as being areas where changes in judgements, estimates or assumptions could have a significant impact on the financial statements.

Estimation of future oil price

The estimation of future oil price has a significant impact throughout the financial statements, primarily in relation to the estimation of the recoverable value of property, plant and equipment, intangible assets and the gain arising from the RSA. It is also relevant to the assessment of going concern and the viability statement.

The Company's forecast of average Brent oil price for future years is based on a range of publicly available market estimates and is summarised in the table below, with the 2022 price then inflated at 2% per annum.

$/bbl	2018	2019	2020	2021	2022
Forecast	**65**	**63**	**66**	**72**	**74**
Prior year forecast	*60*	*68*	*72*	*76*	*78*

Estimation of hydrocarbon reserves and resources and associated production profiles

Estimates of hydrocarbon reserves and resources are inherently imprecise, require the application of judgement and are subject to future revision. The Company's estimation of the quantum of oil and gas reserves and resources and the timing of its production and monetisation impact the Company's financial statements in a number of ways, including: testing recoverable values for impairment; the calculation of depreciation and amortisation; assessing the cost and likely timing of decommissioning activity and associated costs and, in the current year, estimating the values of the intangible assets arising from the RSA. This estimation also impacts the assessment of going concern and the viability statement.

Proven and probable reserves are estimates of the amount of hydrocarbons that can be economically extracted from the Company's assets. The Company estimates its reserves using standard recognised evaluation techniques. Generally, the Company considers proven and probable reserves to be the best estimate for future production and quantity of oil within an asset when assessing its recoverable amount, and therefore usually forms the basis of calculating depreciation and amortisation of oil and gas assets and testing for impairment. Assets assessed as 2P are generally classified as property, plant and equipment as development or producing assets and depreciated using the units of production methodology.

Hydrocarbons that are not assessed as 2P are considered to be resources and are classified as exploration and evaluation assets. These assets are expenditures incurred before technical feasibility and commercial viability is demonstrable. 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 and are likely to contain estimates and judgements with a wide range of possibilities. These assets are considered for impairment under IFRS6.

Once a field commences 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.

Assessment of reserves and resources 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.

1. Summary of significant accounting policies continued

Change in accounting estimate

The Company has updated its estimated reserves and resources with the accounting impact summarised below under estimation of oil and gas asset values.

Estimation of oil and gas asset values

Estimation of the asset value of oil and gas assets is calculated from a number of inputs that require varying degrees of estimation. Principally oil and gas assets are valued by estimating the future cash flows based on a combination of reserves and resources, costs of appraisal, development and production, production profile and future sales price and discounting those cash flows at an appropriate discount rate.

Future costs of appraisal, development and production are estimated taking into account the level of development required to produce those reserves and are based on past costs, experience and data from similar assets in the region, future petroleum prices and the planned development of the asset. However, actual costs may be different from those estimated.

Discount rate is assessed by the Company using various inputs from market data, external advisers and internal calculations. A discount rate of 15% has been used for impairment testing of oil assets.

In addition, the estimation of the recoverable amount of the Miran/Bina Bawi CGU, which is classified under IFRS as an exploration and evaluation intangible asset and consequently carries the inherent uncertainty explained above, includes the key assessment that the project will progress, which is outside of the control of management and is dependent on the progress of government to government discussions regarding supply of gas an sanctioning of development of both of the midstream for gas and the upstream for oil. Lack of progress could result in significant delays in value realisation and consequently a lower asset value.

Change in accounting estimate – Taq Taq PSC (property, plant and equipment)

Management assessment of Taq Taq production has resulted in a production profile forecast that is less favourable than the 2P production profile generated by the Competent Persons Report in Q1 2017 and also below the profile generated in Q1 2018. At this point in time, with full evaluation of the TT-29 well not completed, capital expenditure in the short term is not forecast to be in line with the CPR and consequently it is not appropriate to use the latest CPR 2P production profile for estimating the value of the asset. This has resulted in a reduction in the recoverable value of the Taq Taq PSC and, when combined with other inputs, such as oil price, results in an impairment expense of $58.2 million. If the 2P production profile from the Q1 2018 CPR had been used, the impairment would have been circa $20 million, circa $40 million lower than the reported impairment expense.

Estimation of netback price and entitlement used to calculate reported revenue, trade receivables and forecast future cash flows

Netback price is used to value the Company's revenue, trade receivables and its forecast cash flows used for impairment testing and viability. It is the aggregation of realised price less transportation and handling costs. The Company does not have direct visibility on the components of the netback price realised for its oil because sales are managed by the KRG, but invoices are currently raised for payments on account using a netback price agreed with the KRG. For revenue recognition, the Company has estimated the netback price using the methodology agreed with the KRG for raising invoices for all sales of oil: this results in a $12/bbl discount to Brent for Tawke; $12/bbl discount to Brent for Peshkabir; and a $5/bbl discount to Brent for Taq Taq.

The netback adjustment price agreed with the KRG may change in the future. A $1/bbl difference in netback price would impact current year revenue by circa $3 million and trade receivables by circa $1 million.

Overdue KRG receivables / RSA deal

On 23 August 2017 the Company signed documentation confirming an agreement had been reached with the KRG to put in place a definitive mechanisms for the payment to the Company of trade receivables built up from overdue amounts with nominal value of $469 million owed for sales since mid-2014 ('overdue KRG receivable') together with nominal value of circa $300m amounts owed for export sales marketed by SOMO made before 2014 for which the Company has never recognised revenue ('overdue pre-2014 receivable').

Until the RSA, the Company reported the overdue KRG receivable in the balance sheet at its amortised cost. Key inputs to the assessment of amortised cost were: oil price, production forecast and mechanism for payment. Estimates of oil price and production forecast were based on the inputs used for testing of property, plant and equipment for impairment. When estimating the payment mechanism, although the Company expected either an increase in payments, or an alternative structure to be agreed to accelerate payments, it was assessed that there was not sufficient evidence to support the use of anything other than the existing payment mechanism, which was 5% of the asset level revenue for the Tawke and Taq Taq licences. At the year-ended 31 December 2016, this resulted in the amortised cost being lower than carrying value and consequently the overdue KRG receivable was impaired to its reported book value of $207 million compared to its nominal value of $469 million.

1. Summary of significant accounting policies continued
In the current year, the RSA resulted in the overdue KRG receivable balance being waived and in return the Company received: (1) a 4.5% royalty interest on gross Tawke PSC revenue lasting for 5 years ("the ORRI); (2) the waiver of capacity building payments due on all profit oil received under the Tawke PSC; and (3) the waiver of $4.6 million of amounts due to the KRG.

As the RSA occurred at arm's length, the fair value of the consideration received from the KRG described above, which is recognised as an intangible asset 'Tawke RSA', is considered to be equal to the fair value of the receivables. The Tawke RSA exceeds the carrying amount of receivables at the time of settlement resulting in a gain of $293.8 million being recognised in the profit or loss.

Assessing the fair value of both items requires the estimation of future oil price, production profile and reserves and the appropriate discount rate. Because management assess that the cash flows have the same risk profile as revenue generated from the Tawke PSC, the Company has assessed oil price, production profile, reserves and discount rate using the same methodology as those that would be used for the impairment testing of that property, plant and equipment cash generating unit as explained above, albeit at July 2017 rather than at year-end.

Change in accounting estimate
Previously the present value of trade receivable was estimated using the payment mechanism existing at the time – 5% of asset level revenue from the Tawke and Taq Taq licences. Following the RSA in August 2017, which is explained above, the Company estimated the present value of the overdue KRG receivable based on the new mechanism under which they expect it to be settled, which is a combination of the fair value of the ORRI and the fair value of the CBP waiver. This change in accounting estimate has resulted in the recognition of a gain in the income statement of $293.8 million which represents the difference in carrying value of the overdue KRG receivable at the time of derecognition and the value of the intangible assets for which it was exchanged.

Estimation of cost and timing of decommissioning cost
Key inputs to the reported decommissioning provision is the cost, timing and discount rate to apply to the cash flows. The cost has been estimated based on a report prepared by a third party in April 2017, with timing of costs estimated to be incurred between 2028 and 2038, from the latest life of field plans. The estimated cash flows have been discounted using a discount rate of 4%, which is estimated using a risk free rate adjusted for timing uncertainty.

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. The Company uses all available information to make the fair value determinations.

In determining fair value for acquisitions, the Company utilises 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.

1.3 Accounting policies
The accounting policies adopted in preparation of these financial statements are consistent with those used in preparation of the annual financial statements for the year ended 31 December 2016.

Revenue
Revenue for petroleum sales is recognised when the significant risks and rewards of ownership are deemed to have passed to the customer, it can be measured reliably and it is assessed as probable that economic benefit will flow to the Company. For exports this is when the oil enters the export pipe, for domestic sales this is when oil is collected by truck by the customer.

1. Summary of significant accounting policies continued
Revenue is recognised at fair value. The fair value is comprised of entitlement, which is earned under the terms of the relevant PSC; ORRI, which is earned on 4.5% of gross field revenue from the Tawke licence until July 2022; and royalty income, which is earned on the Taq Taq licence from the Company's partner. Entitlement has two components: cost oil, which is the mechanism by which the Company recovers its costs incurred on an asset, and profit oil, which is the mechanism through which profits are shared between the Company, its partners and the KRG. The Company pays capacity building payments on profit oil, which becomes due for payment once the Company has received the relevant proceeds. Profit oil revenue is always reported net of any capacity building payments that will become due. Capacity building payments due on Tawke profit oil receipts were waived from August 2017 onwards as part of the RSA. ORRI is calculated as 4.5% of Tawke PSC field revenue. Royalty income is earned on partner sales from the Taq Taq PSC and is recognised when it becomes due or, when received in advance, amortised in line with partner entitlement.

The Company's oil sales are made to the KRG and are valued at a netback price, which is calculated from the estimated realised sales price for each barrel of oil sold, less selling, transportation and handling costs and estimates to cover additional costs. A netback adjustment is used to estimate the price per barrel that is used in the calculation of entitlement and is explained further in significant accounting estimates and judgements. The Company is not able to measure the tax that has been paid on its behalf and consequently revenue is not reported gross of income tax paid.

Intangible assets

Exploration and evaluation assets
Oil and gas assets classified as exploration and evaluation assets are explained under Oil and Gas assets below.

Other intangible assets
Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses. Amortisation is expensed on a straight-line basis over the estimated useful lives of the assets of between 3 and 5 years from the date that they are available for use.

Intangible assets include the additional income streams arising from the Receivable Settlement Agreement effective from 1 August 2017, in exchange for trade receivables due from KRG for Taq Taq and Tawke past sales, recognised at cost and amortised on a units of production basis in line with the economic lives of the rights acquired, as further explained in Note 8.

Property, plant and equipment
The Company's oil and gas assets classified as property, plant and equipment are explained under Oil and Gas assets below.

Other property, plant and equipment
Other property, plant and equipment are principally the Company's leasehold improvements and other assets and are carried at cost, less any accumulated depreciation and accumulated impairment losses. Costs include purchase price and construction cost. Depreciation of these assets commences is expensed on a straight-line basis over their estimated useful lives of between 3 and 5 years from the date they are available for use.

Oil and gas assets
Costs incurred prior to obtaining legal rights to explore are expensed 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 so long as the activity is assessed to be de-risking the asset and the Company expects continued activity on the asset into the foreseeable future. Costs of activity that do not identify oil and gas reserves or 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 assessed as being 2P reserves and commercially viable.

Once assessed as being 2P reserves they are tested for impairment and transferred to property, plant and equipment 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.

1. Summary of significant accounting policies continued
Development expenditure 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. The sum of carrying value and the estimated future development costs are divided by total forecast 2P production to provide a $/barrel unit depreciation cost. Changes to depreciation rates as a result of changes in reserve quantities and estimates of future development expenditure are reflected prospectively.

The estimated useful lives of property, plant and equipment and their residual values are reviewed on an annual basis and 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 costs incurred are neither de-risking nor adding value to the asset, the associated costs are expensed to the income statement.

Impairment testing of oil and gas assets is considered in the context of each cash generating unit. A cash generating unit is generally a licence, with the discounted value of the future cash flows of the CGU compared to the book value of the relevant assets and liabilities. As an example, the Tawke CGU is comprised of the Tawke RSA intangible asset, property, plant and equipment (relating to both the Tawke field and the Peshkabir field) and the associated decommissioning provision.

For the Miran PSC and Bina Bawi PSCs, these assets are tested as one CGU (the Miran/Bina Bawi CGU because of the alignment of equity interests and current strong linkage between the two assets when both the Company assesses delivery of its gas to the midstream and similarly when the midstream assesses its commitment of delivery of gas to Turkey. It may be that one asset is prioritised above the other, which would lead to an increase in value to one, increasing its forecast revenue, and an offsetting decrease in value to the other as its forecast revenue would decrease.

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 expensed to the statement of comprehensive income on a straight-line basis over the period of the lease.

Financial assets and liabilities
Classification
The Company 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 Company assesses the classification of its financial liabilities on initial recognition at either fair value through profit and loss or amortised cost.

Recognition and measurement
Regular purchases and sales of financial assets are recognised at fair value on the trade-date – the date on which the Company 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 payment is expected within one year or less, trade receivables are classified as current assets otherwise 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 and includes the Company's share of cash held in joint operations.

Interest-bearing borrowings
Borrowings are recognised initially at fair value, net of any discount in issuance and 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.

1. Summary of significant accounting policies continued
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 the Company'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 cost is capitalised to property, plant and equipment and 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
Oil and gas assets
The carrying amounts of the Company's oil and gas 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. For value in use, the estimated future cash flows arising from the Company's future plans for the asset are discounted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the asset. For fair value less costs of disposal, an estimation is made of the fair value of consideration that would be received to sell an asset less associated selling costs.

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. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Property, plant and equipment and intangible assets
Impairment testing of oil and gas assets is explained above. When impairment indicators exist for other non-financial assets, impairment testing is performed based on the higher of value in use and fair value less costs of disposal. The Company assets' recoverable amount is determined by fair value less costs of disposal.

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.

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 Company 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.

1. Summary of significant accounting policies continued

Share-based payments

The Company 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 Company 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.

Finance income and finance costs

Finance income comprises interest income on cash invested, foreign currency gains and the unwind of discount on any assets held at amortised cost. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings, foreign currency losses and discount unwind on any liabilities held at amortised cost. 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.

Taxation

Under the terms of the KRI PSCs, the Company is not required to pay any cash taxes although it is uncertain whether the Company is exempt from tax or whether tax has been paid on its behalf. If tax has been paid on its behalf by the government, then it is not known at what rate tax has been paid due to uncertainty in relation to the workings of any existing tax payment mechanism. It is estimated that the tax rate would be between 0% and 40%. If tax has been paid it would result in a gross up of revenue with a corresponding debit entry to taxation expense with no net impact on the income statement or on cash. In addition, it would be assessed whether any deferred tax asset or liability was required to be recognised.

Segmental reporting

IFRS8 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 CEO, the chief operating decision maker, in order to allocate resources to the segment and assess its performance.

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

Effective 1 January 2017, the Company has adopted the following standards and amendments to standards: Amendments to IAS 7 – Statement of Cash Flows, Amendments to IAS 12 Income Taxes and Annual Improvements to IFRS Standards 2014–2016 Cycle – financial information for held for sale assets. The adoption of these standards and amendments has had no material impact on the Company's results or financial statement disclosures.

The Group has not early adopted any standard, amendment or interpretation that was issued but is not yet effective.

The following new accounting standards and amendments to existing standards have been issued by the IASB and endorsed by the EU have yet to be adopted by the Group: IFRS 15 – Revenue from Contracts with Customers (effective 1 January 2018), IFRS 9 – Financial Instruments (effective 1 January 2018), IFRS 16 – Leases (effective 1 January 2019), Amendments to IFRS 2 – Classification and Measurement of Share Based Payments (effective 1 January 2018), Amendments to IAS 40 – Transfers of Investment Property (effective 1 January 2018), and Annual Improvements to IFRS Standards 2014–2016 Cycle – exemptions and investment accounting (effective 1 January 2018).

The Company has assessed the impact of IFRS 15 – Financial Instruments, IFRS 9 – Revenue from Contracts with Customers and IFRS 16 – Leases on its financial statements. IFRS 15 requires a 5-step approach, which is definition of the customer, performance obligations, price, allocation of price into performance obligations and recognising the revenue when the conditions are met. The Company's single performance obligation in its contract with customers is the delivery of crude oil at a pre-determined netback adjustment to Dated Brent and the control is transferred to the buyer at the metering point when the revenue is recognised. Therefore, the Company does not expect a material impact when IFRS 15 is adopted. The Company has also reviewed the implications of IFRS 9 when it becomes in effect. The accounting treatment of the buyback of Company bonds and the replacement of its existing bonds maturing 2019 with bonds that mature in 2022, which is described further in Note 15 is in line with the IFRS 9 derecognition of financial liabilities and no further transitional adjustment is required when IFRS 9 is adopted. Further, the impact of changes to impairment model from incurred credit losses to expected credit loss model with the revised standard is considered to be low due to the trade receivables balance being at a normal level, with no issues with payment in the last two years. The Company reviewed its leases under IFRS 16. The leases are mostly short term and/or low value, which will not require significant changes under the new standard. As a result, the Company concluded that these new standards are not expected to have a material impact on the results or financial statements of the Company as at 31 December 2017.

1. Summary of significant accounting policies continued

The following new accounting standards, amendments to existing standards and interpretations have been issued but are not yet effective and have not yet been endorsed by the EU: IFRIC 22 – Foreign Currency Transactions and Advance Consideration (effective 1 January 2018), Amendments to IFRS 9 Financial Instruments (effective 1 January 2019), Amendments to IAS 28 – Investments in Associates and Joint Ventures (effective 1 January 2019), Annual Improvements to IFRS Standards 2015–2017 (effective 1 January 2019), IFRIC 23 – Uncertainty over Income Tax Treatments (effective 1 January 2019) and Amendments to IAS 19 – Employee Benefits (effective 1 January 2019).

2. Segmental information

The Company has three reportable business segments: Oil, Miran/Bina Bawi ('MBB') and Exploration ('Expl.'). Capital allocation decisions for the oil segment are considered in the context of the cash flows expected from the production and sale of crude oil. The oil segment is comprised of the producing fields on the Tawke PSC and the Taq Taq PSC, which are located in the KRI and make sales predominantly to the KRG. The Miran/Bina Bawi segment is comprised of the oil and gas upstream and midstream activity on the Miran PSC and the Bina Bawi PSC, which are both in the KRI – this was previously labelled as the 'Gas' segment. The exploration segment is comprised of exploration activity, principally located in Somaliland and Morocco.

For the period ended 31 December 2017

	Oil $m	MBB $m	Expl. $m	Other $m	Total $m
Revenue	228.9	–	–	–	228.9
Cost of sales	(143.6)	–	–	–	(143.6)
Gross profit	85.3	–	–	–	85.3
Exploration (expense) / credit	–	(4.6)	2.7	–	(1.9)
Impairment of property, plant and equipment	(58.2)	–	–	–	(58.2)
Impairment of receivables	–	–	–	–	–
Net gain arising from the RSA	293.8	–	–	–	293.8
General and administrative costs	–	–	–	(21.0)	(21.0)
Operating profit / (loss)	320.9	(4.6)	2.7	(21.0)	298.0
Operating profit / (loss) is comprised of					
EBITDAX	*495.2*	–	–	*(19.7)*	*475.5*
Depreciation and amortisation	*(116.1)*	–	–	*(1.3)*	*(117.4)*
Exploration (expense) / credit	–	*(4.6)*	*2.7*	–	*(1.9)*
Impairment of property, plant and equipment	*(58.2)*	–	–	–	*(58.2)*
Impairment of receivables	–	–	–	–	–
Gain arising from bond buy back	–	–	–	32.6	32.6
Finance income	2.7	–	–	2.2	4.9
Bond interest expense	–	–	–	(35.5)	(35.5)
Other finance expense	(1.1)	(0.1)	–	(26.8)	(28.0)
Profit / (Loss) before tax	322.5	(4.7)	2.7	(48.5)	272.0
Capital expenditure	59.5	15.5	19.1	–	94.1
Total assets	1,057.9	860.8	34.0	154.2	2,106.9
Total liabilities	(84.3)	(75.3)	(32.4)	(305.1)	(497.1)

Revenue includes $33.9 million (2016: nil) arising from the ORRI. Total assets and liabilities in the other segment are predominantly cash and debt balances. 'Other' includes corporate assets, liabilities and costs, elimination of intercompany receivables and intercompany payables, which are non-segment items.

2. Segmental information continued

For the period ended 31 December 2016

	Oil $m	MBB $m	Expl. $m	Other $m	Total $m
Revenue	190.7	-	-	-	190.7
Cost of sales	(162.9)	-	-	-	(162.9)
Gross profit	27.8	-	-	-	27.8
Exploration expense	-	(582.0)	(233.1)	-	(815.1)
Impairment of property, plant and equipment	(218.3)	-	-	-	(218.3)
Impairment of receivables	(191.3)	-	-	-	(191.3)
General and administrative costs	-	-	-	(26.0)	(26.0)
Operating loss	(381.8)	(582.0)	(233.1)	(26.0)	(1,222.9)
Operating loss is comprised of					
EBITDAX	*155.7*	-	-	*(25.0)*	*130.7*
Depreciation	*(127.9)*	-	-	*(1.0)*	*(128.9)*
Exploration expense	-	*(582.0)*	*(233.1)*	-	*(815.1)*
Impairment of property, plant and equipment	*(218.3)*	-	-	-	*(218.3)*
Impairment of receivables	*(191.3)*	-	-	-	*(191.3)*
Gain arising from bond buy back	-	-	-	19.2	19.2
Finance income	14.3	-	-	1.9	16.2
Bond interest expense	-	-	-	(51.0)	(51.0)
Other finance expense	(1.1)	(0.1)	-	(8.8)	(10.0)
Loss before tax	(368.6)	(582.1)	(233.1)	(64.7)	(1,248.5)
Capital expenditure	40.3	12.4	8.5	-	61.2
Total assets	933.1	872.5	59.7	367.1	2,232.4
Total liabilities	(93.3)	(97.9)	(47.3)	(660.5)	(899.0)

Total assets and liabilities in the other segment are predominantly cash and debt balances. 'Other' includes corporate assets, liabilities and costs, elimination of intercompany receivables and intercompany payables, which are non-segment items.

3. Operating costs

	2017 $m	2016 $m
Production costs	27.5	35.1
Depreciation of oil and gas property, plant and equipment	83.3	127.8
Amortisation of oil and gas intangible assets	32.8	-
Cost of sales	143.6	162.9
Exploration expense	1.9	815.1
Impairment of property, plant and equipment (note 9)	58.2	218.3
Impairment of receivables (note 10)	-	191.3
Corporate cash costs	16.9	17.4
Corporate share based payment expense	2.8	7.5
Depreciation and amortisation of corporate assets	1.3	1.1
General and administrative expenses	21.0	26.0

3. Operating costs continued

Exploration expense relates to movements in accruals for costs or obligations relating to licences where there is ongoing activity or that have been, or are in the process of being, relinquished.

Fees payable to the Company's auditors:

	2017 $m	2016 $m
Audit of consolidated and subsidiary financial statements	0.6	0.4
Tax and advisory services	0.1	0.1
Total fees	0.7	0.5

4. Staff costs and headcount

	2017 $m	2016 $m
Wages and salaries	20.6	20.9
Social security costs	1.0	1.2
Share based payments	5.4	7.5
	27.0	29.6

Average headcount was:

	2017 number	2016 number
Turkey	65	73
KRI	15	19
UK	17	21
Somaliland	24	24
	121	137

5. Finance expense and income

	2017 $m	2016 $m
Bond interest payable	(35.5)	(51.0)
Unwind of discount on liabilities / premium paid on bond buyback	(28.0)	(10.0)
Finance expense	(63.5)	(61.0)
Bank interest income	2.2	2.0
Unwind of discount on trade receivables	2.7	14.2
Finance income	4.9	16.2

Bond interest payable is the cash interest cost of Company bond debt. In December 2017, the Company extended the maturity of $300.0 million of its bonds and redeemed bonds with a nominal value of $121.8 million. This resulted in the derecognition of the existing debt balance and recognition of an expense of $19.7 million, comprised of $3.7 million relating to the premium paid and $16.0 million accelerated discount unwind.

6. Income tax expense

Current tax expense is incurred on the profits of the Turkish and UK services companies. Under the terms of the KRI PSCs, the Company is not required to pay any cash taxes as explained in note 1.

7. 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.

	2017	2016
Profit / (Loss) attributable to equity holders of the Company ($m)	271.0	(1,248.9)
Weighted average number of ordinary shares - number[1]	279,013,724	278,395,190
Basic earnings / (loss) per share - cents per share	97.1	(448.6)

1. Excluding shares held as treasury shares

Diluted

The Company purchases shares in the market to satisfy share plan requirements so diluted earnings per share is only adjusted for restricted shares not included in the calculation of basic earnings per share:

	2017	2016
Profit / (Loss) attributable to equity holders of the Company ($m)	271.0	(1,248.9)
Weighted average number of ordinary shares - number[1]	279,013,724	278,395,190
Adjustment for performance shares, restricted shares and share options	1,234,474	1,853,008
Total number of shares	280,248,198	280,248,198
Diluted earnings / (loss) per share - cents per share	96.7	(448.6)

1. Excluding shares held as treasury shares.

8. Intangible assets

	Exploration and evaluation assets $m	Tawke RSA $m	Other assets $m	Total $m
Cost				
At 1 January 2016	1,671.0	-	6.3	1,677.3
Additions	20.9	-	-	20.9
Discount unwind of contingent consideration	9.8	-	-	9.8
Exploration expense	(204.3)	-	-	(204.3)
Balance at 31 December 2016 and 1 January 2017	1,497.4	-	6.3	1,503.7
Additions	34.6	-	0.2	34.8
ARO provision	2.5	-	-	2.5
Additions (note 10)	-	425.1	-	425.1
Discount unwind of contingent consideration	(22.3)	-	-	(22.3)
Transfer to property, plant and equipment[1]	(22.8)	-	-	(22.8)
Exploration expense	(17.7)	-	-	(17.7)
Balance at 31 December 2017	1,471.7	425.1	6.5	1,903.3
Accumulated amortisation and impairment				
At 1 January 2016	-	-	(4.6)	(4.6)
Amortisation charge for the period	-	-	(1.1)	(1.1)
Exploration expense	(581.3)	-	-	(581.3)
At 31 December 2016 and 1 January 2017	(581.3)	-	(5.7)	(587.0)
Amortisation charge for the period	-	(32.8)	(0.6)	(33.4)
Exploration expense	-	-	-	-
At 31 December 2017	(581.3)	(32.8)	(6.3)	(620.4)
Net book value				
At 31 December 2017	890.4	392.3	0.2	1,282.9
At 31 December 2016	916.1	-	0.6	916.7

1. Peshkabir asset, which is a part of Tawke PSC, was transferred from intangible assets to property, plant and equipment following the successful results and fast development of the field.

8. Intangible assets continued

Exploration and evaluation assets are principally the Company's PSC interests in exploration and appraisal assets in the Kurdistan Region of Iraq, comprised of the Miran (book value: $535.3 million, 2016: $528.6 million) and Bina Bawi (book value: $323.1 million, 2016: $338.4 million) gas assets. Further explanation on oil and gas assets is provided in the significant accounting judgements, estimates and assumptions in note 1.

Tawke RSA cash flows arise from the RSA, details of which are provided in note 1 and note 10.

The sensitivities below provide an indicative impact on net asset value of a change in long term Brent, discount rate or production and reserves, assuming no change to any other inputs.

Sensitivities

	Miran $m	Bina Bawi $m	Tawke RSA $m
Long term Brent +/- $5/bbl	+/- 45	+/- 51	+/- 7
Discount rate +/- 2.5%	+/- 119	+/- 141	+/- 30
Production and reserves +/- 10%	+/- 27	+/- 51	+/- 47

9. Property, plant and equipment

	Oil and gas assets $m	Other assets $m	Total $m
Cost			
At 1 January 2016	2,558.9	8.9	2,567.8
Additions	40.3	-	40.3
At 31 December 2016 and 1 January 2017	2,599.2	8.9	2,608.1
Addition	**59.5**	**0.5**	**60.0**
ARO provision	**3.6**	**-**	**3.6**
Transfer from intangible assets[1]	**22.8**	**-**	**22.8**
Other	**(1.2)**	**-**	**(1.2)**
At 31 December 2017	**2,683.9**	**9.4**	**2,693.3**
Accumulated depreciation and impairment			
At 1 January 2016	(1,632.1)	(6.3)	(1,638.4)
Depreciation charge for the period	(127.8)	(1.6)	(129.4)
Impairment	(218.3)	-	(218.3)
At 31 December 2016 and 1 January 2017	(1,978.2)	(7.9)	(1,986.1)
Depreciation charge for the period	**(83.3)**	**(0.7)**	**(84.0)**
Impairment	**(58.2)**	**-**	**(58.2)**
At 31 December 2017	**(2,119.7)**	**(8.6)**	**(2,128.3)**
Net book value			
At 31 December 2017	**564.2**	**0.8**	**565.0**
At 31 December 2016	621.0	1.0	622.0

1. Peshkabir asset, which is a part of Tawke PSC, was transferred from intangible assets to property, plant and equipment following the successful results and fast development of the field.

Oil and gas assets are the Company's investments in the Tawke (book value: $477.8 million, 2016: $481.2 million) and Taq Taq PSCs (book value: $86.4 million, 2016: $139.8 million) in the KRI, further explanation on oil and gas assets is provided in the significant accounting judgements, estimates and assumptions in note 1. The Taq Taq PSC has been impaired by $58.2 million – further explanation is provided in note 1.

9. Property, plant and equipment continued

The sensitivities below provide an indicative impact on net asset value of a change in long term Brent, discount rate or production and reserves, assuming no change to any other inputs. A reasonably possible change in oil price assumptions would result in impairment for the Tawke CGU:

Sensitivities	Taq Taq $m	Tawke $m
Long term Brent +/- $5/bbl	+/- 2	+/- 16
Discount rate +/- 2.5%	+/- 5	+/- 40
Production and reserves +/- 10%	+/- 9	+/- 45

10. Trade and other receivables

	2017 $m	2016 $m
Trade receivables – non current	–	172.6
Trade receivables – current	73.3	80.9
Other receivables and prepayments	5.2	13.7
	78.5	267.2

Trade receivables are amounts owed by the KRG for oil sales. The balance owed has reduced significantly in the period as a result of the RSA, which is explained in the significant accounting judgements, estimates and assumptions in note 1. The RSA has resulted in a gain, which is comprised of the following items:

	$m
Gain arising from RSA	289.2
Write-off of trade receivable balance	(425.1)
Recognition of Tawke intangible assets (ORRI + CBP waiver)	425.1
Waiver of related obligations arising from RSA	4.6
Net gain arising from the RSA	293.8

The $293.8 million gain increased the book value of overdue receivables to $425.1 million (nominal value of c. $769 million), which was written off and replaced by the Tawke RSA intangible asset at cost of $425.1 million.

For comparison purposes, assuming that the agreement had been completed in the beginning of 2017, it is estimated that revenue would have been $59.2 million higher this year.

Sensitivities

The Tawke RSA intangible asset was recognised at the estimated fair value of its cost, which is sensitive to oil price, discount rate and production profile:

	$m
Tawke RSA intangible asset	425.1
Long term Brent +/- $5/bbl	+/- 10
Discount rate +/- 2.5%	+/- 28
Production and reserves +/- 10%	+/- 36

10. Trade and other receivables continued

Ageing of trade receivables

Under the Tawke and Taq Taq PSCs, payment for entitlement is due within 30 days. Since February 2016, a track record of payments being received 3 months after invoicing, which has been assessed as the established operating cycle under IAS1 The fair value of trade receivables is broadly in line with the carrying value.

		Year of sale of amounts overdue			
Period ended 31 December 2017	**Not due $m**	**2017 $m**	**2016 $m**	**2015 $m**	**Total $m**
Trade receivables at 31 December 2017	**73**	**-**	**-**	**-**	**73**

		Year of sale of amounts overdue			
Period ended 31 December 2016	Not due $m	2016 $m	2015 $m	2014 $m	Total $m
Trade receivables at 31 December 2016	17	30	-	207	254

Movement on trade receivables in the period	2017 $m	2016 $m
Carrying value at 1 January	**253.5**	422.9
Revenue excl. royalty income	**224.4**	186.2
Net proceeds	**(262.7)**	(182.8)
Discount unwind	**2.7**	14.2
Impairment	**-**	(191.3)
Net gain arising from the RSA	**293.8**	-
Write-off of overdue KRG receivable in exchange for intangible assets	**(425.1)**	-
Other	**(13.3)**	4.3
Carrying value at 31 December	**73.3**	253.5

11. Cash and cash equivalents and restricted cash

	2017 $m	2016 $m
Cash and cash equivalents	**162.0**	407.0
Restricted cash	**18.5**	19.5
	180.5	426.5

Cash is primarily held on time deposit with major financial institutions or in US Treasury. Restricted cash of $18.5 million relates principally to exploration activities in Morocco.

12. Trade and other payables

	2017 $m	2016 $m
Trade payables	7.5	13.6
Other payables	17.2	32.3
Accruals	39.9	49.4
Contingent consideration	65.5	87.7
	130.1	183.0
Non-current	70.7	87.7
Current	59.4	95.3
	130.1	183.0

Payables are predominantly short-term in nature or are repayable on demand and, as such, for these payables there is minimal difference between contractual cash flows related to the financial liabilities and their carrying amount.

Contingent consideration includes a balance of $60.5 million (2016: $82.7 million) recognised at its discounted fair value, which has been re-estimated in the year resulting in a reduction that has been deducted from the book value of Miran/Bina Bawi intangible assets. The nominal value of this balance is $145.0 million and its payment is contingent on gas production at the Bina Bawi and Miran assets meeting a certain volume threshold. The unwind of the discount is capitalised against the relevant intangible assets.

13. Deferred income

	2017 $m	2016 $m
Non-current	36.1	39.2
Current	4.8	5.6
	40.9	44.8

Deferred income relates to payments received in the past relating to future revenue and is recognised in line with the explanation provided in the revenue section of the accounting policies note.

14. Provisions

	2017 $m	2016 $m
Balance at 1 January	23.0	25.2
Interest unwind	0.9	0.9
Additions	6.1	0.6
Reversal	(0.7)	(3.7)
Balance at 31 December	29.3	23.0
Non-current	29.3	23.0
Current	-	-
Balance at 31 December	29.3	23.0

Provisions cover expected decommissioning and abandonment costs arising from the Company's assets. The decommissioning and abandonment provision is based on the Company's best estimate of the expenditure required to settle the present obligation at the end of the period discounted at 4%. The cash flows relating to the decommissioning and abandonment provisions are expected to occur between 2028 and 2038.

15. Borrowings and net debt

	1 Jan 2017 $m	Discount unwind $m	Buyback $m	Refinance $m	Net other changes in cash $m	31 Dec 2017 $m
2019 Bond 7.5%	648.2	22.9	(249.3)	(421.8)	-	-
2022 Bond 10.0%	-	-	-	296.8	-	296.8
Cash	(407.0)	-	216.7	128.5	(100.2)	(162.0)
Net Debt	241.2	22.9	(32.6)	3.5	(100.2)	134.8

15. Borrowings and net debt continued

In March 2017, the Company repurchased $252.8 million nominal value of its own bonds for net cash of $216.7 million – the purchased bonds had a book value of $249.3 million resulting in Company net debt reducing by $32.6 million.

In June 2017, the Company cancelled these bonds, together with the $55.4 million nominal value of bonds repurchased in March 2016, resulting in a reduction in total outstanding debt from $730 million to $421.8 million.

In December 2017, the Company completed its refinancing of the bonds by reducing the outstanding bond debt from $421.8 million to $300 million by way of an early redemption of $121.8 million for cash of $125.5 million. The maturity of the $300 million nominal value of remaining bonds was extended to December 2022, with some other changes in terms. The refinancing has been accounted for under IAS39 as an extinguishment and consequently has resulted in a net finance expense of $19.7 million, representing the acceleration of the recognition of the associated discount unwind expense and the premium paid for the early redemption of the bonds.

The fair value of the bonds is materially in line with the carrying value.

	1 Jan 2016 $m	Discount unwind $m	Buyback $m	Net other changes in cash $m	31 Dec 2016 $m
Bond 7.5%	694.1	8.7	(54.6)	–	648.2
Cash	(455.3)	–	35.4	12.9	(407.0)
Net Debt	238.8	8.7	(19.2)	12.9	241.2

In March 2016, the Company repurchased $55.4 million nominal value of its own bonds for net cash of $35.4 million. The purchased bonds had a book value of $54.6 million and consequently Company net debt was reduced by $19.2 million.

16. Financial Risk Management

Credit risk

Credit risk 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:

	2017 $m	2016 $m
Trade and other receivables	76.8	265.8
Cash and cash equivalents	162.0	407.0
	238.8	672.8

Credit risk for trade receivables is explained in note 10 and relates to there being a single customer. There are no receivables overdue at the period end and no provision for doubtful debt has been made. Cash is deposited in US treasury bills or term deposits with banks that are assessed as appropriate based on, among other things, sovereign risk, CDS pricing and credit rating. Credit risk is managed on Company basis.

Liquidity risk

The Company is committed to ensuring it has sufficient liquidity to meet its payables as they fall due. At 31 December 2017 the Company had cash and cash equivalents of $162.0 million (2016: $407.0 million).

Oil price risk

The Company's revenues are calculated from Dated Brent oil price, and a $5/bbl change in average Dated Brent would result in a profit before tax change of $12 million. Sensitivity of the carrying value of its assets to oil price risk is provided in notes 8 and 9.

Currency risk

As substantially all of the Company's transactions are measured and denominated in US dollars, the exposure to currency risk is not material and therefore no sensitivity analysis has been presented.

Interest rate risk

The Company reported borrowings of $296.8 million (2016: $648.2 million) in the form of a bond maturing in December 2022, with fixed coupon interest payable of 10% on the nominal value of $300 million. Although interest is fixed on existing debt, whenever the Company wishes to borrow new debt or refinance existing debt, it will be exposed to interest rate risk. A 1% increase in interest rate payable on a balance similar to the existing debt of the Company would result in an additional cost of $3 million per annum.

Capital management

The Company manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Company's short term funding needs are met principally from the cash flows generated from its operations and available cash of $162.0 million.

17. Share capital

	SVOS	VOS	Total Ordinary Shares
At 1 January 2016 – fully paid[1]	29,621,685	250,626,513	280,248,198
Conversion of suspended voting ordinary shares on 24 February 2016 as a result of a sale of 27,339,017 voting ordinary shares by affiliated shareholders to third parties between 22 September 2015 and 13 February 2016	(29,621,685)	29,621,685	–
At 31 December 2016, 1 January 2017 and 31 December 2017 – fully paid[1]	**–**	**280,248,198**	**280,248,198**

1. Voting ordinary shares includes 1,234,474 (2016: 1,853,008) 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.

Between the 22 September 2015 and 13 February 2016 27,339,017 voting ordinary shares were transferred from affiliated shareholders to third parties. On 24 February 2016 29,621,685 suspended voting ordinary shares were converted to ordinary shares in accordance with the terms of the suspended voting ordinary shares.

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.

18. Share based payments

The Company has three share-based payment plans: a performance share plan, restricted share plan and a share option plan. The main features of these share plans are set out below.

Key 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 30 days to grant.
Performance conditions	Performance conditions will apply. For awards granted up to and including 2016, these are based on relative TSR measured against a Group of industry peers over a three year period. Awards granted from 2017 are based on relative and absolute TSR measured against a group of industry peers over a three year 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.

18. Share based payments continued
In 2017, awards were made under the performance share plan and restricted share plan, no awards were made under the share option plan, the numbers of outstanding shares under the PSP, RSP and SOP as at 31 December 2017 are set out below:

	PSP Options (nil cost)	RSP Options (nil cost)	Share Option Plan	CEO award (nil cost)
Outstanding at the beginning of the year	4,353,338	2,476,409	236,596	375,000
Granted during the year	6,719,094	920,119	-	-
Forfeited / lapsed during the year	(2,795,937)	(476,984)	(96,144)	-
Exercised during the year	(102,131)	(747,848)	-	(187,500)
Outstanding at the end of the year	**8,174,364**	**2,171,696**	**140,452**	**187,500**

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 2 years. The blended exercise price for SOPs is 890p.

Fair value of options granted has been 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 2017 and fair values per share using the model were as follows:

	RSP 10/5/2017	RSP 25/8/2017	RSP 22/12/2017	PSP 10/5/2017	PSP 25/8/2017	PSP 22/12/2017
Share price at grant date	74p	154p	118p	74p	154p	115p
Exercise price	-	-	-	-	-	-
Fair value on measurement date	74p	154p	118p	45p	117p	73p
Expected life (years)	1-3	1-3	1-3	3-6	3-6	3-6
Expected dividends	-	-	-	-	-	
Fair value on measurement date	74p	154p	118p	45p	117p	73p
Share price at balance sheet date	108p	108p	108p	108p	108p	108p
Change in share price between grant date and 31 December 2017	46%	-30%	-8%	46%	-30%	-6%

The weighted average fair value for PSP awards granted in the period is 66p and for RSP awards granted in the period is 119p.

Total share based payment charge for the year was $5.4 million (2016:$7.5 million).

19. Capital commitments and operating lease commitments
The Company had no material outstanding commitments for future minimum lease payments under non-cancellable operating leases.

Under the terms of its PSCs and JOAs, the Company has certain commitments that are generally defined by activity rather than spend. The Company's capital programme for the next few years is explained in the operating review and is in excess of the activity required by its PSCs and JOAs. The Company leases temporary production and office facilities under operating leases. During the period ended 31 December 2017 $1.2 million (2016: $3.7 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.

20. Related parties

The directors have identified related parties of the Company under IAS24 as being: the shareholders; members of the Board; and members of the executive committee, together with the families and companies, associates, investments and associates controlled by or affiliated with each of them. The compensation of key management personnel including the directors of the Company is as follows:

	2017 $m	2016 $m
Board remuneration	0.8	1.0
Key management emoluments and short-term benefits	6.5	7.4
Share-related awards	0.6	0.1
	7.9	8.5

There are no other significant related party transactions.

21. Subsidiaries and joint arrangements

For the period ended 31 December 2017 the principal subsidiaries and joint operations of the Company were the following:

Entity name	Country of Incorporation	Ownership % (ordinary shares)
Genel Energy Holding Company Limited[1]	Jersey	100
Genel Energy Finance Plc[2]	UK	100
Genel Energy Finance 2 Plc[1]	Jersey	100
Genel Energy Netherlands Holding 1 Cooperatief B.A.[3]	Netherlands	100
Genel Energy Netherlands Holding 2 B.V.[3]	Netherlands	100
Genel Energy International Ltd[4]	Anguilla	100
Taq Taq Operating Company Limited[5]	BVI	55
Genel Energy Miran Bina Bawi Limited[2]	UK	100
A&T Petroleum Company Limited[6]	Cayman Islands	100
Genel Energy Africa Exploration Limited[2]	UK	100
Genel Energy Africa Limited[2]	UK	100
Genel Energy Exploration 2 Limited[2]	UK	100
Genel Energy Limited[2]	UK	100
Genel Energy Somaliland Limited[2]	UK	100
Genel Energy Gas Company Limited[1]	UK	100
Genel Energy UK Services Limited[2]	UK	100
Genel Energy Yonetim Hizmetleri Anonim Sirketi[7]	Turkey	100
Genel Energy Petroleum Services Limited[2]	UK	100
Barrus Petroleum Limited[8]	Isle of Man	100
Barrus Petroleum Cote d'Ivoire Sarl[9]	Cote d'Ivoire	100
Taq Taq Petoleum Refinery Company Limited[10]	BVI	100
Taq Taq Drilling Company Limited[11]	BVI	55

1. Registered office is 12 Castle Street, St Helier, Jersey JE2 3RT.
2. Registered office is Fifth floor, 36 Broadway, London SW1H 0DB.
3. Registered office is Prins Bernhardplein 200, 1097 JB, Amsterdam, Netherlands.
4. Registered office is PO Box 1338. Maico Building, The Valley, Anguilla.
5. 3rd Floor, Geneva Place, Waterfront Drive, PO Box 3175, Road Town, Tortola, BVI and is a joint operation service company through which the Company jointly operates the Taq Taq PSC with its partner.
6. Registered office is PO Box 309 Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
7. Registered office is Next Level iş Merkezi, Eskişehir Yolu, Dumlupınar Bulvarı, No:3A-101, Söğütözü, Ankara, 06500, Turkey.
8. Registered office is 6 Hope Street, Castletown, IM9 1AS, Isle of Man.
9. Registered office is 7 Boulevard Latrille Cocody, 25 B.P. 945 Abidjan 25, Cote d'Ivoire.
10. Registered office is Ellen L Skelton Building, Fishers Lane, Road Town, Tortola, BVI.
11. Registered office is 3rd Floor, Geneva Place, Waterfront Drive, PO Box 3175, Road Town, Tortola, BVI.

22. Annual report

Copies of the 2017 annual report will be despatched to shareholders in April 2018 and will also be available from the Company's registered office at 12 Castle Street, St Helier, Jersey JE2 3RT and at the Company's website – www.genelenergy.com.

23. Statutory financial statements

The financial information for the year ended 31 December 2017 contained in this preliminary announcement has been audited and was approved by the board on 21 March 2018. The financial information in this statement does not constitute the Company's statutory financial statements for the years ended 31 December 2017 or 2016. The financial information for 2017 and 2016 is derived from the statutory financial statements for 2016, which have been delivered to the Registrar of Companies, and 2017, which will be delivered to the Registrar of Companies and issued to shareholders in April 2018. The auditors have reported on the 2017 and 2016 financial statements; their report was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report. The statutory financial statements for 2017 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The accounting policies (that comply with IFRS) used by Genel Energy plc are consistent with those set out in the 2016 annual report.

REPORT ON PAYMENTS TO GOVERNMENTS FOR THE YEAR 2017

Introduction and basis for preparation

This report sets out details of the payments made to governments by Genel Energy plc and its subsidiary undertakings ("Genel") for the year ended 31 December 2017 as required under the Disclosure and Transparency Rules of the UK Financial Conduct Authority (the 'DTRs') and in accordance with our interpretation of the Industry Guidance issued for the UK's Report on Payments to Governments Regulations 2014, as amended in December 2015 ('the Regulations'). The DTRs require companies in the UK and operating in the extractives sector to publically disclose payments made to governments in the countries where they undertake exploration, prospection, development and extraction of oil and natural gas deposits or other materials.

This report is available to download at www.genelenergy.com/investor-relations/results-reports-presentations.

Governments

All of the payments made in relation to licences in the Kurdistan Region of Iraq ('KRI') have been made to the Ministry of Natural Resources of the Kurdistan Regional Government ('KRG').

Production entitlements

Production entitlements are the host government's share of production during the reporting period from projects operated by Genel. Production entitlements from projects that are not operated by Genel are not covered by this report. The figures reported have been produced on an entitlement basis rather than on a liftings basis. Production entitlements are paid in-kind and the monetary value disclosed is derived from management's calculation of revenue from the field.

Royalties

Royalties represent royalties paid in-kind to governments during the year for the extraction of oil. The terms of the Royalties are described within our Production Sharing Contracts and can vary from project to project. Royalties have been calculated on the same barrels of oil equivalent basis as production entitlements.

Materiality threshold

Total payments below £86,000 made to a government are excluded from this report as permitted under the Regulations.

Payments to governments – 2017

Country/Licence	KRI Total[1]	Taq Taq[2]	Tawke
Production entitlement (bbls)	3,371,984.14	3,371,984.14	–
Royalties in kind (bbls)	658,849.17	658,849.17	–
Total (bbls)	4,030,833.31	4,030,833.31	–
Value of production entitlements ($million)	166.07	166.07	–
Value of royalties ($million)	32.36	32.36	–
Production bonus ($million)[3]	25.88	16.50	9.38
Capacity building payments[4] ($million)	0.59	0.59	–
Total ($million)	224.90	215.52	9.38

1. Under the lifting arrangements implemented by the KRG, the KRG takes title to crude at the wellhead and then transports it to Ceyhan in Turkey by pipeline. The crude is then sold by the KRG into the international market. All proceeds of sale are received by or on behalf of the KRG, out of which the KRG then makes payment for cost and profit oil in accordance with the PSC to Genel, in exchange for the crude delivered to the KRG. Under these arrangements, payments are in fact made by or on behalf of the KRG to Genel, rather than by Genel to the KRG. For the purposes of the reporting requirements under the Regulations however, we are required to characterise the value of the KRG's entitlement under the PSC (for which they receive payment directly from the market) as a payment made to the KRG. Therefore, estimated value in $millions is not paid to the KRG, and is calculated to meeting the reporting requirements under the regulations.
2. The amount reported for Taq Taq, is the gross payment made to the KRI by the operating company (TTOPCO), Genel's share of these payments is equal to 55% (with the exception of capacity building payments).
3. Payment for the cumulative production bonuses reported above were waived by the KRG under the Receive Settlement Agreement ('RSA') entered into by the Company and KRG in August 2017.
4. Capacity building payments reported are payments made by Genel directly to the KRI in cash as required by the PSC. The payment reported above excludes the value of any capacity building payments waived by the KRG under the RSA, please refer to note 1 to the financial statements in our 2017 annual report for further information on the RSA.

OTHER INFORMATION
GLOSSARY OF TECHNICAL TERMS

'AGM'	annual general meeting
'Companies Act 2006'	Companies Act 2006, as amended
'Company'	Genel Energy plc
'CPR'	competent person's report
'Elysion'	Elysion Energy Holding B.V.
'Focus Investments'	Focus Investments Limited
'FRC'	UK Financial Reporting Council
'FSMA'	the Financial Services and Markets Act 2000 of the UK, as amended
'FTSE'	FTSE International Limited
'GHG'	greenhouse gases
'GLA'	gas lifting agreement
'Group'	the Genel Energy group of companies
'HSE'	health, safety and environment
'ICMM Sustainable Development Framework'	the sustainable development framework set out by the International Council on Mining and Metals
'IDP'	internally displaced person
'IFC Performance Standard'	the performance standards set out by the International Finance Corporation
'IOC'	International Oil Company
'Jersey Companies Law'	Companies (Jersey) Law 1991 (as amended)
'KRG'	the Kurdistan Regional Government
'KRI'	the Kurdistan Region of Iraq
'Listing Rules'	the Listing Rules of the UK Listing Authority
'LoPC'	loss of primary containment
'LTI'	lost time incident
'LTIF'	lost time incident frequency: the number of lost time incidents per million work hours
'NGO'	non-governmental organisation
'NOC'	Northern Oil Company
'Ordinary Shares'	the voting ordinary shares and/or the suspended voting ordinary shares as the context requires
'PRM'	Petroleum Resources Management N.V.
'PSC'	production sharing contract
'PSP'	performance share plan
'PwC'	PricewaterhouseCoopers LLP
'RSA'	receivable settlement agreement
'RSP'	restricted share plan
'SOMO'	State Oil Marketing Organisation
'SOP'	share option plan
'Standard Listing'	a standard listing under Chapter 14 of the Listing Rules
'TSR'	total shareholder return
'TTOPCO'	Taq Taq Operating Company Limited
'UKLA'	UK Listing Authority

Certain resources and reserves terms

'1P'	proved reserves
'2P'	proved plus probable reserves
'3P'	proved plus probable plus possible reserves
'2C'	contingent resources

Units of measurement

'bbl'	barrel
'bcma'	billion cubic metres per annum
'Bboe'	billion barrel oil equivalent
'bopd'	barrels of oil per day
'boepd'	barrels of oil equivalent per day
'km'	kilometres
'mcf'	thousand cubic feet
'MMbbls'	millions of barrels
'MMboe'	million barrels of oil equivalent
'tcf'	trillion cubic feet
'tCO_2e'	tonnes of CO_2 equivalent

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 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 Thursday, 17 May 2018 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 2017.

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, 8.30am – 5.30pm (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

Contacts and Auditors

Registrar
Equiniti (Jersey) Limited
PO Box 75
26 New Street
St Helier
Jersey
Channel Islands
JE4 8PP

Independent Auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registered Office
12 Castle Street
St Helier
Jersey
JE2 3RT

London Office
Fifth Floor
36 Broadway
Victoria
London
SW1H 0BH

Ankara Office
Next Level Iş Merkezi
Eskişehir Yolu
Dumlupınar Bulvarı No: 3A-101
Söğütözü 06500
Ankara, Turkey

luminous
Consultancy, design and production
www.luminous.co.uk

Registered Office
12 Castle Street
St Helier
Jersey
JE2 3RT

London Office
Fifth Floor
36 Broadway
Victoria
London
SW1H 0BH

Ankara Office
Next Level Is Merkezi
Eskisehir Yolu
Dumlupınar Bulvarı No:3A-101
Sögütözü 06500
Ankara, Turkey

www.genelenergy.com