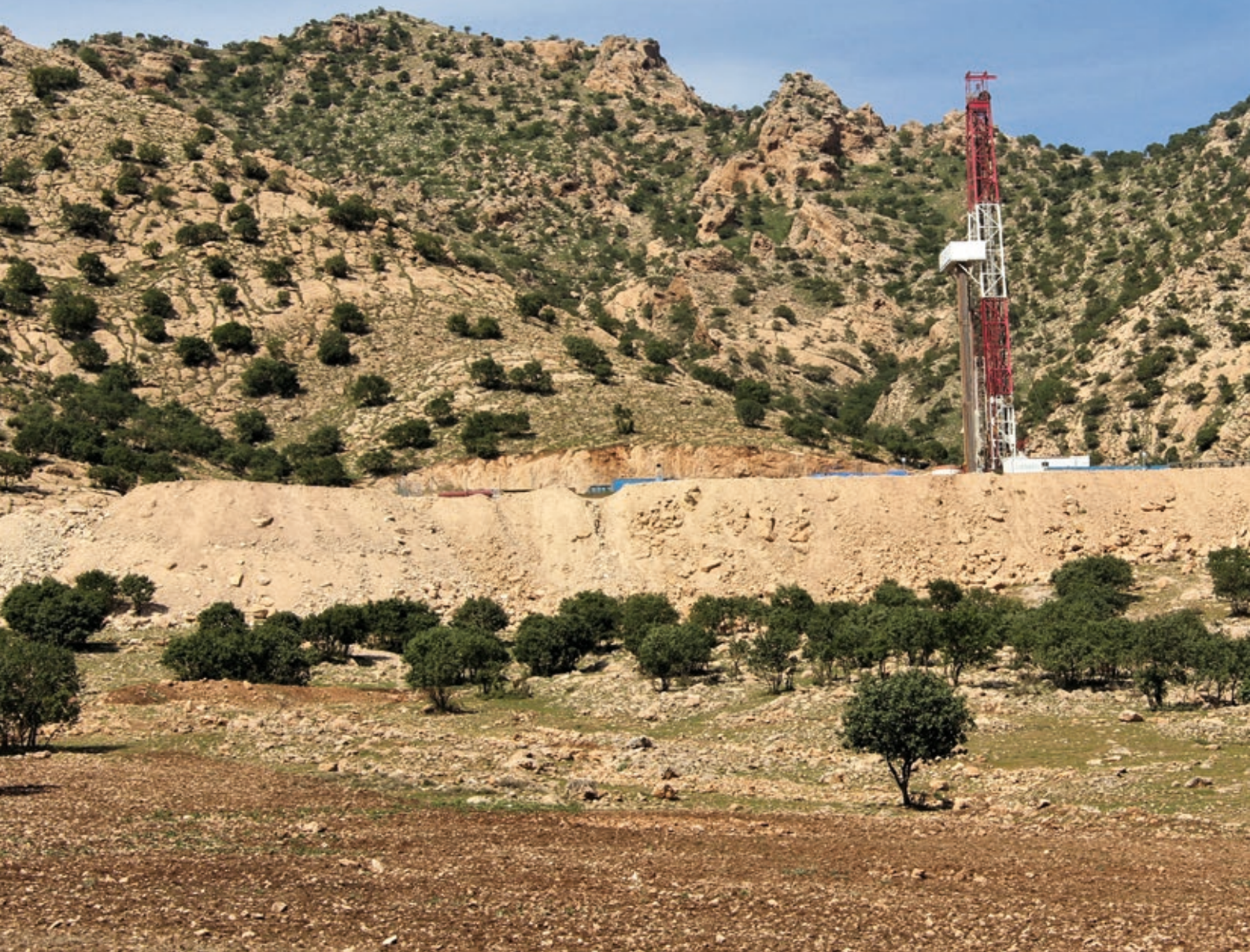


ANNUAL REPORT 2018

# Growing cash flow, a strengthened portfolio



## 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](#)



Our business model and strategy

[READ MORE P10](#)



Our sustainable approach

[READ MORE P22](#)

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# Business highlights

## HIGHLIGHTS

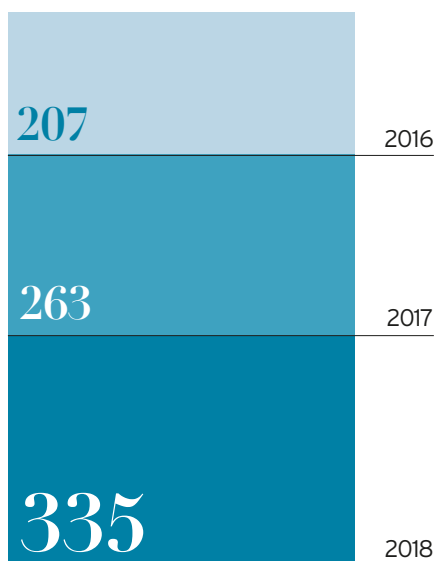
- \$335 million of cash proceeds were received in 2018 (2017: \$263 million)
- Strong cash flow generation, with free cash flow totalling \$164 million in 2018 (2017: \$99 million), an increase of 66%
- Financial strength continues to increase, with unrestricted cash balances at 28 February 2019 of \$378 million, and net cash at \$81 million
- Addition of Sarta and Qara Dagh to the portfolio in 2019 brings further near-term production and material growth potential
- Increase in 1P and 2P reserves as of 31 December 2018 to 99 MMbbls (31 December 2017: 97 MMbbls) and 155 MMbbls (31 December 2017: 150 MMbbls) respectively, including Sarta and Qara Dagh
- Underlying EPS of 109¢ per share, which excludes the \$424 million impairment expense relating to Miran that resulted in the reported loss, reflects the ongoing strength of the business

## OUTLOOK

- Production guidance maintained - net production during 2019 is expected to be close to Q4 2018 levels of 36,900 bopd, an increase of c.10% year-on-year
- Capital expenditure guidance updated to include spend on Sarta and Qara Dagh, with net capital expenditure now forecast to be \$150-170 million (from c.\$115 million)
- Opex and G&A guidance unchanged at c.\$30 million and c.\$20 million respectively
- Genel expects to generate material free cash flow of over \$100 million in 2019, inclusive of investment in Sarta and Qara Dagh
- Given the strong free cash flow forecast of the business, even after investment in growth opportunities, Genel is initiating a material and sustainable dividend policy
- The Company intends to pay a minimum dividend of \$40 million per annum starting in 2020, with the intention for this to grow
- The Company continues to actively pursue growth and appraise opportunities to make value-accretive additions to the portfolio

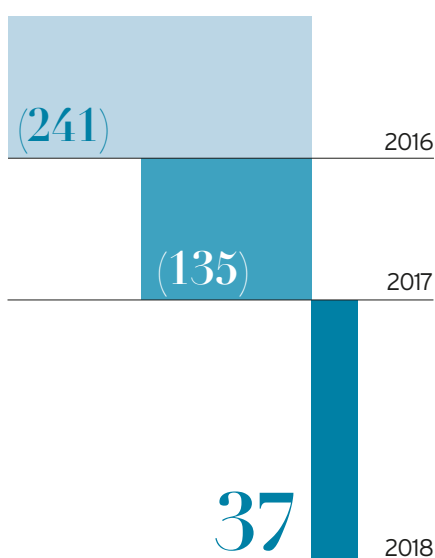
## CASH PROCEEDS

(\$ MILLION)



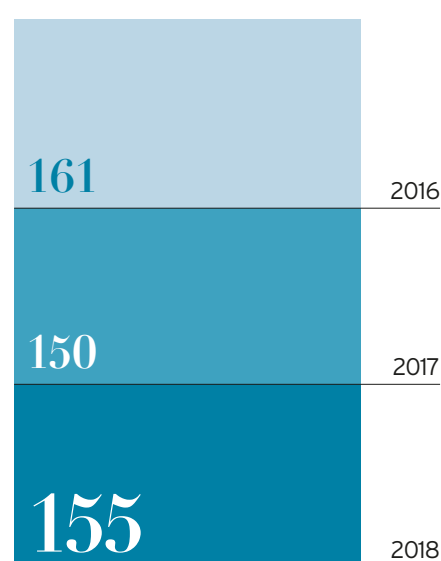
## NET CASH

(\$ MILLION)



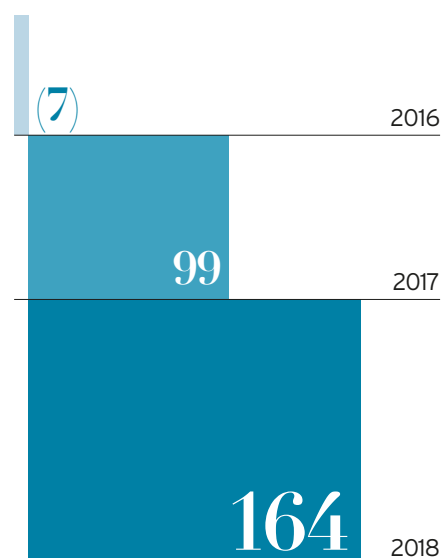
## 2P RESERVES

(NET MMbbls)



## FREE CASH FLOW

(\$ MILLION)



## A year of delivery

I am pleased to welcome you to Genel's eighth annual results statement.

Stephen Whyte  
Chairman



Political stability in the Kurdistan Region of Iraq and a recovery in the oil price provided a positive backdrop for our operations in 2018. With a firm focus on our renewed strategy, Genel delivered across all key areas of its business, with the economic tailwinds helping to deliver material free cash flow and to create significant shareholder value. Highly cash generative and growing production, supplemented by recent additions to the portfolio, and our financial strength, position us well to continue this performance in coming years.

#### Delivering on our strategy

Our strategic bedrock remains our highly cash-generative producing assets. The success of Peshkabir, where production grew almost five-fold over the year to over 50,000 bopd, ahead of schedule and under budget, provided rapid growth on the Tawke PSC. The increase at Peshkabir was supported by the redeployment of Taq Taq's early processing facility, and field management work at the Taq Taq field itself helped to stabilise production and provide a base from which we expect to now add growth in 2019. The combination of the two led to Genel slightly outperforming on production guidance for the year.

Maximising the value of these assets, and generating material free cash flow, was our core priority and positions us to now focus on progressing the material opportunities in our portfolio. As we demonstrated our capability to grow and expand operations, we moved firmly into a net cash position, and our free cash flow will continue to more than fund our investment programme for the foreseeable future. Our financial strength will increase further even as we ramp up our disciplined expenditure, allowing us to initiate a material and sustainable dividend policy. Our compelling mix of operational expertise and balance sheet strength has helped us to join up with major partners as we look to provide a long-term increase in shareholder value.

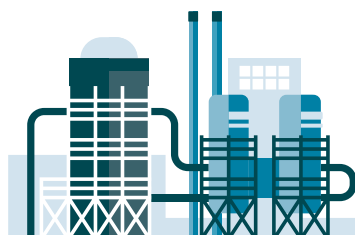
#### Growth on all key metrics

As we progress through 2019 we continue to grow on all key metrics. Our cash position is rising on a monthly basis, our production is forecast to increase 10% year-on-year, and the addition of Sarta and growth at Peshkabir has delivered an increase in our 2P reserves.

Last year we stated that Genel aimed to add assets that build on the strengths of the current portfolio, prioritising areas of low to moderate political risk while retaining a focus on cash generation. Given the successful elections and ongoing improvement in the economic situation, we now see the KRI as such an area, as reflected in the reduction of our internal discount rate and reinforced by well over three years of consecutive payments for oil exports.

We were delighted with the addition of stakes in Sarta and Qara Dagħ to the Genel portfolio, which are a key step as we continue to develop opportunities to

Genel has a balanced portfolio combining near-term cash generation and potentially transformational growth opportunities.



expand our portfolio of high-value assets. Being chosen as a partner by Chevron was a strong endorsement of Genel's technical and commercial strengths, and the projects are an ideal fit for our strategy. Qara Dagħ has a proven hydrocarbon system and significant resource potential estimated by Genel at c.200 MMbbls, while Sarta offers near-term production. With unrisksed gross P50 resources estimated at c.500 MMbbls Sarta has the potential to scale up and be a low-cost, long-life, cash-generative asset. Should appraisal work prove successful, field production should materially increase just as payments from the Receivable Settlement Agreement tail away, ensuring significant free cash flow generation for years to come.

#### Generating cash, creating opportunity

The generation of free cash flow is a key focus for Genel, and a core tenet of our strategy for value creation. It is our aim to generate cash while delivering transformational growth. In 2018 we generated \$164 million in free cash flow at the same time as increasing Peshkabir production and progressing the development of our asset portfolio. 2019 will see this strategy ramp up. We will be involved in the drilling of around 20 wells in the Kurdistan Region of Iraq, progressing plans for Sarta and Qara Dagħ, finalising the commercial discussion relating to Bina Bawi, and still expect to generate free cash flow of well over \$100 million.

We are a Company that is focused on providing material growth and are investing accordingly. Ingrained capital discipline and a focus on cash flow generation provides us with increased confidence over our long-term cash flows, reaffirming our commitment to share success directly with our shareholders and leading us to initiate a material and sustainable dividend. As we look to provide investors with a compelling proposition combining both growth and a material annual return, we are set to approach bondholders to request a waiver of the dividend restriction so we might facilitate the acceleration of a first dividend distribution into 2019.

#### Long-term value creation

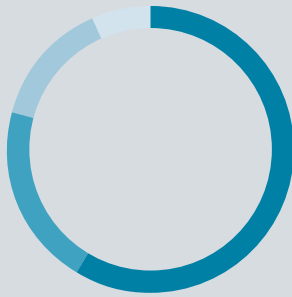
Genel has a balanced portfolio combining near-term cash generation and potentially transformational growth opportunities. We do not see the additions of the stakes in Sarta and Qara Dagħ as being the end of our ambitions by any means, and we continue to selectively seek further additions to the portfolio that match our strategic focus.

2018 was a hugely successful year that also sets up the Company for material growth in years to come. I would like to take this opportunity to thank our supportive shareholders, whose patience is now being rewarded, and reaffirm our commitment to becoming a world-class independent E&P creator of shareholder value.

[READ MORE P10](#)

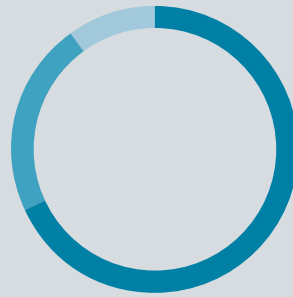
# Genel at a glance

**NET 2P RESERVES BY FIELD (MMbbls)**



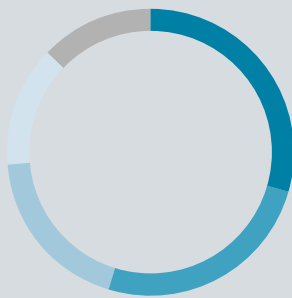
- Tawke - 91
- Peshkabr - 32
- Taq Taq - 22
- Sarta - 10

**2018 GROSS PRODUCTION (bopd)**



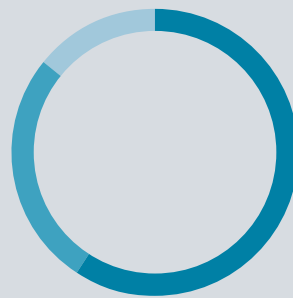
- Tawke - 85,360
- Peshkabr - 27,660
- Taq Taq - 12,350

**CAPEX 2018 (\$ million)**



- Peshkabr - 28
- Tawke - 24
- Taq Taq - 18
- Africa - 13
- Bina Bawi/Miran - 12

**REVENUE BY FIELD (\$ million)**

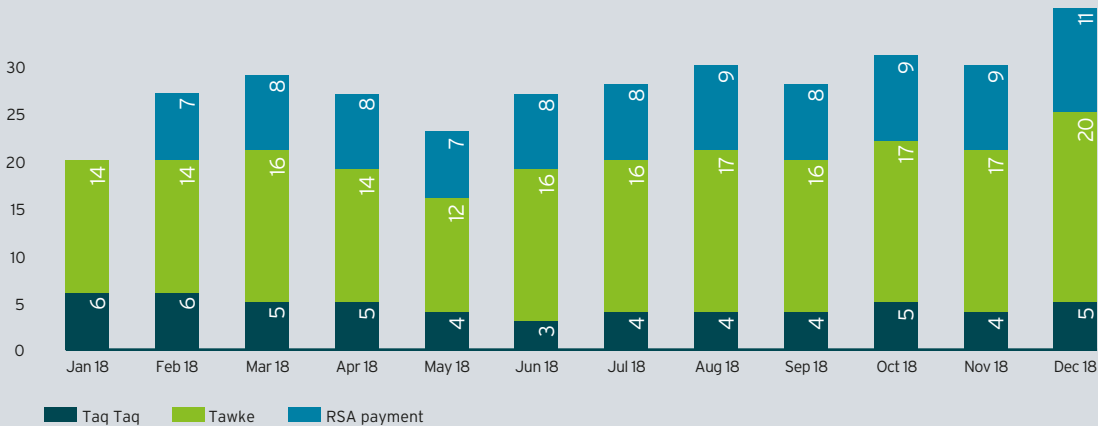


- Tawke - 211
- Peshkabr - 94
- Taq Taq - 50

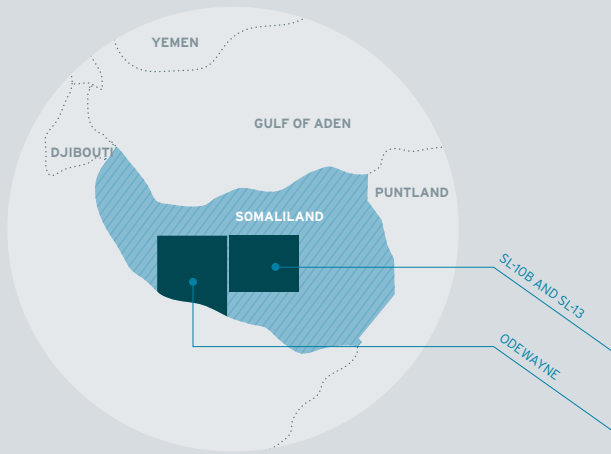
**NET PAYMENTS RECEIVED FROM THE KRG (\$ MILLION)**

335

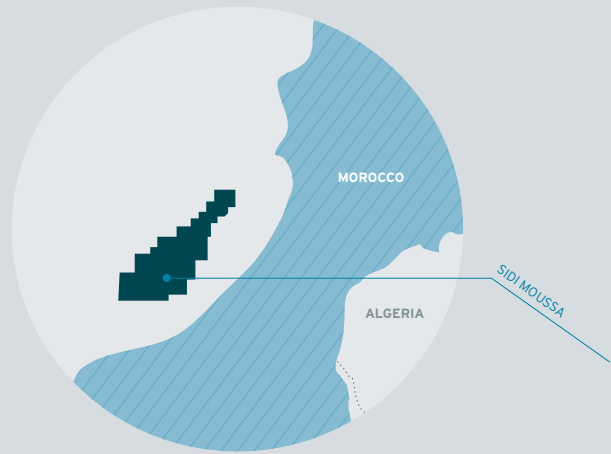
2017: 263



**SOMALILAND**

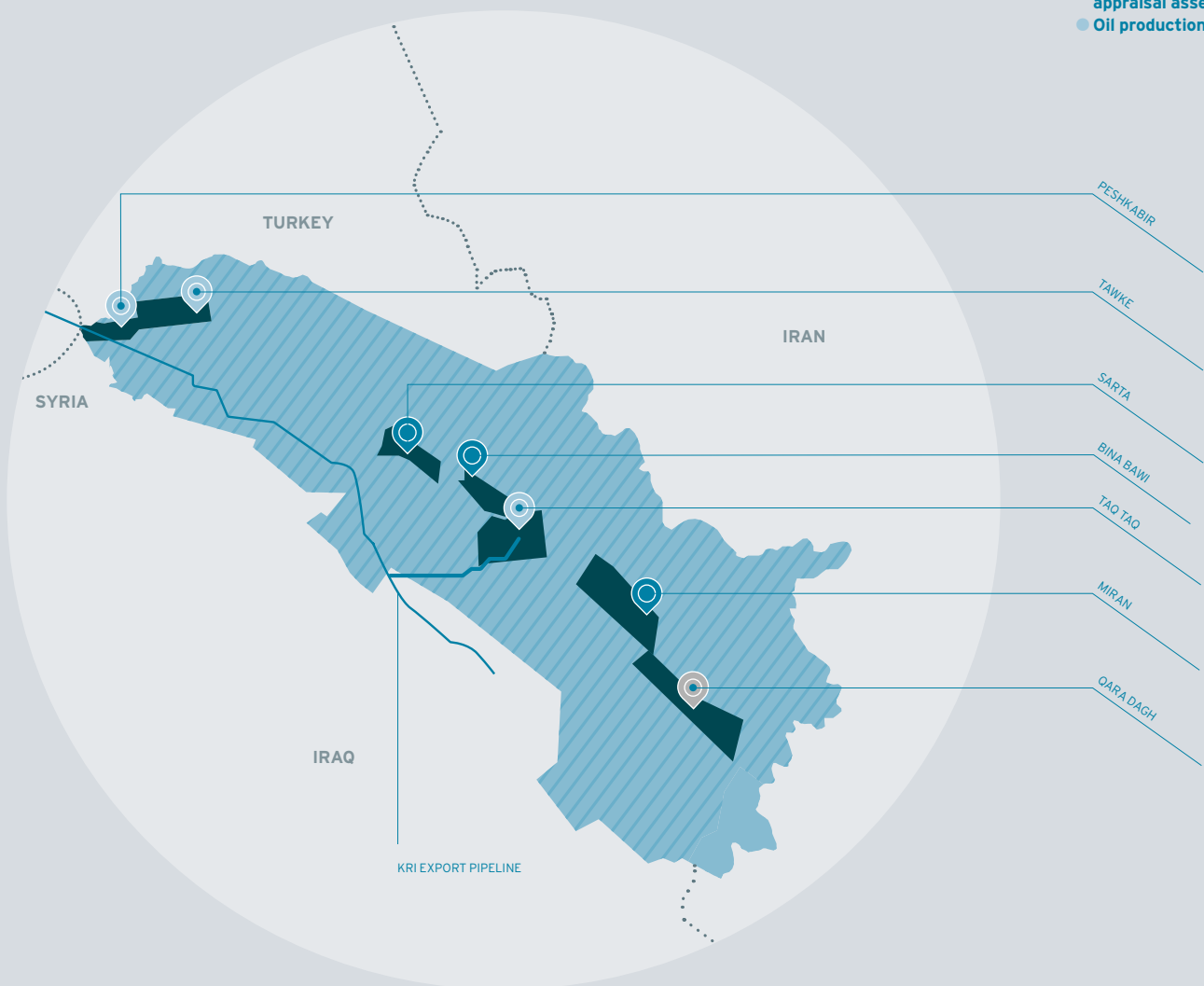


**MOROCCO**



**KURDISTAN REGION OF IRAQ**

- Development assets
- Exploration and appraisal assets
- Oil production



## Material cash generation, and a stronger portfolio

2018 was another  
successful year  
for Genel.

Murat Özgül  
Chief Executive Officer







Left: Operations at Taq Taq

Our continued focus on our key objectives helped us to deliver our strategic goals, growing reserves, production and cash while adding material growth opportunities.

While looking to grow the business, we never forget that our first priority is the safety and security of our workforce and the communities in which we operate. We are pleased to report another year of operations without a lost time incident and there has now been no such incident at Genel or TTOPCO operations since 2015, over eight million working hours. In 2018 we also met our objective of zero losses of primary containment. Genel takes great pride in our operations, and we work hard to continuously improve our systems and make sure that all possible precautions are in place. This focus, and the quality of our workforce, is a factor that is attractive to potential partners, and therefore important to our overall strategic goals.

#### Material cash generation

Our primary strategic goal in 2018 was the maximisation of free cash flow from our producing operations. This was our key capital allocation priority, and the majority of our \$95 million of capital expenditure was invested in the Tawke and Taq Taq PSCs. As previously stated, we look to invest our capital in those areas that promise to deliver the most value to shareholders. In 2018 the priority was therefore Peshkabir, where exceptional well performance delivers returns of over \$8 for every \$1 invested, with cost recovery on the initial investment less than a month after production begins. Few assets anywhere offer such a rapid return.

The investment in the well programme boosted Peshkabir production from 12,000 bopd at the start of 2018 to 55,000 bopd by the year-end. Due to the high investment returns at Peshkabir, drilling on the Tawke field was limited in the year, and the field therefore naturally declined. As Peshkabir moves from appraisal to development, the focus of drilling in 2019 will move back to Tawke. Up to 14 wells are set to be drilled on the main Tawke field, with the operator expecting production to stabilise at c.75,000 bopd as a result.

Drilling activity at Taq Taq was also limited in 2018. Work in H1 2018 focused on workovers and well management, and so the performance of the field ahead of the resumption of drilling was very encouraging, with minimal production declines. We are now two wells into a five well drilling programme, focused on the flanks of the field. Production from the last two wells, TT-29w and TT-32, has been robust - and illustrates that there are still wells to be drilled at Taq Taq that are attractive economically. The positive performance has significantly increased well profitability, making wells at Taq Taq again an attractive capital allocation option.

This focus on capital allocation, and the positive drilling results, helped boost our free cash flow to \$164 million. We expect to continue generating material free cash flow in 2019 - \$44 million was generated in the first two months of the year - even after investing in the tremendous profitable growth opportunities within our portfolio.

#### Adding growth opportunities

The addition of stakes in Sarta and Qara Dagh was a huge positive for Genel. The two fields provide precisely what we are looking for as we take steps to build a portfolio of high-value assets - low-cost, low-risk entry into opportunities that promise near-term production, with material growth potential and significant longer term upside.

Sarta will be brought on to production in 2020, and it has the potential for production to ramp up to transformational levels. In the success case, Sarta perfectly fits into Genel's production profile, with the potential to add company-changing cash flows after the override payments under the Receivable Settlement Agreement end in H2 2022.

Being chosen as a partner by Chevron is a real boost for Genel, and the combination of the two companies brings together Genel's experience in the KRI and low-cost operating capability on the ground with Chevron's oil major capabilities.

“  
Sarta will be brought on to production in 2020, and it has the potential for production to ramp up to transformational levels.  
”





Above: Board visit to Bina Bawi

  
 In 2019 we expect  
 production to grow,  
 material cash generation,  
 and the progression  
 of the opportunities  
 in our portfolio.  




We look forward to getting started both at Sarta and Qara Dagh, with the latter most likely being the premier remaining appraisal opportunity in the KRI. There is a proven hydrocarbon system on the block, with a previous well drilled off structure flowing light oil. The chance to therefore drill a more optimally located well is enormously exciting.

Bina Bawi is the third asset in our portfolio that has transformational growth potential. With light oil able to be produced within six months of the agreement of commercial terms with the government it is a significant opportunity, although progress on reaching such an agreement with the Kurdistan Regional Government ('KRG') has been challenging. A field development plan ('FDP') for Bina Bawi relating to both oil and gas was submitted in H2 2018 detailing the early production of light oil and taking a phased development approach towards the gas, which would reduce initial capital expenditure and achieve the earliest date for first gas.

Talks have recently focused on how best to develop the oil and progress the gas project. The deadline to meet the conditions precedent related to the Bina Bawi gas lifting agreement has been extended until 30 April 2019, after which there is a further 12 months to renegotiate the gas lifting agreement. Constructive talks are continuing, and can do so after April, and any significant further investment in the Bina Bawi licence will be subject to an appropriate commercial solution agreed with the KRG.

A field development plan was also submitted for Miran. As noted in our trading and operations update in January, with the focus on Bina Bawi, we have reviewed of the value of the Miran PSC carried in the Company accounts. The decision has been made to write down the Miran asset by \$424 million, pending any movement on field development discussions. We continue to believe that the licence holds significant potential, and development can follow a similar plan to Bina Bawi, but pending clarity on a development timeline, this is a prudent action based on accounting principles.

#### Returning capital to shareholders

Genel has a balanced portfolio, with material production and cash generation and transformational growth opportunities in the pipeline. These opportunities are more than funded out of our current cash flow, and our outlook illustrates that our cash position will continue to grow over the long-term while still allowing for ongoing portfolio investment and more. As such, now is the right time for us to initiate a material and sustainable dividend policy.





**Outlook**

In 2019 we expect production to grow, material cash generation, and the progression of the opportunities in our portfolio.

Our strategic ambitions remain clear - we will focus on generating cash, investing in opportunities, and returning capital to shareholders. Our ability to do the latter is the next step in delivering on our strategy. We remain committed to materially growing the Company, and will actively appraise opportunities to make disciplined additions to the portfolio that will further bolster our cash generation story.



Top: Central processing facility at Peshkabir  
Below: Workers at Bina Bawi

# Our strategy for the creation of shareholder value

## Genel has a clear strategy 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. We have a simple strategy to create material shareholder value – we generate cash, we invest it in growth, and we look to return excess cash to shareholders.

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.

## 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, aligning 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.

### 2018 activity

Reserves and resources were added both through successful drilling and strategic M&A activity. Success at Peshkabir increased gross 2P reserves from 75 MMbbls to 126 MMbbls, and offset production and declines at the Tawke field. The addition of stakes in Sarta and Qara Dagh post-period end also significantly boosted our resources, and 10 MMbbls of net 2P reserves were added relating to Sarta phase 1A.

[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 continue to look for further additions to our portfolio in order to accelerate profitable growth.

### 2018 activity

Net production averaged 33,690 bopd, as growth at Peshkabir offset declines at the Tawke field. Taq Taq performed well with limited drilling, and a five well programme is now underway which is expected to increase field production. Sarta and Qara Dagh provide material growth opportunities, and work will be done in 2019 on preparing Sarta for production, with first oil expected in 2020.

[READ MORE P16](#)





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, Peshkabar and Taq Taq fields generates significant free cash flow, and we will continue to maximise this through efficient reservoir management and disciplined capital allocation. Sarta, Qara Dagh, Bina Bawi and Miran provide material upside opportunities, with an attractive mix of near-term production and long-term growth potential. 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. As we have now moved into a net cash position, with free cash flow more than matching our investment in growth, it paves the way to returning capital to shareholders.

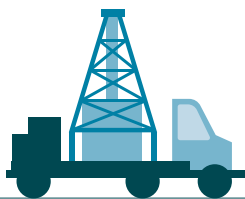
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**BUILD A PORTFOLIO OF HIGH-VALUE ASSETS**

*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. Post-period end, Sarta and Qara Dagh fulfilled these criteria. 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 P7](#)



**A BALANCED PORTFOLIO**

**Cash generative oil assets**

Oil production in the KRI provides material cash generation. \$335 million was received in 2018 for oil sales, of which c.50% was converted into free cash flow. Our reserves are being produced at some of the lowest costs in the industry, with the Receivable Settlement Agreement continuing to boost cash flow from the Tawke PSC. Genel will apply our technical and commercial experience to unlock and fast-track further oil development opportunities, with production at Sarta expected in 2020.

[READ MORE P16](#)

**Development assets**

Free cash flow from our producing assets more than funds the development of other potentially transformational portfolio opportunities. Sarta offers near-term production and material growth potential, and Qara Dagh is an exciting appraisal opportunity. Bina Bawi and Miran offer long-term potential through the development of the major gas resources.

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**

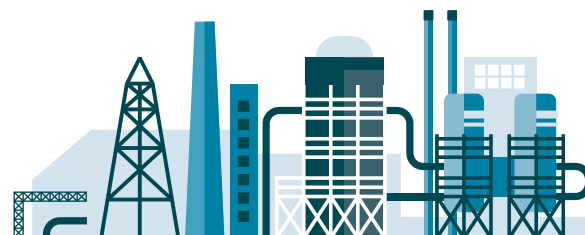
Disciplined capital allocation in areas that maximise the creation of shareholder value. We re-invest our cash smartly and allocate capital towards those areas with the highest returns, making sure that we are suitably financed through a mix of diverse funding options and portfolio management, providing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



**2018 activity**

Genel continues to invest in the areas in which optimum shareholder value can be created, and capital expenditure again focused on our producing assets, with the majority of our \$95 million expenditure being cost recoverable. Targeted investment and a focus on costs helped to generate material free cash flow, moving Genel from a net debt position of \$135 million at the end of 2017 to a net cash one of \$37 million by the end of 2018.

[READ MORE P19](#)



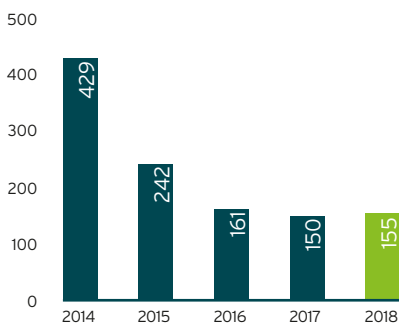
## Measuring our progress

### NET 2P RESERVES

(NET MMbbls)

155↑

2017: 150



#### Definition

2P reserves are proved plus probable reserves.

#### Performance

The significant increase in 2P reserves at Peshkabir, with a gross reserves revision upwards of 61 MMbbls to 126 MMbbls, offset production and declines at the Tawke field. Taq Taq gross 2P stood at 51 MMbbls, with the difference being production in the intervening period, partly offset by a small upward technical revision. The addition of Sarta post-period end added 10 MMbbls of net 2P reserves, helping to lead to an overall increase in 2P reserves of 5 Mmbbls.

#### Relevance to strategy

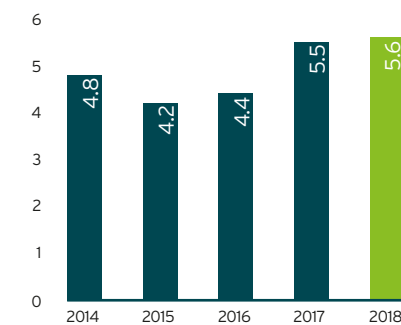
Our strategy is to enhance the value of our existing 2P reserves through active reservoir management and cost-effective development. The Company also looks to replace 2P reserves through a combination of maturing contingent resource to commerciality, exploration for new sources of hydrocarbons and M&A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

### TOTAL NET RESERVES AND UNRISKED RESOURCES

(BNboe)

5.6↑

2017: 5.5



#### Definition

Net reserves and resources include 3P reserves, 2C contingent resources and prospective resources.

#### Performance

Net reserves and resources grew by 0.1 BNboe in 2018, largely due to the addition of contingent resources at Sarta and Qara Dagh.

#### Relevance to strategy

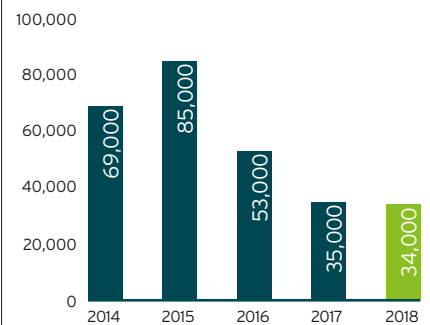
Prospective resources are those quantities of hydrocarbons estimated to be potentially recoverable from undiscovered accumulations by application of future development projects, and have the potential to drive long-term growth.

### NET PRODUCTION

(bopd)

33,700↓

2017: 35,200



#### Definition

Production is measured in barrels of oil produced per day.

#### Performance

2018 net production averaged 33,690 bopd, as growth at Peshkabir offset declines at the Tawke field. With limited drilling, production at Taq Taq was largely stable, with the TT-29w well adding to production later in the year. Coupled with the growth at Peshkabir, Q4 averaged 36,920 bopd.

#### 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.

KEY

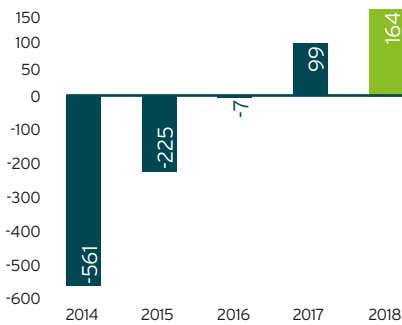
- ↑ Improvement year-on-year
- ↓ Deterioration year-on-year
- ↔ No change year-on-year

FREE CASH FLOW

(\$ MILLION)

164↑

2017: 99



Definition

Free cash flow is net cash generated from operating activities less cash outflow due to purchase of intangible assets, purchase of property, plant and equipment, and interest paid. Previous years have been restated to include interest paid.

Performance

The receipt of \$335 million in payments for oil exports, and an ongoing focus on costs, led to another year of positive free cash flow generation. Capital allocation discipline meant that just under 50% of the money received was converted into free cash flow.

Relevance to strategy

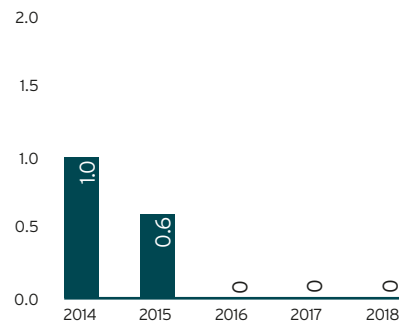
Production from operating activities forms Genel's revenue generation. Net cash illustrates the success of monetisation of these activities, reflecting both money received and the minimisation of operating costs.

LOST TIME INCIDENTS

(FREQUENCY)

0↔

Number of lost time injuries per million work hours 2017: 0



Definition

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

Performance

There were no lost time incidents in 2018, and it is now over three years and more than eight million man hours worked since the last incident. Work continues across our assets to ensure that processes and procedures remain of the highest possible standard, with improved procedures being rolled out in 2018 and 65 HSE focused site visits taking place alongside an ongoing dedicated training programme.

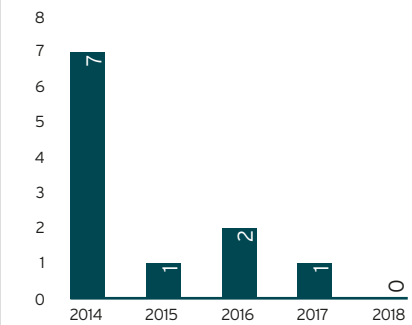
Relevance to strategy

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.

SPILLS - LOSS OF PRIMARY CONTAINMENT

0↑

Incidents where there has been a loss of primary containment 2017: 1



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 were zero incidents of losses of primary containment in 2018.

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.

## Growing production, and a rich funnel of opportunities

Successful drilling  
at Peshkabir saw  
production rise  
through 2018, and  
Sarta and Qara  
Dagh offer material  
opportunities.

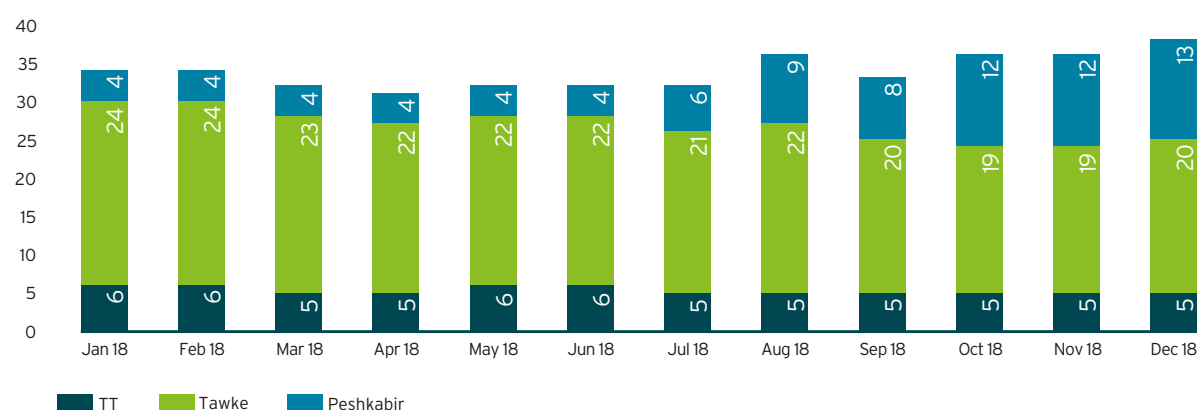
Bill Higgs  
Chief Operating Officer





## NET MONTHLY PRODUCTION CHART

(kbopd)

**Reserves and resources development**

Genel's proven (1P) and proven plus probable (2P) net working interest reserves totalled 99 MMbbls and 155 MMbbls respectively, a reserve replacement ratio of 117% and 141%.

This increase follows successful drilling at Peshkabir helping bolster reserves replacement on the Tawke PSC, stability at Taq Taq, and the addition of reserves at Sarta post-period end.

**Production**

Production in 2018 was 33,700 bopd, with the success at Peshkabir and stability at Taq Taq helping to offset the natural field declines at Tawke. Drilling in 2018 was concentrated on the successful appraisal campaign at Peshkabir, with only limited activity at the Tawke field and Taq Taq. 2019 will see more development work at Peshkabir, while 10 wells are set to be drilled at Tawke and four at Taq Taq. Through stabilising production at Tawke, Genel expects production in 2019 to be roughly in line with that of Q4 2018, 36,900 bopd, an increase of approximately 10% year-on-year.

Work over the last two years has significantly diversified our producing well stock. At the start of 2017 production came from 46 wells at two fields. The number of producing wells had increased by 50% by January 2019, and our production now comes from 69 wells at three fields, making the portfolio more diverse and reliable for production and cash flow.

Average production in 2019 to date is 37,200 bopd, in line with guidance.

**KRI assets****Tawke PSC (25% working interest)**

Production on the Tawke PSC, operated by DNO, averaged 113,020 bopd in 2018, with production from Peshkabir contributing 27,660 bopd to this figure. With drilling activity on the Tawke PSC concentrating on Peshkabir, production at the Tawke field declined to 75,000 bopd by the end of 2018. Work in 2019 will be focused on stabilising production, and 10 wells have been included in Genel's firm activity plan for the year, with the operator planning to drill up to 14.


Activity in H1 2018 included ongoing workovers of existing wells, and limited drilling resumed in H2. One deep Cretaceous well and two shallow Jeribe wells were brought onstream, and these zones will continue to be targeted for production in 2019.

**Peshkabir**

Ongoing drilling success at Peshkabir resulted in production increasing from 12,000 bopd in January to over 55,000 bopd at the end of 2018, ahead of schedule and under budget. Wells were drilled across the structure, and each successfully added to production.

Ahead of the commissioning of a 50,000 bopd central processing facility ('CPF') each well produced via test spreads, a cost-effective way of maximising cash generation while appraising the field. This is a model that we will look to replicate at Sarta and Qara Dagh.

	Remaining reserves (MMboe)				Resources (MMboe)					
	1P		2P		Contingent		2C		Prospective	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
31 December 2017	371	97	559	150	1,306	1,239	3,022	2,813	3,682	2,549
Production	(46)	(12)	(46)	(12)	-	-	-	-	-	-
Extensions and discoveries	-	-	-	-	-	-	-	-	-	-
New developments	-	-	-	-	-	-	-	-	-	-
Revision of previous estimates	44	11	27	7	(32)	(9)	(197)	(52)	(15)	(7)
31 December 2018	369	96	540	145	1,274	1,230	2,826	2,761	3,667	2,542
Post-period acquisition	10	3	34	10	-	-	-	-	600	189
Updated reserves and resources	379	99	574	155	1,274	1,230	2,826	2,761	4,267	2,731

  
 Ongoing drilling success at Peshkabir resulted in production increasing from 12,000 bopd in January to over 50,000 bopd at the end of 2018, ahead of schedule and under budget.



Below: Rig at Sarta



In 2018 the focus at the field was on drilling and appraising, and six wells were drilled in the year. Another two are scheduled in our firm budget for 2019, when field development work will come to the fore. As well as the ongoing commissioning of a 50,000 bopd CPF, a 60,000 bopd capacity pipeline is under construction and work will begin later in the year on building the gas gathering and processing facilities to enable reinjection of the associated gas produced at the field into the Tawke field, both reducing flaring and increasing recoverability at the latter. The gas gathering and injection system is forecast to be operational in early 2020.

The first well in the 2019 programme, Peshkabir-9, has now been completed as a producing well. The well was drilled on the eastern flank of the structure, two kilometres from the Peshkabir-3 well, and therefore confirms production across the entirety of the Peshkabir structure. Production at Peshkabir is currently c.55,000 bopd.

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

Taq Taq performed well in 2018, with production stabilising in the second half of the year through successful field management operations and workovers. Drilling on the field has restarted in earnest, with successful progress being made on our five well programme targeting the flanks of the field. Two wells in the programme have now been completed.

The TT-32 well on the northern flank followed the success of TT-29w, and it is currently contributing c.3,000 bopd to overall field

production. The rig has now moved to drill the TT-20 well, with a further three wells scheduled to be drilled at Taq Taq in 2019. We will continue with the current well programme, with the aim of adding to overall field production.

**Sarta (30% working interest)**

Having completed the transaction in February 2019, the field partners are now progressing with the development of the asset, which will be done in phases.

Phase 1A begins with the recompletion of the Sarta-2 well and the placing of the Sarta-3 well on production, both of which flowed c.7,500 bopd on test, and the construction of a central processing facility with a 20,000 bopd capacity. The processing facility will be installed on a lease operate maintain basis.

First oil is expected in the middle of 2020, with a total cost to Genel of \$60 million to the end of 2020. Initial production will be trucked.

Following the completion of the initial wells in 2020, it is expected that the rig will move to drill back to back development wells as we rapidly appraise the field. Further production capacity will then be added as required as the field is developed and production ramps up, with test spreads being used in a similar way as they were in the development of Peshkabir. The use of an appraisal while producing strategy akin to Peshkabir will allow for the optimal evaluation of the gross resources with further production capacity being added as the field is appraised.

**Qara Dagh (40% working interest, operator)**

Genel acquired 40% equity in the Qara Dagh appraisal licence and became the operator through a carry arrangement, covering activity for the QD-2 well. This well is estimated to cost c.\$40 million and is set to be drilled in H1 2020.

Qara Dagh offers an exciting appraisal opportunity. The QD-1 well, completed in 2011, tested light oil in two zones from the Shiranish formation. This is despite it being drilled on a location based on an incorrect structural model, which has since been re-evaluated through the subsequent reprocessing of 2D seismic, further 2D seismic acquisition, and the integration of learnings from the QD-1 well.

The QD-2 well is designed to test a more crestal position on the structure with a high-angle well to maximise contact with reservoir fractures. Work is underway on assessing the optimal location for the well.

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

Bina Bawi and Miran are assets that have the potential to generate significant shareholder value, and efforts in 2018 continued to explore a commercial solution to allow the unlocking of the material resources.



Left: Seismic acquisition, Somaliland

Below: Operations in the KRI



Work is focused on Bina Bawi, where the potential for the development of light oil provides the opportunity for near-term revenues that in turn can be used to expedite the development of the 8.2 Tcf of gas resources. The field is also preferentially situated, being only 30 km from Taq Taq's central processing facility and export route.

The FDP for oil at Bina Bawi detailed the production of 15 MMbbls of light oil during the first phase, with first oil production being possible around six months following final investment decision, which is predicated on approval by the KRG.

The FDP for gas at Bina Bawi detailed a gas project with an initial raw gas capacity of 250-300 MMscfd, adopting a modular development strategy that would utilise incremental increases as facilities are replicated. This reduces the capital expenditure requirement to first gas while retaining material future upside. Operational progress at Bina Bawi is dependent on an agreement on commercial terms, and Genel will step up efforts to bring in a partner once the project is more clearly defined. Any progress at Miran would be subsequent to Bina Bawi.



Genel expects production in 2019 to be roughly in line with that of Q4 2018, 36,900 bopd, an increase of approximately 10% year-on-year.



#### Exploration and appraisal Africa

Onshore Somaliland, seismic processing completed on the SL-10-B/13 block (Genel 75% working interest, operator) in Q4 2018, and analysis and interpretation is underway. Initial indications confirm the Company view that the block has hydrocarbon potential. Genel continues to develop a prospect inventory and assess next steps ahead of a farm-out process and potentially spudding a well with a partner in 2020. On the Odewayne block further seismic processing is to be undertaken in order to complete the Company's understanding of the prospectivity of the block.

On the Sidi Moussa block offshore Morocco (Genel 75% working interest, operator), the acquisition of a c.3,500 km<sup>2</sup> multi-azimuth broadband 3D seismic survey completed in November. PSTM and PSDM processing will continue through 2019. Genel has no additional work commitments relating to the licence. The Company will undertake a farm-out campaign once processing and interpretation has progressed sufficiently, ahead of a decision on whether to drill a well in the future.





## Strong financial performance

Throughout 2018, the Company has maintained capital allocation discipline, while investing in its producing assets to maximise revenues.

Esa Ikaheimonen  
Chief Financial Officer





## Overview

The Company has maintained its disciplined and value focused capital allocation philosophy, investing primarily in its producing assets in 2018. The result is significant free cash flow generation of \$164 million, an increase of 66% on the previous year, and a transformed balance sheet, with net cash of \$37 million reported at year-end, a figure that increased to \$81 million by the end of February 2019.

Proceeds of \$335 million were significantly higher than the previous year (2017: \$263 million), as a result of a full year of benefit from the RSA, which was effective from August 2017, and an improved average oil price average of \$71/bbl (2017: \$54/bbl). EBITDAX of \$304 million was an increase of 67% on last year, if the one-off gain arising from the RSA is excluded.

The Company's capital allocation priority remains unchanged: investing in the growth of the business, both on existing assets and also adding new assets. With an enhanced long-term portfolio, continuous focus on value and increased cash generation, we are confident in delivering on our objective to become the industry leading generator of shareholder value.

The financial strength of the business, its strong future cash generation and its resilience to downside scenarios has led us to initiate a material and sustainable dividend policy. We intend to pay a minimum dividend of \$40 million per annum, with the intention of growing this as our liquidity increases. Due to our resilience, this minimum is payable at an oil price of \$55/bbl, but below that we will of course ensure that the payment made is appropriate.

We will pay a dividend in 2020 relating to the 2019 financial year, with the intention that this will be split between an interim and final dividend, to be paid one-third/two-thirds.

Although we have been strengthening our credit continuously, and will continue to do the same, the non-cash impairment of the Miran gas asset means that we need to seek a waiver from our bondholders for a dividend in 2019. Subject to acceptable waiver discussions with our bondholders, we intend to accelerate the distribution and pay a dividend in 2019.

Our dividend policy provides a meaningful and competitive return to shareholders, appropriately commensurate with the underlying value of the business, without in any way compromising our ability to invest in growth through progression of value realisation from our existing portfolio and the acquisition of appropriate new assets.

### Successful focus on financial objectives

For 2018, the financial priorities of the Company were the following:

- 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
- Maintenance of a strong balance sheet and management of liquidity runway throughout the development of the Bina Bawi and Miran fields
- Selective investment in value accretive opportunities that provide visible cash generation and debt capacity

Cost recoverable investment in producing assets led to positive results. At Peshkabar, a high-performance ramp up was achieved, increasing production from c.15,000 bopd to c.55,000 bopd. At Taq Taq, wells drilled successfully increased production at the end of the year, and TT-32 suggests there is potential for additional upside production that can be unlocked from further drilling work. Towards the end of the year, work on Tawke included workovers and the drilling

of additional wells. We expect to realise the benefits of these wells next year when, together with further wells planned in 2019, the incremental production is planned to stabilise production at this mature field.

Operating expenditure at our producing assets was already one of the lowest in the world at c.\$2.5/bbl - in 2018 the average operating expense per barrel remained at around the same level.

At Bina Bawi, commercial discussions have been ongoing with capital investment delayed until an appropriate commercial structure with an appropriate de-risked cash flow profile can be agreed. We continue to look at the best way to develop the asset and minimise spend while maximising the potential for value creation. We will continue this approach in 2019. At Miran, any progress would be subsequent to Bina Bawi, with Miran effectively held on a care and maintenance basis in the meantime. The clear separation of the two assets and the prioritisation of Bina Bawi have resulted in a significant impairment to the carrying value of the Miran PSC. Detail is provided in note 1 to the financial statements.

Through the year, the Company has assessed potential asset acquisition opportunities with a priority on low-cost entry and near-term cash generation. This has resulted in the completion of the acquisition of interests in the Sarta and Qara Dagh licences in early 2019, which represent significant growth potential for the Company. We will pursue further acquisition activity in the future.



For 2019 the financial priorities of the Company are the following:

- Continued focus on capital allocation, with prioritisation of highest value investment in assets with ongoing or near-term cash and value generation
- Investment in lower risk development of opportunities with high potential, currently these are targeting first oil in 2020 at Sarta and drilling an exploration well on a discovered resource at Qara Dagh. Investment at Bina Bawi will be added should appropriate commercial terms and conditions be reached
- Continued focus on identifying assets to add to the portfolio that offer potential for adding significant value to the Company with near to mid-term cash generation, primarily to build the Company's cash generation options when the override royalty agreement ends in Q3 2022 and provide the basis for increasing the dividend in the future
- Continued focus on the capital structure of the Company

## Results summary (\$ million unless stated)

	2018	2017
Production (bopd, working interest)	33,700	35,200
Revenue	355.1	228.9
EBITDAX <sup>1</sup>	304.1	475.5
Depreciation and amortisation	(136.2)	(117.4)
Exploration credit / (expense)	1.5	(1.9)
Impairment of property, plant and equipment	-	(58.2)
Impairment of intangible assets	(424.0)	-
Operating (loss) / profit	(254.6)	298.0
Cash flow from operating activities	299.2	221.0
Capital expenditure	95.5	94.1
Free cash flow <sup>2</sup>	164.2	99.1
Cash <sup>3</sup>	334.3	162.0
Total debt	300.0	300.0
Net cash / (debt) <sup>4</sup>	37.0	(134.8)
Basic EPS (¢ per share)	(101.6)	97.1
Underlying EPS (¢ per share) <sup>5</sup>	109.0	65.1

1. EBITDAX is operating profit / (loss) adjusted for the add back of depreciation and amortisation (\$136.2 million), exploration credit (\$1.5 million) and impairment of intangible assets (\$424.0 million)
2. Free cash flow is net cash generated from operating activities less cash outflow due to purchase of intangible assets (\$39.7 million), purchase of property, plant and equipment (\$65.3 million) and interest paid (\$30.0 million)
3. Cash reported at 31 December 2018 excludes \$10.0 million of restricted cash
4. Reported cash less (\$334.3 million) less reported balance sheet debt (\$297.3 million)
5. EBITDAX less net gain arising from the Receivable Settlement Agreement ('RSA') divided by the weighted average number of ordinary shares

  
 The financial strength of the business, its strong future cash generation and its resilience to downside scenarios has now provided the appropriate platform for the Company to return cash to shareholders.  


A summary of the financial results for the year is provided below.

**Financial results for the year**  
**Income statement**

Working interest production of 33,700 bopd was slightly reduced compared to last year (2017: 35,200 bopd), principally as a result of decline in Tawke which was mostly offset by Peshkabir.

Revenue increased from \$228.9 million to \$355.1 million. The year-on-year increase was caused principally by improved oil price of average \$71/bbl (2017 average: \$54/bbl) and a full year of the RSA, which was effective from August 2017.

Production costs of \$28.7 million slightly increased from last year (2017: \$27.5 million) primarily as a result of production contribution from Peshkabir.

The increase in revenue resulted in EBITDAX of \$304.1 million is lower than last year (2017: \$475.5 million), which included the one-off gain on RSA of \$293.8 million. Excluding the one-off gain last year, EBITDAX improved by 67%.

Depreciation of \$72.4 million (2017: \$83.3 million) reduced year-on-year as a result of lower production. Amortisation of Tawke intangibles increased to \$62.1 million due to a full year of the RSA (2017: \$32.8 million).

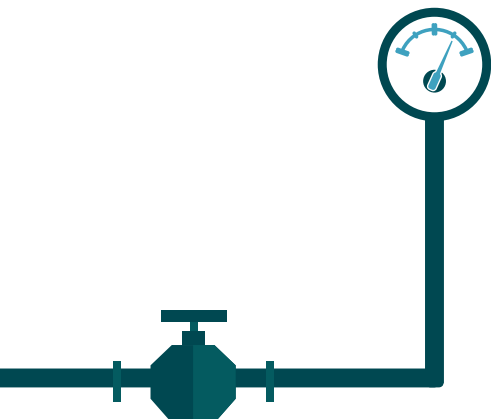
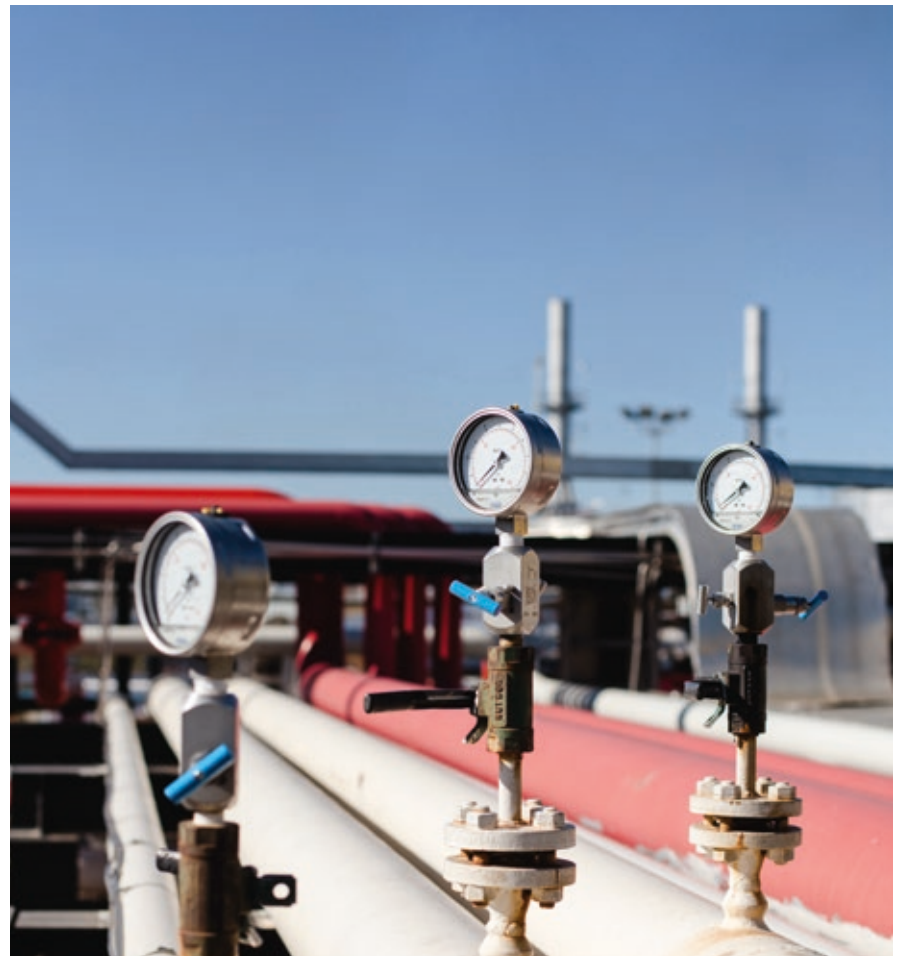
Exploration expense resulted in a credit balance of \$1.5 million, principally \$1.3 million release of accruals for the already relinquished Cote d'Ivoire licence (2017: \$1.9 million expense).

An impairment expense of \$424.0 million (2017: \$58.2 million) was recorded in relation to the Miran PSC, which is explained further in note 1 to the financial statements.

Cash general and administrative costs of \$17.4 million were largely unchanged (2017: \$16.9 million).

Finance income of \$4.4 million (2017: \$4.9 million) was bank interest income (2017: \$2.2 million). Other finance expense of \$3.2 million (2017: \$28.0 million) was comprised of non-cash discount unwind expense on liabilities (2017: \$8.3 million) whereas last year there was \$3.7 million premium paid and \$16.0 million accelerated discount unwind on redemption of the bonds.

There is no taxation on operational profits: under the terms of KRI PSCs', corporate income tax due is paid on behalf of the Company by the KRG from the KRG's own share of revenues, resulting in no corporate income tax payment required or expected to be made by the Company. Tax presented in the income statement of \$0.2 million (2017: \$1.0 million) was related to taxation of the Turkish and UK service companies.



**Capital expenditure**

Capital expenditure in the year was \$95.5 million (2017: \$94.1 million). Cost recovered spend on producing assets in the KRI was \$70.4 million (2017: \$59.5 million) with spend on exploration and appraisal assets amounting to \$25.1 million (2017: \$34.6 million), principally incurred on the Miran, Bina Bawi and Somaliland PSCs.

**Cash flow and cash**

Net cash flow from operations was \$299.2 million (2017: \$221.0 million). This was positively impacted by \$92.5 million (2017: \$86.5) of proceeds being received for the RSA, and \$242.6 million (2017: \$176.8 million) received for current sales.

Free cash flow before interest was \$194.2 million (2017: \$141.8 million) and free cash flow after interest was \$164.2 million (2017: \$99.1 million).

\$10.0 million (2017: \$18.5 million) of cash was restricted and therefore excluded from reported cash of \$334.3 million (2017: \$162.0 million). Overall, there was a net increase in cash of \$172.7 million compared to a decrease of \$245.1 million last year.

**Debt**

Total debt was at \$297.3 million (2017: \$296.8 million) and resulted in net cash of \$37.0 million (2017: \$134.8 million net debt).

The bond has three financial covenant maintenance tests:

Financial covenant	Test	YE2018
Net debt / EBITDAX	< 3.0	(0.1)
Equity ratio (Total equity/Total assets)	> 40%	73%
Minimum liquidity	> \$30m	\$334m

**Net assets**

Net assets at 31 December 2018 were \$1,331.4 million (2017: \$1,609.8 million) and consist primarily of oil and gas assets of \$1,384.2 million (2017: \$1,847.9 million), trade receivables of \$94.8 million (2017: \$73.3 million) and net cash of \$37.0 million (2017: \$134.8 million net debt).

**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 (2017: nil) has been declared for the year ended 31 December 2018. Note that the Companies (Jersey) Law 1991 does not define the expression "dividend" but refers instead to "distributions". Distributions may be debited to any account or reserve of the Company (including share premium account), save for nominal capital account or capital redemption reserve. In all cases, the Company is only permitted to make a distribution if the Directors authorising it have made a prior solvency statement. The Directors will decide which account to debit in relation to each specific distribution.

**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 2018 and consequently that the Company is considered a going concern.

## STRATEGIC REPORT

### OUR SUSTAINABLE APPROACH

**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 we have once again achieved our target of zero lost time incidents across TTOPCO and Genel operations. There has not been an LTI at Genel/TTOPCO operations since 2015, constituting over eight million working hours.

This is a performance that we are proud of, and we continue to enhance our procedures and working practices in order to achieve best in class results. HSE forms a core focus of our operations, and is kept front of mind through regular training sessions and site visits, which demonstrate clear leadership and reaffirm our focus. The Chairman of the HSE Committee made a site visit to Taq Taq and Bina Bawi, and 65 HSE visits were made in 2018 to Taq Taq and Genel-operated sites in total.

External audits also work to identify any possible areas of improvement, and validate the veracity of our HSE work. In 2018 TTOPCO achieved a five star grading from the Five Star Occupational Health and Safety Audit, which was conducted by the British Safety Council, and has been recommended for continued BS OHSAS18001:2007 certification. TTOPCO underwent a detailed, quantified and objective evaluation of occupational health and safety management system in December 2018. The audit measured our performance against a number of key safety management indicators and achieved the highest rating.

The attentiveness to the safe running of our operations helped us to also achieve our target relating to losses of primary containment, as there were none in 2018. Genel will continue to work diligently at putting in place the best possible processes to help repeat the positive performance of 2018.

#### PEOPLE

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

As of 31 December 2018, Genel employed 114 people. Of these, 63 are based in Ankara, 19 in London, 15 in the Kurdistan Region of Iraq, and 17 in our African operations. TTOPCO employed 334 people, of which 250 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. 32% (37 employees) of our workforce are women. Of those, 20% (8 employees) hold senior management positions.

#### 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.

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. To determine responsibility for our activities we applied the 'operational control approach' to setting organisational boundaries as defined by the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard (the GHG Protocol).

The majority of energy and fuel data collected has been based on actual, measured consumption. 0.01% of emissions (1.77 tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e)) has been extrapolated from actual or historic consumption figures. Emissions are calculated using appropriate conversion factors sourced from: the Defra/DECC UK Government Conversion Factors for Company Reporting 2018 and the IEA CO<sub>2</sub> Emissions from Fuel Combustion Highlights 2018 Edition.

According to the methodologies outlined above, our total reportable scope 1 emissions in 2018 were 13,893 tCO<sub>2</sub>e, which included the combustion of diesel, LPG, heavy fuel oil

and marine gas oil. Our total reportable scope 2 emissions were 257 tCO<sub>2</sub>e, attributable to purchased electricity at our offices and field operations. Our total reportable scope 1 and 2 emissions were therefore 14,150 tCO<sub>2</sub>e, normalised to 145.9 tCO<sub>2</sub>e per employee (based on the 2018 monthly average number of employees).

The GHG emissions from facilities we operate were 14,150 tCO<sub>2</sub>e in 2018, which is higher than those reported (1,028 tonnes tCO<sub>2</sub>e) in 2017. Our 2018 scope 1 emissions have seen a significant increase over 2017 due to the addition of marine seismic operations on the Sidi Moussa permit off the coast of Morocco. These operations, which were conducted between July and November 2018, involved the combustion of marine fuel oils, resulted in emissions of 13,227 tCO<sub>2</sub>e, and account for 93% of our total 2018 emissions.

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 specific landfill 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 and health remain key priorities for Genel's community work. Both through our operations and through training programmes we seek to maximise opportunities for people of all ages. Our training centre at Taq Taq was utilised for local community participants to receive valuable skills training, boosting employability. Our medical teams continue to take their expertise to local villages, supporting the community and carrying out routine medical checks. During 2018, 47 visits were made to 10 villages and 437 patients received medical support.

In 2019, TTOPCO is set to undertake a major infrastructure project to provide access to clean water for nearby villages. As operations ramp up across our other assets so will our social programme, and we will strive to ensure that the local community directly benefits from Genel's operations.

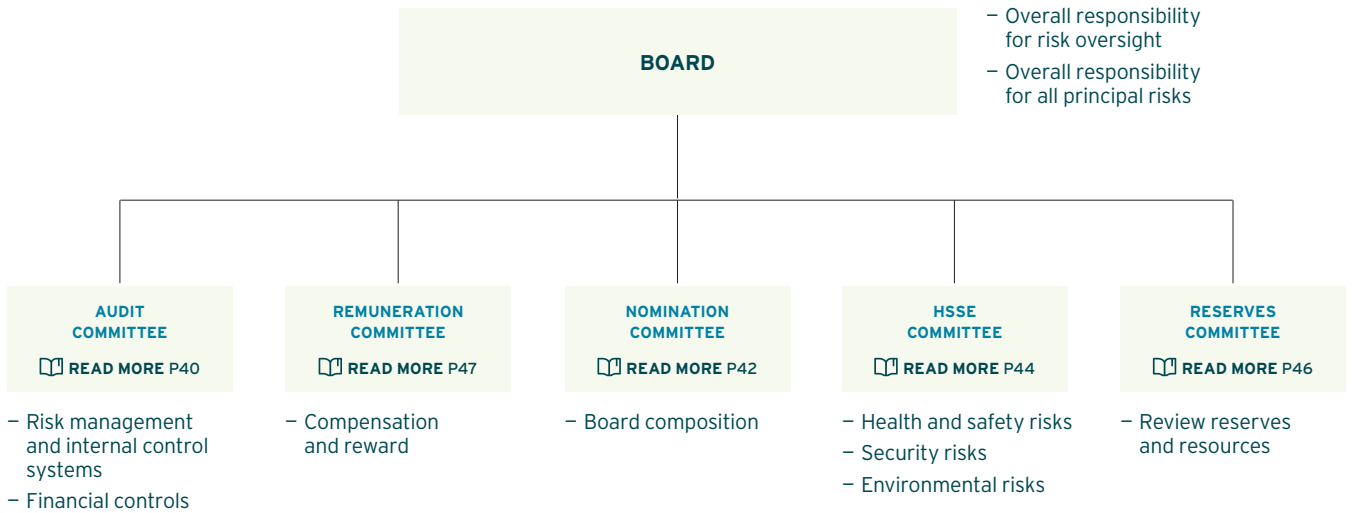


Above: Quarto school



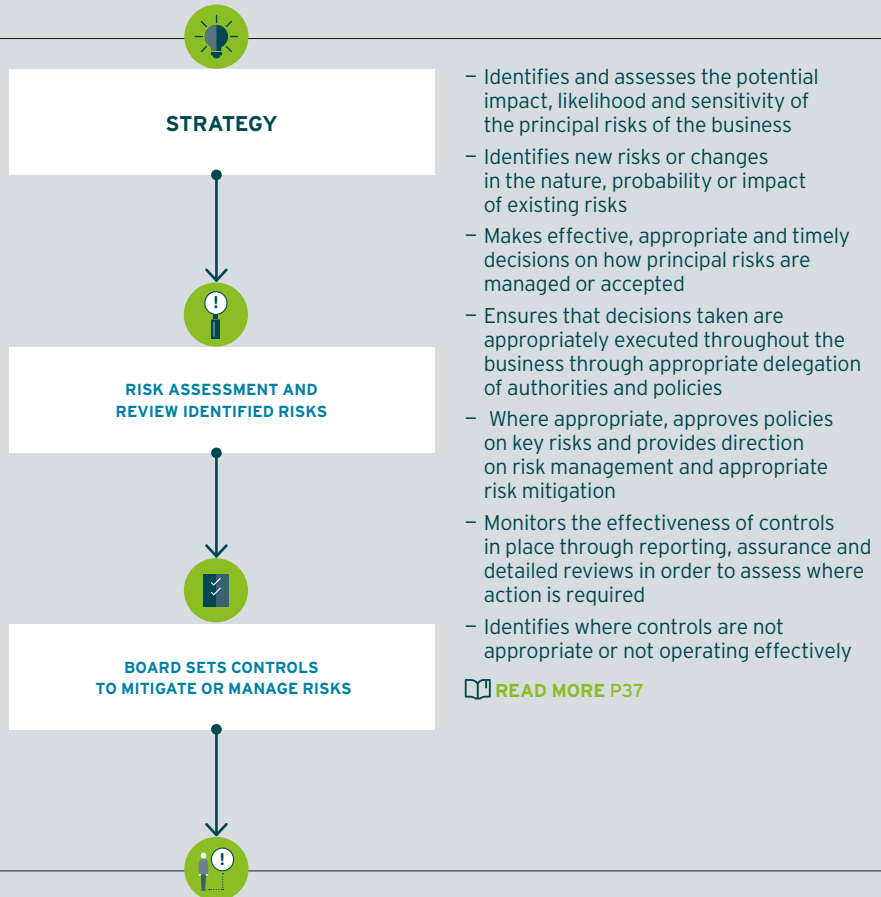
Left: Skills training, near Taq Taq  
Right: Refugee support, KRI

**BOARD AND COMMITTEE STRUCTURE**

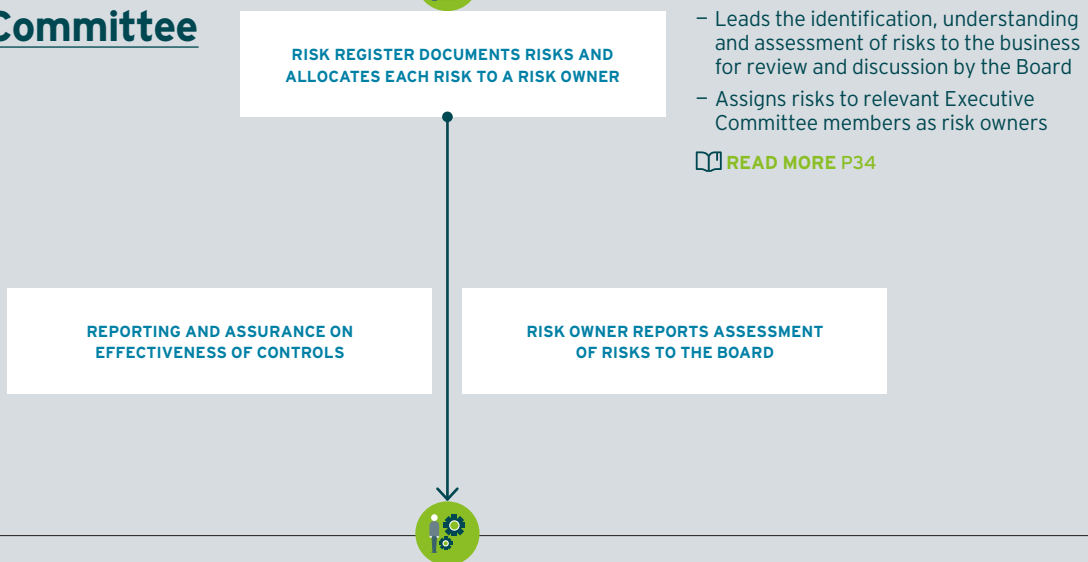


RESPONSIBILITIES

**Board**



**Executive Committee**



**Risk owners**





# Principal risks and uncertainties

## Board



**RISK:**  
**DEVELOPMENT AND RECOVERY OF OIL RESERVES**

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

**THREATS:**

- Poor reservoir performance

**MITIGATING ACTIONS:**

- Active drilling across all producing assets



**RISK:**  
**RESERVE REPLACEMENT**

Murat Özgül, CEO

[READ MORE P15](#)

**APPROACH:**

Genel aims to grow through adding reserves and in turn long-term cash generative production

**OPPORTUNITIES:**

- Progress on Sarta, Bina Bawi, Qara Dagh and Miran unlocks resource value
- Successful M&A adds reserves

**THREATS:**

- Inability to progress Bina Bawi and Miran and convert resources to reserves
- Failure to carry out successful M&A

**MITIGATING ACTIONS:**

- Activity is set to begin at Sarta and Qara Dagh
- Work continues to progress Bina Bawi
- Actively pursuing M&A opportunities



**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 Bina Bawi and Miran 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
- Slow progress in negotiations with the KRG
- Current focus is on Bina Bawi, with limited visibility of Miran development timing

**MITIGATING ACTIONS:**

- Level of expenditure maintained at an appropriate level
- Extension to conditions precedent agreed
- Ongoing discussions with the KRG



## Key



Increased



Unchanged



Decreased

Board		
<p><b>→ RISK:</b> <b>M&amp;A ACTIVITY</b> Esa Ikaheimonen, CFO</p> <p><a href="#">READ MORE P19</a></p>	<p><b>APPROACH:</b> The pursuit of selective, value accretive M&amp;A opportunities is part of the Company strategy.</p>	
<p><b>OPPORTUNITIES:</b> – Execution of a transaction positively impacts the Company's valuation, asset quality and equity story, among other factors</p>	<p><b>THREATS:</b> – Execution of a transaction adversely impacts the Company's liquidity, balance sheet, valuation, asset quality, and equity story, among other factors</p>	<p><b>MITIGATING ACTIONS:</b> – An experienced Board oversees and signs off on all M&amp;A decisions</p>
<p><b>→ RISK:</b> <b>KRI NATURAL RESOURCES INDUSTRY AND REGIONAL RISK</b> Pars Kutay, Head of Government &amp; Public Affairs</p> <p><a href="#">READ MORE P7</a></p>	<p><b>APPROACH:</b> A strong relationship with the KRG facilitates the realisation of the value of Genel's principal oil and gas assets.</p>	
<p><b>OPPORTUNITIES:</b> – Ongoing strong relationship with KRG facilitates further success in KRI – Stable environment for operations allows Genel to pursue strategic objectives</p>	<p><b>THREATS:</b> – A change in situation of the KRG or the wider region adversely effects operating environment in the KRI, including payments and contract sanctity</p>	<p><b>MITIGATING ACTIONS:</b> – The Company has a long history of cooperation with the KRG, and managing political risk</p>
<p><b>↓ RISK:</b> <b>PAYMENT FOR KRI EXPORT SALES</b> Murat Özgül, CEO</p> <p><a href="#">READ MORE P7</a></p>	<p><b>APPROACH:</b> Genel is paid by the KRG for ongoing exports.</p>	
<p><b>OPPORTUNITIES:</b> – Ongoing payments under the RSA provide significant increase in cashflow</p>	<p><b>THREATS:</b> – Payments from the KRG stall, reducing the Company's ability to manage debt and carry out its strategic priorities</p>	<p><b>MITIGATING ACTIONS:</b> – Payments received flawlessly since September 2015 – Risk mitigated to an acceptable level</p>
<p><b>→ RISK:</b> <b>CORPORATE GOVERNANCE FAILURE</b> Murat Özgül, CEO</p> <p><a href="#">READ MORE P35</a></p>	<p><b>APPROACH:</b> The Company's strategy is to maintain the highest standards of corporate governance.</p>	
<p><b>OPPORTUNITIES:</b> – Good corporate governance is proven to provide benefits to business and value to shareholders</p>	<p><b>THREATS:</b> – Corporate governance failure would likely negatively impact investor perception of the Company</p>	<p><b>MITIGATING ACTIONS:</b> – An external Board evaluation in January 2019 confirmed healthy dynamics and strong processes</p>



Increased



Unchanged



Decreased

**Audit Committee****RISK:****CAPITAL STRUCTURE AND FINANCING**

Esa Ikaheimonen, CFO

[READ MORE P19](#)**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:**

- Another year of material free cash flow means Genel is now in a net cash position
- Prudent capital expenditure

**HSSE Committee****RISK:****LOCAL COMMUNITIES**

Pars Kutay, Head of Government &amp; Public Affairs

[READ MORE P23](#)**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**

Bill Higgs, COO

[READ MORE P22](#)**APPROACH:**

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

**OPPORTUNITIES:**

- Continued strong performance enhances the Company's reputation

**THREATS:**

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

**MITIGATING ACTIONS:**

- Ongoing improvement in processes and procedures as we aim to be best in class
- Regular HSE site visits

# Viability statement

In accordance with provision C.2.2. of the 2016 revision of the UK Corporate Governance Code (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 introducing 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 all existing producing assets
- The period captures the maturity of the Company's \$300 million unsecured bonds, maturing December 2022
- The Company runs a five-year plan, beyond which there is considered to be limited visibility

## 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 Company's latest life of field cash flow projections for the oil producing assets
- The various capital allocation scenarios that may evolve and the Company's 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, together with the debt capacity of the business
- The oil price forecast set out in the notes to the financial statements

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

## Consideration of principal risks

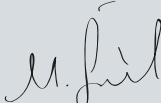
The principal assumptions underlying the forecasts above were reviewed in the context of the risks and mitigating actions set out in the Principal Risks on pages 26 to 28, including in particular those that specifically relate to the company's viability including:

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

## 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 2023.

Our 2018 strategic report, from pages 1 to 29 has been reviewed and approved by the Board of Directors on 19 March 2019.



**Murat Özgül**  
Chief Executive Officer

## Continued commitment to high standards of corporate governance



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

At the conclusion of our AGM in May 2018 Mehmet Ögütçü retired as a Director of the Company. This led to a review of our Committee structures, and accordingly Tim Bushell was appointed Chairman of the HSSE Committee, with Martin Gudgeon taking up the role of Chairman of the Remuneration Committee. Tim Bushell, Martin Gudgeon and I completed visits to both operated and non-operated assets in the KRI, as part of the ongoing Director development programme. As part of the site visits to Taq Taq, Bina Bawi, Tawke and Peshkibir Tim Bushell as Chairman of the HSSE Committee was able to view and experience first-hand the HSE procedures and protocol followed at each site. Further details on health and safety can be found on page 22.

Having completed a strategic review in early 2018, the Board worked with management on the successful execution of the agreed strategy. A key part of the strategy was the development of a rich funnel of new opportunities, with successful M&A execution fundamental to this. Over the course of the year numerous opportunities were analysed through a strict criteria, and then in February 2019 the acquisition of stakes in the Sarta and Qara Dagh blocks in the Kurdistan Region of Iraq was announced. We see these as a perfect strategic fit, offering significant long-term upside potential without changing our strong free cash flow profile. Further information on the Sarta and Qara Dagh blocks can be found in the Operating Review on pages 14 to 17. In line with our strategy to return capital to shareholders,

we are pleased to announce our dividend policy, please see pages 18 to 21 for further details.

Throughout the year the Company continued to engage with our shareholders and stakeholders on the current position of the business and its future strategy. Further information on our investor engagement can be found on page 38.

Genel 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. Our 2018 governance report illustrates how the Board and its Committees have supported business activities while maintaining a strong governance culture. The Board, assisted by the Audit Committee continues to keep under review the Company's risk management and internal controls framework. You can find more details on the Company's risk management processes and principal risks on page 24 to 28. 2018 marks the first full year that the Reserves Committee has been operating since it was adopted as a formal Board Committee. Further details on the Reserves Committee's activities during 2018 can be found on page 46.

The Board keeps the governance framework under review and following the publication of the revised 2018 UK Corporate Governance Code an analysis of our governance processes was undertaken. In light of this and the revised Code, the matters reserved for the Board and each Committee's terms of reference were amended as necessary in order to prepare for compliance during the year ahead. In December 2018 the Board appointed Martin Gudgeon as its

Designated Independent Non-Executive Director for workforce engagement thereby providing the Board with additional insight into the workforce.

In accordance with the Company's commitment to comply with the UK Corporate Governance Code the Board undertook an internal evaluation of its own performance and that of its Committees and each individual Director. The internal evaluation found that the Board and each of its Committees were operating effectively to support the Company's long-term strategic objectives. Further details of the Board evaluation can be found on page 39.

**Stephen Whyte**  
Chairman

### BOARD TIME SPENT

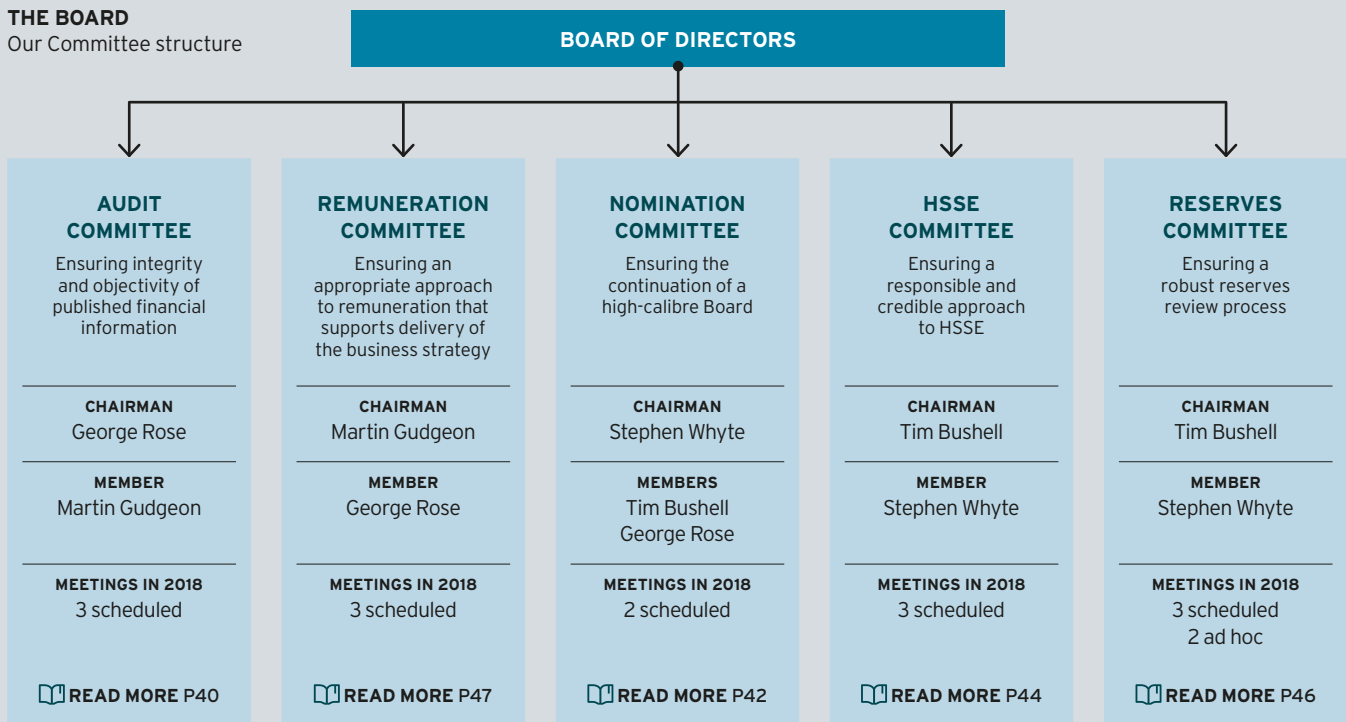
(%)



- Business strategy - 40%
- Finance - 25%
- Corporate governance - 10%
- Projects - 25%



**THE BOARD**  
Our Committee structure



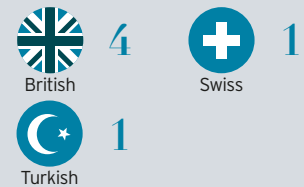
**BOARD COMPOSITION**



**INTERNATIONAL DIVERSITY**

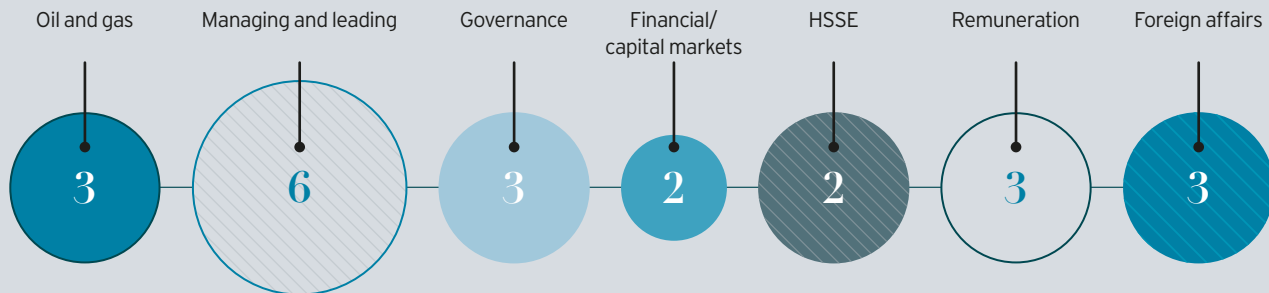
Number of Directors

- Independent Directors  
**66%** (4 Directors)
- Non-Independent Directors  
**17%** (1 Director)
- Executive Director  
**17%** (1 Director)



**SKILLS AND EXPERIENCE OF THE BOARD**

Number of Directors



**TOTAL NUMBER OF DIRECTORS**

**6**

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



**STEPHEN WHYTE (53)**  
 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 HSSE and Reserves Committee.

**Key skills and experience:** Stephen Whyte has extensive knowledge in the oil and gas industry through his 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 (46)**  
 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 (67)**  
 Senior Independent  
 Non-Executive Director

**Appointed:** 2 June 2011.

**Committee memberships:** Chairman of the Audit Committee and, member of the Remuneration and 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 National Grid 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.



**TIM BUSHELL (59)**  
Independent Non-Executive Director

**Appointed:** 11 September 2017.

**Committee memberships:** Chairman of the HSSE and Reserves Committees and, member of the Nomination 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 Wentworth Resources, Petro Matad and Rockhopper Exploration.

**Previous relevant experience:** Tim retired as a Non-Executive Director from the Board of Point Resources in December 2018.

**MARTIN GUDGEON (52)**  
Independent Non-Executive Director

**Appointed:** 11 September 2017.

**Committee memberships:** Chairman of the Remuneration Committee and member of the Audit 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 (41)**  
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 and overall content strategy.

**Previous relevant experience:** Until 2013 Nazli was also a board member of Turkcell İletişim 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



**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 34 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.



**ESA IKAHEIMONEN**  
Chief Financial Officer

Esa Ikaheimonen joined Genel Energy 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 Finance for Shell Africa E&P. Esa is currently a Non-Executive Director and the Chairman of the Audit Committee at Independent Oil & Gas, and was formerly 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. Bill currently, serves as an Independent Non-Executive Director at San Leon Energy.



**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 pages 10 and 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](http://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 2018.

Genel Energy plc is a Jersey incorporated, UK tax domiciled 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. A copy of the Code can be found at [www.frc.org.uk/corporate/ukcgcode.cfm](http://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 regime.

## 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. As required under the 2018 Code all future issues raised through the SpeakUp hotline will be reported to the full Board of Directors.

## 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 (2017: 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 2018 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 22 and 23.

## 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.

## GOVERNANCE

### CORPORATE GOVERNANCE CONTINUED

#### BOARD ATTENDANCE

Date	January	March	May	August	September	September	December	Attendance <sup>2</sup> scheduled
Scheduled/Ad-hoc	Scheduled	Scheduled	Scheduled	Scheduled	Ad-hoc	Scheduled	Scheduled	
Stephen Whyte	✓	✓	✓	✓	✓	✓	✓	100%
Murat Özgül	✓	✓	✓	✓	✓	✓	✓	100%
Tim Bushell	✓	✓	✓	✓	✓	✓	✓	100%
Martin Gudgeon	✓	✓	✓	✓	✓	✓	✓	100%
Mehmet Ögütçü <sup>1</sup>	✓	✓	n/a	n/a	n/a	n/a	n/a	100%
George Rose	✓	✓	✓	✓	✓	✓	✓	100%
Nazli K. Williams	✓	✓	✓	✓	✓	✓	✓	100%

1. Mehmet Ögütçü retired from the Board on 17 May 2018
2. 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 purpose, 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 various aspects of the business.

#### Board composition

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

#### 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 objective.

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 32 and 33 of this Annual Report.

#### Independence of the Board

The Independent Non-Executive Directors (Tim Bushell, Martin Gudgeon and George Rose) 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 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 seven meetings in total in various locations, one of which was 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 the scheduled meetings of the Board, Directors receive updates from management 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. Ongoing development and refreshment training is also provided as and when particular topics are identified.

Upon his appointment as Remuneration Committee Chairman, Martin Gudgeon received a full and tailored handover programme.

#### 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 in Somaliland and Morocco 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 24 to 28.

#### 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 32.



**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.

## GOVERNANCE

### CORPORATE GOVERNANCE CONTINUED

#### 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 29.

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 40 and 41.

A detailed budget and work programme is produced annually in accordance with our 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.

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 2018 and up to the date of the signing of the financial statements, and is satisfied that it remains appropriate to the business.

#### Communication with stakeholders

Part of the Group's code of conduct sets a framework for how it partners with, and invests in, communities (local, regional and global) to achieve mutual long-term benefits. The Group contributes to socio-economic development through taxes, royalties and other local payments and donations. Further details of our community programmes can be found on page 23. During the year, the Board continued to monitor the Company's key stakeholders, their impact on key strategic objectives and how the Company is engaging with each stakeholder.

#### 2019 AGM

The 2019 AGM will be held on Thursday, 16 May 2019 at the Taj Hotel, St. James' Court, 54 Buckingham Gate, London SW1E 6AF 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](http://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 the Chairman and Independent Non-Executive Directors held meetings with shareholders where the current position of the business and its future strategy was discussed.

Our major shareholders are encouraged to meet with the Chairman to discuss any matters that they would like to raise outside the formal investor calendar. We welcome an open dialogue with our investors and in 2018 90 face to face meetings were held with over 100 investors.

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

We also engage with our shareholders at our AGM and via our website at [www.genelenergy.com](http://www.genelenergy.com).

#### 2018 Investor relations activity

### Q1

- 1 conference in Oslo
- 1 roadshow in London

### Q2

- 2 conferences in London
- Roadshows in London and Edinburgh
- Investor dinner in Istanbul

### Q3

- 1 conference in Oslo
- Roadshows in USA and London

### Q4

- 3 conferences in London
- Ongoing investor meetings



**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.

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, HSSE Committee and the Reserves Committee. Stephen Whyte was independent upon his appointment as Chairman, chairs the Nomination Committee and is a member of the HSSE Committee and the Reserves Committee.

**Board effectiveness**

In 2017, independent advisers, Spencer Stuart were commissioned to facilitate an evaluation of the Board, its Committees and each of the Directors, including the Chairman. In 2018, we have conducted an internal review of the effectiveness of the Board, each of its Committees and each Director building on the findings of the 2017 review. The 2018 review was facilitated by the Chairman.

Actions from the 2017 effectiveness review	Progress made against the actions
<p><b>Board effectiveness</b></p> <p>The addition of a meeting to the annual calendar to review the Company's strategy.</p> <p>Cyber security; performance culture; developing talent and succession planning were identified as topics to be added to the Board's agendas.</p> <p>Strengthening the linkage between the Reserves Committee and Audit Committee.</p>	<p>During 2018, an additional meeting was held to specifically review and discuss the Company's strategy. The Board continued to have regular discussions on the Company's strategy throughout the year.</p> <p>Each of the topics identified for discussion in the 2017 Board effectiveness review were added to the 2018 rolling agenda and considered by the Directors.</p> <p>Following the elevation of the Reserves Committee to a full Board Committee the terms of reference were revised in order to strengthen ties to the Audit Committee.</p>
<p><b>Shareholder and regional relationships</b></p> <p>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.</p>	<p>During the course of the year several meetings with shareholders and regional stakeholders were held in order to develop the Company's relationship with them. The Board received two formal updates on stakeholder management activities and other updates were provided as and when engagement activity occurred.</p>
<p><b>Board development</b></p> <p>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.</p>	<p>The Nomination Committee has kept the composition of the Board under review to ensure it remains appropriate for the business as part of these discussions Board succession planning and future composition were taken into consideration. Please see pages 42 and 43 for further details.</p>

Actions arising from the 2018 effectiveness review	
<b>Strategy</b>	The Board has set a clear strategy for the Company and will continue to focus on delivering value to shareholders through its execution and monetising value from the Group's existing portfolio of assets.
<b>Board composition and succession planning</b>	The Nomination Committee will continue to keep Board composition and size under review taking succession planning and business strategy into consideration.

A 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 continues 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 re-election of each Director at the Company's forthcoming AGM.

## Ensuring integrity and clarity of published financial information



### AUDIT COMMITTEE

Chairman	Member	Meetings in 2018
George Rose	Martin Gudgeon	3 scheduled

Objective	Action
To increase shareholder confidence by ensuring the integrity and objectivity of published financial information	<p>Scrutinised areas involving significant judgement, estimation or uncertainty in particular impairments and the change to the Company's discount rate</p> <p>Monitored changes to reserves and resources</p> <p>Reviewed and received reports from the external auditors on the annual financial statements and interim results statement</p> <p>Ensured compliance with financial reporting standards and relevant financial and governance requirements</p>
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	<p>Considered the quality and appropriateness of the accounting policies and practices and financial reporting disclosures and changes thereto</p> <p>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</p>
To assist the Board in meeting its financial reporting, risk management and internal control responsibilities	<p>Monitored compliance with financial reporting standards and relevant financial and governance requirements</p> <p>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</p> <p>Kept key accounting policies and practices under review to ensure that they remain appropriate</p>
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
To strengthen the independent position of the Company's external auditors by providing channels of communication between them and the Non-Executive Directors	Held private meetings with the external auditors without the presence of management
To review the performance of the Company's internal and external auditing arrangements	<p>Monitored the effectiveness and independence of the external auditor and compliance with the non-audit services policy</p> <p>Received reports from the Company's internal auditor on audits performance in the period and monitored their performance and effectiveness</p>
To assist the Board in monitoring and addressing potential conflicts of interest between members of the Group and the Directors and/or senior managers of the Company	Continued to assist the Board in reviewing conflicts of interests of Directors and senior managers

## AUDIT COMMITTEE ATTENDANCE

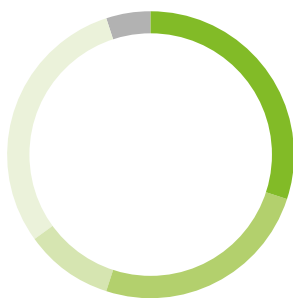
Date	March	July	December	Attendance <sup>2</sup> scheduled
Scheduled/Ad-hoc	Scheduled	Scheduled	Scheduled	
George Rose	✓	✓	✓	100%
Martin Gudgeon	✓	✓	✓	100%
Mehmet Ögütçü <sup>1</sup>	✓	n/a	n/a	100%

1. Mehmet Ögütçü retired from the Board on 17 May 2018

2. Denotes the attendance percentage at scheduled Committee meetings by each Director

## AUDIT COMMITTEE TIME SPENT

(%)



- Governance and audit - 30%
- Risk management and internal control - 25%
- Reserves and resources - 10%
- Financial reporting - 30%
- Financing - 5%

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 Chairman of the Board attended a number of Audit Committee meetings throughout the year as an observer.

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 2018 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 focused on the key inputs and judgements made along with the supporting evidence. As noted in our trading and operations update in January 2019, with the focus on Bina Bawi, the value of the Miran PSC carried in the Company accounts has been reviewed. A prudent decision taken

based on accounting principles has resulted in an impairment charge of \$424 million being taken in respect of the carrying value of the Miran PSC.

**Internal audit and control framework**

The Board recognises that an effective Internal Audit function, responsible for providing independent and objective assurance on internal control, governance and risk management, is an important part of delivering a strong governance culture. In December 2017, the Company appointed a secondeo from EY as its Head of Internal Audit.

Each year the Audit Committee approves the internal audit plan for the year ahead, which is derived from an independent risk assessment performed by the Head of Internal Audit, aligned to the Group's risk profile.

Audit fieldwork planning, review and follow up is co-sourced with EY, with execution of the fieldwork performed by a combination of internal resource, EY and/or subject matter experts, depending on the particular requirements or location of the audits. The Head of Internal Audit has a direct reporting line to the Audit Committee and provides regular updates throughout the year on the findings identified in the audits and opportunities to improve the design and operating effectiveness of internal controls together with updates on the status of management's implementation of agreed actions.

During the year the Audit Committee held private meetings with the Head of Internal Audit without the presence of management. The external auditors also met separately with the Head of Internal Audit to discuss internal audit findings and areas of common focus.

As part of the Company's control framework the Committee also assists the Board in monitoring and reviewing risk management procedures, risk reporting and the full risk register. An overview of the Company's risk management procedures and principal risks can be found on pages 24 to 28. During the course of the year, the risk register was amended to reflect the changes in the challenges facing the business. Additionally, existing policies, procedures and processes were enhanced for reserves assessment, oversight of non-operated assets, stakeholder management and business development.

**External audit**

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

The Committee monitors and approves the provision of non-audit services by the Company's external auditors 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 2018, the ratio of non-audit to audit fee paid to PwC was 3:4, the non-audit fee paid was \$0.3 million, further details of which can be found on page 91 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 seven 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 December 2018 the Committee reviewed the effectiveness of the external audit process. It reviewed papers from both management and the external auditors, including on 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 this basis their reappointment will be proposed and recommended at the forthcoming AGM.

The Committee reviewed its own effectiveness during the year as part of the internally facilitated Board effectiveness review. Following the publication of the 2018 UK Corporate Governance Code the Committees terms of reference were updated to ensure they were aligned to the new Code and best practice. The Committee terms of reference can be found on our website at [www.genelenergy.com](http://www.genelenergy.com).

## Ensuring a high calibre Board



### NOMINATION COMMITTEE

Chairman	Members	Meetings in 2018
Stephen Whyte	Tim Bushell George Rose	2 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	Reviewed the size and composition of the Board taking into consideration the future strategic direction of the Company and overall diversity of Board members
Annually reviewing the time required from Non-Executive Directors and making recommendations as to their reappointment at the AGM	As part of the internal Board effectiveness review performance of the CEO and each of the Non-Executive Directors was undertaken. A review of the Chairman's performance was carried out by the Senior Independent Director  Recommended the re-appointment of each Director at the 2019 AGM
Keeping under review succession arrangements for Directors and other senior executives	During the course of the year succession planning and the composition of the Board continued to be discussed
Review Board Committee membership	A review of Committee composition was undertaken following the retirement of Mehmet Öğütçü  Recommended the appointment of a Designated Independent Non-Executive Director for workforce engagement

### NOMINATION COMMITTEE ATTENDANCE

Date	March	December	Attendance <sup>1</sup> scheduled
Scheduled/Ad-hoc	Scheduled	Scheduled	
Stephen Whyte	✓	✓	100%
Tim Bushell	✓	✓	100%
George Rose	✓	✓	100%

1. Denotes the attendance percentage at scheduled Committee meetings by each Director



## NOMINATION COMMITTEE TIME SPENT

(%)



- Succession - 50%
- Effectiveness - 20%
- Governance - 30%

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.

Following the retirement of Mehmet Ögütçü the Committee spent time considering whether any additional Directors needed to be appointed to the Board. As part of the review process, the skills and experience around the boardroom were reviewed in order to identify whether any knowledge or skill gaps were required to be filled. The Company's strategic priorities, main trends and factors affecting the long-term success and future viability of the Company were taken into consideration.

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. When considering candidates for Board appointments the Committee undertakes a comprehensive search process with the assistance of an external search agency.

In the year ahead, the Nomination Committee will continue to keep the composition and balance of the Board under review to ensure the appropriate experience and skills to deliver the Company's strategy.

Following the publication of the 2018 UK Corporate Governance Code the Committee considered the various approaches for gathering the views of the workforce suggested within the Code and recommended the appointment of Martin Gudgeon as the Designated Independent Non-Executive Director for workforce engagement.

The Committee reviewed its own effectiveness as part of the internally facilitated Board effectiveness review process.

The Committee has also reviewed its terms of reference. The Committee's terms of reference can be found on our website at [www.genelenergy.com](http://www.genelenergy.com).

## Ensuring a focused approach to HSSE



### HSSE COMMITTEE

Chairman	Member	Meetings in 2018
Tim Bushell	Stephen Whyte	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	<p>Received updates on developments both from a regulatory and an operational perspective</p> <p>Monitored 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</p> <p>Reviewed the Company's localisation strategy in the KRI and approved an updated CSR policy</p>
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 and social 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 are 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	<p>Monitored performance against the HSE KPI targets and LTI targets</p> <p>Reviewed and monitored the GHG emissions output and disclosure made in the Annual Report on health and safety, environment, and community development</p>
To assist the Company in developing the HSSE culture	<p>Received regular updates on the approach to safety culture and security across the organisation</p> <p>Provided feedback to the Remuneration Committee on the HSE performance elements of the 2018 annual bonus performance targets</p>

## HSSE COMMITTEE ATTENDANCE

Date	March	July	December	Attendance <sup>4</sup> scheduled
Scheduled/Ad-hoc	Scheduled	Scheduled	Scheduled	
Tim Bushell <sup>1</sup>	✓	✓	✓	100%
Stephen Whyte <sup>2</sup>	n/a	✓	✓	100%
Mehmet Ögütçü <sup>3</sup>	✓	n/a	n/a	100%

1. Tim Bushell was appointed as Chairman of the HSSE Committee on 17 May 2018
2. Stephen Whyte was appointed as a member of the HSSE Committee on 17 May 2018
3. Mehmet Ögütçü retired from the Board on 17 May 2018
4. Denotes the attendance percentage at scheduled Committee meetings by each Director

## HSSE COMMITTEE TIME SPENT

(%)



- Planning and monitoring - 55%
- Culture - 20%
- Security - 15%
- Risk monitoring and mitigation - 10%

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 security in the region and the progress made against the HSE strategic plan which it approves at the beginning of each year.

In 2018 the HSE plan contained actions in the following areas: leadership and culture, management system, health, environment and operations. During the course of the year progress was made against each of these areas. Activities undertaken included site visits by management and Board members demonstrating visible HSE leadership, providing a briefing on crisis and emergency management to the Board and performing simulation exercises. Across the organisation nine HSE training and knowledge sharing sessions were held on topics including but not limited to the HSE management system, international traveller medical advice and office HSE awareness. Operations activities included providing HSE support for the offshore 3D seismic acquisition project at Sidi Moussa field and HSE management for Miran and Bina Bawi.

In line with the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 the Company prepares and reports our greenhouse gas emissions which can be found in our corporate responsibility section on pages 22 to 23. The Committee reviewed the greenhouse gas emission occurring from operations in 2018 and noted that like-for-like greenhouse gas emissions were similar to 2017 however, there was an overall increase of 93%, which is attributable to the acquisition of seismic data on the Sidi Moussa licence off the coast of Morocco.

In recognition of the importance of HSE to our business the 2018 annual bonus objectives contain an element specifically allocated to HSE. The Committee reviewed progress against the 2018 HSE objectives and made recommendations to the Remuneration Committee on these elements the details of which may be found on page 51 and 52 of the Annual Report on Remuneration.

The HSSE Committee reviewed its own effectiveness during the 2018. The Committee also reviews its terms of reference annually, which can be viewed at [www.genelenergy.com](http://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 2018
Tim Bushell	Stephen Whyte	3 scheduled 2 ad-hoc

Objective	Progress
To increase shareholder confidence by ensuring a robust reserves and resources review process	Reviewed the reserves and resources assessment procedure Endorsed the Genel Reserves and Resources Management System
To review the Company's statement of reserves, independent reserves evaluators reports and any material changes in reserves volumes	Approved the Company's annual statement of reserves and resources Reviewed the independent reserves evaluator reports
To review the qualification and independence of the independent qualified reserves evaluator	Endorsed the appointment of each of the assets reserves evaluator

### RESERVES COMMITTEE ATTENDANCE

Date	January	February	March	March	December	Attendance <sup>1</sup> scheduled
Scheduled/Ad-hoc	Ad-hoc	Scheduled	Scheduled	Ad-hoc	Scheduled	
Tim Bushell	✓	✓	✓	✓	✓	100%
Stephen Whyte	✓	✓	✓	✓	✓	100%

1. Denotes the attendance percentage at scheduled Committee meetings by each Director

The objective of the Reserves Committee is to provide oversight of 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.

During the year the Committee reviewed and endorsed the Genel Reserves and Resources Management System in order to support a robust annual reserves and resources assessment process and improve governance.

The Committee received and considered reports from management, McDaniels, DeGolyer and MacNaughton and ERCE in relation to the 2018 annual reserves and resources statement.

The Reserves Committee has detailed terms of reference which can be viewed at [www.genelenergy.com](http://www.genelenergy.com). Following the publication of the 2018 UK Corporate Governance Code 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.



## DIRECTORS' REMUNERATION REPORT

# Remuneration Committee Chairman's statement



## REMUNERATION COMMITTEE

Chairman	Members	Meetings in 2018
Martin Gudgeon	George Rose Mehmet Ögütçü	3 scheduled

On behalf of the Remuneration Committee, I am pleased to present Genel's Directors' Remuneration Report for the year ended 31 December 2018, my first Report as Remuneration Committee Chairman for Genel.

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 approved in 2017 and applied a responsible approach to executive remuneration, aligning with the Company's strategy in the challenging energy business environment.

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 58 to 65. 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 2018

Full details of the Remuneration Committee's decisions for 2018 are set out in the Annual Report on Remuneration on pages 50 to 57.

We are delighted to report another very successful year financially. Building on previous years, 2018 has seen a continued focus on capital discipline and provided a strong financial position for the Company to build on into 2019. Once again, our high safety and environmental record was excellent, and all operational targets were achieved.

The acquisition of stakes in Sarta and Qara Dagh represent progress on the execution of our strategy. We continue to work on carefully selected projects to build on our existing portfolio. Work on Bina Bawi and Miran is in progress, with the continued aim of monetising these assets for our shareholders. Commercial discussions are ongoing relating to Bina Bawi, and further investment is reliant on their successful outcome.

Therefore, of the maximum potential annual bonus, 72.5% has been achieved. Further details of the 2018 annual bonus performance objectives and how they were assessed can be found on pages 51 and 52.

The performance period for PSP awards granted in 2016 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 2019

Details of how we intend to apply our Policy over the coming year are set out on pages 55 to 57.

The Committee has determined that Murat Özgül's base salary will be increased for 2019 at a rate of 2.5%. For 2019, the CEO's annual bonus will continue to be based solely on the achievement against the Company scorecard metrics.

Given our strong financial performance, our scorecard has shifted to focus on more strategic ambitions. Accordingly, the mix of incentive criteria has changed with financial performance weighting decreased to 20% from 30% and strategy execution increased to 25% from 15%. Safety and environment performance continues to be weighted at 15%, operational performance at 20% and progress in our gas assets also at 20%.

PSP awards for 2019 will again be assessed 50% on relative TSR against our peer group, and 50% against absolute TSR targets. During 2018, the Committee has reviewed the relative TSR group for 2018 awards and has made a number of changes to make sure it is a robust and relevant group. Details of the targets are set out on pages 56 and 57. The Committee considers that these targets are appropriately stretching and that maximum vesting would represent significant value creation.

During 2019, the Committee will continue to consider the updated UK Corporate Governance Code. We have already taken a number of steps, including expanding the Committee's remit over senior management pay and reviewing wider employee pay practices and policies. We will continue to consider whether further changes are needed throughout 2019.

### 2019 AGM

At the AGM in 2019, 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 member, to answer any questions regarding our Policy on executive remuneration and the activities of the Committee.

**Martin Gudgeon**  
Chairman of the Remuneration Committee

## GOVERNANCE

### DIRECTORS' REMUNERATION REPORT CONTINUED

#### REMUNERATION COMMITTEE ATTENDANCE

Date	March	July	December	Attendance <sup>4</sup> scheduled
Scheduled/Ad-hoc	Scheduled	Scheduled	Scheduled	
Martin Gudgeon <sup>1</sup>	✓	✓	✓	100%
George Rose <sup>2</sup>	✓	✓	✓	100%
Mehmet Ögütçü <sup>3</sup>	✓	n/a	n/a	100%

1. Martin Gudgeon was appointed as Chairman of Remuneration Committee on 17 May 2018
2. George Rose stepped down as Chairman of the Remuneration Committee on 17 May 2018
3. Mehmet Ögütçü retired from the Board on 17 May 2018
4. Denotes the attendance percentage at scheduled Committee meetings by each Director

Objective	Progress
To implement the Remuneration Policy for the Chairman, CEO and members of the Executive Committee	Applied the Remuneration Policy principles in discussion and implementation of remuneration for CEO and Executive Committee members
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 2016 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 set targets for 2018 PSP awards and reviewed the relative TSR peer group for 2019 awards
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 on Remuneration for 2018 prior to submission to shareholders for a non-binding vote at the AGM  Considered the remuneration-related elements of the 2018 UK Corporate Governance Code

## ANNUAL REPORT ON REMUNERATION

### Activities of the Remuneration Committee

The Committee held three scheduled meetings during the year. Details of the attendance of Committee members at meetings during 2018 is set out on page 48 of this Annual Report. All of the members of the Committee are Independent Non-Executive Directors.

Key activities during the year included the following:

- Preparation and approval of the Directors' Remuneration Report
- Review and update of the TSR peer Group for 2019
- Review of the executive base salary level in the context of pay for the wider workforce and the external market
- Review of performance objectives of the CEO and Executive Committee in order to determine the level of bonus earned in respect of the 2018 financial year
- Review of the TSR performance outcomes in respect of the 2015 PSP award
- Approval of the annual bonus plan framework for 2019
- Consideration of the remuneration arrangements of the CEO and members of the Executive Committee for 2019
- Consideration and determination of the performance criteria for the 2018 PSP awards
- Review of the performance measures applied to the 2019 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 - 35%
- Long-term incentive plans for all employees - 30%
- Governance - 20%
- All employee remuneration - 15%

### 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 £27,150 and were charged on the basis of their standard terms of business for the advice provided.

The Committee also consulted during the year with the Chairman (Stephen Whyte), CEO (Murat Özgül), the Company Secretary (Stephen Mitchell) 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 17 May 2018, votes cast by proxy and at the meeting in respect of the Annual Report on Remuneration for the year ended 31 December 2017 were as follows:

	Number of votes cast	For	Against	Abstentions
<b>To approve the Annual Report on Remuneration for the year ended 31 December 2017</b>	197,600,742	197,592,544	8,198	16,942
		100%	0%	

## GOVERNANCE

## ANNUAL REPORT ON REMUNERATION CONTINUED

## 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 2018 and discusses how the Policy will be implemented in the 2019 financial year. Details of the Policy can be found on pages 58 to 65.

## 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 2018, and comparison figures for 2017.

Name	Salary/fees £'000		Benefits £'000		Bonus £'000		LTIP <sup>1</sup> £'000		Total £'000	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Executive Director</b>										
<b>Murat Özgül</b>	<b>515</b>	573	<b>129</b>	143	<b>560</b>	706	<b>678</b>	343	<b>1,882</b>	1,765

1. LTIP includes shares under the Company's PSP. The 2016 awards under the PSP will lapse following the announcement of the Company's results in 2019 which are based on performance to 31 December 2018

Name	Salary/fees £'000		Benefits £'000		Bonus £'000		LTIP <sup>1</sup> £'000		Total £'000	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Non-Executive Directors</b>										
<b>Stephen Whyte</b>	<b>220</b>	152	-	-	-	-	-	-	<b>220</b>	152
<b>George Rose</b>	<b>88</b>	87	-	-	-	-	-	-	<b>88</b>	87
<b>Tim Bushell</b>	<b>87</b>	24	-	-	-	-	-	-	<b>87</b>	24
<b>Martin Gudgeon</b>	<b>77</b>	22	-	-	-	-	-	-	<b>77</b>	22
<b>Mehmet Ögütçü<sup>1</sup></b>	<b>30</b>	76	-	-	-	-	-	-	<b>30</b>	76
<b>Nazli K. Williams</b>	<b>56</b>	56	-	-	-	-	-	-	<b>56</b>	56
<b>Tony Hayward<sup>2</sup></b>	-	78	-	-	-	-	-	-	-	78
<b>Ümit Tolga Bilgin<sup>3</sup></b>	-	13	-	-	-	-	-	-	-	13
<b>Simon Lockett<sup>4</sup></b>	-	34	-	-	-	-	-	-	-	34
<b>Nathaniel Rothschild<sup>4</sup></b>	-	24	-	-	-	-	-	-	-	24
<b>Chakib Sbiti<sup>5</sup></b>	-	35	-	-	-	-	-	-	-	35

- Mehmet Ögütçü retired from the Board on 17 May 2018
- Tony Hayward retired from the Board on 6 June 2017
- Ümit Tolga Bilgin was not elected as a Director at the Company's AGM on 6 June 2017
- Simon Lockett and Nathaniel Rothschild resigned from the Board on 3 June 2017
- 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 2018.

	Base salary on 1 January 2017	Base salary on 1 August 2017 <sup>1</sup>	Base salary on 1 Jan 2018
<b>Murat Özgül</b>	£625,000	£500,000	£515,000

1. The base salary was reduced by 20% in August 2017

Salary information for 2019 is provided on page 55.

#### 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 2018 annual bonus scorecard was approved based on the Company's performance against key business objectives with a weighting of 100% against Company metrics. These included strategy execution (15%), progress on value creation of Bina Bawi and Miran (20%), financial targets (30%), operational targets (20%) and health and safety performance (15%).

Once again, the Company delivered strong performance against safety and environment and financial performance targets, and 2018 saw a strong operational performance. Progress was made on the execution of our strategy and continues to be made on our gas assets. Further details are set out below.

	2018 bonus	As % of maximum
<b>Murat Özgül</b>	<b>£560,000</b>	72.5%

#### 2018 - Annual bonus, Remuneration Committee assessment of performance against targets

The 2018 bonus was assessed by the Committee, based upon the achievement of performance targets. The overall 2018 bonus outcome was £560,000, being 72.5% of the maximum opportunity.

Bonus performance measure	Weighting	Performance target	Assessment of performance against metrics	Performance assessment
<b>Safety and Environment</b>	15%	<ul style="list-style-type: none"> <li>– Maintain existing zero performance rate on LTIs and no serious incident track record</li> <li>– Develop a leading indicator system that tests the robustness of controls we implement to mitigate the most significant risks in our business</li> <li>– Continue to embed HSE culture</li> </ul>	Zero performance rate on LTIs was maintained with no serious incidents reported. HSE Management System and Culture were further developed and training and leadership visits helped to entrench these principles throughout the Company.	15%

## GOVERNANCE

### ANNUAL REPORT ON REMUNERATION CONTINUED

Bonus performance measure	Weighting	Performance target	Assessment of performance against metrics	Performance assessment
<b>Operational</b>	20%	<ul style="list-style-type: none"> <li>– Manage the Company net working interest production close to guidance</li> <li>– Achieve appropriate incremental gross production from each \$1 million gross drilling capex investment programme in 2018</li> </ul>	2018 net production exceeded guidance, and targets sets for gross production from gross drilling capex investment were surpassed.	20%
<b>Financial</b>	30%	<ul style="list-style-type: none"> <li>– Manage Company to a cash flow positive position after interest payment</li> <li>– Maintain strong capital discipline and deliver 2018 programme within approved capex budget</li> </ul>	Total proceeds exceeded budget. Good control of capital spend resulted in capex being below budget, and the year ending in a cash positive position. Timing and value of capex spend was carefully monitored, which led to lower capex than budgeted.	30%
<b>Bina Bawi and Miran</b>	20%	<ul style="list-style-type: none"> <li>– Progress on value creation of Bina Bawi and Miran</li> </ul>	Bina Bawi oil and gas FDPs have been delivered to the KRG, GLA CP deadline extensions were secured, and negotiations are ongoing relating to Bina Bawi.	0%
<b>Strategy Execution</b>	15%	<ul style="list-style-type: none"> <li>– Make material progress into executing the strategy</li> </ul>	Following Board approval of the new strategy at the start of the year, multiple opportunities were identified and pursued. This work led to the agreement to acquire stakes in Chevron operated blocks in the KRI.	7.5%

#### Performance share plan awards made in 2018

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.

The Committee continues to believe 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, PSP awards since 2017 have been granted based on 50% relative TSR against our peer group, and 50% against absolute TSR targets. The peer group for the 2018 PSP awards is below.

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 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 following table provides details of the awards made under the PSP during 2018. 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	1,030,000 <sup>1</sup>	200%	30% (median)	100% (upper quartile)	11/04/2021

1. Face value has been calculated using the average share price, ten dealing days prior to the date of grant, of 173.20 pence

#### Share awards

The following table provides a summary of all share awards as at 31 December 2018. Further details of the Company's share plans are set out on pages 97 and 98.

Scheme	Grant date	Exercise price (pence)	At 1 January 2018	Granted during the year	Vested during the year	Released during the year	Exercised during the year	Lapsed during the year	At 31 December 2018	Performance period end	Expiry date
<b>Murat Özgül<sup>2</sup></b>											
SOP	19/12/2011	787.58	31,764	-	-	-	-	-	31,764	19/12/2014	19/12/2021
PSP	15/04/2015	Nil	112,757	-	-	-	-	112,757	-	31/12/2017	15/03/2025
RSP	15/04/2015	Nil	130,106	-	-	130,106	-	-	-	n/a	15/04/2025
CEO award	21/08/2015	Nil	187,500	-	-	-	187,500	-	-	n/a	21/08/2025
PSP	07/05/2016 <sup>1</sup>	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
PSP	11/04/2018	Nil	-	594,688	-	-	-	-	594,688	11/04/2021	12/04/2028

1. The 2016 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

#### Payments to past Directors

In 2018, there were no payments made to past Directors.

#### Payments for loss of office

In 2018, there were no payments to Directors for loss of office.

## GOVERNANCE

### ANNUAL REPORT ON REMUNERATION CONTINUED

#### Statement of Directors' shareholding and share interests

The beneficial interests of the Directors in the Company's shares as at 31 December 2018 are shown in the table below. There have been no changes in the Directors' shareholdings and interests since 31 December 2018.

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.

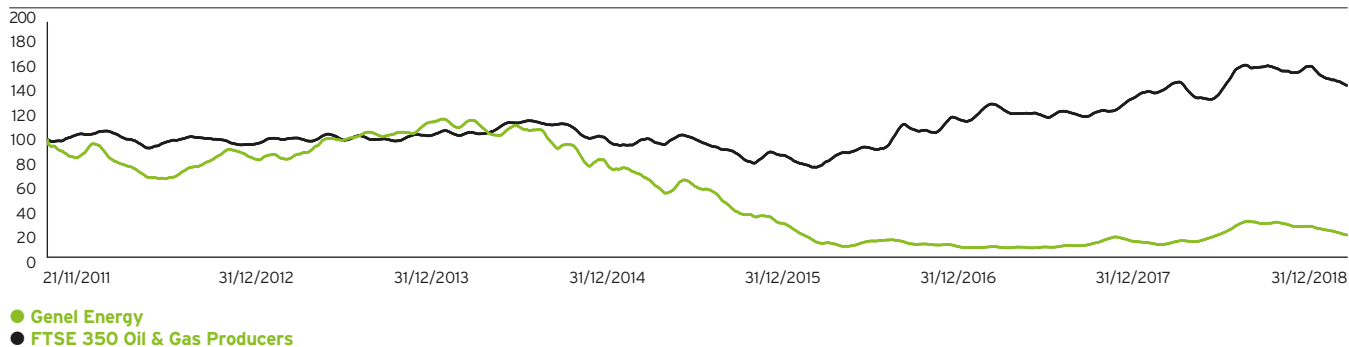
Director	Ordinary shares as at 31 December 2017 or date of leaving	Ordinary shares as at 31 December 2018 or date of leaving	Interest in share options granted under the Company share plans as at 31 December 2018
<b>Murat Özgül</b>	355,546	673,152	2,945,480
<b>Stephen Whyte</b>	15,740	24,504	-
<b>Tim Bushell</b>	-	-	-
<b>Martin Gudgeon</b>	-	100,000	-
<b>Mehmet Ögütçü</b>	-	-	-
<b>George Rose</b>	90,000	90,000	-
<b>Nazlı K. Williams</b>	-	-	-

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 2018 financial year.

	2011	2012	2013	2014	2015	2015	2016	2017	2018
<b>Chief Executive Officer</b>					<b>Tony Hayward</b>	<b>Murat Özgül</b>			
<b>CEO single figure remuneration (£'000)</b>	139	1,691	1,779	2,521	468	531	1,519	1,765	1,882
<b>Annual bonus pay-out (as a % of maximum opportunity)</b>	n/a	90%	95%	90%	0%	36.25%	71.4%	82.14%	72.5%
<b>Long-term incentive vesting out-turn (as a % of maximum opportunity)</b>	n/a	n/a	n/a	82.5%	0%	0% <sup>1</sup>	0%	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 2017 and 31 December 2018 compared to the average for permanent employees of the Company.

	% change in base salary 2018/2017	% change in benefits 2018/2017	% change in annual bonus 2018/2017
<b>Chief Executive Officer</b>	(10.11)%	(10.11)%	(20.66)%
<b>All employees</b>	(9.1)% <sup>1</sup>	(2.4)% <sup>1</sup>	(8.1)% <sup>1</sup>

1. This year-on-year decrease reflects the impact of the 20% salary reduction made in some areas in August 2017

The percentage change in annual bonus for the CEO compares 2017 outcomes against 2018.

#### 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. We did not buy back shares during 2018 nor were any dividends distributed.

Remuneration paid to all employees	\$m
<b>2017</b>	21.6
<b>2018</b>	18.1

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

#### Implementation of Remuneration Policy in 2019

This section provides an overview of how the Committee is proposing to implement our Remuneration Policy in 2019.

##### Base salary

In determining Executive Director salary increases for 2019, 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 2.5% with effect from 1 January 2019. The table below shows the base salary for 2019.

Base salary from 1 Jan 2019	
<b>Murat Özgül</b>	£527,875

## GOVERNANCE

### ANNUAL REPORT ON REMUNERATION CONTINUED

#### 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 2019, the cash supplement remains set at 25% of base salary.

2019 benefits allowance	
<b>Murat Özgül</b>	£131,969

#### 2019 - Annual bonus targets

The target bonus for Murat Özgül for 2019 remains at 100% of base salary, with a maximum bonus of 150% of base salary. For 2019, the performance of the Executive Director will again be measured 100% against Company metrics.

In 2019, Genel continues to highlight the importance of the growth strategy for the Company by assigning 25% of the bonus to strategy execution, and 20% will be committed to Miran and Bina Bawi value creation. Once again, it has been decided that 15% of the bonus performance measures will be committed to maintaining the focus on high performance in safety and environment, with a total of 40% relating to operational and financial performance.

Bonus performance measures	Specific targets	Percentage
<b>Safety and Environment</b>	<ul style="list-style-type: none"> <li>– Implement leading indicators for the critical controls in place to manage significant risks</li> <li>– Continue implementation of Management System, with a focus on leadership and culture</li> </ul>	15%
<b>Operational</b>	<ul style="list-style-type: none"> <li>– Manage net working interest production close to production guidance</li> <li>– Achieve appropriate bbls incremental gross production from each \$1million gross drilling capex investment programme in 2019</li> <li>– Demonstrate strong compliance culture and leadership</li> </ul>	20%
<b>Financial</b>	<ul style="list-style-type: none"> <li>– Deliver material free cash flow after interest payment</li> <li>– Maintain strong balance sheet</li> <li>– Maintain strong expenditure control and deliver 2019 programme within approved capex and opex budgets</li> </ul>	20%
<b>Bina Bawi and Miran</b>	<ul style="list-style-type: none"> <li>– Progress on value creation of Bina Bawi and Miran</li> </ul>	20%
<b>Strategy Execution</b>	<ul style="list-style-type: none"> <li>– Develop and deliver material strategic growth opportunities</li> </ul>	25%

#### 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 2019 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 reviewed the existing TSR peer group during 2018. Following discussion, the Remuneration Committee agreed that companies with both exploration and production should be considered, and that the cost of capital and market capitalisation of each Company should also be taken into account.

Accordingly, the peer group for the measurement of the relative TSR element of the 2019 award will be:

Africa Oil	Gulf Keystone	Premier Oil
Aker BP	Hurricane	Seplat Petroleum
Cairn Energy	Kosmos	SOCO International
DNO	Lundin	Tullow Oil
Energean Oil & Gas	Nostrum Oil & Gas	
Enquest	Ophir Energy	

The relative TSR vesting schedule will remain the same as for awards made in 2018, as outlined on page 52.

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 threshold targets have been reviewed and updated after consideration of financial developments in 2018. 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

Non-Executive Director fees were reviewed in 2018 against benchmark data for companies with a similar market cap, and also against comparable E&P companies. The fees remain unchanged for 2019.

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

#### Additional fee for Committee chairmanship:

Role	Fee
<b>Audit Committee</b>	£14,000
<b>Remuneration Committee</b>	£10,500
<b>HSE Committee</b>	£10,500
<b>Reserves Committee</b>	£10,500
<b>Nomination Committee</b>	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.



**Martin Gudgeon**

Chairman of the Remuneration Committee

19 March 2019

## 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](http://www.genelenergy.com) in the Investors Relations section.

#### Remuneration policy table

##### Fixed remuneration

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<b>Salary</b>	<ul style="list-style-type: none"> <li>- To provide fixed remuneration which is balanced, taking into account the complexity of the role and the skills and experience of the individual</li> </ul>	<ul style="list-style-type: none"> <li>- The Committee takes into account a number of factors when setting salaries, including:               <ul style="list-style-type: none"> <li>- scope and complexity of the role</li> <li>- the skills and experience of the individual</li> <li>- salary levels for similar roles within the international industry</li> <li>- pay elsewhere in the Group</li> <li>- Salaries are reviewed, but not necessarily increased, annually with any increase usually taking effect in January</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- 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</li> <li>- 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</li> </ul>	None
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- To provide a simple and broadly market competitive benefit cash allowance</li> </ul>	<ul style="list-style-type: none"> <li>- A cash supplement is provided in lieu of benefits (including pension)</li> <li>- The cash supplement is not included in calculating bonus and long-term incentive quantum</li> </ul>	<ul style="list-style-type: none"> <li>- Cash supplement is set as a percentage of base salary and paid in lieu of all benefits (including pension)</li> <li>- While there is no defined maximum opportunity, the cash supplement is currently 25% of base salary</li> <li>- 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</li> <li>- 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</li> </ul>	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
<b>Annual bonus</b>	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>The Committee sets targets which require appropriate levels of performance, taking into account internal and external expectations of performance</li> <li>As soon as practicable after the year-end, the Committee meets to review performance against objectives and determines payout levels</li> <li>Bonus payments are made in cash, although there is the flexibility to pay in shares</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Maximum award opportunity for Executive Directors is 150% of base salary for each financial year</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>A sliding scale of between 0% and 100% of the maximum award is paid dependent on the level of performance</li> </ul>

## GOVERNANCE

### REMUNERATION POLICY REPORT CONTINUED

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<b>Performance share plan ('PSP')</b>	<ul style="list-style-type: none"> <li>- To incentivise and reward the creation of long-term shareholder value</li> <li>- To align the interests of the Executive Directors with those of shareholders</li> </ul>	<ul style="list-style-type: none"> <li>- 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</li> <li>- Awards can be reduced or cancelled in certain circumstances as set out below</li> <li>- 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</li> <li>- 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</li> <li>- Any vested options must be exercised within ten years of the date of grant</li> </ul>	<ul style="list-style-type: none"> <li>- The usual maximum award opportunity in respect of a financial year is 200% of base salary</li> <li>- However, in circumstances that the Committee deems to be exceptional, awards of up to 300% of base salary may be made</li> </ul>	<ul style="list-style-type: none"> <li>- 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</li> <li>- At the minimum level of acceptable performance, no more than 30% of the award will vest rising to 100% for maximum performance</li> </ul>
<b>Restricted share plan ('RSP')</b>	<ul style="list-style-type: none"> <li>- Normally used to buy out awards forfeited by new Executive Directors on recruitment</li> <li>- Murat Özgül will not receive grants under this scheme following his appointment as CEO</li> </ul>	<ul style="list-style-type: none"> <li>- The Committee will where possible make buy-out awards on a like-for-like basis as set out in the recruitment policy</li> <li>- Awards can be reduced or cancelled in certain circumstances as set out below</li> <li>- 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</li> <li>- 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</li> </ul>	<ul style="list-style-type: none"> <li>- 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</li> </ul>	<ul style="list-style-type: none"> <li>- Awards will only be made to Executive Directors in recruitment scenarios</li> <li>- The Committee may attach performance conditions to awards if appropriate</li> </ul>

### 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 12 months. In doing so, the Committee takes into account a number of internal and external reference points, including the Company's business plan.

#### PSP

The ultimate goal of our strategy is to provide long-term sustainable returns to shareholders. The Committee currently considers that 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.

## GOVERNANCE

### REMUNERATION POLICY REPORT CONTINUED

#### Chairman and Non-Executive Directors

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<b>Chairman fees</b>	<ul style="list-style-type: none"> <li>– To provide an appropriate reward to attract and retain a high-calibre individual with the relevant skills, knowledge and experience</li> </ul>	<ul style="list-style-type: none"> <li>– The fee for the Chairman is normally reviewed annually but not necessarily increased</li> <li>– The remuneration of the Chairman is set by the Committee</li> <li>– The Chairman receives a set fee for the role; no additional fees are payable for other Committee memberships</li> <li>– The fee is payable in cash, although the Committee retains the right to make payment in shares</li> </ul>	<ul style="list-style-type: none"> <li>– Whilst there is no maximum level, fees are set considering: <ul style="list-style-type: none"> <li>– market practice for comparative roles</li> <li>– the time commitment and duties involved</li> <li>– the requirement to attract and retain the quality of individuals required by the Company</li> </ul> </li> <li>– 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</li> <li>– The Chairman does not participate in any of the Group's incentive plans</li> </ul>	None
<b>Non-Executive Director (NED) fees</b>	<ul style="list-style-type: none"> <li>– To provide an appropriate reward to attract and retain high-calibre individuals with the relevant skills, knowledge and experience</li> </ul>	<ul style="list-style-type: none"> <li>– The fees for the Non-Executive Directors are normally reviewed annually but not necessarily increased</li> <li>– The remuneration of the Non-Executive Directors is a matter for the Chairman and the Executive Directors</li> <li>– 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</li> <li>– 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</li> <li>– The fee is payable in cash, although the Committee retains the right to make payment in shares</li> </ul>	<ul style="list-style-type: none"> <li>– Whilst there is no maximum level, fees are set considering: <ul style="list-style-type: none"> <li>– market practice for comparative roles</li> <li>– the time commitment and duties involved</li> <li>– the requirement to attract and retain the quality of individuals required by the Company</li> </ul> </li> <li>– 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</li> <li>– The Non-Executive Directors do not participate in any of the Group's incentive plans</li> </ul>	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.

### Buyouts

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.



## GOVERNANCE

### REMUNERATION POLICY REPORT CONTINUED

#### 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 contract

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

Element	Policy
<b>Notice period</b>	– 12 months' notice by either the Company or the Executive Director. This is also the policy for new recruits
<b>Termination payment</b>	– 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
<b>Remuneration and benefits</b>	– 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
<b>PSP and RSP</b>	<ul style="list-style-type: none"> <li>– Death</li> <li>– Injury, ill health or disability</li> <li>– Retirement</li> <li>– Sale of the Company or business by which the participant is employed outside the Group</li> <li>– Any other scenario in which the Committee determines good leaver treatment is justified (other than summary dismissal)</li> </ul>	<ul style="list-style-type: none"> <li>– 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</li> <li>– 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</li> <li>– 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</li> </ul>	<ul style="list-style-type: none"> <li>– Awards lapse in full</li> </ul>

#### 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
<b>Period</b>	<ul style="list-style-type: none"> <li>– 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</li> <li>– After the initial three-year term, the Chairman and the Non-Executive Directors are typically expected to serve a further three-year term</li> </ul>
<b>Termination</b>	<ul style="list-style-type: none"> <li>– The appointment of the Chairman and Non-Executive Directors is terminable by either the Company or the Director by giving three months' notice</li> <li>– The Chairman and Non-Executive Directors are not entitled to any compensation upon leaving office</li> </ul>

#### 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 2018 to 31 December 2018 amounted to a loss of \$284 million. No interim dividend was paid and the Directors are not recommending a final dividend for the period ended 31 December 2018.

### Subsequent events

Please see note 21 to the financial statements on page 99 of this Annual Report for details of subsequent events.

### Share capital

As at 19 March 2019, 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. 1,005,839 shares are held as treasury shares.

### Resolutions in relation to share capital

At the AGM of the Company held on 17 May 2018, the shareholders granted the Company authority to make market purchases of up to 27,901,372 ordinary shares (representing approximately 10% of the aggregate issued ordinary share capital of the Company at 12 April 2018) 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 what is 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 32 and 33. Details of Directors' service agreements and letters of appointment are set out on pages 64 and 65.

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 54.

Details of Directors submitting themselves for 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, Elyson 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, Elyson and Focus Investments entered into a relationship agreement which regulates the ongoing relationship between Elyson, 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 Elyson 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 the Company 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) Elyson 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

## GOVERNANCE

### OTHER STATUTORY AND REGULATORY INFORMATION CONTINUED

- d) For so long as Focus Investments together with their 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 22.

#### 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 2018, 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
<b>Focus Investments Limited</b>	64,589,351
<b>Daax Corporation FZE</b>	41,828,175
<b>Bilgin Grup Doğal Gaz A.Ş.</b>	41,567,813
<b>NR Holdings Limited</b>	22,119,970
<b>Majedie Asset Management Limited</b>	12,744,963

Between the 31 December 2018 and 19 March 2019 the Company has received a notification from Majedie Asset Management Limited that its holding in the Company has reduced to less than 5% of ordinary shares. The Company also received a notification from Bilgin Grup Doğal Gaz A.Ş. that its holding in the Company has increased to 42,093,273 ordinary shares.

#### Political donations

No political donations were made, nor was any political expenditure incurred, by any Group company in the year ending 31 December 2018 (2017: 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 the Taj Hotel, St. James' Court, 54 Buckingham Gate, London SW1E 6AF, UK on Thursday, 16 May 2019 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 and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Group financial statements 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, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors 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 keeping adequate 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 and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the parent 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' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Statement of Directors' Responsibilities confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated balance sheet as at 31 December 2018; the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

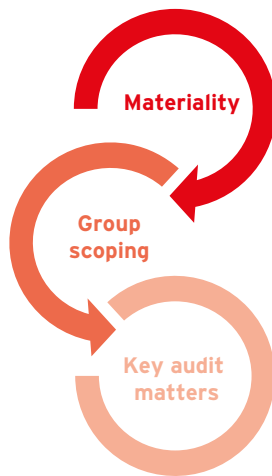
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit 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: \$18 million (2017: \$20 million), based on 1% of total assets.
- We identified two significant components out of the group's 21 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.
- Review of impairment indicators on oil producing assets.
- Impairment review of Miran and Bina Bawi assets.

### Context

The context for our audit is set by Genel's major activities in 2018, including the drilling campaign in the year and the improving 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').

### 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.

### 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

**Review of impairment indicators on oil producing assets**  
Refer to Notes 1 and 9 for further information.

Our audit work focused on the reasonableness of management's key assumptions, by comparison with last year, as to whether there is any indicator of impairment.

Under IAS 36, management are required to consider whether there are indicators of impairment on a Cash Generating Unit ('CGU') basis and if any are identified, to carry out a full impairment assessment of the relevant assets.

We compared management's reserves, production and cost assumptions with those of management's experts in the Competent Person's Reports ('CPR's), and the operators as relevant. We also held discussions with management's experts, and discussed production performance and future drilling plans with management.

As part of their review of indicators, management considered forward-looking information in each of the following key areas for both CGUs: reserves, production, costs, oil price and discount rate.

We benchmarked management's oil price forecast against independent broker and consultant estimates.

Following their assessment, management have not identified any impairment indicators for the Taq Taq and Tawke CGUs during the period.

We have assessed management's discount rate against an independent discount rate range from our valuation experts.

We then compared each of these assumptions with those of the prior year to assess for impairment indicators. There were no issues arising from this work.

**Impairment review of Miran and Bina Bawi assets**  
Refer to Notes 1 and 8 for further information.

We held meetings with key management to understand the status of commercial negotiations with the KRG, and the expected development approach for the assets. Based on our enquiries, the planned approach will now result in independent cash flows and we therefore agree that the Miran and Bina Bawi CGUs should be tested separately for impairment purposes.

Due to developments in commercial negotiations, as it is clear that the developments will now be progressed independently, management believe it is appropriate to separate Miran and Bina Bawi into individual CGUs for impairment testing purposes.

In order to challenge management's assessment of the recoverable amount of each CGU, we developed an independent range of estimates using discounted cash flow models on a fair value less costs of disposal (FVLCD) basis. We considered the key inputs and assumptions as follows:

Under IFRS 6, management are required to consider whether there are indicators of impairment and if any are identified, to carry out a full impairment assessment of the relevant assets under IAS 36.

- Resources and expenditure - based on the most recent CPRs and technical studies issued by management's experts for each asset.
- Oil price - based on management's forecasts, which we compared to range developed from a sample of brokers and independent consultants as at 31 December 2018. We found management's assumptions to be in the middle of our independent range.
- Gas price - based on the signed Gas Lifting Agreements agreed with the KRG.
- Discount rate - based on the mid-point of an independent range calculated by our valuation experts. We also performed sensitivity analysis to consider a reasonable range.
- Timing of first oil / gas - based on our enquiries and we also performed sensitivity analysis to consider a reasonable range.

For Miran, management concluded that impairment indicators exist, primarily because Miran's development is now expected to be delayed until after Bina Bawi. See Note 1 for further details.

As a result, management performed an impairment assessment of the Miran CGU as at 31 December 2018. This resulted in an impairment charge of \$424m.

Taking into account the impairment charge, we found that management's assessment of the recoverable value of the Miran CGU fell within our independently determined range, and we consider management's disclosures of impairment testing to be appropriate.

For the Bina Bawi CGU, management have assessed that there are no indicators as the current discussions with the KRG are focused on this asset, and management's range of valuations are above the carrying value of the CGU.

We found that there remains headroom above the carrying value of Bina Bawi CGU based on our independently determined range and therefore concur with management that the carrying value at 31 December 2018 remains appropriate.

## FINANCIAL STATEMENTS

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENEL ENERGY PLC CONTINUED

#### 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 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 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, 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 group engagement team performed all of our audit work, both in the UK and at the group's operations in Ankara.

#### 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:

<b>Overall group materiality</b>	\$18 million (2017: \$20 million).
<b>How we determined it</b>	1% of total assets.
<b>Rationale for benchmark applied</b>	We considered whether this measure continues to be appropriate. 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 portion 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 2018, we used 5% of EBITDAX (defined in Note 1) (\$15 million) (2017: \$6 million) for revenue, production costs, 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 materiality allocated across components was between \$7 million and \$17 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$1 million (2017: \$1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

**Going concern**

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

Reporting obligation	Outcome
<p>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.</p>	<p>We have nothing material to add or to draw attention to.</p> <p>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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.</p>

**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).

<p><b>The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>- The directors' confirmation on page 25 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.</li> <li>- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.</li> <li>- The directors' explanation on page 29 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.</li> </ul> <p>We have nothing to report in respect of this responsibility.</p>
<p><b>Other Code Provisions</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>- The statement given by the directors, on page 69, 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.</li> <li>- The section of the Annual Report on pages 40 and 41 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.</li> </ul> <p>We have nothing to report in respect of this responsibility.</p>



**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 pages 37 and 38 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 69, 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](http://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 11A 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**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Recognised Auditors  
London  
19 March 2019

**FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 \$m	2017 \$m
<b>Revenue</b>	2	<b>355.1</b>	228.9
Production costs	3	<b>(28.7)</b>	(27.5)
Depreciation and amortisation of oil assets	3	<b>(134.5)</b>	(116.1)
<b>Gross profit</b>		<b>191.9</b>	85.3
Exploration credit / (expense)	3	<b>1.5</b>	(1.9)
Impairment of property, plant and equipment	3	<b>-</b>	(58.2)
Impairment of intangible assets	3	<b>(424.0)</b>	-
General and administrative costs	3	<b>(24.0)</b>	(21.0)
Net gain arising from the RSA	10	<b>-</b>	293.8
<b>Operating (loss) / profit</b>		<b>(254.6)</b>	298.0
<i>Operating (loss) / profit is comprised of:</i>			
<i>EBITDAX</i>		<b>304.1</b>	475.5
<i>Depreciation and amortisation</i>	3	<b>(136.2)</b>	(117.4)
<i>Exploration credit / (expense)</i>	3	<b>1.5</b>	(1.9)
<i>Impairment of property, plant and equipment</i>	3	<b>-</b>	(58.2)
<i>Impairment of intangible assets</i>	3	<b>(424.0)</b>	-
Gain arising from bond buyback	15	<b>-</b>	32.6
Finance income	5	<b>4.4</b>	4.9
Bond interest expense	5	<b>(30.0)</b>	(35.5)
Other finance expense	5	<b>(3.2)</b>	(28.0)
<b>(Loss) / Profit before income tax</b>		<b>(283.4)</b>	272.0
Income tax expense	6	<b>(0.2)</b>	(1.0)
<b>(Loss) / Profit and total comprehensive (expense) / income</b>		<b>(283.6)</b>	271.0
<b>Attributable to:</b>			
Shareholders' equity		<b>(283.6)</b>	271.0
		<b>(283.6)</b>	271.0
<b>(Loss) / Profit per ordinary share</b>		<b>¢</b>	¢
Basic	7	<b>(101.6)</b>	97.1
Diluted	7	<b>(101.6)</b>	96.7

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018

	Note	2018 \$m	2017 \$m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	818.4	1,282.9
Property, plant and equipment	9	565.8	565.0
		1,384.2	1,847.9
<b>Current assets</b>			
Trade and other receivables	10	99.4	78.5
Restricted cash	11	10.0	18.5
Cash and cash equivalents	11	334.3	162.0
		443.7	259.0
<b>Total assets</b>		<b>1,827.9</b>	<b>2,106.9</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	12	(76.8)	(70.7)
Deferred income	13	(31.9)	(36.1)
Provisions	14	(32.9)	(29.3)
Borrowings	15	(297.3)	(296.8)
		(438.9)	(432.9)
<b>Current liabilities</b>			
Trade and other payables	12	(52.6)	(59.4)
Deferred income	13	(5.0)	(4.8)
		(57.6)	(64.2)
<b>Total liabilities</b>		<b>(496.5)</b>	<b>(497.1)</b>
Net assets		1,331.4	1,609.8
<b>Owners of the parent</b>			
Share capital	17	43.8	43.8
Share premium account		4,074.2	4,074.2
Accumulated losses		(2,786.6)	(2,508.2)
<b>Total equity</b>		<b>1,331.4</b>	<b>1,609.8</b>

These consolidated financial statements on pages 76 to 100 were authorised for issue by the Board of Directors on 19 March 2019 and were signed on its behalf by:



**Murat Özgü**  
Chief Executive Officer



**Esa Ikaheimonen**  
Chief Financial Officer

**FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital \$m	Share premium \$m	Accumulated losses \$m	Total equity \$m
At 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 and 1 January 2018	<b>43.8</b>	<b>4,074.2</b>	<b>(2,508.2)</b>	<b>1,609.8</b>
(Loss) and total comprehensive (expense)	-	-	(283.6)	(283.6)
Share-based payments	-	-	5.2	5.2
<b>At 31 December 2018</b>	<b>43.8</b>	<b>4,074.2</b>	<b>(2,786.6)</b>	<b>1,331.4</b>



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$m	2017 \$m
<b>Cash flows from operating activities</b>			
(Loss) / Profit and total comprehensive (expense) / income		<b>(283.6)</b>	271.0
Adjustments for:			
Gain on bond buyback	15	-	(32.6)
Finance income	5	<b>(4.4)</b>	(4.9)
Bond interest expense	5	<b>30.0</b>	35.5
Other finance expense	5	<b>3.2</b>	28.0
Taxation	6	<b>0.2</b>	1.0
Depreciation and amortisation	3	<b>136.2</b>	117.4
Exploration (credit) / expense	3	<b>(1.5)</b>	1.9
Impairment of property, plant and equipment	3	-	58.2
Impairment of intangible assets	3	<b>424.0</b>	-
Net gain arising from the RSA	10	-	(293.8)
Other non-cash items	3	<b>4.9</b>	2.8
Changes in working capital:			
(Increase) / decrease in trade receivables		<b>(21.5)</b>	38.3
(Increase) in other receivables		<b>(1.1)</b>	(4.3)
Increase in trade and other payables		<b>9.2</b>	0.6
<b>Cash generated from operations</b>		<b>295.6</b>	219.1
Interest received	5	<b>4.4</b>	2.2
Taxation paid		<b>(0.8)</b>	(0.3)
<b>Net cash generated from operating activities</b>		<b>299.2</b>	221.0
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		<b>(39.7)</b>	(26.8)
Purchase of property, plant and equipment		<b>(65.3)</b>	(52.4)
Restricted cash	11	<b>8.5</b>	1.0
<b>Net cash used in investing activities</b>		<b>(96.5)</b>	(78.2)
<b>Cash flows from financing activities</b>			
Repurchase of Company bonds	15	-	(216.7)
Bond refinancing	15	-	(128.5)
Interest paid		<b>(30.0)</b>	(42.7)
<b>Net cash used in financing activities</b>		<b>(30.0)</b>	(387.9)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>172.7</b>	(245.1)
Foreign exchange (loss) / income on cash and cash equivalents		<b>(0.4)</b>	0.1
Cash and cash equivalents at 1 January	11	<b>162.0</b>	407.0
<b>Cash and cash equivalents at 31 December</b>	11	<b>334.3</b>	162.0

## FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Summary of significant accounting policies

##### 1.1 Basis of preparation

The consolidated financial statements of Genel Energy plc - registration number: 107897 (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.

The Company prepares its financial statements on a historical cost basis, unless accounting standards require an alternate measurement basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed either in the relevant accounting policy or in the notes to the financial statements.

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 judgements and estimates on pages 81 to 83.

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. EBITDAX is used as the basis for underlying earnings per share, for the reasons provided above. 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.

##### Going concern

The Company regularly evaluates its financial position, cash flow forecasts and its covenants by sensitizing with a range of scenarios which incorporates change in oil prices, discount rates, production volumes as well as capital and operational spend. As a result, the Directors have assessed that the Company's forecast liquidity provides adequate headroom over its forecast expenditure for the 12 months following the signing of the annual report for the period ended 31 December 2018 and consequently that the Company is considered a going concern.

##### 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.

*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 IFRS 6.

**1.2 Significant accounting judgements and estimates**

The preparation of the financial statements in accordance with IFRS requires the Company to make judgements and estimates 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 or estimates could have a significant impact on the financial statements.

**Significant judgements**

The following is the critical judgement, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that has the most significant effect on the amounts recognised in the financial statements.

**Tawke CGU**

Tawke RSA intangible asset (which is explained below) cash flows had the same risk profile as revenue generated from the Tawke PSC; oil price, production profile, reserves and discount rate were estimated using the same methodology as used for the impairment testing of the Tawke PSC property, plant and equipment, as a result, both assets are combined as a single cash generating unit for impairment testing.

**Significant estimates****Estimation of hydrocarbon reserves and resources and associated production profiles and costs**

Estimates of hydrocarbon reserves and resources are inherently imprecise 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, cost 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 and assessing the cost and likely timing of decommissioning activity and associated costs. 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. Assets assessed as proven and probable reserves are generally classified as property, plant and equipment as development or producing assets and depreciated using the units of production methodology. The Company considers its best estimate for future production and quantity of oil within an asset based on a combination of internal and external evaluations and uses this as the basis of calculating depreciation, amortisation of oil and gas assets and testing for impairment.

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 are 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 IFRS 6.

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.

**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.

## FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

#### 1.2 Significant accounting judgements and estimates continued

##### **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 12.5% was used for impairment testing of the oil assets of the Company.

In addition, the estimation of the recoverable amount of the both the Miran and Bina Bawi CGUs, which are classified under IFRS as an exploration and evaluation intangible asset and consequently carries the inherent uncertainty explained above, include the key assessment that the projects 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 and 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 - Discount rate for assessing recoverable amount of producing assets*

Following the significant change in the macro geo-political, economic and industry environment, the Company has updated the discount rate used for assessing the recoverable amount of its producing assets from 15% to 12.5%. This has had no impact on the financial statements, although it has a positive impact on the recoverable amount of both the Tawke CGU and the Taq Taq CGU. At the end of last year, the Company disclosed that a 2.5% change in discount rate would have a \$70 million impact on the recoverable amount of the Tawke CGU and a \$5 million impact on the Taq Taq CGU. The disclosures for the year-end are provided in note 9.

##### *Change in accounting estimate and judgement - Miran PSC (intangible assets)*

As a result of the development of negotiations through 2018, management assess the Bina Bawi and Miran PSCs as separate cash generating units, whereas last year they were assessed as one cash generating unit. Whereas previously a large scale combined processing facility serving both assets was considered, with delivery of required gas volumes contributed from either licence, discussions are now focused on commencing with a smaller scale development of the Bina Bawi asset that would then be scaled up in phases, with development of the Miran PSC deprioritised. Management assesses the deprioritisation of the Miran PSC, with discussions on Bina Bawi active and detailed, as an impairment indicator and consequently have tested its carrying value for impairment. Principal changes to past estimates relating to the fair value less costs of disposal valuation of Miran relate to timing, cost estimates and risking. Because of the uncertainties existing around these items, as well as approach and commercial terms for the development of the asset, the assessment of valuation carries inherent uncertainty and for this reason, in addition to the estimates made, the Board has included contingencies for costs and timing and additionally an overall reduction in valuation to reflect risking of the project. The risking has been applied at 50% of the calculated value, which was assessed using a discount rate of 15%. This has resulted in an estimate of the recoverable value of Miran as \$113 million, which results in an impairment charge of \$424 million.

##### **Tawke RSA intangible asset**

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 \$300 million 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.

In 2017, 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 was recognised as an intangible asset 'Tawke RSA', was considered to be equal to the fair value of the receivables. The Tawke RSA exceeded 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 required the estimation of future oil price, production profile and reserves and the appropriate discount rate.

### Estimation of future oil price and netback 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 net gain arising from the RSA for the year ended 31 December 2017. 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 2023 price then inflated at 2% per annum.

\$/bbl	2019	2020	2021	2022	2023
<b>Forecast</b>	<b>65</b>	<b>66</b>	<b>68</b>	<b>71</b>	<b>72</b>
<i>Prior year forecast</i>	63	66	72	74	n/a

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.

The trade receivable is recognised when the control of oil is transferred to the customer at the metering point, as this is the time the consideration becomes unconditional. The trade receivable reflects the Company's entitlement based on the netback price and oil transferred.

#### Change in accounting estimate - Netback price

The Company has increased the estimated netback price adjustment by \$1/bbl using the methodology agreed with the KRG for raising invoices for all sales of oil, effective from 1 August 2017. Netback adjustments to Brent are now estimated as a \$13/bbl discount for the Tawke PSC (2017: \$12/bbl) and a \$6/bbl discount for the Taq Taq PSC (2017: \$5/bbl). This has resulted in a decrease of \$3.6 million to H1 2018 revenue, of which \$2.2 million relates to 2017. At the end of last year, the Company disclosed that a \$5/bbl change in long-term Brent would impact the Tawke CGU by \$23 million and the Taq Taq CGU by \$2 million, so a \$1/bbl change in netback adjustment has an impact of around \$5 million in total across the two CGUs. 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 \$5 million and trade receivables by circa \$1 million with disclosures on the sensitivities of the recoverable amount of producing assets provided in note 9.

### 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 2017, adjusted for transitional requirements where necessary, further explained under the revenue and changes in accounting policies headings.

#### Revenue

Revenue for oil sales is recognised when the control of the product is deemed to have passed to the customer, in exchange for the consideration amount determined by the terms of the contract. For exports the control passes to the customer when the oil enters the export pipe; for domestic sales this is when oil is collected by truck by the customer.

Revenue is oil sales. Revenue is earned based on the entitlement mechanism 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. 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 from Taq Taq licence, 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 was received in advance and is recognised in line with production.

The Company's oil sales are made to the KRG which is the counterparty of the PSCs 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 judgements and estimates.

The payment terms for the Company's sales are typically due within 30 days but under the normal operating cycle, payments are received on 75 days average. The Company does not expect to have any contracts where the period between the transfer of oil to the customer and the payment exceeds one year. Therefore, the transaction price is not adjusted for the time value of money.

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.

The Company adopted IFRS 15 Revenue from Contracts with Customers for the year commencing 1 January 2018. IFRS 15 addresses the way that revenue derived from contracts with customers is recognised in the financial statements and replaces IAS 18 Revenue. The transition from IAS 18 to IFRS 15 does not have an impact on revenue recognised in the financial statements.



## FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

#### 1.3 Accounting policies continued

For the year ended 31 December 2018, in accordance with IFRS 15, the Company has identified its contracts with its single customer (the KRG) as each oil sale contract (PSC) for each field licence. The Company's single performance obligation within these contracts is the delivery of oil and the transaction price within these contracts is dated Brent adjusted for the netback amount. The performance obligation is satisfied and the Company recognises revenue when control of the oil is transferred to the customer at the metering point.

For the prior year ended 31 December 2017, under IAS 18, the Company also recognised revenue when the oil was transferred to the customer at the metering point as this was when the significant risks and rewards of ownership were deemed to have passed to the customer, it could be measured reliably and it was assessed as probable that economic benefit would flow to the Company. Therefore, there has been no significant change in the Company's revenue recognition on transition to the new standard IFRS 15.

In applying IFRS 15 as set out above, there are no significant judgements made in determining the timing of the satisfaction of the performance obligation, the transaction price or the amounts allocated to performance obligations. The Company has adopted IFRS 15 using the modified retrospective approach, under this approach the prior year's financial statements are not restated and the impact of adoption is recognised in the opening reserves at 1 January 2018. As the impact of adoption on the Company is not material, no adjustment has been recognised in opening reserves.

#### Intangible assets

##### *Exploration and evaluation assets*

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

##### *Tawke RSA*

Intangible assets include the Receivable Settlement Agreement ('RSA') effective from 1 August 2017, which was entered into in exchange for trade receivables due from KRG for Taq Taq and Tawke past sales. The RSA was recognised at cost and is amortised on a units of production basis in line with the economic lives of the rights acquired, as further explained in note 8.

##### *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 three and five years from the date that they are available for use.

#### Property, plant and equipment

##### *Development assets*

Oil and gas assets classified as development assets 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 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 are expensed.

All 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.

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 CGU. A CGU 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.

#### *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.

#### **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.

#### **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**

The Company adopted IFRS 9 Financial Instruments, for the year commencing 1 January 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement.

The transition from IAS 39 to IFRS 9 does not have a significant impact on the financial statements and no adjustment has been recognised in the opening reserves at 1 January 2018.

Changes in the Company's accounting policies resulting from the adoption of IFRS 9 are set out under the subheadings below.

#### *Classification*

The Company assesses the classification of its financial assets on initial recognition at amortised cost, fair value through other comprehensive income or fair value through profit and loss. 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. Trade and other receivables, trade and other payables, borrowings and deferred contingent consideration are subsequently carried at amortised cost using the effective interest method.

## FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

#### 1.3 Accounting policies continued

The impact of adoption of IFRS 9 on financial instrument classification and measurement is shown in the table below.

Financial instrument category	Note	Classification under IAS 39	Measurement under IAS 39	Classification and measurement under IFRS9	2018 \$m	2017 \$m
Cash and cash equivalents	11	Loans and receivables	Amortised cost	Amortised cost	334.3	162.0
Restricted cash	11	Loans and receivables	Amortised cost	Amortised cost	10.0	18.5
Trade and other receivables	10	Loans and receivables	Amortised cost	Amortised cost	97.0	76.8
Trade and other payables	12	Other financial liabilities	Amortised cost	Amortised cost	(60.9)	(69.7)
Borrowings	15	Other financial liabilities	Amortised cost	Amortised cost	(297.3)	(296.8)
Deferred contingent consideration	12	Other financial liabilities	Amortised cost	Amortised cost	(68.5)	(60.4)

#### *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. The Company's assessment of impairment model based on expected credit loss is explained below.

#### *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.

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.

#### *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.

#### **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.

## 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 CGU 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 nominal post 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 (which are assumed to be immaterial). 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 (CGU).

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*

IFRS 9 introduces a forward-looking impairment model based on expected credit losses ('ECLs') of financial assets. The standard requires the Company to book an allowance for ECLs for its financial assets.

The Company has assessed the impact of the new requirement on its trade receivables as at 31 December 2018, which are expected to be collected in 2019 under the normal operating cycle. For the contracts under IFRS 15 with no significant financing component, allowance is provided for lifetime ECLs of the financial asset. The model calculates net present value of outstanding receivables discounted by the discount rate, for a range of possible scenarios including short and mid-term delays and no payment with a probability assigned to each, and determines the ECL as the weighted average of these scenarios. The Company uses both past track record of receivables, information available until the reporting date and future expected performance. The result of the Company's assessment is that the effect of the ECL on the financial statements is not determined to be material and no amount is recorded in the accounts.

For the year ended 31 December 2017, no bad debt provision was recorded against trade receivables and therefore the changes from the incurred credit loss model under IAS 39 to the expected credit loss model under IFRS 9 has no significant impact to the Company's financial statements.

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.

### *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.

## FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

#### 1.3 Accounting policies continued

##### 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 KRI PSC's, corporate income tax due is paid on behalf of the Company by the KRG from the KRG's own share of revenues, resulting in no corporate income tax payment required or expected to be made by the Company. It is not known at what rate tax is paid, but it is estimated that the current tax rate would be between 15% and 40. If this was known 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 necessary to assess whether any deferred tax asset or liability was required to be recognised. Current tax expense is incurred on the profits of the Turkish and UK services companies.

##### Segmental reporting

IFRS 8 requires the Company to disclose information about its business segments and the geographic areas in which it operates. It requires identification of business segments on the basis of internal reports that are regularly reviewed by the 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

The new accounting standards and amendments to existing standards have been adopted by the Company effective 1 January 2018: IFRS 15 - Revenue from Contracts with Customers, IFRS 9 - Financial Instruments, Amendments to IFRS 2, Amendments to IAS 40 and IFRIC 22 Foreign Currency Transactions and Advance Consideration. The adoption of IFRS 15 and IFRS 9 are further explained under the changes in accounting policies heading. Amendments to IFRS 2, Amendments to IAS 40 and IFRIC 22 Foreign Currency Transactions and Advance Consideration have no impact to the financial statements as at 31 December 2018.

IFRS 16 - Leases, which becomes effective by 1 January 2019, requires the lessee to recognise the right to use the asset and the liability, depreciate the associated asset, re-measure and reduce the liability through lease payments; unless the underlying leased asset is of low value and/or short term in nature. The Company is not considering early application of the Standard. The Company's leases are mostly low value or short term in nature. Had the Company early adopted the standard, it is estimated that the assets and liabilities would increase by \$2m and income statement would be debited net by \$0.1m as at 31 December 2018.

The following new accounting standards, amendments to existing standards and interpretations have been issued and endorsed by the EU but are not yet effective: Amendments to IFRS 9 Financial Instruments (effective 1 January 2019), Amendments to IAS 28 - Investments in Associates and Joint Ventures (effective 1 January 2019) and IFRIC 23 - Uncertainty over Income Tax Treatments (effective 1 January 2019). None of these standards have been early adopted.

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: Annual Improvements to IFRS Standards 2015-2017 (effective 1 January 2019), Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement (effective 1 January 2019) and Amendment to IFRS 3 Business Combinations (effective 1 January 2020). None of these standards have been early adopted.

##### Changes in accounting policies

Revenue recognition under IFRS 15 - Revenue from Contracts with Customers - requires a 5 step approach which is defined as the identification of the contract with the customer, performance obligations, transaction price, allocation of price into performance obligations and revenue recognition when the conditions are met. The Company's performance obligation in its contract with the single customer is the delivery of crude oil at a netback adjustment to dated Brent and the control is transferred to the buyer at the metering point when the revenue is recognised. Transition to IFRS 15 resulted in no adjustment to the measurement of the Company's previous year revenue in its financial statements.

Transition to IFRS 9 - Financial Instruments - introduced two significant changes that may have effect on the Company financial statements which are derecognition of financial liabilities and the change from incurred credit loss model to the expected credit loss model for financial assets. The Company's accounting treatment of the bond buyback for the year ended 31 December 2017 was in line with the requirements of IFRS 9 hence no transitional adjustments were made. In applying IFRS 9 on trade receivables as set out above, the expected credit loss under the new standard is not determined to be material.

## 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. 'Other' includes corporate assets, liabilities and costs, elimination of intercompany receivables and intercompany payables, which are non-segment items.

### For the period ended 31 December 2018

	Oil \$m	MBB \$m	Expl. \$m	Other \$m	Total \$m
Revenue from contracts with customers	350.3	-	-	-	350.3
Revenue from other sources	4.8	-	-	-	4.8
Cost of sales	(163.2)	-	-	-	(163.2)
Gross profit	191.9	-	-	-	191.9
Exploration (expense) / credit	-	(0.4)	1.9	-	1.5
Impairment of intangible assets	-	(424.0)	-	-	(424.0)
General and administrative costs	-	-	-	(24.0)	(24.0)
Operating profit / (loss)	191.9	(424.4)	1.9	(24.0)	(254.6)
<i>Operating profit / (loss) is comprised of</i>					
EBITDAX	326.4	-	-	(22.3)	304.1
Depreciation and amortisation	(134.5)	-	-	(1.7)	(136.2)
Exploration (expense) / credit	-	(0.4)	1.9	-	1.5
Impairment of intangible assets	-	(424.0)	-	-	(424.0)
Finance income	-	-	-	4.4	4.4
Bond interest expense	-	-	-	(30.0)	(30.0)
Other finance expense	(1.7)	(0.2)	-	(1.3)	(3.2)
Profit / (Loss) before income tax	190.2	(424.6)	1.9	(50.9)	(283.4)
Capital expenditure	70.4	12.0	13.1	-	95.5
Total assets	1,015.4	457.7	35.5	319.3	1,827.9
Total liabilities	(89.1)	(84.4)	(16.1)	(306.9)	(496.5)

Revenue from contracts with customers includes \$105.4 million (2017: \$33.9 million) arising from the ORRI. The ORRI will expire at the end of July 2022 and is explained further under significant accounting judgements and estimates under the Tawke RSA intangible asset. Total assets and liabilities in the other segment are predominantly cash and debt balances.



## FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

#### 2. SEGMENTAL INFORMATION continued

For the period ended 31 December 2017

	Oil \$m	MBB \$m	Expl. \$m	Other \$m	Total \$m
Revenue from contracts with customers	224.4	-	-	-	224.4
Revenue from other sources	4.5	-	-	-	4.5
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)
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
<i>Operating profit / (loss) is comprised of</i>					
<i>EBITDAX</i>	495.2	-	-	(19.7)	475.5
<i>Depreciation and amortisation</i>	(116.1)	-	-	(1.3)	(117.4)
<i>Exploration (expense) / credit</i>	-	(4.6)	2.7	-	(1.9)
<i>Impairment of property, plant and equipment</i>	(58.2)	-	-	-	(58.2)
Gain arising from bond buyback	-	-	-	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 income 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)

Total assets and liabilities in the other segment are predominantly cash and debt balances.

#### 3. OPERATING COSTS

	2018 \$m	2017 \$m
Production costs	28.7	27.5
Depreciation of oil and gas property, plant and equipment	72.4	83.3
Amortisation of oil and gas intangible assets	62.1	32.8
<b>Cost of sales</b>	<b>163.2</b>	143.6
<b>Exploration (credit)/expense</b>	<b>(1.5)</b>	1.9
<b>Impairment of property, plant and equipment (note 9)</b>	<b>-</b>	58.2
<b>Impairment of intangible assets (note 8)</b>	<b>424.0</b>	-
Corporate cash costs	17.4	16.9
Corporate share based payment expense	4.9	2.8
Depreciation and amortisation of corporate assets	1.7	1.3
<b>General and administrative expenses</b>	<b>24.0</b>	21.0

Exploration expense relates to 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:	2018 \$m	2017 \$m
Audit of consolidated and subsidiary financial statements	0.4	0.6
Tax and advisory services	0.3	0.1
<b>Total fees</b>	<b>0.7</b>	<b>0.7</b>

#### 4. STAFF COSTS AND HEADCOUNT

	2018 \$m	2017 \$m
Wages and salaries	17.1	20.6
Social security costs	1.0	1.0
Share-based payments	6.3	5.4
	<b>24.4</b>	<b>27.0</b>

Average headcount was:

	2018 number	2017 number
Turkey	64	65
KRI	15	15
UK	17	17
Somaliland	17	24
	<b>113</b>	<b>121</b>

#### 5. FINANCE EXPENSE AND INCOME

	2018 \$m	2017 \$m
Bond interest payable	(30.0)	(35.5)
Unwind of discount on liabilities / premium paid on bond buyback	(3.2)	(28.0)
<b>Finance expense</b>	<b>(33.2)</b>	<b>(63.5)</b>
Bank interest income	4.4	2.2
Unwind of discount on trade receivables	-	2.7
<b>Finance income</b>	<b>4.4</b>	<b>4.9</b>

Bond interest payable is the cash interest cost of Company bond debt. In 2018, unwind of discount on liabilities primarily relates to the discount unwind on the bond (note 15) and on the asset retirement obligation ('ARO') provision (note 14). In 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 corporate income 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.

	2018	2017
(Loss) / Profit attributable to equity holders of the Company (\$m)	(283.6)	271.0
Weighted average number of ordinary shares - number <sup>1</sup>	279,065,717	279,013,724
Basic (loss) / earnings per share - cents per share	(101.6)	97.1

1. Excluding shares held as treasury shares

## FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

#### 7. EARNINGS PER SHARE continued

##### 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:

	2018	2017
(Loss) / Profit attributable to equity holders of the Company (\$m)	<b>(283.6)</b>	271.0
Weighted average number of ordinary shares - number <sup>1</sup>	<b>279,065,717</b>	279,013,724
Adjustment for performance shares, restricted shares and share options	<b>1,182,481</b>	1,234,474
Total number of shares	<b>280,248,198</b>	280,248,198
Diluted (loss) / earnings per share - cents per share	<b>(101.6)</b>	96.7

1. Excluding shares held as treasury shares

#### 8. INTANGIBLE ASSETS

	Exploration and evaluation assets \$m	Tawke RSA \$m	Other assets \$m	Total \$m
<b>Cost</b>				
At 1 January 2017	1,497.4	-	6.3	1,503.7
Additions	34.6	-	0.2	34.8
Non-cash additions for ARO	2.5	-	-	2.5
Additions (Tawke RSA)	-	425.1	-	425.1
Discount unwind of contingent consideration	(22.3)	-	-	(22.3)
Transfer to property, plant and equipment	(22.8)	-	-	(22.8)
Previously accrued exploration expense	(17.7)	-	-	(17.7)
At 31 December 2017 and 1 January 2018	1,471.7	425.1	6.5	1,903.3
Additions	<b>25.1</b>	-	<b>0.3</b>	<b>25.4</b>
Discount unwind of contingent consideration	<b>8.1</b>	-	-	<b>8.1</b>
Non-cash additions for ARO/IFRS2	<b>0.8</b>	-	-	<b>0.8</b>
Previously accrued exploration expense	<b>(12.5)</b>	-	-	<b>(12.5)</b>
At 31 December 2018	<b>1,493.2</b>	<b>425.1</b>	<b>6.8</b>	<b>1,925.1</b>
<b>Accumulated amortisation and impairment</b>				
At 1 January 2017	(581.3)	-	(5.7)	(587.0)
Amortisation charge for the period	-	(32.8)	(0.6)	(33.4)
At 31 December 2017 and 1 January 2018	(581.3)	(32.8)	(6.3)	(620.4)
Amortisation charge for the period	-	<b>(62.1)</b>	<b>(0.2)</b>	<b>(62.3)</b>
Impairment	<b>(424.0)</b>	-	-	<b>(424.0)</b>
At 31 December 2018	<b>(1,005.3)</b>	<b>(94.9)</b>	<b>(6.5)</b>	<b>(1,106.7)</b>
<b>Net book value</b>				
At 31 December 2017	890.4	392.3	0.2	1,282.9
<b>At 31 December 2018</b>	<b>487.9</b>	<b>330.2</b>	<b>0.3</b>	<b>818.4</b>

Exploration and evaluation assets are principally the Company's PSC interests in exploration and appraisal assets in the KRI, comprised of the Miran (book value: \$116.2 million, 2017: \$535.3 million) and Bina Bawi (book value: \$338.7 million, 2017: \$323.1 million) gas assets. The remaining balance is comprised of Somaliland asset (book value: \$33.0 million 2017: \$32.0 million). The Miran PSC has been impaired by \$424.0 million - further explanation is provided in note 1.

Tawke RSA assets are comprised of the ORRI (book value: \$217.5 million 2017: \$269.8 million) and capacity building payments waiver (book value: \$112.7 million 2017: \$122.5 million), details of which are provided in note 1.

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**

	Bina Bawi \$m
Long term Brent +/- \$5/bbl	+/- 12
Discount rate +/- 2.5%	+/- 99
Production and reserves +/- 10%	+/- 30

**9. PROPERTY, PLANT AND EQUIPMENT**

	Development assets \$m	Other assets \$m	Total \$m
<b>Cost</b>			
At 1 January 2017	2,599.2	8.9	2,608.1
Additions	59.5	0.5	60.0
Non-cash additions for ARO	3.6	-	3.6
Transfer from intangible assets	22.8	-	22.8
Other	(1.2)	-	(1.2)
At 31 December 2017 and 1 January 2018	2,683.9	9.4	2,693.3
Additions	<b>70.4</b>	<b>0.2</b>	<b>70.6</b>
Non-cash additions for ARO/IFRS2	<b>2.9</b>	<b>-</b>	<b>2.9</b>
At 31 December 2018	<b>2,757.2</b>	<b>9.6</b>	<b>2,766.8</b>
<b>Accumulated depreciation and impairment</b>			
At 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 and 1 January 2018	(2,119.7)	(8.6)	(2,128.3)
Depreciation charge for the period	<b>(72.4)</b>	<b>(0.3)</b>	<b>(72.7)</b>
Impairment	-	-	-
At 31 December 2018	<b>(2,192.1)</b>	<b>(8.9)</b>	<b>(2,201.0)</b>
<b>Net book value</b>			
At 31 December 2017	564.2	0.8	565.0
<b>At 31 December 2018</b>	<b>565.1</b>	<b>0.7</b>	<b>565.8</b>

Development assets are the Company's investments in the Tawke PSC (book value: \$478.2 million, 2017: \$477.8 million) and the Taq Taq PSC (book value: \$86.9 million, 2017: \$86.4 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 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**

	Taq Taq CGU \$m	Tawke CGU \$m
Long term Brent +/- \$5/bbl	+/- 3	+/- 26
Discount rate +/- 2.5%	+/- 5	+/- 58
Production and reserves +/- 10%	+/- 10	+/- 76

**FINANCIAL STATEMENTS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

**10. TRADE AND OTHER RECEIVABLES**

	2018 \$m	2017 \$m
Trade receivables	94.8	73.3
Other receivables and prepayments	4.6	5.2
	<b>99.4</b>	<b>78.5</b>

Trade receivables are amounts owed for the revenue from contracts with customers. The Company reports trade receivables net of any capacity building payments (2018: \$1.9 million 2017: \$1.5 million).

**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 three 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.

Period ended 31 December 2018	Not due	Total \$m
<b>Trade receivables at 31 December 2018</b>	<b>94.8</b>	<b>94.8</b>
<hr/>		
Period ended 31 December 2017	Not due \$m	Total \$m
Trade receivables at 31 December 2017	73.3	73.3

**Movement on trade receivables in the period**

	2018 \$m	2017 \$m
Carrying value at 1 January	73.3	253.5
Revenue from contracts with customers	350.3	224.4
Net proceeds	(328.8)	(262.7)
Discount unwind	-	2.7
Net gain arising from the RSA	-	293.8
Write-off of overdue KRG receivable in exchange for intangible assets	-	(425.1)
Other	-	(13.3)
<b>Carrying value at 31 December</b>	<b>94.8</b>	<b>73.3</b>

**11. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

	2018 \$m	2017 \$m
Cash and cash equivalents	334.3	162.0
Restricted cash	10.0	18.5
	<b>344.3</b>	<b>180.5</b>

Cash is primarily held on time deposit with major financial institutions or in US Treasury. Restricted cash of \$10.0 million relates principally to exploration activities in Morocco.

**12. TRADE AND OTHER PAYABLES**

	2018 \$m	2017 \$m
Trade payables	10.7	7.5
Other payables	7.8	17.2
Accruals	37.4	39.9
Contingent consideration	73.5	65.5
	<b>129.4</b>	130.1
Non-current	76.8	70.7
Current	52.6	59.4
	<b>129.4</b>	130.1

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 \$68.5 million (2017: \$60.5 million) recognised at its discounted fair value using the effective interest rate, which has been added to the book value of the Bina Bawi intangible asset. 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.

Refer to note 10 for the details of the offset of the capacity building payments with trade receivables.

**13. DEFERRED INCOME**

	2018 \$m	2017 \$m
Non-current	31.9	36.1
Current	5.0	4.8
	<b>36.9</b>	40.9

**14. PROVISIONS**

	2018 \$m	2017 \$m
Balance at 1 January	29.3	23.0
Interest unwind	1.2	0.9
Additions	2.5	6.1
Reversal	(0.1)	(0.7)
<b>Balance at 31 December</b>	<b>32.9</b>	29.3

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 2031 and 2038.



## FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

#### 15. BORROWINGS AND NET DEBT / (NET CASH)

	1 Jan 2018 \$m	Discount unwind \$m	Net other changes in cash \$m	31 Dec 2018 \$m
2022 Bond 10.0%	296.8	0.5	-	297.3
Cash	(162.0)	-	(172.3)	(334.3)
<b>Net debt / (Net cash)</b>	<b>134.8</b>	<b>0.5</b>	<b>(172.3)</b>	<b>(37.0)</b>

The fair value of the bonds is \$308.3million (2017:\$293.6 million).

	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)
<b>Net debt / (Net cash)</b>	<b>241.2</b>	<b>22.9</b>	<b>(32.6)</b>	<b>3.5</b>	<b>(100.2)</b>	<b>134.8</b>

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 IFRS 9 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.

#### 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:

	2018 \$m	2017 \$m
Trade and other receivables	97.0	76.8
Cash and cash equivalents	334.3	162.0
	<b>431.3</b>	<b>238.8</b>

Credit risk for trade receivables is explained in note 1 and relates to there being a single customer. There are no receivables overdue at the period end and no allowance is made under the expected credit loss model as explained at note 1. 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 2018, the Company had cash and cash equivalents of \$334.3 million (2017: \$162.0 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 c.\$24 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 \$297.3 million (2017: \$296.8 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 \$334.3 million (2017: \$162.0 million).

### 17. SHARE CAPITAL

	Total ordinary shares
At 1 January 2017 - fully paid <sup>1</sup>	280,248,198
At 31 December 2017, 1 January 2018 and 31 December 2018 - fully paid <sup>1</sup>	<b>280,248,198</b>

1. Ordinary shares includes 1,005,839 (2017: 1,234,474) treasury 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, a 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 vested 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 determines 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 tenth 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.

## FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

#### 18. SHARE BASED PAYMENTS continued

In 2018, 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 2018 are set out below.

	PSP options (nil cost)	RSP options (nil cost)	Share option plan	SOP weighted avg. exercise price	CEO award (nil cost)
Outstanding at the beginning of the year	8,174,364	2,171,696	140,452	808p	187,500
Granted during the year	2,693,000	137,168	-	-	-
Forfeited during the year	(565,010)	-	-	-	-
Lapsed during the year	(153,803)	(113,328)	(8,118)	897p	-
Exercised during the year	-	(684,238)	-	-	(187,500)
<b>Outstanding at the end of the year</b>	<b>10,148,551</b>	<b>1,511,298</b>	<b>132,334</b>	<b>803p</b>	<b>-</b>

The range of exercise prices for share options outstanding at the end of the period is 621.15p to 1,046.00p. The weighted average remaining contractual life of the outstanding share options is two years.

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 2018 and fair values per share using the model were as follows:

	RSP 11/4/18	RSP 19/10/18	PSP 11/4/18	PSP 19/10/18
Share price at grant date	179p	227p	179p	227p
Exercise price	-	-	-	-
Fair value on measurement date	179p	227p	138p	133p
Expected life (years)	1-3	1-3	3-6	3-6
Expected dividends	-	-	-	-
Share price at balance sheet date	177p	177p	177p	177p
Change in share price between grant date and 31 December 2018	(1%)	(22%)	(1%)	(22%)

The weighted average fair value for PSP awards granted in the period is 137p and for RSP awards granted in the period is 180p.

Total share-based payment charge for the year was \$6.3 million (2017: \$5.4 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 office facilities under operating leases. During the period ended 31 December 2018 \$1.4 million (2017: \$1.2 million) was expensed to the statement of comprehensive income in respect of these operating leases.

Drill rig contracts are service contracts where contractors provide the rig together with the services and the contracted personnel on a day-rate basis for the purpose of drilling exploration or development wells. The Company has no right of use of the rigs itself. 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:

	2018 \$m	2017 \$m
Board remuneration	0.7	0.8
Key management emoluments and short-term benefits	6.0	6.5
Share-related awards	1.4	0.6
	8.1	7.9

There are no other significant related party transactions.

## 21. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Company has reached agreement to acquire 30% equity of the Sarta PSC and 40% equity of the Qara Dagħ PSC, both of which are located in the KRI and are exploration and appraisal assets.

## 22. SUBSIDIARIES AND JOINT ARRANGEMENTS

The Company has two joint arrangements in relation to its producing assets Taq Taq and Tawke. The Company holds 44% working interest in Taq Taq PSC and owns 55% of Taq Taq Operating Company Limited. The Company holds 25% working interest in Tawke PSC which is operated by DNO ASA.

For the period ended 31 December 2018 the principal subsidiaries of the Company were the following:

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

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 Twon, 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 Uglund House, Grand Cayman, KY1-1104, Cayman Islands

7. Registered office is Next Level Is Merkezi, Eskisehir Yolu, Dumlupinar Bulvarı, No:3A-101, Sögütözü, 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 PO Box 146, Road Town, Tortola, BVI

11. Registered office is Fifth floor, 36 Broadway, London SW1H 0BH

**FINANCIAL STATEMENTS****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED****23. ANNUAL REPORT**

Copies of the 2018 annual report will be despatched to shareholders in April 2019 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](http://www.genelenergy.com).

## REPORT ON PAYMENTS TO GOVERNMENTS FOR THE YEAR 2018

### 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 2018 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 Reports 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, prospecting, 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](http://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'). All other payments have been made to the national government of the relevant country where the licence is based.

### 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 - 2018

Country/Licence	KRI Total <sup>1</sup>	Taq Taq <sup>2</sup>	Somaliland	SL 10B/13	Odeweyne
Production entitlement (bbls)	2,598,593.83	2,598,593.83	-	-	-
Royalties in kind (bbls)	451,116.66	451,116.66	-	-	-
<b>Total (bbls)</b>	<b>3,049,710.49</b>	<b>3,049,710.49</b>	-	-	-
Value of production entitlements (\$million)	169.90	169.90	-	-	-
Value of royalties (\$million)	29.32	29.32	-	-	-
Capacity building payments (\$million) <sup>3</sup>	6.29	6.29	-	-	-
Licence fee (\$million)	-	-	0.13	0.05	0.08
<b>Total (\$million)</b>	<b>205.51</b>	<b>205.51</b>	<b>0.13</b>	<b>0.05</b>	<b>0.08</b>

- 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
- 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)
- Capacity building payments reported are payments made by Genel directly to the KRI in cash as required by the PSC



## OTHER INFORMATION

### GLOSSARY OF TECHNICAL TERMS

'AGM'	annual general meeting
'CGU'	Cash Generating Unit
'CPF'	Central Processing Facility
'CP'	Conditions Precedent
'CPR'	competent person's report
'Companies Act 2006'	Companies Act 2006, as amended
'Company'	Genel Energy plc
'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
'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
'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
'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
<b>Certain resources and reserves terms</b>	
'1P'	proved reserves
'2P'	proved plus probable reserves
'3P'	proved plus probable plus possible reserves
'2C'	contingent resources
<b>Units of measurement</b>	
'bbi'	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
'MMbbbls'	millions of barrels
'MMboe'	million barrels of oil equivalent
'tcf'	trillion cubic feet
'tCO <sub>2</sub> e'	tonnes of CO <sub>2</sub> 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](http://www.sharegift.org) or by calling +44 (0) 20 7930 3737.

### AGM

This year's AGM will be held at the Taj Hotel, St. James' Court, 54 Buckingham Gate, London SW1E 6AF, UK on Thursday, 16 May 2019 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 2018.

### 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 2893 lines are open Monday - Friday excluding UK Bank Holidays, 8.30am - 5.30pm (from outside the UK: +44 121 415 7593).

### Share price information

The current price of the Company's shares is available on the Company's website at [www.genelenergy.com](http://www.genelenergy.com).

### Contacts and Auditors

#### Registrar

Equiniti (Jersey) Limited  
c/o Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

#### Independent Auditors

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

#### Registered Office

12 Castle Street  
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Jersey  
JE2 3RT

#### London Office

Fifth Floor  
36 Broadway  
Victoria  
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#### Ankara Office

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Eskişehir Yolu  
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Ankara, Turkey

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