



# A business fit for a low oil price environment

ANNUAL REPORT 2019

A socially responsible contributor  
to the global energy mix

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## WHO WE ARE

Genel Energy is a socially responsible oil producer with an asset portfolio that positions us well for a future of fewer and better natural resources projects.

Our producing assets are low-cost and low-carbon, providing financial resilience that allows investment in growth and the payment of a material and sustainable dividend, even at a low oil price.

## OUR STRATEGIC AMBITION

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



## HIGHLIGHTS

### NET PRODUCTION

36,000 bopd



### LOST TIME INCIDENTS

0



### ANNUAL FREE CASH FLOW YIELD<sup>2</sup>

c.15%

### 2P OIL RESERVES

124 MMbbls

### PRODUCTION COST IN 2019<sup>3</sup>

\$2.9/bbl

### NET CASH<sup>1</sup>

\$93 million



### DIVIDENDS ANNOUNCED

\$41 million



### 2020 DIVIDEND YIELD

over 20%

### 2C OIL RESOURCES

152 MMbbls

### ASSET LEVEL BREAKEVEN BRENT OIL PRICE<sup>4</sup>

\$30/bbl

<sup>1</sup> Refer to financial review page 21

<sup>2</sup> Estimated annual free cash flow yield is annual FCF divided by Company share price for the same period

<sup>3</sup> Production cost is production cost reported in the income statement divided by working interest production

<sup>4</sup> Asset level breakeven is the oil price for 2019 at which the Company's operational activity and spend, excluding corporate costs, would breakeven

# A strong portfolio with an attractive mix of assets

**DAVID MCMANUS**  
CHAIRMAN



I have no doubt about the ambition and growth potential of Genel Energy.



I am pleased to welcome you to Genel Energy's ninth annual report, and my first as Chairman.

The recent oil price fall, and the as yet unquantifiable impact of the COVID-19 virus, provide significant headwinds, but I am confident that we have the right mix of low-cost assets, flexible expenditure, and financial strength to help us navigate challenges and thrive as the environment improves.

Viewed externally, it was clear to me that Genel has a strong portfolio with an attractive mix of assets at complementary stages of their life cycle. High-margin producing fields provide the capital to rapidly develop assets with material potential, which in turn will generate more cash to be quickly recycled into the next phase of growth. It is a rare opportunity to join a company with such a balanced and advantageous portfolio that is able to generate cashflow that creates its own suite of opportunities. It is a testament to my predecessor, Stephen Whyte, that the business is in such good shape, and I would like to thank him on behalf of the Company for his hard work in helping transform Genel's prospects.

Having now had the chance to get to know the people at Genel, I have been impressed by the first-class management team, and I have no doubt about the ambition and the growth potential of the business. The quality of assets and people provide a compelling mix, we are a full cycle oil and gas company with expertise across the value chain above and beyond what you would typically see at a similar sized business, and I look forward to working with management as the Board seeks to oversee a period of significant growth, and the creation of material value for shareholders.

### Clear strategy

Our focus is firmly on ensuring our ongoing resilience, enhancing cash flows, and creating optionality. Growing high-margin production, investing in growth, and returning cash to shareholders through a material and progressive dividend is a simple and appealing strategy, with the goal of creating long-term shareholder value.

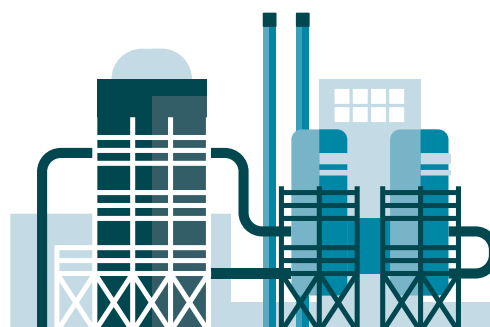
Genel delivered on this strategy in 2019, with almost \$100 million of free cash flow generated, even while boosting investment in new growth assets. The Company paid its first dividend in the year, and we hope to grow the total distribution in 2020. We continue to focus on delivery, and Sarta is set to enter production in the coming months, further diversifying our producing asset base. Investment in growth assets is set to continue. Qara Dagh offers exciting potential, and we look forward to drilling the QD-2 well as soon as the situation with COVID-19 improves.

With success and a positive operating environment, our organic portfolio has the potential to double our oil production in the coming years, and we also continue to seek cash-generative growth through acquisitions. Given the potential in our existing portfolio though, we are not compelled to make acquisitions, and will only do so should we find an opportunity that fulfils our strict criteria.

### Overseeing growth

Genel has a strong and experienced Board, with a deep understanding of the oil and gas business, and a highly detailed working knowledge of the Kurdistan Region of Iraq and surrounding areas that allows us the best possible opportunity to understand and mitigate risk.

As you would expect, managing risk is a key focus for the Board. The first priority is of course the safety of our employees and contractors, and we will continue to support management as we strive to continue our excellent performance in this area. As well as safety, employee wellbeing is also important, as a content workforce is a motivated one. The recent introduction of the Genel values emphasises the importance we place not just on the work that we do, but on the way that we do it.



A key issue that natural resources companies must address relates to our role in a world facing the threat posed by a changing climate. Reducing emissions across the industry through the reduction of flaring and increased efficiency is a must, while still providing the power to fuel rising living standards. Genel has an important role to play in the forthcoming energy transition and as well as being the right thing to do, positioning Genel appropriately will boost our attractiveness to potential employees and shareholders, and is something that the Board will increasingly focus on going forward.

### Sustainability

As someone who has spent several decades working in the energy industry, it is obvious to me that we are in a period of significant and necessary change, and Genel can and should be at the forefront of that process. When I joined the oil and gas business forty years ago it was an exciting world technically, commercially, and politically. The industry has always been a leader of technological innovation, and the energy that it provides through the production of oil and gas remains vital in order to reduce energy poverty and drive global development - not least by increasing the living standards of people in the developing world.

Given the forward-thinking nature of people in the business, and its history of rapid evolution and innovation with the highest regard to HSE standards, the industry is well placed to evolve and support the delivery of the world's power needs during the energy transition. Sustainability is certainly at the forefront of the minds of the management of Genel, and ESG metrics are now incorporated into the remuneration evaluations of senior management for 2020. We recognise our need to provide the world with high-margin, low-carbon barrels that fit into a world of fewer and more efficient natural resources projects, as we continue to build on our aim of creating shareholder value over the long-term as a socially responsible contributor to the global energy mix.

 [READ MORE P10](#)

## GENEL AT A GLANCE

### WHO WE ARE

Genel is an independent oil and gas exploration and production company, and one of the largest London-listed independent oil producers

### WHAT WE DO

Genel is a socially responsible energy company, with cash-generative oil production that funds growth and the payment of a material dividend

### OUR VALUES



Integrity



Respect



Accountability



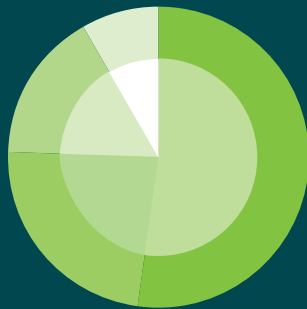
Collaboration



Ingenuity

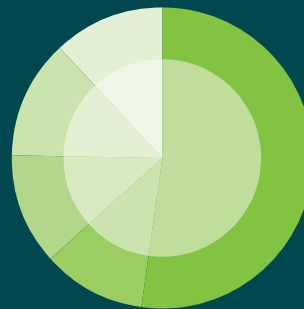
### AT A GLANCE

#### NET 2P OIL RESERVES (MMbbls)



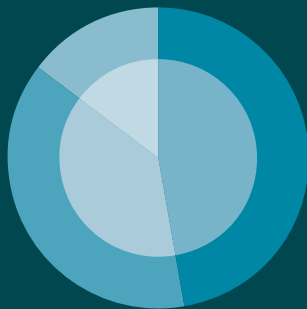
TAWKE	65
PESHKABIR	29
TAQ TAQ	20
SARTA	10
<b>TOTAL</b>	<b>124</b>

#### NET 2C OIL RESOURCES (MMbbls)



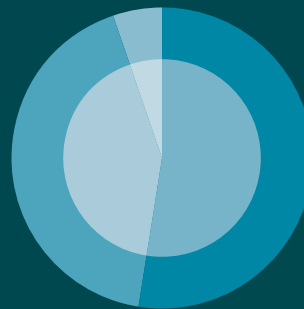
SARTA	79
BINA BAWI	17
TAWKE	18
QARA DAGH	19
MIRAN	18
<b>TOTAL</b>	<b>151</b>

#### WORKING INTEREST PRODUCTION (bopd)



TAWKE	17,190
PESHKABIR	13,800
TAQ TAQ	5,260
<b>TOTAL</b>	<b>36,250</b>

#### ASSET LEVEL SURPLUS 2019<sup>1</sup> (\$ MILLION)

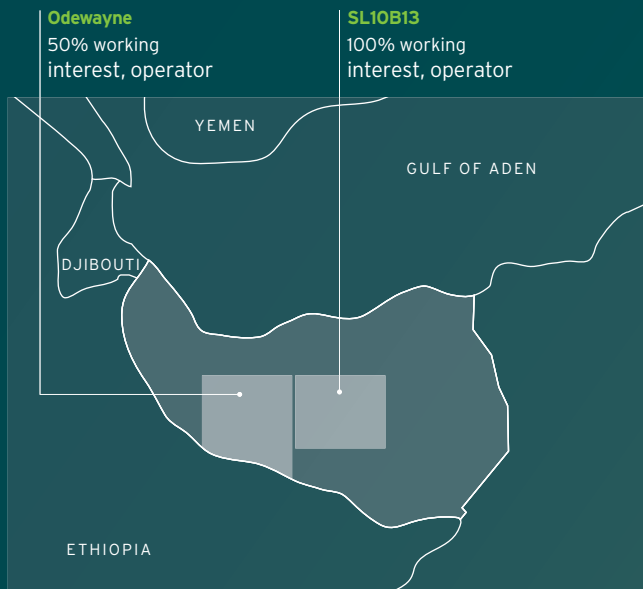


TAWKE	115
PESHKABIR	92
TAQ TAQ	11
<b>TOTAL</b>	<b>218</b>

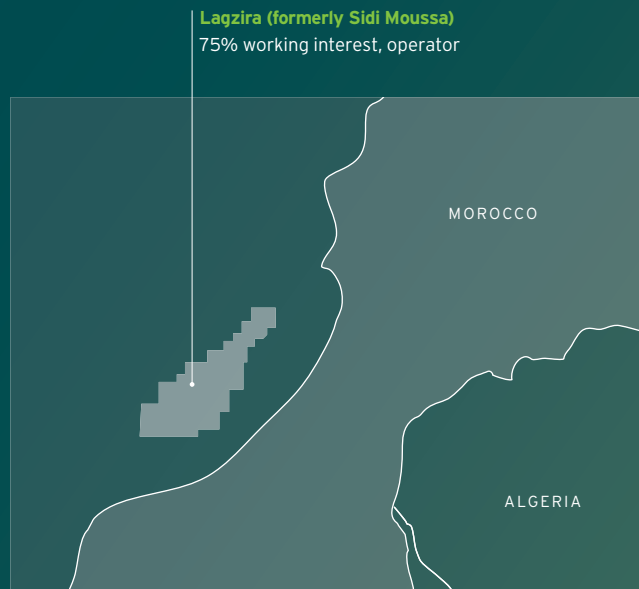
<sup>1</sup> Asset level surplus is revenue less production cost less capital expenditure on producing assets

## WHERE WE OPERATE

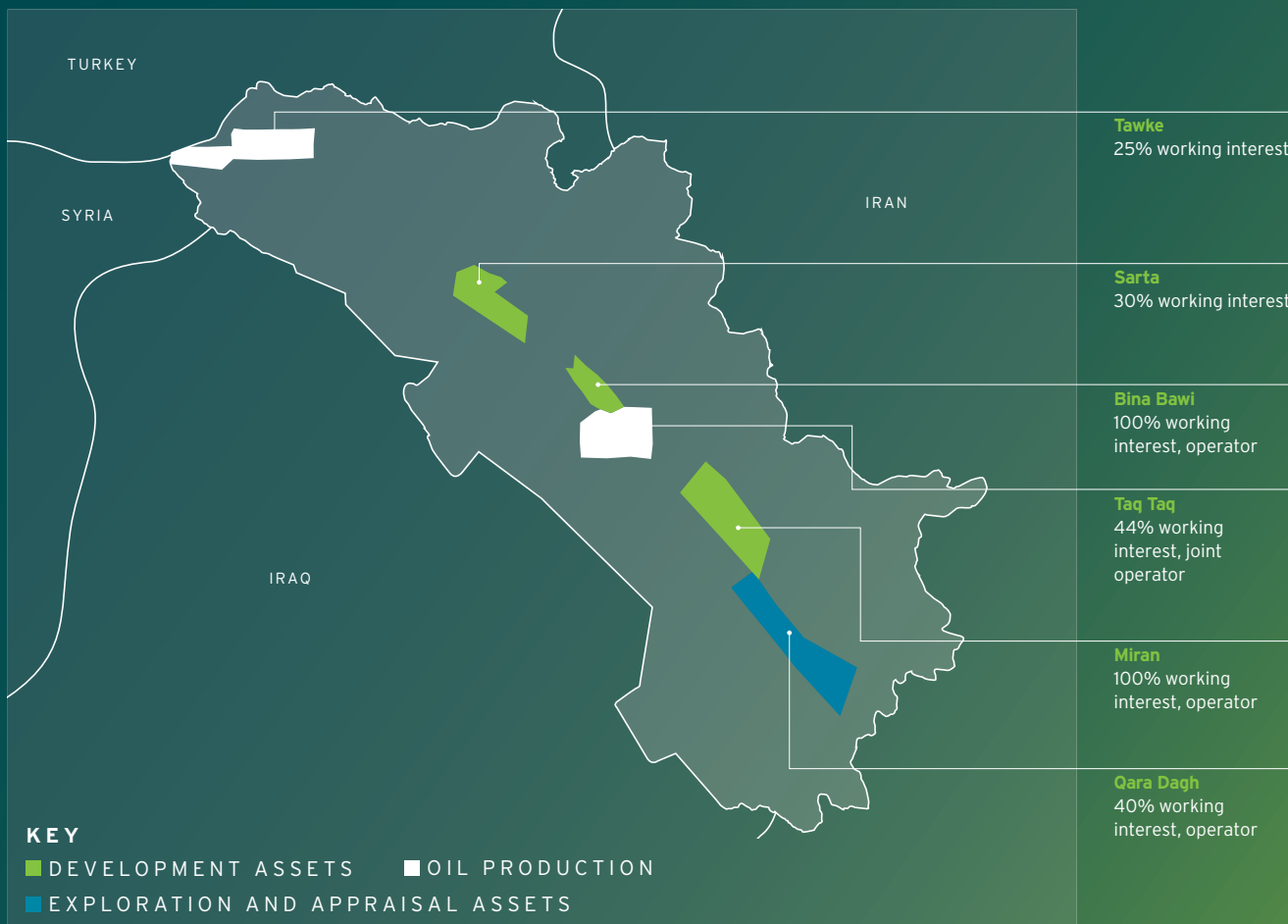
### SOMALILAND



### MOROCCO



### KURDISTAN REGION OF IRAQ





# Advantageously positioned in a low oil price environment

**BILL HIGGS**  
CHIEF EXECUTIVE  
OFFICER



Genel is a low-cost business, with the right assets, in the right location, with the right footprint.





## Delivering on our strategy

Genel remains focused on delivery, in the firm belief that ongoing delivery of our strategy will see the Company grow and prosper, and in turn provide a compelling offering to investors that will deliver significant shareholder value. External factors are currently providing a very challenging backdrop, but we have a strategy fit for this environment, as we have long been focused on reducing costs, retaining a strong balance sheet, and maximising our flexibility to use this balance sheet in whichever ways can create most shareholder value.

In 2019 we delivered on our promises. Production of 36,250 bopd represents a year-on-year increase of 8%, and once again was in line with our guidance. This production, coupled with our focus on cost and cash generation, delivered just under \$100 million of free cash flow, even after a notable increase in investment that sets us up to deliver further growth going forward. The level of our cash generation also allowed us to initiate a material and sustainable dividend, a dividend that our resilience allows us to maintain at the same level at the prevailing oil price. Given the external conditions, we have deferred an increase in the dividend until our interim distribution, pending an improvement in the external environment.

As well as this organic success, in Sarta and Qara Dagh we added high-quality assets with near-term cash flow. We are already the only multi-licence producer in the Kurdistan Region of Iraq, and production at Sarta will further diversify our producing base when it comes onstream this summer. Sarta has the potential to be one of the biggest fields in the KRI and is at exactly the stage in the asset life cycle that complements our existing portfolio.

We now have a portfolio with mature and low-cost production, a field set to start producing that benefits from a large pool of past costs, and appraisal of another high-impact opportunity at Qara Dagh. Progress on Bina Bawi has been frustrating, as despite positive progress in discussions leading to an understanding on commercial terms being reached last year, we have not yet received drafts of the legal agreements that will allow us to progress the development of this asset.

Genel has geared up for the increased activity ahead, adding strength in depth to our team in 2019. This has boosted internal capabilities in order to have the workforce in place to continue to deliver operational excellence, and this readiness to work to the very highest international standards positions us well to grow as the only multi-licence producing operator in the KRI.

## A business fit for a low oil price environment

Genel's portfolio is advantageously positioned in a low oil price environment. Our cost of producing a barrel of oil in 2020 is expected to be around \$3, which is amongst the lowest in the world. We have a net cash position of almost \$100 million and flexibility on capital expenditure, allowing us to spend appropriately to the external environment and balance the maximisation of our cash flows with investment in growth. Of course, this investment in the KRI can only continue with confidence in regular payments, which the KRG understands. Should payments continue, despite the low oil price, given our cost base and financial firepower, there are opportunities out there that Genel is well positioned to capitalise on.

As Genel grows, we will not lose sight of our focus on acting in the right way as a responsible natural resources company that is committed to ensuring that our actions have a wider benefit. We recently formalised the Genel values, and it is my firm belief that acting according to our values will create a virtuous circle, seeing us deliver our strategy and in turn value for our stakeholders.



Workers at Taq Taq

## HIGHLIGHTS

ASSET LEVEL BREAK-EVEN OIL PRICE

\$30/bbl

OPERATING COSTS

\$3/bbl

CASH AT END 2019

\$391million

## A business fit for the future

An approach combining thorough risk assessment and management, best in class operational execution and a hard-wired awareness of our ESG responsibilities, is of paramount importance at a time when the world is facing unprecedented challenges in balancing the provision of energy where it is needed with a changing climate. As we transition to a future of fewer and more efficient natural resources projects there will be winners and losers in the energy sector. This provides an exciting opportunity to position Genel as a winner in meeting the challenges that mankind faces in relation to energy.

Natural resources companies that have a role to play during the energy transition, those that will be seen as the winners, are the ones that can provide low-cost, low-carbon energy, in the right locations - jurisdictions where the economic development of their resources provides a clear and compelling benefit to the communities in which the resources are found and produced. Some regions also need the economic boost from power generation in order to fund basic development, and need the power itself to keep the lights on in hospitals and schools. People need energy, and we are proud to provide it in a socially responsible way.





“  
Genel has a low-cost and highly cash-generative oil business, with the potential for material organic growth.”

The onshore nature of our operations helps reduce our carbon footprint, something that we are focused on at each field we participate in. Following the completion of the enhanced oil recovery project at the Tawke licence in the first half of this year, for which currently flared gas at Peshkibir will instead be reinjected to increase long-term recovery rates at Tawke, CO<sub>2</sub> equivalent emissions from our producing assets will fall to c.7 kilograms per barrel. While this figure will increase as Sarta enters production, plans are already in place to mitigate and eventually eliminate the routine flaring that will initially occur at this field as production expands in the coming years.

We are also proud of the significant social impact that our operations have had and continue to have in the KRI and the prosperity that has been created through direct employment and the building of a wide-reaching supply chain. Extensive social projects throughout the years, from the building of infrastructure, libraries, and schools, to ongoing community work, including the successful engagement of our local communities in our recycling programme, has also had a direct impact and will be continued going forward.

### Material organic growth potential

Genel has a low-cost and highly cash-generative oil business, with the potential for material organic growth. The engine room of our cash generation in 2020 remains our oil production, which generates asset level free cash flow even at an oil price of \$30/bbl. The bulk of our investment this year is expected to again be on our producing assets, as the speed of returns is compelling, and allows us to rapidly recycle capital into our growth opportunities.

Sarta is the first cab off the rank in terms of new cash-generative production, and the addition of production from the field is expected in the summer of 2020. Our near-term focus is on delivering this production, but it is hard not to get excited by the opportunity of converting over 250 MMbbls of the gross 2C resources into reserves as we progress work on the field and meet the contingent milestones. Given the production potential of the field, our oil business has the possibility of doubling production in coming years.

Prior to the impact of COVID-19 being felt in the KRI, the drilling of the Qara Dagh-2 well was on track to begin in Q2, and was set to appraise the licence c.10 km north of the QD-1 well. This well, drilled by a previous operator, flowed light oil despite being drilled in a sub-optimal way, and without the benefit of the sub-surface work that has subsequently been done by Chevron and ourselves. We look forward to drilling this well as soon as practicable, as a positive well result that demonstrates commercial flow rates would provide another growth vehicle for Genel, with production that could be expedited, and once again funded from operational cash flow should the oil price improve.

Such is the cash flow that our oil business is set to generate in the long-term, providing payments are regular and the oil price improves, should a commercial agreement on Bina Bawi be reached





←  
Work getting underway  
at Sarta



we would be able to fund the upstream development in full and work on developing the gas project while still retaining surplus cash to grow our dividend. Genel has sought to progress to such an agreement in good faith and as quickly as possible. Genel continues to wait to receive the promised draft legal agreements reflecting the commercial understanding reached last year, which appear to be delayed due to ongoing transition in the Ministry of Natural Resources ('MNR').

### Outlook and catalysts

Our focus in 2020 is again on delivery, and providing catalysts for the creation of shareholder value. We will continue to mitigate the headwinds that we are facing, investing flexibly in the business in line with the external environment, bringing Sarta to production on time, and hopefully having the opportunity to spud Qara Dagh-2.

Given the breadth of opportunities available within the organic portfolio we do not need to add assets through acquisition, but we would like to if the right opportunities of sufficient standard arise - and this oil price may offer opportunities for a company in our robust financial position. Genel is aiming to add assets that boost our cash generation and opportunity set, bringing in further catalysts for the creation of shareholder value as we look to build a bigger and better company, fit for the future and a compelling investment proposition.

Genel is well set to navigate a low oil price environment, and ready to thrive as this environment improves. We are a low-cost business with the right assets, in the right area, with the right footprint to be a natural winner as headwinds recede, positioned to benefit all stakeholders, and our shareholders specifically.

## Making a positive contribution

It is important to everyone working at Genel that we are measured not just by what we achieve but also by the way in which we achieve it. Our purpose is to be a socially responsible contributor to the global energy mix.

As such we have recently formalised a clear set of values - values that capture the spirit of the Company. It is by demonstrating and living by these values that each employee plays a part in making Genel the company we want it to be.

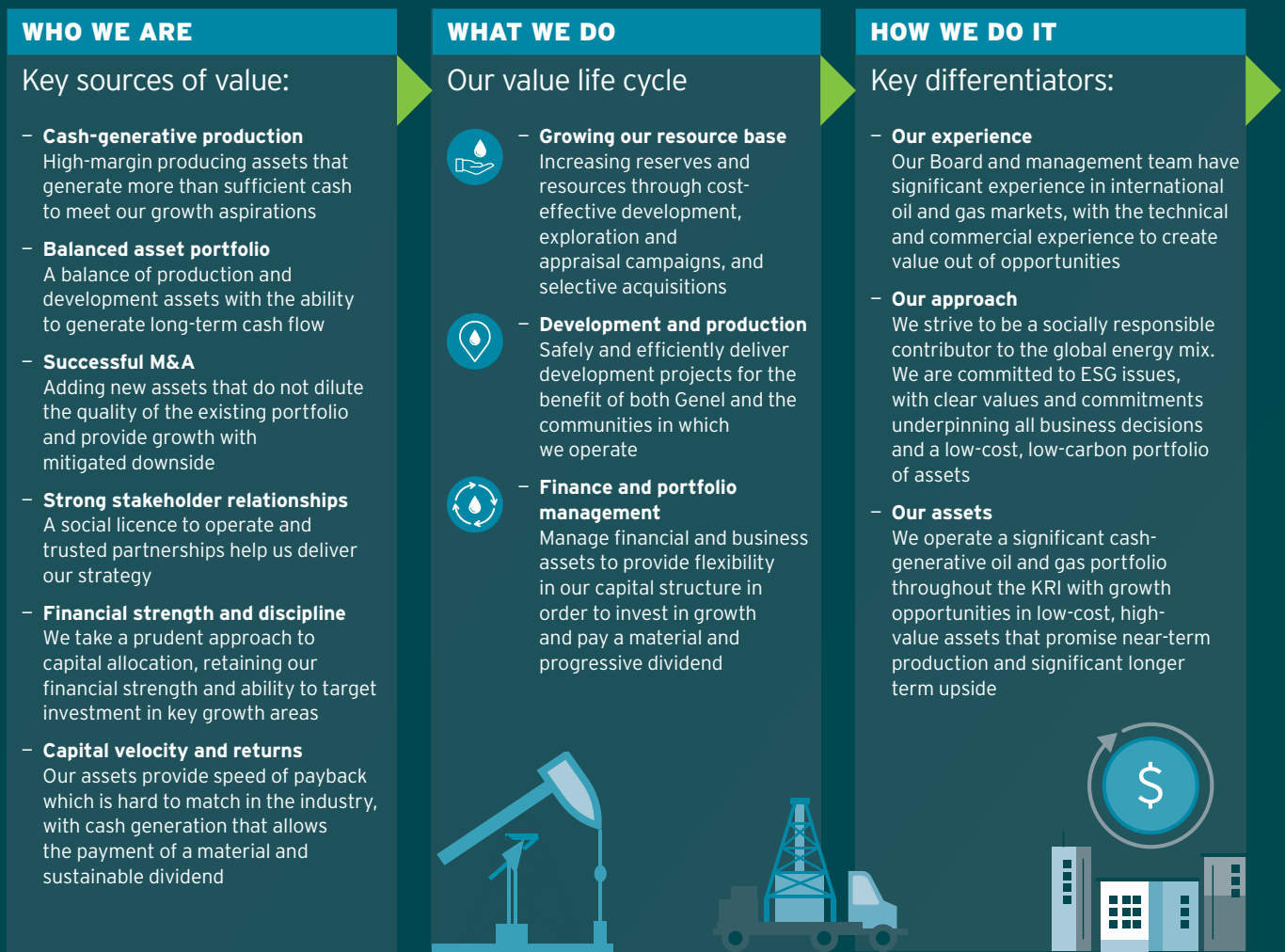
As we adhere to these values, it is our belief that the strategic goals of the business will be delivered.

 [READ MORE ON VALUES P29](#)





# We create value for our shareholders and wider society



## Underpinned by

Our goal of creating shareholder value is underpinned by a commitment to operating in a way that minimises possible downside and maximises wider benefits

### Risk management

Genel brings the same rigour to organisational risk management processes as we do to health, safety and the environment

[READ MORE P22](#)

### Strong corporate governance practices

Robust corporate governance is proven to provide benefits to a business and value to shareholders, and Genel has a strong Board overseeing all key business aspects

[READ MORE P40](#)

We create value by finding and monetising hydrocarbons, and generating cash flow. We strive to have the right people doing the right things. Our values – Integrity, Respect, Accountability, Collaboration and Ingenuity – are inherently linked to our business model and strategic success. If we deliver our values, we will deliver our ambition: To become a world-class independent E&P creator of shareholder value.



### ENABLING US TO ACHIEVE OUR STRATEGY

Genel has a clear strategy to become a world-class independent E&P creator of shareholder value.

The key components of our strategy are:

- **Generate cash**  
Growing cash-generative production through rapid development and disciplined use of capital
- **Investing in growth**  
Recycling capital into an expanding asset portfolio with the potential to deliver significant and sustained cash flow growth
- **Return excess cash to shareholders**  
Generating sufficient cash throughout the investment cycle to fund a material and progressive dividend



### THE VALUE WE CREATE

Direct and indirect impacts:

- **Dividend and share value**  
Through careful management of all inputs we create profits which benefit shareholders through substantial and progressive dividend payments

£41m

dividends announced in 2019

- **Value for wider stakeholders (employees, suppliers and contractors, customers, the public)**  
Our business activities generate income for employers and revenue for suppliers

241

local people employed by TTOPCO

- **Contribution to local economy**  
We are a key contributor to the Kurdistan Region of Iraq

17

local companies supporting operations at Taq Taq

- **Direct community development programmes**  
Genel aims to ensure that activities directly benefit the local communities in which we operate

437

local people received support from our medical team

### Socially responsible business practices (ESG)

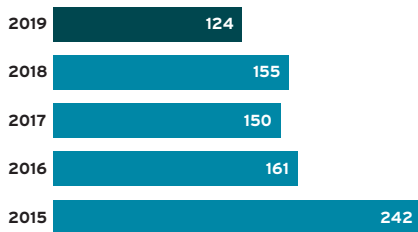
Acting with integrity and respect to support and sustain the communities in which we operate has always been central to Genel's success. Key values guide our actions and we are committed to having the people, delivering the right actions, in the right way

[READ MORE P28](#)

# Measuring our progress

## NET 2P RESERVES

124 MMbbls



### Definition

2P reserves are proved plus probable reserves.

### Performance

The majority of the decline in 2P reserves relates to the Tawke field. The decline in reserves does not impact short-term production expectations, with the majority of the decline being later field life barrels.

### 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

6.0 BNboe



### Definition

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

### Performance

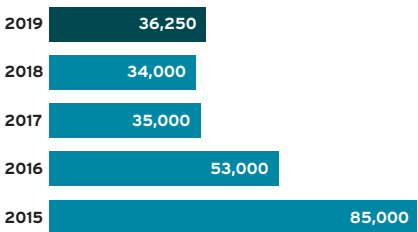
Net reserves and resources grew by 0.2 BNboe in 2019, boosted by the increased stake in our Somaliland acreage.

### 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

36,250 bopd



### Definition

Production is measured in barrels of oil produced per day.

### Performance

2019 net production averaged 36,250 bopd, an increase of 8% on the prior year. This was driven by growth at Peshkabir, where production doubled year-on-year and more than offset declines at the Tawke field. Production at Taq Taq was down slightly on the prior year, although the success of the TT-34 well added to production and meant that the field exited 2019 with production of c.13,750 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.



**FREE CASH FLOW**

\$99 million



**Definition**

Cash flow from generated from operating activities, minus capital expenditure.

**Performance**

In line with Genel's strategy, the Company generated sufficient free cash flow from its highly cash-generative producing assets to invest in growth assets and pay a material dividend. Free cash flow of \$99 million, pre-dividend payment of \$27 million, was achieved even as capital expenditure increased to \$158 million in 2019, up \$63 million on the previous year, and despite the non-receipt of \$54 million in payments from the KRG relating to export sales in August and September 2019.

**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**

0 Frequency



**Definition**

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

**Performance**

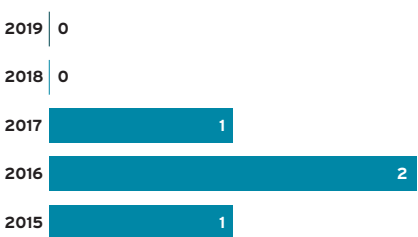
There were no lost time incidents in 2019, and it is now over four years and more than 11 million man hours worked since the last incident. Work continues across our assets to ensure that processes and procedures remain of the highest possible standard. In 2019 there were 66 HSE management site visits conducted, 105 emergency response drills took place, and 320 safety observations were submitted, illustrating the focus on safety from the top down.

**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 Frequency



**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 2019, repeating the performance of 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.

# The only multi-licence producer in the Kurdistan Region of Iraq

**PAUL WEIR**  
CHIEF OPERATING  
OFFICER



Increasingly  
diverse,  
low-cost  
production.



## Reserves and resources development

Genel's proven (1P) and proven plus probable (2P) net working interest reserves totalled 69 MMbbls (31 December 2018: 99 MMbbls) and 124 MMbbls (31 December 2018: 155 MMbbls) respectively at the end of 2019.

The majority of this decline related to the Tawke field. The decline in reserves does not impact short-term production expectations, with the majority of the decline being later field life barrels.

Net contingent resources (2C) have more than doubled to 152 MMbbls, following an external audit conducted by ERCE that estimated a mid-case total recoverable oil resource at Sarta of 593 MMbbls, of which 264 MMbbls is classified as 2C resource.

## Production

Working interest production in 2019 was 36,250 bopd (2018: 33,690 bopd), in line with guidance and an increase of 8% on the prior year. This increase was driven by the performance of Peshkabir, where gross production doubled to 55,190 bopd. In total, 19 new wells added to production in 2019, with drilling split across the Tawke, Peshkabir and Taq Taq fields.

These new wells have continued to diversify our producing well stock, and our production now comes from over 80 wells at three fields. The portfolio will be yet more diverse and reliable for production and cash flow with the addition of production at Sarta later this year. While average production in 2020 to date is 34,400 bopd, in line with guidance, the delayed expenditure at Tawke means that 2020 net production guidance of close to Q4 2019 levels of 35,410 bopd is expected to be impacted. The reduced producing asset work programme, which could potentially save up to \$50 million, will result in increasing cash flow generation in 2020 at the prevailing oil price, although lower exit rate production will impact 2021.

## Producing assets

### Tawke PSC (25% working interest)

Gross production on the Tawke PSC, operated by DNO, averaged 123,940 bopd, of which Peshkabir contributed 55,190 bopd.

Peshkabir's impressive performance was driven by the successful addition of production from all four wells completed in 2019. Ten wells are currently producing at the Peshkabir field. At the Tawke field, the existing well stock at the Tawke field produced in line with expectations. Further development drilling activity helped to offset natural field decline in the field, and 12 wells came onto production in 2019.

The Peshkabir-12 exploration well has been drilled and testing is ongoing, and a further four firm, and two contingent, producing wells had been scheduled for 2020. 13 firm and two contingent producers were planned to be drilled at the Tawke field in 2020, 10 in the Cretaceous and others in the Jeribe, as the Operator aimed to minimise decline rates. Given the fact that staff movements and rotations have been impacted by border closings, quarantines and other coronavirus travel restrictions, and the current delay in payments from the KRG, this investment has been scaled back. Of the four rigs at the Tawke site, one rig is set to be released following the completion of T-69, while two other rigs are set to complete the current wells at Peshkabir and Tawke and then remain on site, allowing for a prompt resumption of activity once the external environment allows. One rig will continue activity at Tawke, focused on workovers and well interventions. Given the performance of the underlying well stock in 2019, this deferred investment is expected to be cash flow positive in 2020, although the increased decline will impact 2021.

The operator expects the Peshkabir-to-Tawke gas gathering and reinjection project, designed to eliminate flaring at Peshkabir as much as practicable while increasing oil recovery rates at Tawke, to be completed in April 2020.

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

Production at Taq Taq was robust in the first half of 2019, averaging 13,150 bopd, as drilling on the flanks continued to be successful. The TT-32 deviated well completed in January on the northern flank of the field, followed by the TT-20z well on the western flank, and both added production of over 2,000 bopd. These wells then saw a decline in production and were choked back to control water production. Following the testing of water from the TT-33 well, on the southern flank, production reduced in the second half of the year, and the overall average for 2019 was 11,960.

The potential of the southern flank is under evaluation, and Genel has since refocused efforts on the northern flank of the field. The TT-19x well was successfully put on production in the second half of the year with a rate of 1,500 bopd, and has been on plateau for five months. The TT-34 horizontal well entered production in December at over 2,000 bopd, and field production has increased to average 12,300 bopd in 2020 to date. The latest well on the northern flank of the field, TT-35, spud on 6 January and drilling is ongoing. Further activity at Taq Taq is focused on maximising cash generation. Given the current oil price environment and capital efficiency of the asset, Taq Taq is not a current capital allocation priority, although this will be reassessed as external conditions improve.

	Remaining reserves (MMboe)				Resources (MMboe)					
	1P		2P		Contingent		2C		Prospective	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
31 December 2018	379	99	574	155	1,274	1,230	2,826	2,761	4,267	2,731
Production	(50)	(13)	(50)	(13)	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	250
Extensions and discoveries	-	-	-	-	-	-	-	-	-	-
New developments	-	-	-	-	-	-	-	-	-	-
Revision of previous estimates	(71)	(17)	(70)	(18)	19	(58)	(234)	(447)	105	555
31 December 2019	258	69	455	124	1,294	1,173	2,592	2,313	4,372	3,536



# The potential for material organic growth

**MIKE ADAMS**  
TECHNICAL DIRECTOR



Conversion of resources into reserves is a key objective.



## Pre-production assets

### Sarta (30% working interest)

Following completion of the farm-in in February 2019, the field partners have progressed the Phase 1A development towards first oil, which is on track for the summer of 2020.

Civil construction work at the Sarta field is continuing on schedule, and is now 60% complete, with flowlines laid and buried and the oil storage tanks nearing completion. Following recompletion of the Sarta-2 well and commissioning of the facility, Sarta-2 and Sarta-3 will be placed on production, both of which flowed c.7,500 bopd on test.

Phase 1A represents a low-cost pilot development of the Mus-Adaiyah reservoirs, designed to recover 2P gross reserves estimated by Genel at 34 MMbbls.

Genel estimates gross resources at Sarta to be c.500 MMbbls. This potential has now been validated through an external audit conducted by ERCE, who have estimated a mid-case total recoverable oil resource of 593 MMbbls, of which 264 MMbbls is classified as 2C resource. 86 MMbbls of this 2C resource is assigned to the Mus-Adaiyah reservoir, giving a 2P/2C sum for the Mus-Adaiyah of 120 MMbbls.

ERCE's summed prospective oil resource estimate across the four proven reservoir intervals at Sarta is 295 MMbbls. 133 MMbbls is assigned to the Butmah reservoir, directly underlying the Mus-Adaiyah and the same zone as the oil resource at Bina Bawi, of which it is geologically on trend. Taken as a whole, the Mus-Adaiyah-Butmah reservoirs at Sarta have a summed mid-case total recoverable resource estimate of 253 MMbbls.

Conversion of these resources into reserves is a key objective of the three well campaign scheduled for 2021, and part of the phase 1A pilot development, with appraisal focused on the resource hosted in Jurassic reservoirs a secondary objective for the 2021 wells.

With first oil at Sarta in sight, preparations are already underway for this campaign. Construction work on the new well pads is due to start in H2 2020 and the field partners are investigating a range of options to fast-track oil production from these wells should they be successful.

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

Genel acquired 40% equity in the Qara Dagh appraisal licence in February 2019, and became the operator through a carry arrangement, covering activity for the QD-2 well.

Qara Dagh offers an exciting appraisal opportunity. The QD-1 well, completed in 2011, tested light oil in two zones from the Shiranish formation. The QD-2 well location has been selected c.10 km to the northwest of QD-1, and will test a more crestal position on the structure with a high angle well to maximise contact with reservoir fractures.

Civil construction works have made good progress in preparation for the upcoming drilling operations, and the well pad and camp have now been completed, and the QD-2 well was on track to spud in Q2. The well will test the crestal portion of the prospect which, based on a rigorous re-mapping exercise, has a mean prospective resource estimated by Genel at c.400 MMbbls. Genel estimates that the downdip segment tested by the QD-1 well defines a 2C resource of 47 MMbbls.

The impact of COVID-19 on the operating environment in the KRI means that it is now increasingly likely that the spudding of the QD-2 well will be delayed. It is hoped that this impact will be short lived and the well, which will take around six months to complete, will be drilled as soon as the outlook allows.

### 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 have continued to explore a commercial solution to allow the unlocking of the material resources.

Negotiations between Genel and the KRG regarding a staged gas and oil development at Bina Bawi resulted in an understanding on commercial terms being reached in September 2019. Genel continues to wait to receive the promised draft legal agreements reflecting this, and the development of Bina Bawi is now on hold until tangible progress is seen from the MNR.

Under the existing PSCs for both Bina Bawi and Miran, effective from 30 April 2020 and 31 May 2020 respectively, the KRG has a right (not an obligation) to terminate the PSCs in the absence of new Gas Lifting Agreement(s) being in place. The KRG is required under the PSCs to give notice of its intention to terminate and there are various consequent provisions in the PSC that provide periods for remedy by Genel and/or delay to any purported termination by the KRG.

### African exploration

Onshore Somaliland, a farm-out process relating to this highly prospective SL-10-B/13 block (Genel 100% working interest, operator) began in Q4 2019, with Stellar Energy Advisors appointed to run the process. A number of companies are assessing the opportunity, and Genel had been aiming to conclude the farm-out process in H1 2020. The subsurface potential of the acreage has been endorsed through the process to date, while the company continues to counsel prospective partners with respect to the operating and political landscape.

Offshore Morocco (Genel 75% working interest, operator) the Company recently signed an agreement with ONHYM to extend the license period for the Sidi Moussa Block under a new title, the Lagzira Block. This will allow Genel to complete the processing and interpretation of the multi-azimuth broadband 3D seismic survey completed in late 2018 and conduct a farm-out process ahead of any future decision on whether to drill a well. The duration is for a minimum of 12 months with a further six month extension option.

# A cash-generative, resilient business

**ESA IKAHEIMONEN**  
**CHIEF FINANCIAL**  
**OFFICER**



A compelling proposition of a material dividend yield and the value upside of a growth stock.



## FY2019 financial objectives

The table below summarises our progress against the 2019 the financial priorities of the Company:

FY2019 FINANCIAL PRIORITIES	PROGRESS
– Continued focus on capital allocation, with prioritisation of highest value investment in assets with ongoing or near-term cash and value generation	– Capital expenditure was principally focused on Peshkibir and Tawke, providing rapid payback and thereafter liquidity, and providing incremental production beyond the financial year of the spend
– Investment in lower risk development opportunities with high potential	– Progression towards Sarta first oil and Qara Dagh appraisal well, submission of FDP for Bina Bawi
– Continued focus on acquiring assets with the potential to add significant value to the Company through near to mid-term cash generation	– The Company has performed detailed analysis on a similar number of external opportunities as 2018, which culminated in farm-ins to Sarta and Qara Dagh, with a watch list of preferred targets and a cycle of adding at least one new opportunity per month
– Continued focus on the capital structure of the Company, committing to distributing a minimum of \$40 million in dividends each year	– Dividends of \$41 million (10¢ FY18 final and 5¢ FY19 interim) were declared in the year, with a FY19 final dividend retained at 10¢ per share. The Company remains committed to increasing the dividend



Results summary (\$ million unless stated)	2019	2018
Production (bopd, working interest)	<b>36,250</b>	33,700
Revenue	<b>377.2</b>	355.1
EBITDAX <sup>1</sup>	<b>321.8</b>	304.1
Depreciation and amortisation	<b>(158.5)</b>	(136.2)
Exploration (expense)/credit	<b>(1.2)</b>	1.5
Impairment of oil and gas assets	<b>(29.8)</b>	(424)
Operating profit/(loss)	<b>132.3</b>	(254.6)
Underlying profit <sup>2</sup>	<b>134.9</b>	138.9
Cash flow from operating activities	<b>272.9</b>	299.2
Capital expenditure	<b>158.1</b>	95.5
Free cash flow <sup>3</sup>	<b>99.0</b>	172.7
Dividends declared	<b>40.8</b>	-
Cash <sup>4</sup>	<b>390.7</b>	334.3
Cash after dividend <sup>5</sup>	<b>377.1</b>	334.3
Total debt	<b>300.0</b>	300.0
Net cash <sup>6</sup>	<b>92.8</b>	37.0
Dividend (declared and proposed) per share (¢ per share)	<b>15.0</b>	-
Basic EPS (¢ per share)	<b>37.8</b>	(101.6)
Underlying EPS (¢ per share) <sup>2</sup>	<b>49.0</b>	49.8

- EBITDAX is operating profit / (loss) adjusted for the add back of depreciation and amortisation (\$158.5 million), exploration expense (\$1.2 million) and impairment of property, plant and equipment (\$29.8 million)
- Underlying profit is reconciled on page 20
- Free cash flow is reconciled below
- Cash reported at 31 December 2019 excludes \$3.0 million of restricted cash
- Cash reported at 31 December 2019 less interim dividend paid (\$13.6 million) on 8 January 2020
- Reported cash less IFRS debt

The Company has delivered a third successive year of material cash generation, with \$99 million of free cash flow representing over half of our current market capitalisation. We have successfully maintained our rigorous financial discipline - adding, derisking and developing assets using a low-cost, high capital flexibility model that mitigates financial risk, optimises cash generation and expedites capital return and payback. This discipline has positioned us well in the currently challenging environment.

Genel entered 2020 with a cash-generative, resilient business; a strong balance sheet; and a fully funded and balanced oil portfolio with material organic growth opportunities that offer upside from all pre-production phases of an asset lifecycle. Even with the recent fall in the oil price, Genel remains well positioned, with low-cost

Brent average oil price (all figures \$ million unless stated)	FY2019 \$64/bbl	FY2018 \$71/bbl
<b>Revenue</b>	<b>377.2</b>	355.1
Opex	<b>(37.7)</b>	(28.7)
G&A (excl. dep.&amor. of corp. assets)	<b>(17.7)</b>	(22.3)
EBITDAX	<b>321.8</b>	304.1
Maintenance capex	<b>(115.1)</b>	(70.4)
Net cash interest	<b>(23.4)</b>	(25.6)
<b>Surplus before growth capex and dividend</b>	<b>183.3</b>	208.1
Development capex	<b>(22.1)</b>	-
Exploration and appraisal capex	<b>(20.9)</b>	(25.1)
<b>Surplus</b>	<b>140.3</b>	183.0
Working capital and other	<b>(41.3)</b>	(10.3)
<b>Free cash flow</b>	<b>99.0</b>	172.7
Cash due in 2019 received post year-end	<b>54.1</b>	-

assets and the vast majority of our capital expenditure being discretionary, allowing us to make prudent investment choices and ensure that our expenditure matches the external environment.

In 2019, our confidence in our business plan to replace and grow producing asset cash generation at value accretive cost was demonstrated by the commencement of a sustainable and material dividend, with \$41 million distributed to shareholders. The financial strength of our business and the flexibility in our cost base has allowed us to reaffirm this dividend despite the current challenging macro conditions, and we remain committed to growing this dividend as the headwinds in the market recede.

### Sustainable long-term dividend yield stock, with the value upside of a growth stock

The combination of a resilient business and a fully funded development portfolio offering material growth and cash generation replacement provides investors with a compelling proposition: the robust long-term dividend, currently yielding over 20%, and associated management discipline of a yield stock with the value upside of a growth company. We will continue to maintain our discipline, balance and yield focus in our assessment of capital allocation to growth, both within our own portfolio and in relation to assets that we may look to acquire. We retain the flexibility to control our pace of investment to permit allocation of capital to where it can be put to work most effectively at the time.

### Resilient business with fast payback

Our business model is robust to challenges the sector may face in the future, where only the better projects will attract investment. The current market conditions provide an earlier test, and our business is ready for it.

We focus on high-margin, low-cost projects with high capital velocity and rapid payback. In 2019, our production generated revenue of \$29/bbl, with operating costs under \$3/bbl. Our development assets that we will bring onto production have commercial terms and physical credentials that deliver attractive economics and returns and we look for new assets that will successfully compete with these assets for capital. This makes our business exceptionally resilient to a downside oil price, with a corporate breakeven in 2020 of \$30/bbl, after dividend.

### Growth funded from existing cash flows, cash available

In 2020, under appropriate external conditions, we expect capital expenditure on producing assets to be flat and plan for capital investment in growth to double to circa \$80 million, bringing Sarta onto production and drilling a high-impact exploration/appraisal well at Qara Dagh. To illustrate the resilience of our cash flows, if \$30/bbl extends for the remainder of the year and we executed this investment plan unchanged, the Company would end the year with a material net cash position after dividend, provided consistent payments from the KRG. The current conditions impact our pace of investment, but they do not change our preference for these assets - they were identified because they fit into our resilient business model. This model and our financial strength position the Company well to execute opportunistic asset acquisitions when other companies are more distressed.

### Free cash flow and cash

The material cash generation of the three core producing fields continued in 2019. Investment increased production and cash generation at Peshkabar year-on-year, resulting in a Company surplus before growth capital expenditure and dividend of \$183 million, which is flat year-on-year when adjusted for constant Brent oil price. Management is focused on growing surplus before growth capital expenditure and dividend.

## FINANCIAL REVIEW CONTINUED

After investment in growth the Company generated \$99 million of free cash flow (increasing to \$153 million if adjusted for payments due in 2019 that were received in January). The 11% reduction from 2018 free cash flow of \$173 million to \$153 million is a result of the average Brent oil price being \$7/bbl lower compared to the prior year and increased investment, primarily at Peshkabir.

At year-end, the Company reported cash of \$391 million. The strong balance sheet and confidence in the outlook for expansion of our producing asset portfolio supported the payment of a maiden dividend in 2019, with \$41 million of dividends declared in year, equating to 15¢ per share – a dividend yield of around 6% based on average share price in H2 2019. The continuation of this robust position, and the durability of our cash flows, now support the continuation of this dividend, and accordingly a dividend of 10¢ per share has today been announced.

Cash at the end of 2019 increased to \$93 million, illustrating the firepower that the Company has available for investment.

### Flexible growth capital investment

As the Company has delivered free cash generation for the past three years, it has also assembled an attractive and high potential portfolio whilst retaining the flexibility to control the pace of investment to react to the prevailing investment conditions and external environment.

Sarta and Qara Dagh were acquired in a combination deal; Sarta has large scale 2C oil resources and Qara Dagh represents high unrisks resource potential at an earlier stage in the cycle. We are working to unlock value from both through sanctioned drilling activity and in 2019, the Company invested \$28 million, with both assets progressing in line with expectation through the year. At time of writing, Sarta is on track for first oil in summer 2020. The appraisal well at Qara Dagh was set to spud in Q2 2020, but is now expected to be delayed due to COVID-19.

Bina Bawi has a large scale 2C gas resource with additional 2C oil resources, and we are working to reach commercial agreements that support investment in derisking and monetising the asset on a basis consistent with our financial model.

Our growth plans remain dependent on ongoing payments from the KRG. The KRG advised us that the delay in 2019 payments was caused by external factors beyond the control of the KRG. We have been advised that delays in 2020 have been caused by a reorganisation of the payment process within the KRG. The KRG continues to state the importance of ongoing payments to the oil companies that drive their economy, and we expect them to deliver on this promise. We will ensure that our expenditure matches our confidence in the receipt of ongoing payments, which in the past were sustained when the oil price fell below \$30/bbl – and this was a time when they were not receiving money from Baghdad and their exports were considerably less than the nearly half a million barrels a day at present.

### Outlook and financial priorities for 2020

Our capital allocation philosophy remains the same, despite the recent fall in oil price – invest in those projects with the potential to create most shareholder value, targeting those assets that fit the criteria set out previously. This applies both to allocation of capital to the existing portfolio and also to assets or opportunities that we acquire. In 2020 we will continue to invest in accordance with external conditions, striking the right balance between investing and retaining sufficient liquidity to retain our strong balance sheet and advantaged financial position that underpins our business model and allows us to capitalise on opportunities. Optimising production and developing Sarta, which has an ideal production profile to benefit as the external situation evolves, are key priorities, and we are committed to the dividend.

We will continue to be disciplined in our capital allocation and invest in areas where we can deliver most value. Rigorous cost management is maintained across all operations, while ensuring spend is sufficient to take advantage of the growth opportunities in the portfolio, and to maximise (net present) value of the portfolio.

For 2020 the financial priorities of the Company are the following:

- Maintaining our financial strength through existing market conditions
- Continued focus on capital allocation, with prioritisation of highest value investment in assets with ongoing or near-term cash and value generation
- Delivery of a 2020 work programme on time and on budget, that is appropriate to the external environment
- Continued focus on identifying additional assets that offer potential for significant value to the Company with near to mid-term cash generation, primarily to further 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

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

## Financial results for the year

### Income statement

Working interest production of 36,250 bopd was increased compared to last year (2018: 33,700 bopd), principally as a result of higher average production from Peshkabir offsetting decline at the Tawke field.

Revenue increased from \$355.1 million to \$377.2 million. The year-on-year increase was caused principally by increased cost oil and production, despite the Brent oil price decreasing by \$7/bbl.

Production costs of \$37.7 million increased from last year (2018: \$28.7 million) primarily as a result of high production contribution from Peshkabir. Production cost per barrel increased from \$2.3/bbl to \$2.9/bbl, mostly due to trucking costs in Peshkabir.

General and administration costs were \$19.1 million (2018: \$24.0 million), of which cash costs were \$14.1 million (2018: \$17.4 million). The reduction from the prior period is a result of higher capitalisation as capital activity has increased, principally at Sarta and Qara Dagh.

The increase in revenue resulted in EBITDAX of \$321.8 million (2018: \$304.1 million):

(all figures \$ million)	FY 2019	FY 2018
Profit oil	117.2	147.1
Cost oil	147.2	97.8
Override royalty	112.8	110.2
<b>Revenue</b>	<b>377.2</b>	355.1
Operating costs	(37.7)	(28.7)
G&A (excl. depreciation)	(17.7)	(22.3)
<b>EBITDAX</b>	<b>321.8</b>	304.1
Depreciation and amortisation	(158.5)	(136.2)
Net finance cost	(27.7)	(28.8)
Income tax expense	(0.7)	(0.2)
<b>Underlying profit</b>	<b>134.9</b>	138.9

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. Underlying profit is presented in order to understand the

profitability of the recurring business, excluding the impact of items that tend to be one off in nature, such as impairment and exploration expenditure.

Depreciation of \$88.8 million (2018: \$72.4 million) and Tawke intangibles amortisation of \$68.3 million (2018: \$62.1 million) increased year-on-year as a result of a combination of an 8% increase in working interest production and higher estimated future costs on the Tawke PSC (depreciation/bbl: \$6.1/bbl (2018: \$5.2/bbl)), noting that these costs are fully recoverable.

An impairment expense of \$29.8 million was recorded in relation to Tawke and Taq Taq, which is explained further in note 1 (2018: \$424.0 million relating to Miran).

Bond interest expense of \$30.0 million was in line with prior year. Finance income of \$6.6 million (2018: \$4.4 million) was bank interest income. Other finance expense of \$4.3 million (2018: \$3.2 million) included a non-cash discount unwind expense on liabilities.

In relation to taxation, under the terms of the KRI production sharing contracts, 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 \$0.7 million (2018: \$0.2 million) was related to taxation of the service companies.

#### Capital expenditure

Capital expenditure is the aggregation of spend on production assets (\$115.1 million) and pre-production assets (\$43.0 million) and is reported to provide investors with an understanding of the quantum and nature of investment that is being made in the business. Capital expenditure for the period was \$158.1 million, predominantly focused on production assets and the Sarta PSC (\$22.1 million):

(all figures \$ million)	FY 2019	FY 2018
Cost recovered production capex	115.1	70.4
Pre-production capex - oil	22.1	-
Pre-production capex - gas	11.9	12.0
Other exploration and appraisal capex	9.0	13.1
<b>Capital expenditure</b>	<b>158.1</b>	<b>95.5</b>

#### Cash flow, cash, net cash and debt

Gross proceeds received was \$317.4 million (2018: \$335.1 million), of which \$91.5 million (2018: \$92.5 million) was received for the override royalty.

(all figures \$ million)	FY 2019	FY 2018
<b>Operating cash flow</b>	<b>272.9</b>	299.2
Producing asset cost recovered capex	(105.1)	(65.3)
Development capex	(18.7)	-
Exploration and appraisal capex	(26.5)	(39.7)
Restricted cash release	7.0	8.5
Interest and other	(30.6)	(30.0)
<b>Free cash flow</b>	<b>99.0</b>	172.7
Cash received post period end	54.1	-

Free cash flow is presented in order to show the free cash generated that is available for the Board to invest in the business. The measure provides the reader a better understanding of the underlying business cash flows. Free cash flow before dividend was \$99.0 million, with an overall increase in cash of \$56.4 million in the year (2018: \$172.3 million).

(all figures \$ million)	FY 2019	FY 2018
Free cash flow	99.0	172.7
Dividend paid (incl. expenses)	(29.0)	-
Purchase of shares	(13.5)	-
Other	(0.1)	(0.4)
<b>Net change in cash</b>	<b>56.4</b>	172.3
Opening cash	334.3	162.0
<b>Closing cash</b>	<b>390.7</b>	334.3
Debt reported under IFRS	(297.9)	(297.3)
<b>Net cash/(debt)</b>	<b>92.8</b>	37.0

Closing cash of \$390.7 million and net cash of \$92.8 million (2018: \$37.0 million) exclude restricted cash of \$3.0 million (2018: \$10.0 million). Net cash is reported in order for users of the financial statements to understand how much cash remains if the Company paid its debt obligations from its available cash on the period end date.

Reported IFRS debt was \$297.9 million (31 December 2018: \$297.3 million), comprised of \$300 million of bond debt less amortised costs. The bond pays a 10.0% coupon and matures in December 2022. A reconciliation of debt and cash is provided in note 15 to the financial statements.

The bond has three financial covenant maintenance tests:

Financial covenant	Test	YE 2019
Net debt / EBITDAX	< 3.0	(0.3)
Equity ratio (Total equity/Total assets)	> 40%	71%
Minimum liquidity	> \$30m	\$391m

#### Net assets

Net assets at 31 December 2019 were \$1,386.1 million (2018: \$1,331.4 million) and consist primarily of oil and gas assets of \$1,412.5 million (2018: \$1,384.2 million), trade receivables of \$150.2 million (2018: \$94.8 million) and net cash of \$92.8 million (2018: \$37.0 million).

#### Liquidity/cash counterparty risk management

The Company monitors its cash position, cash forecasts and liquidity on a regular basis. The Company holds surplus cash in treasury bills or on time deposits with a number of major financial institutions. Suitability of banks is assessed using a combination of sovereign risk, credit default swap pricing and credit rating.

#### Dividend

Maiden dividend distribution of \$27.4 million (2018: nil) paid to shareholders in June 2019. An interim dividend of 5¢ per share was then paid to shareholders in January 2020. Total dividends declared in 2019 were \$40.8 million (2018: nil), representing 15¢ per share.

Given Genel's robust financial position and the positive outlook for the Company, the Board is recommending no change in the final dividend of 10¢ per share (2019: 10¢ per share), a total distribution of circa \$27.4 million. The payment timetable is below:

- Annual General Meeting: 14 May 2020
- Ex-dividend date: 28 May 2020
- Record Date: 29 May 2020
- Payment Date: 29 June 2020

#### 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 2019 and consequently that the Company is considered a going concern.



# Bringing new rigour to risk

**VK GUPTA**  
**HEAD OF HSE AND**  
**RISK MANAGEMENT**



Since joining Genel in 2014 as Head of HSE we have made significant strides in enhancing our processes and procedures, and this has helped lead to the exceptional performance in this area, with zero lost time injuries since 2015, totalling over 11 million hours worked. Now as Head of HSE and Risk, I am working with the team to ensure we bring the same rigour to Genel's organisational risk management processes as we do to health, safety and the environment.

HSE issues are best addressed through working to prevent problems before they arise, and having the right controls and policies in place to mitigate as much as possible any potentially negative outcomes. This is the approach that we also take to risk.

The following enhancements have been made to our risk management and internal control systems, improving the effectiveness and consistency of its day-to-day implementation.

## Risk assessment

A qualitative risk assessment matrix (5x5) was developed and approved by the Board to align with industry best practices. Risk register workshops were held for all assets to identify, assess and control risks. These were attended by all department representatives and facilitated through brainstorming and guidewords. Current risks with existing controls were assessed and additional controls recommended to reduce the residual risk to As Low As Reasonably Practical ('ALARP').



We are bringing the same rigour to Genel's organisational risk management processes as we do to health, safety and the environment.

## Bowtie method

The bowtie method is widely used in the industry to improve the identification, design and management of prevention and mitigation controls, and has been used by Genel in our HSE work for a number of years. This has now been adopted and implemented into our risk management through direct training and software. Departmental champions were identified to develop bowtie diagrams for the risks that they are managing. A deep dive is planned for high risks to review progress, share experience and embed this within the Company.

## Leading indicators

Leading indicators are identified measures to test the robustness of controls. These were developed and implemented for selected critical controls to manage and measure risk proactively. The scope will be expanded for upcoming drilling projects and production operations and other principal risks as per the Company risk register.

## Governance

Different type of risks have been classified as strategic, external, operational and financial, and allocated to the appropriate Board Committees (Reserves, Audit, HSSE, International Relations). The committees then review the annual risk signoff forms that were submitted by the risk owners. An internal audit plan was also prepared by using the risk register map.

## BOARD AND COMMITTEE STRUCTURE



## RESPONSIBILITIES

### BOARD

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

[READ MORE](#) P37

### EXECUTIVE COMMITTEE

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

[READ MORE](#) P34

### RISK OWNERS

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

[READ MORE](#) P24



#### STRATEGY



#### RISK ASSESSMENT AND REVIEW IDENTIFIED RISKS



#### BOARD SETS CONTROLS TO MITIGATE OR MANAGE RISKS



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

#### REPORTING AND ASSURANCE ON EFFECTIVENESS OF CONTROLS

#### RISK OWNER REPORTS ASSESSMENT OF RISKS TO THE BOARD




#### RISK OWNER DESIGNS, OPERATES, MONITORS AND REPORTS ON CONTROLS







# Principal risks and uncertainties

BOARD					
Risk	Trend	Approach	Opportunities	Threats	Controls
<p><b>Development and recovery of oil reserves</b> Paul Weir, COO</p> <p> <a href="#">READ MORE</a> P16</p>		<p>Genel aims to realise the reserves value in its portfolio through deploying capital in line with the value creation expected from our Asset Development Plans.</p>	<ul style="list-style-type: none"> <li>– Correctly characterising uncertainty in reserves outcomes</li> <li>– Cost-effective development of fields</li> </ul>	<ul style="list-style-type: none"> <li>– Underestimation of reservoir uncertainty and reservoir performance to the downside</li> <li>– Poor drilling execution performance</li> <li>– Poor operational performance reservoir performance</li> </ul>	<ul style="list-style-type: none"> <li>– Life of field Asset Development Plans in place</li> <li>– Active and optimised performance drilling across all producing assets</li> <li>– Active reservoir management</li> <li>– HSSE, Asset Integrity and Operations Management Systems</li> </ul>
<p><b>Reserve replacement</b> Mike Adams, TD</p> <p> <a href="#">READ MORE</a> P15</p>		<p>Genel aims to grow through adding reserves and in turn long-term cash-generative production both from existing and new assets added to the portfolio.</p>	<ul style="list-style-type: none"> <li>– Successful exploration and appraisal activity increase the Company resources</li> <li>– Moving projects and developments into execution increases company reserves</li> <li>– Successful addition of inorganic opportunities to the portfolio</li> <li>– Progress on Sarta, Bina Bawi, Qara Dagh, and Miran unlocks resource value</li> </ul>	<ul style="list-style-type: none"> <li>– Inability to progress assets in the portfolio and convert contingent resources to reserves</li> <li>– Failure to add inorganic opportunities to the portfolio</li> </ul>	<ul style="list-style-type: none"> <li>– Life of field Asset Development Plans in place</li> <li>– Active management of contingencies to convert contingent resources to reserves</li> <li>– Activity has started at Sarta and Qara Dagh</li> <li>– Actively pursuing new business opportunities</li> </ul>
<p><b>Commercialisation of KRI gas business</b> Bill Higgs, CEO</p> <p> <a href="#">READ MORE</a> P8</p>		<p>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.</p>	<ul style="list-style-type: none"> <li>– Progress on the gas business moves Bina Bawi and Miran towards commercial development and transformational monetisation</li> </ul>	<ul style="list-style-type: none"> <li>– The gas project is reliant on certain key milestones some of which are beyond the control of the Company</li> <li>– Slow progress in negotiations with KRG</li> </ul>	<ul style="list-style-type: none"> <li>– Expenditure maintained at an appropriate level for current probability of success</li> <li>– Ongoing dialogue with the MNR</li> <li>– Preparedness to defend Genel's rights in relation to the PSC</li> </ul>
<p><b>M&amp;A activity</b> Esa Ikaheimonen, CFO</p> <p> <a href="#">READ MORE</a> P19</p>		<p>The pursuit of selective, value accretive M&amp;A opportunities is part of the Company growth strategy.</p>	<ul style="list-style-type: none"> <li>– Execution of a transaction positively impacts the Company's valuation, asset quality, and equity story, among other factors</li> </ul>	<ul style="list-style-type: none"> <li>– Execution of a transaction that adversely impacts the Company's long-term liquidity, balance sheet, asset quality, and equity story, among other factors</li> <li>– Misalignment with major shareholders regarding targets</li> </ul>	<ul style="list-style-type: none"> <li>– Clearly defined strategic framework and characteristics for deals that Genel should pursue</li> <li>– Senior management review and assessment of resilience of investment to downside risks</li> <li>– An experienced Board oversees and signs off on all material M&amp;A decisions</li> </ul>





**KEY**

-  Increased
-  Unchanged
-  Decreased

BOARD					
Risk	Trend	Approach	Opportunities	Threats	Controls
<p><b>KRI natural resources industry and regional risk</b></p> <p>Pars Kutay, Head of Government Affairs</p> <p> <a href="#">READ MORE</a> P7</p>		<p>A strong relationship with the KRG facilitates the realisation of the value of Genel's principal oil and gas assets.</p>	<ul style="list-style-type: none"> <li>- Ongoing strong relationship with KRG facilitates further success in KRI</li> <li>- Stable environment for operations allows Genel to pursue strategic objectives</li> </ul>	<ul style="list-style-type: none"> <li>- A change in situation of the KRG, Turkey or of Baghdad and the wider region adversely effects operating environment in the KRI, including payments</li> <li>- In the past, the Iraqi Ministry of Oil has disputed the validity of PSCs entered into by the KRG. If the validity of the Company's PSCs were successfully challenged, the Company could be required by the KRG to accept contractor entitlements that may be materially less favourable than the current PSCs. In addition export sales have not followed the PSC terms.</li> <li>- The Iraqi Ministry of Oil has challenged (inter alia through SOMO) the ability of the KRG to independently sell oil produced in the KRI</li> </ul>	<ul style="list-style-type: none"> <li>- Regular dialogue with key decision makers in Turkey and the KRI</li> </ul>
<p><b>Payment for KRI export sales</b></p> <p>Bill Higgs, CEO</p> <p> <a href="#">READ MORE</a> P7</p>		<p>The Kurdistan Regional Government purchases all crude oil at the wellhead and arranges for payment to be made to Genel for ongoing exports.</p>	<ul style="list-style-type: none"> <li>- Payments provide increased cashflow strengthening balance sheet and enabling growth</li> <li>- Regular payments improve market sentiment</li> </ul>	<ul style="list-style-type: none"> <li>- Payments from the KRG delayed, reducing the Company's ability to re-invest in line with its strategic priorities</li> </ul>	<ul style="list-style-type: none"> <li>- Payments delayed at end of 2019 due to factors outside KRG control</li> <li>- Genel continues dialogue with KRG</li> </ul>
<p><b>Corporate governance failure</b></p> <p>Stephen Mitchell, GC</p> <p> <a href="#">READ MORE</a> P35</p>		<p>The Company's strategy is to maintain the high standards of corporate governance.</p>	<ul style="list-style-type: none"> <li>- Good corporate governance is proven to provide benefits to business and value to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>- Corporate governance failure would likely have a negative impact on investor perception of the Company</li> </ul>	<ul style="list-style-type: none"> <li>- Carrying out detailed Board Evaluation exercises (including externally facilitated reviews periodically) to monitor and assess performance of the Board</li> <li>- Effective set of governance policies deployed across Genel</li> </ul>

KEY



-  Increased
-  Unchanged
-  Decreased

# Principal risks and uncertainties continued

## BOARD

Risk	Trend	Approach	Opportunities	Threats	Controls
<p><b>Environmental, social &amp; governance expectations</b></p> <p>Bill Higgs, CEO</p> <p> <a href="#">READ MORE</a> P 28</p>		Position the Company as a natural winner during the energy transition.	<ul style="list-style-type: none"> <li>- Develop a competitive advantage for Genel and distinguish it from its peers</li> </ul>	<ul style="list-style-type: none"> <li>- Reduced access to capital</li> <li>- Negative stakeholder publicity</li> <li>- Introduction of punitive carbon or other taxation</li> </ul>	<ul style="list-style-type: none"> <li>- ESG strategy in place and agreed by Board</li> <li>- ESG plan developed and implementation is ongoing, with increased public disclosure</li> <li>- Leadership commitment and progress review</li> <li>- ESG benchmarking against competitors and industry platforms</li> </ul>

## AUDIT COMMITTEE

Risk	Trend	Approach	Opportunities	Threats	Controls
<p><b>Capital structure and financing</b></p> <p>Esa Ikaheimonen, CFO</p> <p> <a href="#">READ MORE</a> P 20</p>		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.	<ul style="list-style-type: none"> <li>- Strong balance sheet protects the company against volatility in commodity prices and geopolitics</li> <li>- Strong and visible liquidity runway ensures debt repayment</li> <li>- Appropriate capital structure and discipline in allocating capital allows for the company to self-finance organic growth and to benefit from in-organic opportunities</li> </ul>	<ul style="list-style-type: none"> <li>- Failure of KRG to make payments for sales (as above)</li> <li>- A deterioration in the oil price</li> <li>- Lack of access to capital due to macro developments</li> <li>- A failure in executing M&amp;A strategy</li> </ul>	<ul style="list-style-type: none"> <li>- Disciplined capital allocation, clear investment priorities and strong expenditure controls</li> <li>- Low cost of production, competitive onshore development costs</li> <li>- Strong balance sheet and ongoing free cash flow even at distressed oil price</li> <li>- Clear M&amp;A strategy and compliance with investment criteria and priorities</li> </ul>

## HSSE COMMITTEE

Risk	Trend	Approach	Opportunities	Threats	Controls
<p><b>Local communities</b></p> <p>Pars Kutay, Head of Government Affairs</p> <p> <a href="#">READ MORE</a> P 19</p>		Supporting and sustaining the communities in which we operate is fundamental to Genel's success.	<ul style="list-style-type: none"> <li>- Positive local relationships continue to facilitate Genel's pursuit of strategic objectives</li> </ul>	<ul style="list-style-type: none"> <li>- 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</li> </ul>	<ul style="list-style-type: none"> <li>- Appropriate projects developed in accordance with the CSR policy, stakeholder management policies, commitment to local employment and local contractors</li> </ul>
<p><b>Health and safety risks</b></p> <p>Vrijesh Kumar Gupta, Head of HSE and Risk</p> <p> <a href="#">READ MORE</a> P 22, P 34</p>		Health, safety and environment management is a primary consideration across all Genel operations.	<ul style="list-style-type: none"> <li>- Continued strong HSE performance reduces business loss, boosts employee motivation and enhances company reputation</li> </ul>	<ul style="list-style-type: none"> <li>- Failure of HSE procedures leads to injuries and/or fatalities, adverse environmental impact, and material reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>- Ongoing continuous improvement in processes, procedures and performance as we aim for HSE excellence</li> <li>- Regular HSE leadership site visits</li> </ul>

# Viability statement

In accordance with provision 31 of the 2018 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 override paid from the Tawke PSC as part of the RSA ends in 2022
- The period captures when there is potential for material capital investment on a number of the Company’s pre-production assets
- The Board 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 of our 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 22 to 26 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 robust assessment of principal risks 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 2024.

Our 2019 Strategic Report from pages 1 to 37 has been reviewed and approved by the Board of Directors on 18 March 2020.



**Bill Higgs**  
Chief Executive Officer



# A socially responsible contributor to the global energy mix

**BILL HIGGS**  
**CHIEF EXECUTIVE  
OFFICER**



Acting with integrity and respect to support and sustain the communities in which we operate has always been central to Genel Energy's success as a business. I am determined for Genel to now further enhance and fully embed a culture of social responsibility throughout the organisation, based on clear corporate values, as a foundation to deliver results across all elements of the business. I am focused on deepening our commitment to positively impact local communities and align our company with wider ESG goals by implementing our long-term ESG strategy.

Genel is a socially responsible contributor to the global energy mix, with a portfolio of assets that fit into a future of fewer and better natural resource projects. Communities continue to need power and, as we transition to a greater use of renewable energy, responsibly sourced and extracted natural resources will play a key role in driving prosperity and powering regions as they each manage the pace of their own transition. The projects that retain value for all stakeholders will be those that are industry-leading in terms of cost, deliver societal benefits, and minimise the impact of greenhouse gases into the atmosphere.

Our operations in the Kurdistan Region of Iraq embody all these elements in order to offer energy that is sourced in an environmentally responsible manner. Our assets are amongst the lowest cost in the industry and have a low carbon intensity. Furthermore, the elimination of routine flaring from Peshkibir through reinjection is also set to economically reduce Scope 1 emissions even further in the near future. This project leads the way for the reduction of flaring in the KRI and is something that we will look to replicate going forward.

The social context is a foundation to the setting of our ESG expectations and bringing world-class operations to the Kurdistan Region of Iraq can have enormous benefit. Utilising natural resources correctly helps reduce energy poverty, powering hospitals and schools and hugely improving the quality of life by delivering economic benefits that can support a region's growth and contribute to the building of a stable and secure economy.

We take pride in the positive impact that our operations have on the Kurdistan Region of Iraq. Genel has focused on boosting local employment opportunities, building a supply chain with local companies, and making direct investment in projects, while simultaneously generating revenues from Taq Taq and Tawke that have formed the bedrock of the KRI's economic growth.

Revenue to the Kurdistan Region Government to date has funded the Peshmerga and helped build an economy for the Kurdistan Region of Iraq.

Of course, this commitment to environmental and social sustainability begins with operational excellence – taking care of our workforce and ensuring minimal direct environmental impact across our operations. Health and safety is paramount for Genel, and we work hard to deliver a strong performance in this area. The rigour we apply to health and safety is replicated across all areas of our operations, and this focus from the bottom up helps us to run best-in-class operations.

As work progresses at Sarta, Bina Bawi and Qara Dag, we have the opportunity to further illustrate our ESG strategy, and will continue to focus direct investment initiatives on environmental benefit, health, education, and economic empowerment. Genel will strive to ensure that the local community benefits from the work we do in its proximity, demonstrating the benefit that natural resources can deliver for a region.

These benefits from our operations are a source of motivation for everyone at Genel. The coming pages provide more detail on how we deliver on our promise to be a socially responsible contributor to the global energy mix.

Genel has defined a clear set of values that capture the spirit and of the Company, providing a creed in a way that each employee can work by and be proud of. Genel is a company that cares - about our employees, about the environment, about doing things in a better way and make a tangible difference to people's lives in the areas in which we operate.

The values are practical and aligned with Genel's goals - they are values that we live and work by on a daily basis that guide the direction in which Genel Energy is going. As we adhere to these values, it is our belief that the strategic goals of the business will be delivered. We want people who share our values - the right people, delivering the right actions, in the right way.

## OUR VALUES

### Integrity

Dealing with all stakeholders in an honest and transparent way is vital to having a positive corporate reputation, garnering trust and supporting our activities, providing the social licence to operate, and driving investor support

### Accountability

A culture of accountability and responsibility in which people take pride in their commitments supports the safe delivery of objectives and drives the quality of our work

### Ingenuity

Ingenuity is where Genel can set itself apart. A culture of a curious and open minded workforce, bold, inquisitive, and ready to challenge accepted ways of doing things can help open up new opportunities and drive profitability

### Respect

Respecting people, valuing employees of all cultures and developing an inclusive environment motivates people, and treating all partners and stakeholders in a way that builds relationships helps drive the delivery of common goals

Respecting the environment, minimising the impact of our operations and promoting biodiversity is also necessary to retaining the social licence to operate

### Collaboration

Working with a collaborative mindset, both internally and externally, maximises synergies and increases the quality of outputs across the business, also boosting motivation and inclusivity in a way that drives production and a feeling of being valued

# Environment

## Environment

Global demand for reliable and affordable energy continues to grow, as does society's awareness of the adverse impacts of climate change. Genel sees it as essential to contribute to meeting this growing demand in a responsible way, demonstrating sustainability in a 2°C world, strengthening both our licence to operate and the Company's attractiveness to investors.

Genel is therefore committed to producing the low carbon intensity and high net margin barrels that will characterise industry leaders in a sustainable world. Our operations will continue to be managed in accordance with our aim of minimising emissions in order to mitigate potential adverse effects. This includes a focus on effective design, efficient operation, and responsible energy use. Genel will also evaluate a flaring policy and the resilience of its portfolio in order to ensure long-term shareholder value.

As part of our environmental responsibilities, we recognise that we operate in a water restricted region and that availability to fresh water is valuable. Therefore, it is a key priority of the Company to efficiently manage its water consumption and recycling practices as operations continue. Genel's Board of Directors will also evaluate if, and when, carbon emissions and water reduction targets may be applicable as part of the Company's long-term business strategy. Collectively, these efforts will support Genel's aim to be a leading creator of shareholder value as a socially responsible producer of oil and gas.

## GHG Emissions

Genel reports annually on its greenhouse gas ('GHG') emissions in accordance with the requirements of the UK's Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013) and the standards outlined by the Greenhouse Gas Protocol. According to these methodologies, our total reportable scope 1 emissions in 2019 were 816.16 tCO<sub>2</sub>e, which included the combustion of diesel and LPG.

Our total reportable scope 2 emissions were 507.45 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 1,323.61 tCO<sub>2</sub>e. Our 2019 emissions are significantly lower than those reported in 2018 (14,150 tonnes CO<sub>2</sub>e) due to the completion of marine seismic activity off the coast of Morocco. These operations had accounted for 93% of our total 2018 GHG emissions. In 2020 Genel will report equity emissions from all operating and non-operating assets and publish our carbon intensity in relation to production accordingly.

Note: Figures may not sum to total, because of rounding.

Scope 1: Direct emissions from sources that are owned or controlled by the company.

Scope 2: Indirect emissions from the generation of purchased energy.



7kg CO<sub>2</sub>/bbl

expected emissions from producing assets at end H1 2020

507.45tCO<sub>2</sub>e

total reportable scope 2 emissions were 507.45 tCO<sub>2</sub>e, attributable to purchased electricity at our offices and field operations



Qara Dagh - 2 well site



## Qara Dagh

Qara Dagh is both an area of outstanding natural beauty, and also an ecologically sensitivity area. It is a Key Biodiversity Area, Important Bird Area, and Important Plant Area. Genel has prepared a Biodiversity Management Action Plan that provides a framework for the implementation of the Project's biodiversity mitigation and management measures during all phases of operations, and this is followed carefully by Genel. For example, before civil work commenced, a comprehensive tree census was done that will allow Genel to rehabilitate and restore degraded habitats following the completion of work. We also work closely with Nature Iraq (the Country's leading environmental conservation group who are accredited to the United Nations Environment Programme and affiliated to Bird Life International) to ensure the long-term protection and, where possible, enhancement of the ecosystem within the area of our operation.



### Biodiversity

Genel is working in collaboration with partners to protect nature and achieve no net loss of biodiversity wherever we operate.

Genel works hard to protect nature through the appropriate planning, design and operation of our assets. The Company integrates biodiversity considerations into our Environmental Management System, which is being developed in accordance to the ISO 14001 standard and ensures compliance with applicable biodiversity protection laws and regulations in areas we work. Our aim is to align development work to the International Finance Corporation Performance Standard 6, which represents international best practice for biodiversity management.

Genel has prepared a Biodiversity Management Plan ('BMP') that provides a framework for managing project risks and impacts specifically in relation to biodiversity and to identify and prioritise appropriate impact management actions. The BMP also provides a summary of all biodiversity actions planned for relevant projects and is seen to facilitate communication about our biodiversity risk management to external audiences such as regulators, local communities and other important stakeholders. We seek to enhance this communication and pass on our respect for the environment to the local community - concerted efforts are made to raise environmental awareness at local schools and universities and promote credible green initiatives that enhance greater sustainability.

### Waste management

Genel places waste management as a priority activity when implementing improvements at existing sites or planning and designing new projects and developments. Effective and responsible waste handling and management are key elements of the Company's HSE Management System which follows the cradle to grave philosophy to ensure projects consider waste minimisation throughout their lifecycle. Furthermore, we also ensure that waste management practices are tailored to the specific waste and characteristics of each site we operate.

Clear objectives, targets and performance indicators are set for our waste management system. For example, at Taq Taq we have successfully surpassed our internal target of recycling over 60% of all refuse. This figure surpasses the 2019 EU recycling average, and Genel is leading the way on recycling initiatives in the Kurdistan Region of Iraq. The success of our waste management strategy is a result of the training all employees receive on site and successful communication efforts with local contractors on waste management best practices. This illustrates how Genel finds opportunities to educate other companies on best environmental practices and incorporate sustainability efforts beyond the scope of our business.



# Social

## Social

Natural resources, utilised in the right way, can be a huge benefit to the quality of life in host countries. Genel aims to ensure that this is the case. We want to be known as a company that cares, that lives our values, listens to the communities affected by our activities and plays an appropriate role in meeting their developmental aspirations. Specifically, we want to be able to build local capacity and create local job opportunities, both with Genel and through creating a local supply chain with highly skilled opportunities. We partner with and invest in communities close to our operations to achieve mutual long-term benefits, and help local people develop the skills to thrive and play a part as we work with them to unlock the potential of their natural resources.

In line with these efforts, Genel established a new CSR Policy based on the ISO26000 Guidance on Social Responsibility to help manage regional community expectations and the broader internationally accepted scope of CSR associated with labour practices, human rights and the environment. This policy assists Genel's efforts to apply a systematic methodology to the implementation of the company's CSR programmes in the future.

The projects Genel sponsors in the KRI region are developed after intensive talks with local communities, authorities and the MNR. It is through community engagement that Genel identified the most urgent needs, and has accordingly made a commitment to concentrate on key areas including economic development, improved community health, and education.

## Health and education

In partnership with TTOPCO, our medical teams periodically share their services with neighbouring villages by offering routine medical checks. In total, 2019 saw 47 medical visits made to 10 villages surrounding Taq Taq and over 437 patients receiving medical support.

In the Qara Dagh region, major projects carried out in 2019 included provision of kerosene and heaters this past winter for 36 local elementary and secondary schools attended by a total of 1,754 students. Additional efforts were made to improve the local learning environment by donating toys and funding the carpeting of a local kindergarten, supplying sports equipment to a sports club, and purchasing a set of computers for the library. Each one of these activities offers much needed resources and services, and has an enduring impact on neighbouring communities.



← Genel employees participating in a community volunteering project



←  
Local nursery that receives support from Genel



←  
Hired locals receiving briefing on upcoming work

### Community development

Genel's community development efforts aim to help empower local community members and promote self-sustaining economic development. Initiatives highlight how oil and gas activity can have a positive direct impact on other economic sectors. Our training centre at Taq Taq is utilised by local community participants to receive valuable skills training to boost their employability. Yet perhaps the most meaningful contribution Genel made in 2019 to community development was related to water.

Due to the lack of water access in the region, Genel embarked on a strategic project to fund the construction of a water pipeline from the Taq Taq river to five neighbouring villages. A local company has been awarded the business and upon completion in late 2020 an approximate 1,100 residents will have direct access to clean water for drinking and domestic use, boosting the development of the area. Other community development initiatives for 2019 included the provision of 100 tonnes of fertilizers for 1,500 farmers around Qara Dagh and gifting an electric crane to the electricity department so that power lines can be repaired more easily.

Around Sarta, our partners Chevron have developed a dairy farming project that has proven successful in providing economic empowerment to local women, which mirrors Genel's focus as was previously demonstrated at Chia Surkh and elsewhere. To date, 127 families from five surrounding communities are earning income of between \$300 to \$500 per month and milk production has reached 2,200 litres per day. As Genel takes control of operations, we will look to build upon such successes and contribute to similar social investment projects at and other assets.

### Local hiring

The greatest demand we have from local people, and the most direct way we can improve their lives, is to provide employment. By employing and buying locally whenever possible, and requiring that our contractors do the same, we can make an immediate difference to local families. TTOPCO has provided jobs for 241 local people, more than two-thirds of the entire employee base, with many others employed by the contractors who work for us. We also continue to utilise local companies and suppliers wherever possible.

Genel Energy has put in place a Local Content Policy and Procedures ('LCP') to ensure that we benefit the local community as much as possible. The aim is to give local contractors an opportunity to participate in our future operations. The LCP also ensures that our contractors prioritise appropriate local services and hire locally as much as possible. Moreover, we place emphasis on providing businesses to community centred companies, 17 of which are currently supporting our Taq Taq operations.

In 2020 we will enhance our existing work on local hiring and local procurement, including better documentation figures on job creation and supply chain opportunities, improving internal alignment around local procurement, and expanding the small and medium-sized enterprise development programmes.

### People and diversity

In line with our core values, Genel is proud to employ a diverse and balanced workforce, and is committed to providing equality of opportunity for all employees and job applicants. We aim to create a working environment in which all individuals can make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit. 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. For more information, our Diversity & Equal Opportunities Policy is available on our website.

Genel's commitment to inclusivity is evident in its employee profile. As of 31 December 2019, we employed 130 people across four regional offices, with 60 employees in Ankara, 29 in London, 24 in the Kurdistan Region of Iraq, and 17 in our African operations. Beyond these geographies, our employees represent 15 different nationalities across six continents, as we aim to attract the best talent from across the globe. Genel is proud to provide a working environment where career growth is evident for its employees. This element is well represented in our employee retention statistics. To date more than 70% of our workforce have been with Genel for over five years, and 17% for a decade or more. Finally, while our recruitment policy is to appoint individuals based solely on their skills experience and suitability to the role, Genel has strong female representation across all levels of the company. Currently 31% of our total workforce are women, a figure that is more than double the 2017 global industry average. Furthermore, women in Genel currently hold 14% of executive committee positions and 25% of management level positions.

# 70%

**of our workforce have been with Genel for over five years**

# 31%

**of our total workforce are women**

### 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 injuries ('LTI') across TTOPCO and Genel operations. Genel has continued this track record since 2015, now representing over 11 million working hours without a single LTI. 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. For example, during this year Genel installed driving monitoring systems for all field security vehicles and developed HSE readiness and assurance plans for all high risk contracts. We have also recently implemented a medical fitness to work program for our employees. These initiatives, among others, helped us achieve a successful annual audit for OHSAS 18001:2007 certification and British Safety Council 5 star rating.

The successful track record highlights how HSE forms a core focus of Genel's operations and is kept front of mind through regular training sessions and site visits, which demonstrate clear leadership and reaffirm our focus. In 2019 alone, we conducted 66 HSE management site visits, 105 emergency response drills and two crisis simulations exercises. Furthermore, the attentiveness to the safe running of our operations helped us to also achieve our target of zero loss of primary containment events, now for two consecutive years. As Genel expands operations, we will continue to work diligently at putting in place the best possible processes to help continue this positive performance.

### Human rights and modern slavery

Respect is one of Genel's core values, and we seek to conduct its business in a manner that respects human rights and the dignity of people. This is also firmly embedded in our Code of Conduct and human rights policy.

Genel is also committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not tolerated in our own business or in any of our supply chains. We are committed to ensuring transparency in our approach to tackling modern slavery, consistent with our disclosure obligations under the Modern Slavery Act 2015.

We expect the same high standards from all our contractors, suppliers and other business partners. As part of our contracting processes, we include specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude.



# Governance

## Governance

At Genel we recognise that climate change is increasingly a core issue for our stakeholders and are committed to understanding how a transition to a low-carbon economy poses both risks and opportunities for the Company. Accordingly, the governance structure of the Company ensures that the management of climate change, along with other environmental and social risks, is integrated across all levels of the business and is periodically reassessed.

ESG risks are managed under the guidance and expertise of the HSSE Committee, which is briefed on a quarterly basis by the Head of HSE & Risk Management, who reports directly to the CEO. Genel has now built a team responsible for evaluating climate change related risks, supporting the business in developing GHG management strategies and overseeing the implementation programme. These levels of engagement provide the necessary attention that ESG risk assessment and mitigation deserves to ensure that Genel is a climate resilient company moving forward.



## ESG risk and remuneration

Genel's commitment to further embedding ESG into the Company was reaffirmed in 2019 when it was agreed that ESG metrics would be incorporated into the remuneration evaluations of senior management for the upcoming year. As of 2020, 10% of remuneration will be based upon the meeting of established ESG goals and objectives. The Board will discuss climate change and consider how it may be incorporated into the Company's strategy. Initial steps have already taken place through a 2019 ESG benchmarking analysis scoring Genel against its peers, the findings and recommendations of which will be incorporated into the risk management of the Company.

## ESG disclosure

In 2019 Genel submitted a trial CDP questionnaire. The exercise provided valuable insight into how Genel compares to its peers and recommendations on key focus areas for senior management. In 2020, Genel will continue to participate in CDP disclosure with the goal of improving our score. Genel will also review the recommendations of the Taskforce on Climate-related Financial Disclosures and work towards publishing the relevant information investors seek to ensure that Genel is a climate resilient company. Finally, Genel will produce a wider, more comprehensive sustainability report that will adopt GRI reporting standards.

## Anti-corruption and bribery

Genel does not tolerate bribery in any form and is committed to complying with all applicable laws and preventing, detecting, and deterring corruption in all its business dealings. Our Anti-Bribery Compliance Programme is grounded in a robust process comprising six essential elements, leadership and top-level commitment, clear policies and procedures, risk assessment, due diligence, training and communication, and firm oversight. More information, and our Anti-Bribery Policy and Anti-Bribery Procedures documents, are available on the Genel website.



VK Gupta (Head of HSE and Risk Management) at Taq Taq



# Working in the interest of all stakeholders

## Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

As a Jersey registered company, Genel Energy plc is not required to prepare a s172 statement in accordance with UK legislation, however, it remains the policy of the Company to comply with high standards of corporate governance and so we have voluntarily chosen to report how we take our stakeholders into consideration in running the business.

It is recognised that Genel Energy has a variety of different stakeholders, the most important of which are identified on page 37. The Board of Directors of Genel Energy plc consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1) ((a-f) of the Act) in the decisions taken during the year ended 31 December 2019 (see Corporate Governance report). In particular the Board considered this to be the case, by reference to the approval of our strategy and business model supported by our viability statement on page 27:

**(a) The likely consequences of any decision in the long term,** Genel Energy has a balanced portfolio, with material highly cash-generative production and transformational growth opportunities in the pipeline. These opportunities are funded from our current cash flow, and our outlook illustrates that our cash position has the potential to grow over the long-term while still allowing for ongoing portfolio investment and more. As such, in 2019 we initiated a material and sustainable dividend policy with shareholders being requested to approve the payment of our 2018 final dividend at the 2019 AGM. See CEO and CFO reports for more information.

**(b) the interests of the Company's employees,** Our talented, experienced and motivated staff are key to the success of our Company. Our commitment to employing a diverse and balanced team 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. The Board has recently approved the formalisation of Genel's values, which confirm to our employees that it is not just the business that we do, but how we do it and how it can benefit others, that drives our success. Further information can be found in the sustainability report on pages 28 to 35.

The Board has also appointed a Designated Independent Non-Executive Director who is responsible for workforce engagement and is able to provide insight into our employees perspectives on the business to the Board. Further information on workforce engagement can be found on page 48 of our Corporate Governance report.

**(c) the need to foster the Company's business relationships with suppliers, customers and others,**

Long-term strategic thinking, allying our goals with those of host governments and partners to build deep and valuable relationships, helping to unlock value in complex commercial situations helps Genel to fulfil its strategy. Further information can be found in the Strategic Report.

**(d) the impact of the Company's operations on the community and the environment,**

Supporting and sustaining the communities in which we operate is fundamental to Genel's success. Natural resources should be a boon to a region, and it is imperative that local people share the benefits of the resources found in their area. As well as providing economic benefits for a region, we strive to support local communities directly through providing opportunities, while leaving the environment preserved for future generations. The local community projects Genel sponsors are developed after intensive talks with local communities and focus on key areas of economic development, improved community health and education. Genel also works hard to protect nature through the appropriate planning, design and operation of our assets an example of this can be found on page 31 in relation to our activities at Qara Dagh. Further information can be found in the sustainability report on pages 28 to 35.

**(e) the desirability of the Company maintaining a reputation for high standards of business conduct,**

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. Genel Energy remains committed to operating to high standards of corporate governance. Our 2019 Corporate Governance report illustrates how the Board and its Committees have supported business activities while maintaining a strong governance culture. Further information can be found in the Corporate Governance report.

**(f) the need to act fairly as between members of the company.**

The Board of Directors' ambition is to behave responsibly toward our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our plan. The Chairman and Independent Non-Executive Directors meet regularly as part of the Board responsibility to ensure all shareholders are treated equally. More information on our relationship with shareholders can be found in the Corporate Governance report.



# Continued commitment to high standards of corporate governance

**DAVID MCMANUS**  
**CHAIRMAN**



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

During 2019 and continuing into the first part of 2020, there have been significant changes in the composition of the Board. As indicated at the 2019 AGM, Chairman Stephen Whyte reported that he would not be seeking re-election in 2020 and accordingly stepped down on 3 December 2019. On behalf of the Board I would like to acknowledge and thank Stephen for his strong contribution to the success of the Company during his tenure, as he successfully led the Company through significant change and set it up for long-term growth. I would also like to thank George Rose for stepping up as interim Chairman on Stephen Whyte's departure.

In April 2019 Murat Özgül stepped down as CEO and accordingly Bill Higgs, who joined the Company as COO in November 2017, was appointed as his successor. Murat took up a transitional role as Special Advisor to the Board, focusing on a number of key strategic objectives. Esa Ikaheimonen, CFO, was appointed to the Board in April 2019.

On 5 February 2020 the Board appointed Sir Michael Fallon as Senior Independent Non-Executive Director and Deputy Chairman. Tolga Bilgin and Hassan Gozal were also appointed as Non-Executive Directors. Tolga Bilgin is CEO of Bilgin Energy and Hassan Gozal is Chairman of Daax Corporation. Both Bilgin Energy and Daax Corporation are major shareholders of Genel.

Following the appointments, the Board recognises that the majority of the Board (excluding the Chairman) is not independent. It is the intention of the Board to appoint one further independent Director and return the Board to an equal balance of independent and non-independent Directors as soon as reasonably practicable.

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 2019 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 principle risks on pages 22 to 26.

The Board continues to keep the governance framework under review and in February 2020 the Board established an International Relations Committee, chaired by Sir Michael Fallon. The purpose of this committee is to provide oversight to external developments and risks that may impact Genel's activities.

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 Committees 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. I would like to thank all of our employees for their hard work and commitment throughout the year. Further information on workforce engagement can be found on 48.

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 stakeholder engagement can be found on page 36.

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, each of its Committees and each Director were operating effectively to support the Company's long-term strategic objectives. Further details of the Board evaluation can be found on page 49.

On a personal note I look forward to the exciting year ahead and working with the Board as we continue to deliver against the Company's strategy.

**David McManus**  
**Chairman**

## THE BOARD

Our Committee structure

BOARD OF DIRECTORS					
<p><b>AUDIT COMMITTEE</b></p> <p>Ensuring integrity and objectivity of published financial information</p> <p><b>CHAIRMAN</b> George Rose</p> <p><b>MEMBER</b> Martin Gudgeon</p> <p><b>MEETINGS IN 2019</b> 3 scheduled</p> <p><a href="#">READ MORE P50</a></p>	<p><b>REMUNERATION COMMITTEE</b></p> <p>Ensuring an appropriate approach to remuneration that supports delivery of the business strategy</p> <p><b>CHAIRMAN</b> Martin Gudgeon</p> <p><b>MEMBER</b> Sir Michael Fallon George Rose</p> <p><b>MEETINGS IN 2019</b> 3 scheduled 3 ad hoc</p> <p><a href="#">READ MORE P59</a></p>	<p><b>NOMINATION COMMITTEE</b></p> <p>Ensuring the continuation of a high calibre Board</p> <p><b>CHAIRMAN</b> David McManus</p> <p><b>MEMBERS</b> George Rose Tim Bushell Sir Michael Fallon</p> <p><b>MEETINGS IN 2019</b> 2 scheduled 1 ad hoc</p> <p><a href="#">READ MORE P53</a></p>	<p><b>HSSE COMMITTEE</b></p> <p>Ensuring a responsible and credible approach to HSSE</p> <p><b>CHAIRMAN</b> Tim Bushell</p> <p><b>MEMBER</b> David McManus</p> <p><b>MEETINGS IN 2019</b> 3 scheduled</p> <p><a href="#">READ MORE P55</a></p>	<p><b>RESERVES COMMITTEE</b></p> <p>Ensuring a robust reserves review process</p> <p><b>CHAIRMAN</b> Tim Bushell</p> <p><b>MEMBER</b> Bill Higgs David McManus</p> <p><b>MEETINGS IN 2019</b> 3 scheduled</p> <p><a href="#">READ MORE P57</a></p>	<p><b>INTERNATIONAL RELATIONS COMMITTEE</b></p> <p>Monitoring external developments</p> <p><b>CHAIRMAN</b> Sir Michael Fallon</p> <p><b>MEMBER</b> Ümit Tolga Bilgin Hassan Gozal David McManus George Rose</p>

### TOTAL NUMBER OF DIRECTORS

10

### BOARD COMPOSITION

Independent directors (5)

50%

Non-Independent Directors (3)

30%

Executive Director (2)

20%

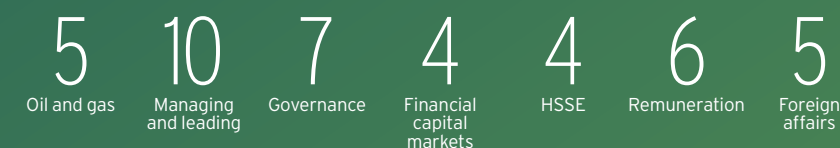
### INTERNATIONAL DIVERSITY

Number of Directors

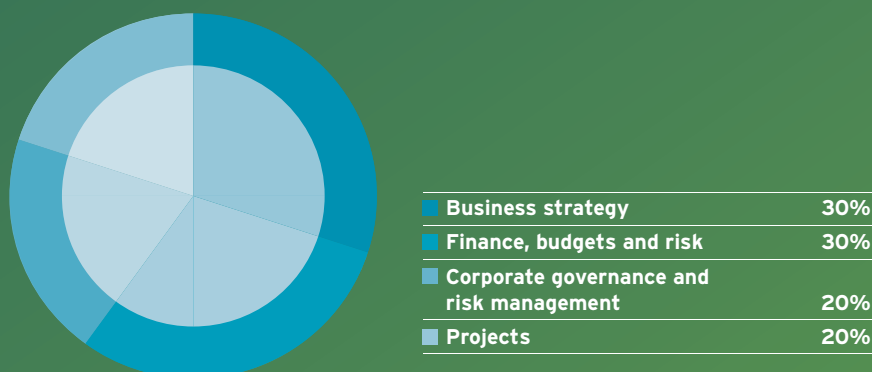


### SKILLS AND EXPERIENCE OF THE BOARD

Number of directors



### BOARD TIME SPENT %





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



**1. David McManus (66)**  
Chairman

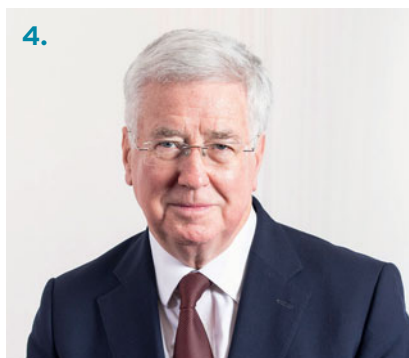
**Appointed:** 5 February 2020.

**Committee memberships:** Chairman of the Nomination Committee and member of the HSSE, Reserves and International Relations Committees.

**Key skills and experience:** David has vast experience as an international business leader in the energy sector with strong technical and commercial skills. He has over 40 years in technical, commercial, business development, general management and executive roles across all aspects of the oil & gas and energy business, spanning most regions of the world.

**Current external appointments:** David is currently serving as a Non-Executive Director for a number of listed companies including Hess Corporation, a large, integrated US oil and gas company; FlexLNG, a Norwegian-listed LNG shipping company, and Costain plc, one of the UK's leading smart infrastructure solutions providers.

**Previous relevant experience:** David retired as a Non-Executive Director from the Board of Rockhopper Exploration plc in May 2019, where he served as Chairman from 2016 to 2019. Other past Directorships include Caza Oil & Gas Inc and Cape plc, where he served as Chairman from 2006 to 2008. David's earlier career consisted of a number of executive positions including at Pioneer Natural Resources, where he was executive vice president for international operations, BG Group, Atlantic Richfield Company (ARCO), LASMO plc, and Shell UK.



## 2. Bill Higgs (55)

### Chief Executive Officer

**Appointed:** As an Executive Director and Chief Executive Officer on 7 April 2019.

**Committee memberships:** Member of the Reserves Committee.

**Key skills and experience:** Bill Higgs joined Genel in November 2017 as Chief Operating Officer and 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. Between August 2014 and July 2019 Bill was a Director and Chief Operating Officer for Ophir Energy plc where he was responsible for managing a global asset portfolio.

**Current external appointments:** Independent Non-Executive Director of San Leon Energy plc.

**Previous relevant experience:** Between 2012 and 2014 Bill was CEO of Mediterranean Oil and Gas and oversaw the successful sale of the company in 2014. Bill previously spent 23 years at Chevron across a number of global roles.

## 3. Esa Ikaheimonen (56)

### Chief Financial Officer

**Appointed:** As Chief Financial Officer on 3 July 2017 and as an Executive Director on 7 April 2019.

**Key skills and experience:** 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. Esa holds a Masters Degree in Law from the University of Turku, specialising in tax law and tax planning.

**Current external appointments:** Senior Independent Director and Chairman of the Audit Committee of International Oil and Gas plc. Esa is also the Non-Executive Chairman of Lamor Corporation, a leading environmental service company.

**Previous relevant experience:** Between February 2016 and August 2018 Esa was a director of Vantage Drilling International, he was Chairman of Transocean Partners plc from April 2014 to June 2015, and Non-Executive Director of Ahlstrom plc from April 2011 to April 2015.

## 4. Rt Hon Sir Michael Fallon KCB (67)

### Senior Independent Non-Executive Director and Deputy Chairman

**Appointed:** 5 February 2020.

**Committee memberships:** Chairman of the International Relations Committee and member of the Remuneration Committee and Nomination Committee.

**Key skills and experience:** Sir Michael is a former UK Defence Secretary with 30 years of senior political and business experience, serving in four British Cabinets, and as a Non-Executive Director on City and commercial boards.

**Current external appointments:** Sir Michael is currently a member of the International Advisory Board of Investcorp, an alternative investment management company; Chairman of Avanton Ltd, a property development firm; and a member of the Advisory Board of HIN Global (cyber security).

**Previous relevant experience:** Sir Michael was Energy Minister in the UK Government from 2013-2014: responsible for oil, gas, electricity, nuclear and renewables.

## 5. George Rose (68)

### Independent Non-Executive Director

**Appointed:** 2 June 2011.

**Committee memberships:** Chairman of the Audit Committee and member of the Remuneration Committee 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 Laing O'Rourke plc amongst other appointments.

**Current external appointments:** George is the Senior Independent Non-Executive Director of Experian plc and on 16 February 2016 George was appointed as 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.

## 6. Martin Gudgeon (53)

### 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.

## BOARD OF DIRECTORS CONTINUED

7



### 7. Tim Bushell (60) 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 and Deputy Chairman at Wentworth Resources, and Non-Executive Director at Petro Matad, Sval Energi AS, and Rockhopper Exploration plc.

### 8. Hassan Gozal (49) Non-Executive Director

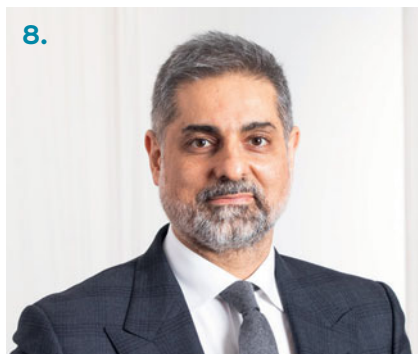
**Appointed:** 5 February 2020.

**Committee memberships:** Member of the International Relations Committee.

**Key skills and experience:** Hassan Gozal has significant international business experience in the energy, oil & gas, construction and property development sectors as well as with public private partnership (PPP) projects in the healthcare sector. Hassan is the sole owner and Chairman of Daax Corporation FZE. Through his current roles and previous positions, Hassan brings regional knowledge and an understanding of business development to the Board.

**Current external appointments:** Hassan is currently the owner and Chairman of Santevita Hospital Management BV, a company recently set up to develop new health initiatives in Iraq and the Middle East; Kuraz Enerji A.S., an energy production business in Iraq; Daax Construction MMC, a construction company; and Ocean Energy FZE, an oil trading company.

8.



9.



### 9. Ümit Tolga Bilgin (45) Non-Executive Director

**Appointed:** 5 February 2020.

**Committee memberships:** Member of the International Relations Committee.

**Key skills and experience:** Tolga Bilgin has current experience within the energy sector as CEO and Deputy Chairman of Bilgin Enerji Yatirim Holding A.S. and has held this position since 2014. Bilgin Energy is one of the largest companies within the Turkish energy sector. Through his current role and various positions held at Bilgin Energy managing the development, financing and execution of wind, hydro and thermal energy projects, Tolga brings experience in management, leadership, M&A and project financing to the Board.

**Current external appointments:** Since 2006 Tolga has been serving as the Chairman of the Wind Power and Hydropower Plants Businessmen's Association and was also appointed as Deputy Chairman of Turkish Electricity Producers Association in 2018.

### 10. Nazli K Williams (42) Non-Executive Director

**Appointed:** 21 November 2011.

**Key skills and experience:** Nazli has experience in managing and leading large corporations. Between 2004 and August 2014 Nazli worked at Digiturk, a leading satellite broadcasting network. She was Chief Content Officer between 2007 and August 2014, with primary responsibility for overseeing all content acquisitions, production and creative services (including on-air promotion and print TV guides) and overall content strategy.

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

10.



## EXECUTIVE COMMITTEE

1.


**1. Mike Adams**  
**Technical Director**

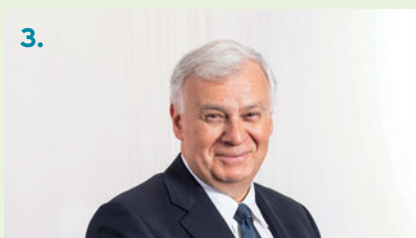
Formerly Head of Exploration and New Business, Mike was appointed as Technical Director on 1 June 2019, with responsibility for all pre-production activities relating to exploration, appraisal, and new business, as well as the subsurface department. Mike has 28 years of experience in the oil and gas industry in a wide variety of exploration, exploitation and global business development roles. Prior to joining Genel in 2012, Mike worked in a series of technical and leadership positions for companies including British Gas, Amerada Hess, Gulf Keystone Petroleum and Sterling Energy. Mike holds a MSc in Petroleum Geology from Imperial College London and is a Fellow of the Geological Society.

2.


**2. Paul Weir**  
**Chief Operating Officer**

Paul joined Genel as Chief Operating Officer in January 2020. Paul has over 30 years of global experience in oil and gas operations. Prior to Tullow Oil, he previously spent 13 years at Talisman, where he was VP Production & Exploration, leading operations at block PM3 at the Malaysia/Vietnam maritime border, Talisman's largest operated asset. He previously worked at Nippon Oil and Total Fina Elf.

3.


**3. Stephen Mitchell**  
**General Counsel**

Stephen Mitchell has practiced as a lawyer for over 35 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.

4.


**4. 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.

**5. VK Gupta**  
**Head of HSE and Risk Management**

Previously Genel's Head of HSE, VK was appointed Head of HSE and Risk Management on 1 June 2019. VK has 30 years of experience in oil and gas industry. Immediately prior to joining Genel, he was Vice President for HSSE for BG Group, UK. At the beginning of his career he worked with ONGC and Enron Oil & Gas at offshore oil and gas platforms in operational roles across projects, maintenance and production for twelve years and became an offshore installation manager. Then he moved to HSSE management and worked in India, UK, North Africa and South America for BG Group delivering transformational performance improvement. VK holds a B.Tech Honours in Electrical Engineering and an MBA from Indian Institute of Technology.

5.


**6. 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.

6.





# 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 to 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 2019.

Genel Energy plc is a Jersey incorporated company with a standard listing on the London Stock Exchange. Notwithstanding our standard listing, we are committed to complying with the regulatory requirements in both Jersey and the UK. We are in full compliance with the provisions of the Code with the exception of Provision 11 as since 3 December 2019 the majority of the Board (excluding the Chairman) is not independent. The Board recognises that in June 2020 one of our Independent Non-Executive Directors, George Rose will have completed his nine-year term of office, however the Board considers that he remains independent and his continued membership is in the best interests of the Company, helping to preserve corporate memory and avoid undue disruption. 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 are being trained over the course of 2020 on how to represent Genel in accordance with the principles of our newly refreshed 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 for all staff. All issues raised via this route are investigated and reported to the full Board.

## 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 year under review (2018: 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 2019 and confirm that they have operated effectively.

During 2019, the Company enhanced its processes to manage conflicts of interest through the inclusion of significant shareholders. The Company Secretary wrote to each of the significant shareholders requesting their co-operation to identify conflicts of interest and will continue to engage with them to identify any actual or potential conflict of interest that may arise on an ongoing basis. The Company's Conflict of Interest Policy also requires our employees to declare any actual or potential conflicts of interest.

## 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.

## BOARD ATTENDANCE

<b>GEORGE ROSE<sup>1</sup></b>	<b>Scheduled</b> 6/6	<b>Attendance scheduled<sup>6</sup></b> <b>100%</b>
	<b>Ad-hoc</b> 8/8	
<b>BILL HIGGS<sup>2</sup></b>	<b>Scheduled</b> 4/4	<b>Attendance scheduled<sup>6</sup></b> <b>100%</b>
	<b>Ad-hoc</b> 4/4	
<b>ESA IKAHEIMONEN<sup>3</sup></b>	<b>Scheduled</b> 4/4	<b>Attendance scheduled<sup>6</sup></b> <b>100%</b>
	<b>Ad-hoc</b> 4/4	
<b>TIM BUSHELL</b>	<b>Scheduled</b> 6/6	<b>Attendance scheduled<sup>6</sup></b> <b>93%</b>
	<b>Ad-hoc</b> 7/8	
<b>MARTIN GUDGEON</b>	<b>Scheduled</b> 6/6	<b>Attendance scheduled<sup>6</sup></b> <b>100%</b>
	<b>Ad-hoc</b> 8/8	
<b>NAZLI K. WILLIAMS</b>	<b>Scheduled</b> 6/6	<b>Attendance scheduled<sup>6</sup></b> <b>100%</b>
	<b>Ad-hoc</b> 8/8	
<b>STEPHEN WHYTE<sup>4</sup></b>	<b>Scheduled</b> 5/5	<b>Attendance scheduled<sup>6</sup></b> <b>100%</b>
	<b>Ad-hoc</b> 7/7	
<b>MURAT OZGUL<sup>5</sup></b>	<b>Scheduled</b> 2/2	<b>Attendance scheduled<sup>6</sup></b> <b>100%</b>
	<b>Ad-hoc</b> 4/4	

1. George Rose was appointed as Interim Chairman on 4 December 2019
2. Bill Higgs was appointed as a Director and CEO on 7 April 2019
3. Esa Ikaheimonen was appointed as a Director on 7 April 2019
4. Stephen Whyte resigned as a Director on 3 December 2019
5. Murat Ozgul resigned as a Director on 7 April 2019
6. Denotes the attendance percentage at scheduled and ad-hoc Board Meetings by each Director

## 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 sustainability section of this report on pages 28 to 35.

## 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.

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 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, values, objectives, business and ESG 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 ten directors on the Board, of whom two are Executives and eight (including the Chairman) Non-Executive. Five are independent under the Code (including the Chairman who was independent on appointment) and three 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 high 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.

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 40 and 42 of this Annual Report.

### Independence of the Board

The Independent Non-Executive Directors Tim Bushell, Sir Michael Fallon, Martin Gudgeon and George Rose are responsible for ensuring an appropriate challenge of management and the decisions of the Board. David McManus (as Chairman) was considered independent at the time of his appointment. The Independent Directors and the Chairman meet regularly in a private session after Board meetings and on other occasions.

The Non-Executive Directors who are not considered independent are Ümit Tolga Bilgin and Hassan Gozal who were both appointed on 5 February 2020 and Nazli K. Williams who has been nominated for appointment to the Board by Focus Investments Limited in accordance with the relationship agreement between the Company and Focus.

The Board recognises that the majority of the Board (excluding the Chairman) is not independent. It is the intention of the Board to return to an equal balance of independent and non-independent directors as soon as practicably possible.

### 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 fourteen meetings in total, eight of which were in addition to those scheduled.

There are detailed agendas for each Board meeting which are developed by the Chairman, the CEO 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 in-between meetings on the performance of the business against the agreed strategy and on its operations.

### Operation of the Board

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

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

MONTH	HIGHLIGHTS OF BOARD ACTIVITY
<b>January</b>	<ul style="list-style-type: none"> <li>– Approved the trading and operations update</li> <li>– Board effectiveness review face-to-face meetings held</li> <li>– Approved the acquisition of interests in the Sarta and Qara Dagħ PSC's</li> </ul>
<b>March</b>	<ul style="list-style-type: none"> <li>– Reviewed and approved the 2018 Annual Report and Accounts</li> <li>– Reviewed and approved the dividend policy</li> <li>– Approved the revised 2019 budget</li> <li>– Discussed the Company's talent and performance management culture</li> </ul>
<b>April</b>	<ul style="list-style-type: none"> <li>– Approved the appointment of Bill Higgs as an Executive Director and CEO and Esa Ikaheimonen as an Executive Director</li> <li>– Approved the maiden dividend</li> </ul>
<b>May</b>	<ul style="list-style-type: none"> <li>– AGM</li> <li>– Received feedback from workforce engagement activities</li> </ul>
<b>June</b>	<ul style="list-style-type: none"> <li>– Approved the commencement of a share buyback programme</li> </ul>
<b>July</b>	<ul style="list-style-type: none"> <li>– Reviewed and approved the half-year results statements</li> <li>– Reviewed operations readiness status</li> <li>– Discussed Board composition and Chairman succession</li> <li>– Reviewed stakeholder engagement activities</li> </ul>
<b>September</b>	<ul style="list-style-type: none"> <li>– Reviewed and approved business strategy (including ESG strategy)</li> <li>– Reviewed the five-year business plan</li> <li>– Monitored Bina Bawi commercial negotiations</li> </ul>
<b>October</b>	<ul style="list-style-type: none"> <li>– Approved the trading and operations update</li> </ul>
<b>December</b>	<ul style="list-style-type: none"> <li>– Approved the 2020 work programme and budget</li> <li>– Monitored Bina Bawi commercial negotiations</li> </ul>

## 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.



**David McManus**  
Chairman

David McManus 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 40.



**Bill Higgs**  
Chief Executive Officer

Bill Higgs 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.



**Sir Michael Fallon**  
Senior Independent Non-Executive Director

Sir Michael Fallon 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 acts as a sounding board for the Chairman and an intermediary for other Directors if and when necessary.

## 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. Following their appointment to the Board, David McManus, Sir Michael Fallon, Ümit Tolga Bilgin and Hassan Gozal have received a full and comprehensive induction to the operations, processes, policies and procedures across the business. The induction included a comprehensive schedule of meetings during February 2020 in London and will continue with visits to Ankara and KRI later during the year. Ongoing development and refresher training is also provided as and when particular topics are identified.

As part of each of the Director's ongoing development a programme of refresher training on specific topics began at the end of 2019 and will continue throughout 2020.

## 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 22 to 26.

## 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 27.



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 50 to 52.

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 2019 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

During the year, the Board continued to monitor the Company's key stakeholders, their impact on key strategic objectives and how the Company was engaging with each stakeholder. Further information on stakeholder engagement and how the Board has complied with its duties under s172 of the UK Companies Act 2006 can be found on page 36.

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 in our sustainability report on pages 28 to 35.

### Workforce Engagement

The Board recognises the importance of our workforce as a key component in the Company's ability to deliver its strategy. In 2019, the Board workforce engagement activity was enhanced including through Martin Gudgeon's appointment as Designated Independent Non-Executive Director ('DINED') for workforce engagement. Specific activity undertaken by Martin Gudgeon in his role as DINED included attending Town Hall meetings at the London office, attending a team building exercise in Turkey with all Ankara based employees and meeting with various employees one on one. Martin Gudgeon also participated in a 5 hour/day-long workshop organised by management to assist with the creation of our values where employees across all business functions and locations were also present and were provided with the opportunity to speak and work with him to define the spirit of the Company. Through these activities Martin has been able to increase visibility of the Board with employees as well as gain insight into our employees' perspectives on the Company.

In September 2019 the Directors held a Board meeting at the Ankara office and, as part of the schedule, selected employees from the Ankara and London office were invited to attend a dinner with Board and Executive Committee members. In addition throughout the year, where appropriate, the Executive Committee and their direct reports were provided the opportunity to present various topics to the Board or relevant Board Committee for discussion.

### Communication with investors

We communicate on a regular basis with our investors 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. In 2019, as part of a drive to increase communication with our investors a monthly Q&A section on our website was introduced, providing investors the opportunity to submit their questions on the business to the Company.

During the year the Chairman and Independent Non-Executive Directors held meetings with shareholders in order to discuss the current position of the business and its future strategy. 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 all our 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)

### 2020 AGM

The 2020 AGM will be held on Thursday 14 May 2020 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)

### Board committees

The Board has established six committees: the Audit Committee, the Remuneration Committee, the Nomination Committee, the Health, Safety, Security and Environment Committee, the Reserves Committee and the International Relations 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. The Audit, Remuneration and Nomination Committees consists of only Independent Non-Executive Directors.

## 2019 INVESTOR RELATIONS ACTIVITY

100+

Over 100 institutional meetings held



### Board effectiveness

In 2019, we conducted an internal review of the effectiveness of the Board, each of its Committees and each Director building on the findings of the external and internal reviews. The 2019 review was facilitated by the Chairman. In accordance with best practice it is our intention to commission an external review in 2020.

Actions from the 2018 effectiveness review	Progress made against the actions
<p><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.</p>	<p>During the year the Board approved the acquisition of interests in the Sarta and Qara Dagh PSC's and drove forward preparation for drilling activity at both assets during 2020. The Board continues to focus on monetising value from Bina Bawi and Miran.</p>
<p><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.</p>	<p>During 2019 the Nomination Committee recommended the appointment of Bill Higgs as CEO and Executive Director and Esa Ikaheimonen as an Executive Director.</p> <p>The Nomination Committee also undertook the search for the Chairman and an Independent Non-Executive Director, recommending David McManus and Sir Michael Fallon to join the Board in February 2020.</p> <p>Ümit Tolga Bilgin and Hassan Gozal were also recommended to be appointed as Non-Executive Directors in February 2020.</p>

Actions arising from the 2019 effectiveness review	
<p><b>Effectiveness</b></p>	<p>Following changes to Board composition, the Board intends to more closely monitor its effectiveness during the year to ensure the new Board operates effectively and drives forward the Company's strategy</p>
<p><b>Risk</b></p>	<p>Whilst the Company has an effective risk management process in place, the Board will schedule a number of deep dive sessions into specific risks</p>
<p><b>Strategy</b></p>	<p>It was recognised that the business has a clear strategy and the Board should continue to focus on monetisation of Bina Bawi, continue to review value enhancing M&amp;A opportunities, and further develop its ESG strategy</p>

The independent review of the performance of each of the Directors was undertaken by George Rose as Interim Chairman and the Senior Independent Director led the review of the Interim Chairman's performance. Following these performance reviews, the Board considers that each of the Directors continue to make an effective and valuable contribution and demonstrate their commitment to the role. It is the Board's intention to continue to review its performance annually including that of its Committees and individual Directors. Accordingly, the Board recommends the re-election of each Director at the Company's forthcoming AGM.

# Ensuring integrity and clarity of published financial information



**GEORGE ROSE**  
**CHAIRMAN**

**MARTIN GUDGEON**  
**MEMBER**

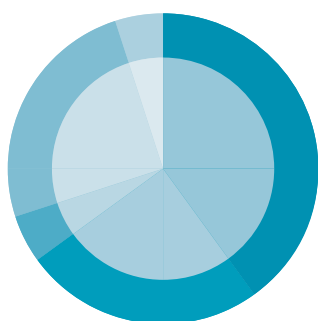
**3 SCHEDULED**  
**MEETINGS IN 2019**

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</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, including acquisition accounting for the Company's 30% interest in the Sarta PSC</p> <p>Kept under review the risk register and retained oversight of the Group risk framework and by doing so support 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 anti-bribery and trade sanctions 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	March	July	December	Attendance <sup>1</sup> scheduled
Scheduled/Ad-hoc	Scheduled	Scheduled	Scheduled	
George Rose	✓	✓	✓	100%
Martin Gudgeon	✓	✓	✓	100%

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

### AUDIT COMMITTEE TIME SPENT



■ Governance and audit	40%
■ Risk management and internal control	25%
■ Reserves and resources	5%
■ Financial reporting (including impairment)	25%
■ Financing	5%

#### MONTH

#### HIGHLIGHTS OF AUDIT COMMITTEE ACTIVITY

##### March

- Reviewed the 2018 Annual Report
- Reviewed significant estimates and judgements in relation to the 2018 accounts
- Received a report from the external auditor regarding the 2018 financial statements
- Reviewed internal control and risk management
- Approved the 2019 internal audit plan
- Received an update on the legal compliance programme
- Held a private meeting with the external auditor

##### July

- Reviewed the half year results statements and disclosures
- Received a report from internal audit
- Endorsed enhancements to risk management processes
- Received an update on the legal compliance programme

##### December

- Reviewed the external audit plan for 2019 year end
- Received a report from internal audit
- Received updates on the legal compliance programme
- Reviewed the effectiveness of internal and external audit functions
- Reviewed the risk register
- Reviewed the Committee terms of reference



## AUDIT COMMITTEE CONTINUED

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

The Committee relies on information and support from management to enable it to carry out its duties and responsibilities effectively. The Audit Committee has detailed terms of reference which set out its areas of responsibility.

The significant issues considered by the Committee in relation to the 2019 accounts and how these were addressed were:

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

Impairment of oil and gas assets - the Committee considered the process for review, key inputs and judgements made along with the supporting evidence when completing the assessment of the recoverable values of assets and the sensitivities applied. The value of both the Tawke and Taq Taq PSCs carried in the Company accounts has been reviewed and has resulted in an impairment charge of \$21 million and \$9 million respectively, as a result of a combination of reduction in oil price outlook and near term production.

### Internal audit

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 engaged a secondee from EY to manage the Internal Audit function. Each year the Committee approves an internal audit plan for the year ahead, which is 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.

In December 2019, the Committee reviewed the outcome of the internal audit work that had been performed in accordance with the 2019 internal audit plan and the effectiveness of the internal audit arrangements the Company had put in place. The Head of Internal Audit reported that management had been co-operative, for each audit performed and provided an overview of each of their findings and recommendations made to management including a timescale for implementation.

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.

### Risk Management

As part of the Company's control framework the Committee 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 22 to 26. During the course of the year, enhancements were made to improve the effectiveness and consistency of day to day implementation of risk management processes.

### 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-authorization by the Committee under the terms of the policy.

In 2019, the ratio of non-audit to audit fee paid to PwC was 2:7, the non-audit fee paid was \$0.2 million, further details of which can be found on page 103 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 eight 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 2019 the Committee reviewed the effectiveness of the external audit process. It reviewed papers from both management and the external auditors, including the planning and execution of the audit process. Following this review, the Committee was satisfied that the external auditor remains both effective and fully independent and on that basis their reappointment will be proposed and recommended at the forthcoming AGM.

The Committee reviewed its own effectiveness for the year ending 31 December 2019 as part of the wider Board Effectiveness Review process.

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

# Ensuring a high calibre Board



**DAVID MCMANUS**  
**CHAIRMAN**

**TIM BUSHELL**  
**RT HON SIR MICHAEL FALLON**  
**GEORGE ROSE**  
**MEMBERS**

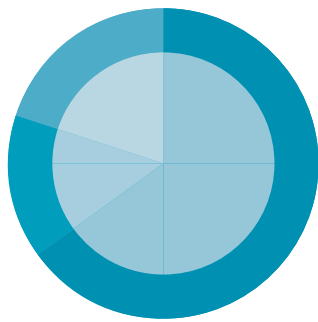
**2 SCHEDULED**  
**1 AD-HOC**  
**MEETINGS IN 2019**

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, CFO 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-election/election of each Director at the 2020 AGM
Keeping under review succession arrangements for Directors and other senior executives	During the course of the year Bill Higgs was appointed as CEO and following Stephen Whyte's decision to step down as Chairman the Committee led the search for his replacement

Nomination Committee	March	August	December	Attendance <sup>2</sup> scheduled
Scheduled/Ad-hoc	Scheduled	Ad-hoc	Scheduled	
Stephen Whyte <sup>1</sup>	✓	N/A	N/A	100%
Tim Bushell	✓	✓	✓	100%
George Rose	✓	✓	✓	100%

1. Stephen Whyte resigned as a Director on 3 December 2019 and did not participate in the August 2019 meeting as the purpose of the meeting was primarily to discuss Chairman succession  
 2. Denotes the attendance percentage at scheduled Committee meetings by each Director

**NOMINATION COMMITTEE TIME SPENT**



■ Succession	<b>65%</b>
■ Effectiveness	<b>15%</b>
■ Governance	<b>20%</b>

MONTH	HIGHLIGHTS OF NOMINATION COMMITTEE ACTIVITY
<b>March</b>	<ul style="list-style-type: none"> <li>– Discussed Board succession planning; including the key skills and experience around the Board</li> <li>– Reviewed Directors independence and made recommendations on proposals for Director re-election/election</li> </ul>
<b>August</b>	<ul style="list-style-type: none"> <li>– Discussed Chairman succession</li> </ul>
<b>December</b>	<ul style="list-style-type: none"> <li>– Discussed Board and senior management succession planning</li> <li>– Reviewed talent management below the Executive Committee</li> <li>– Approved the Company’s amended Diversity and Equal Opportunities policy</li> <li>– Reviewed the Committee’s terms of reference</li> </ul>

All the members of the Nomination Committee are Independent Non-Executive Directors. The Nomination Committee has been active in 2019 overseeing several changes to the Board and monitoring corporate governance developments as they affect the Company.

Succession planning as a topic is continuously discussed by the Committee and a key focus area in 2019 was senior leadership succession. In April 2019 Murat Özgül stepped down as CEO and took up a transitional role as Special Advisor to the Board. Following a recommendation from the Nomination Committee the Board approved the appointment of Bill Higgs as CEO. Views were also sought from major shareholders on the process and outcome. Esa Ikaheimonen who was appointed to the role of Chief Financial Officer in July 2017 was also recommended by the Committee to join the Board of Directors at the same time.

In May 2019 Stephen Whyte announced that he would be stepping down from the Board once a successor had been found and resigned as Chairman in December 2019 as the process to find his successor was well underway. The Committee engaged Russell Reynolds, an independent executive search agency to undertake a comprehensive search process and then made a recommendation to the Board. The Committee as a whole was closely involved in identifying and agreeing a shortlist of candidates. Following initial interviews with the Committee the candidates met with other members of the Board. Board members provided feedback to the Committee and the relative merits of the candidates were discussed in further detail by the Committee. The Board approved the recommendation of the Committee that David McManus be appointed as Chairman with effect from 5 February 2020.

As part of its remit the Nomination Committee has also kept 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.

The Committee spent time considering whether 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 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. In February 2020 taking into consideration the needs of the business and skill and knowledge around the Boardroom the Board also appointed Sir Michael Fallon as Senior Independent Non-Executive Director and Deputy Chairman, and Ümit Tolga Bilgin and Hassan Gozal, both major shareholders, as Non-Executive Directors.

George Rose will have been appointed as both a member of the Board and as chair of the Audit Committee for nine years in June 2020. George Rose has made a material contribution to the Company and his knowledge and experience is considered to be invaluable. The Committee has recommended George’s term as an Independent Non- Executive Director be extended and he be put forward for re-election at the Company’s 2020 AGM. The Board has confirmed that he remains independent in character and judgement and the Board believes that taking this approach is in the best interests of the Company, helping to preserve corporate memory and avoid disruption.

Currently there is one female Director on the Board and, when the opportunity arises we consider candidates based on merit and against objective criteria and with due regard for the benefits of diversity on the Board. In the year ahead, the Nomination Committee will be undertaking a search for a new Independent Non- Executive Director in order to keep the Company’s commitment to return the Board to an equal balance of independent versus non-independent directors. The Committee will keep under review the composition and balance of the Board to ensure the appropriate experience and skills to deliver the Company’s strategy.

In line with the Company’s ESG strategy the Committee also reviewed and approved an amended Diversity and Equal Opportunities policy, a copy of which can be found on our website. The Board and the Company are committed to employing a diverse and balanced workforce. We recognise 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 importance of this is highlighted in our Code of Conduct and underpinned by our recruitment practises and dealings with our partners and suppliers. Further information on diversity within the Company can be found on page 34.

During the year the Committee also received a report from management on activity being undertaken to manage and develop talent within the business, below the Executive Committee.

The Committee reviewed its own effectiveness for 2019 as part of the wider Board Effectiveness Review process. The Committee has also reviewed its terms of reference which can be found on our website at [www.genenergy.com](http://www.genenergy.com)

**HSSE COMMITTEE**

# Ensuring a focused approach to HSSE



**TIM BUSHELL**  
CHAIRMAN

**DAVID MCMANUS**  
MEMBER

**3 SCHEDULED MEETINGS IN 2019**

Objective	Action
To ensure that the Company maintains a responsible and credible approach to HSSE matters (including asset integrity and major hazard risk management), in line with international best practices and emerging legal requirements	Received updates on developments both from a regulatory and operational perspective Monitored the collaboration of operators in the region to develop a common approach to mitigating and managing the risks associated with oil field operations and received updates on engagement with government authorities Reviewed the Company's localisation strategy in the KRI
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 including any areas of concern CSR activity in 2019 and planned activity during 2020 was reviewed
To assist the Board and other committees in assessing HSSE risks and their effective management in determining, implementing and reviewing the Company's HSSE strategy and processes	Risks allocated to the Committee under the risk management system were reviewed in detail and a report provided to the Audit Committee on the effectiveness of the HSSE controls and risk mitigation processes
To ensure the quality of the Company's reporting and disclosure (both internally and to shareholders) in relation to HSSE matters	Monitored performance against the HSE KPI targets and LTI targets Reviewed and monitored the GHG emissions output and disclosures made in the Annual Report on health and safety, environment, and community development
To assist the Company in developing the HSSE culture	Received regular updates on the approach to safety culture and security across the organisation Provided feedback to the Remuneration Committee on the HSE performance elements of the 2019 annual bonus performance targets

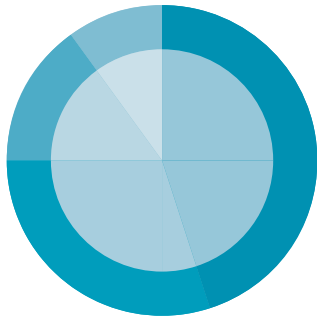
HSSE Committee	March	July	December	Attendance <sup>2</sup> scheduled
Scheduled/Ad-hoc	Scheduled	Scheduled	Scheduled	
Tim Bushell	✓	✓	✓	100%
Stephen Whyte <sup>1</sup>	✓	✓	✓	100%

1. Stephen Whyte resigned as a Director on 3 December 2019

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



HSSE COMMITTEE TIME SPENT



■ Planning and monitoring	45%
■ Culture	30%
■ Security	15%
■ Risk monitoring and mitigation	10%

MONTH	HIGHLIGHTS OF HSSE COMMITTEE ACTIVITY
<b>March</b>	<ul style="list-style-type: none"> <li>– Monitored progress made against the 2019 HSE improvement plan</li> <li>– Reviewed performance against the 2018 corporate KPIs in relation to HSE</li> <li>– Approved the 2019 corporate KPIs in relation to HSE</li> <li>– Reviewed disclosures made in the 2018 Annual Report in relation to HSSE</li> <li>– Reviewed key risks in relation to HSSE</li> </ul>
<b>July</b>	<ul style="list-style-type: none"> <li>– Monitored progress made against the 2019 HSE improvement plan</li> <li>– Discussed the Company’s ESG strategy</li> <li>– Reviewed progress made against the Company’s localisation agenda</li> <li>– Received an update on security in the KRI</li> </ul>
<b>December</b>	<ul style="list-style-type: none"> <li>– Monitored progress made against the 2019 HSE improvement plan</li> <li>– Discussed HSE priorities for 2020 including relevant corporate KPIs</li> <li>– Received an update on TTOPCO HSE performance and culture</li> <li>– Reviewed the 2020 CSR plan and budget</li> <li>– Received an update on security in the KRI</li> <li>– Reviewed the Committee’s terms of reference</li> </ul>

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 2019 the HSE plan contained actions in the following areas: leadership, culture and capability, risk, contractor management, crisis management, 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 demonstrating visible HSE leadership and emergency response and crisis management simulation exercises involving the Board of Directors. Environmental, social and health impact assessments were produced and regulatory approvals received in preparation for drilling activity at Taq Taq, Sarta and Qara Dagh. Operations activities also included involvement in the preparation to drill the QD-2 exploration well at Qara Dagh in H2 2020 and providing HSE support as Genel prepares to take over operatorship of Sarta production facility. Ongoing health and safety campaigns were run throughout the year on various topics including permit to work, working at height and H2S safety. During 2019 the Company also introduced a fitness to work procedure ‘Medfit and e-Medfit’ whereby all employees, contractors and Directors are required to be issued with a fitness to work certificate by an independent third party.

In line with the UK Companies Act 2006 (Strategic Report and Directors’ Reports) Regulations 2013 the Company prepares and reports our greenhouse gas emissions which can be found on page 30. The Committee reviewed the greenhouse gas emissions occurring from operations in 2019 and notes a reduction from 2018 of 91% although, the Committee notes that 93% of the Company’s total greenhouse gas emissions in 2018 were attributable to the acquisition of seismic data on the Sidi Moussa licence off the coast of Morocco. Further information on how the Company is a socially responsible contributor to the global energy mix can be found on pages 28 to 35.

In recognition of the importance of HSE to our business the 2019 annual bonus objectives contain an element specifically allocated to HSE. The Committee reviewed progress against the 2019 HSE objectives and made recommendations to the Remuneration Committee on these elements, the details of which may be found on page 74 of the Annual Report on Remuneration.

The HSSE Committee reviewed its own effectiveness for the year ending 31 December 2019 as part of the wider Board Effectiveness Review.

The Committee 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



**TIM BUSHELL**  
CHAIRMAN

**DAVID MCMANUS**  
**BILL HIGGS**  
MEMBER

**3 SCHEDULED**  
**MEETINGS IN 2019**

Objective	Action
To increase shareholder confidence by ensuring a robust reserves and resources review process	Reviewed the reserves and resources assessment procedure Review asset development plans for each of the operated and non operated assets
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 evaluators

Reserves Committee	February	March	September	Attendance <sup>2</sup> scheduled
Scheduled/Ad-hoc	Scheduled	Scheduled	Scheduled	
Tim Bushell	✓	✓	✓	100%
Stephen Whyte <sup>1</sup>	✓	✓	✓	100%

1. Stephen Whyte resigned as a Director on 3 December 2019  
2. Denotes the attendance percentage at scheduled Committee meetings by each Director

## RESERVES COMMITTEE CONTINUED

MONTH	HIGHLIGHTS OF RESERVES COMMITTEE ACTIVITY
February	<ul style="list-style-type: none"> <li>– Reviewed the reserves and resources for each of the Company's assets</li> </ul>
March	<ul style="list-style-type: none"> <li>– Approved the 2018 reserves and resources statement</li> <li>– Reviewed disclosures made in the Annual Report in relation to reserves and resources</li> </ul>
September	<ul style="list-style-type: none"> <li>– Reviewed asset development plans for each asset</li> <li>– Reviewed each Independent Qualified Reserves Evaluator</li> </ul>

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

The Committee received and considered reports from management, McDaniels, D&M and ERCE in relation to the 2019 annual reserves and resources statement.

In order to enhance the Committee's oversight on each of the Company's assets during the September Reserves Committee meeting asset development plans for each asset were presented to and discussed by the Committee.

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

During 2019 each of the members of the Reserves Committee were Independent Non-Executive Directors and had relevant technical and industry experience.

# Remuneration Committee Chairman's statement



**MARTIN GUDGEON**  
**CHAIRMAN**

**GEORGE ROSE**  
**RT HON SIR MICHAEL FALLON**  
**MEMBERS**

**3 SCHEDULED**  
**MEETINGS IN 2019**

On behalf of the Remuneration Committee, and in my position of Chairman of the Committee, I am pleased to present Genel's Directors' Remuneration Report for the year ended 31 December 2019.

As a Jersey registered company we are not required to prepare a remuneration report in accordance with UK legislation, however, it remains the policy of Genel to comply with high standards of corporate governance and so 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).

## Remuneration Policy

As we have chosen to comply with UK remuneration reporting regulations, we sought shareholder approval at our 2017 AGM for our Remuneration Policy. The Policy, therefore, is reaching the end of its three year term and so has been reviewed during 2019 to ensure it is aligned with the Company strategy of delivering shareholder value through maximising the value of our asset portfolio.

2019 has been a transitional year for Genel as we increasingly become an operator of assets; with a new CEO; new corporate values; and clear strategic ambitions. Accordingly, the Committee is proposing this year to renew the 2017 Policy, subject to a small number of changes being made to bring it in line with developing practice and investor expectations, pending a fuller review of our Policy. This fuller review will take place during 2020, taking into consideration the full aspects of Genel's transition, and it is intended that our revised Policy will be brought back to shareholders in 2021. The Policy is set out on pages 61 to 71.

Our Remuneration Policy is designed to attract, retain and motivate the high quality of talent required to develop and implement our strategy and drive performance to deliver shareholder value. The same incentive structure for Executive remuneration, including the cash bonus and long-term incentive plans, applies throughout the workforce, ensuring both a focus on short-term delivery and aligning all individual interests with the long-term success of the Company.

## Remuneration for 2019

Full details of the Remuneration Committee's decisions for 2019 are set out in the Annual Report on Remuneration on pages 59 to 79.

In 2019, once again, our high safety and environmental record was excellent, and all targets in this area were achieved. We are pleased to see another year of strong financial performance with payment of our inaugural dividend and a share buyback. Progress in discussions regarding Bina Bawi and Miran were not as successful as hoped, reflected in the company scorecard seen on page 74.

We continue to look for progress on the execution of our strategy which has entailed constant surveillance of the market for appropriate projects to add to the Genel portfolio. Therefore, of the maximum potential annual bonus, 60% has been achieved. Further details of the 2019 annual bonus performance objectives and how they were assessed can be found on page 74.

## Approach to remuneration in 2020

Details of how we intend to apply our Policy over the coming year are set out on pages 77 to 78.

The Committee has approved an increase in base salary for 2020 for Bill Higgs at a rate of 2% which is in line with the wider UK workforce. Esa Ikaheimonen will not receive a salary increase in 2020, reflecting the fact that he received a 6.5% salary increase in August 2019 following an increase in his functional responsibilities.

In 2020, the annual bonus of the Executive Directors, will be based on a combination of achievement against the Company scorecard metrics at 80% and 20% of the bonus reflecting personal performance.

For 2020 and beyond the company scorecard for cash bonuses will be more focused on the delivery of the work plan and budget and annual performance. The measurements set out in the Company scorecard have been adjusted accordingly (as set out on page 78), with delivery in culture, dividend, production and activity driving the performance of our Executives and wider workforce. The Committee considers that these targets are appropriately stretching and that maximum vesting would represent significant value creation.



Strategic milestones will be incentivised via the longer term PSP programme. The introduction of specific awards aligned to strategic milestones are designed to meet the aim of the Committee to incentivise the delivery of projects that will lead to sustained shareholder value creation over the long term.

The Committee has assessed the appropriateness of TSR metrics going forward and has determined that, for 2020, absolute TSR targets for PSP awards will be removed and replaced with the achievement of strategic milestones. PSP awards will continue to be assessed 50% on relative TSR against our peer group.

**2020 AGM**

At the AGM in 2020, our shareholders will be asked to approve this Annual Report on Remuneration as well as the Remuneration Policy for 2020 and I encourage you to vote in favour. I will be available, along with my Committee members, to answer any questions regarding our Policy on executive remuneration and the activities of the Committee.



**Martin Gudgeon**  
Chairman of the Remuneration Committee

**Activities of the Remuneration Committee**

The Committee held three scheduled and three ad hoc meetings during the year. Details of the attendance of Committee members at meetings during 2019 and the activities carried out is set out below. All of the members of the Committee are Independent Non-Executive Directors.

Remuneration Committee	March	March	April	July	October	December	Attendance <sup>1</sup> scheduled
Scheduled/Ad-hoc	Scheduled	Ad-hoc	Ad-hoc	Scheduled	Ad-hoc	Scheduled	
Martin Gudgeon	✓	✓	✓	✓	✓	✓	100%
George Rose	✓	✓	✓	✓	✓	✓	100%

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

Objective	Action
To implement the Remuneration Policy for the Chairman, Executive Directors and members of the Executive Committee	Applied the Remuneration Policy principles in discussion and implementation of remuneration for Executive Directors and Executive Committee members Dealt with Murat Özgül stepping down to a below Board role Determined and implemented the promotion of Bill Higgs to CEO Managed the promotion of Esa Ikaheimonen as an Executive Director Reviewed the Chairman's fee for 2020
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 Reviewed the executive base salary level and benefits allowance in the context of pay for the wider workforce and the external market
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 Review of performance objectives of the Executive Directors and Executive Committee in order to determine the level of bonus earned in respect of the 2019 financial year
To review all aspects of any equity incentive plans operated or to be established by the Company	The Committee set targets for 2019 PSP awards and reviewed the relative TSR peer group for 2020 awards Reviewed the metrics for the PSP award for 2020 and removed the absolute TSR measure
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 2019 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 Revised the Remuneration Policy for 2020

## REMUNERATION POLICY

### Remuneration Policy

This part of the report sets out our proposed Directors' Remuneration Policy (the "Policy"). This Policy will be put forward for shareholder approval at the 2020 AGM, and it will take effect from the date on which it is approved by shareholder vote.

The Policy includes a number of changes from that which was approved by shareholders in 2017. These changes have been made in line with developing practice and investor expectations:

- For any newly appointed Executive Director, that part of the benefits allowance which relates to pension will be limited to the rate for the Company's wider workforce in the jurisdiction in which the Executive Director is employed or resides.
- The Committee's discretionary powers over annual bonus outcomes and PSP vestings have been clarified.
- 'Corporate failure' has been included as a circumstance in which malus and/or clawback could apply.

As outlined in the Remuneration Committee Chairman's statement, it is the Committee's intention to continue to review the Company's remuneration arrangements during 2020 to ensure that they are aligned with the Company's strategy of delivering shareholder value through maximising the value of our asset portfolio. Therefore the Committee will consult with shareholders during 2020 and will revert with a further revised policy at the 2021 AGM.

The Company is incorporated in Jersey. 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. Consistent with the Company's commitment to adhere to UK legislation, the Company commits to only making payments to Directors in accordance with this policy.

In order to avoid any conflicts of interest the Company's executives can only attend meetings of the Remuneration Committee at the invitation of the Remuneration Committee Chairman and will not be involved in determining their own pay.

### Remuneration Policy table

#### Fixed remuneration

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Salary	<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> <li>– Salary is set at a level to attract and retain individuals with the requisite level of experience/background necessary to deliver the Company's strategy</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> </ul> </li> <li>– Salaries are reviewed, but not necessarily increased, annually with any increase usually taking effect in January</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

## REMUNERATION POLICY CONTINUED

### Remuneration policy table continued

#### Fixed remuneration

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<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 20% 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> <li>- For any newly appointed Executive Director, that part of the benefits allowance which relates to pension will be limited to the rate for the Company's wider workforce in the jurisdiction in which the Executive Director is employed or resides</li> </ul>	None

**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 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>- The Committee has overall discretion to adjust the extent to which bonuses are paid including reducing payment to nil where the Committee determines that the outcomes would not reflect underlying performance</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. The Committee retains the flexibility over the deferral period but would usually apply a two year deferral period</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>



## REMUNERATION POLICY 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>- The Committee has overall discretion to adjust the extent to which PSP awards vest including where the Committee determines that the outcomes would not reflect underlying performance</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 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 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>

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<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 who are of sufficient calibre to deliver the Company's strategy</li> <li>– May also be used as a vehicle for bonus deferral</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, this includes in exceptional circumstances where the Committee determines that the outcomes would not reflect underlying performance</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, save for bonus deferral</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 contained in this report comes 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/or 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 relative TSR and project-based milestones 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 including to nil 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 corporate failure, 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.

Under the annual bonus scheme (including deferred bonus payments), the Committee may cancel or reduce including to nil the payment of the annual bonus in circumstances where the Committee considers it to be appropriate. Such circumstances may include corporate failure, 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.

### Clawback provisions

Clawback provisions apply to any or all of the annual bonus (including deferred bonus), PSP and RSP awards where it is considered appropriate. Such circumstances may include corporate failure, 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 (including deferred bonus) 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 uses the annual bonus and share incentive schemes to reward its employees and create alignment with the Company's culture.

In the UK, employee remuneration packages consist of the same four elements as Executive Directors' remuneration packages: base salary, benefits, annual bonus and share awards. In all other jurisdictions in which the business operates we aim to replicate this structure to the extent that it is possible but take local considerations into account.

Genel is committed to strengthening and widening employee share ownership by the use of share incentives granted under our share plans. As a result currently approximately 60% of employees participate in our share plans.

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

## Chairman and Non-Executive Directors

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<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 to lead the Board of Directors</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 Company's incentive plans</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>
<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>The Committee has the flexibility to pay an additional fee for the roles of Senior Independent Director and Deputy Chairman</li> <li>Although no additional fee is currently paid for the role of 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>	<ul style="list-style-type: none"> <li>None</li> </ul>

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, additional allowances would normally be provided under a standard expatriate package in respect of certain benefits, which may include the provision of a housing allowance, education support, health insurance, tax advice, a relocation or repatriation allowance and a home leave allowance.

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

Therefore:

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

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

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

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

### Buy-outs

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

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

## Recruitment of Chairman and Non-Executive Directors

In the event of the appointment of a new Chairman and/or Non-Executive Director, remuneration arrangements will normally be in line with those detailed in the relevant table above.

## Executive Director service contract

The key employment terms and other conditions of the current Executive Directors, as stipulated in their service contracts which are not of any fixed term, 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. There are specific provisions requiring a reduction in any phased PILON payments in the event that the Executive Director 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

Executive Director services contracts and Non-Executive Director letters of appointment are available for inspection at the Company's registered office address.

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. Payments for loss of office may only be made within the terms of the Remuneration Policy.

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 an 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 Company's Share Retention Policy continues to apply once an Executive Director leaves office, subject to Remuneration Committee discretion where the Remuneration Committee considers there are exceptional circumstances or on death.

Payments for loss of office can be made where an amendment to the Remuneration Policy authorising the Company to make the payment has been approved by the shareholders.

## REMUNERATION POLICY CONTINUED

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 and not accelerated, 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> <li>- Under ordinary circumstances the Company's Share Retention Policy will continue to apply, unless the Committee determines otherwise</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 loss of office</li> </ul>

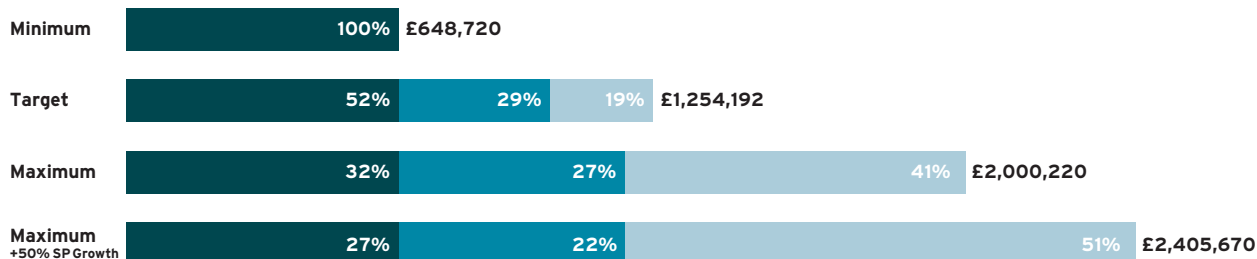
### Illustration of the remuneration policy

Genel's remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short-term and long-term performance targets, aligned with the creation of sustainable shareholder value. The Committee considers the level of remuneration that may be received under different performance outcomes to ensure that this is appropriate in the context of the performance delivered and the value added for shareholders.

The charts that follow provide illustrative values of the remuneration package for Executive Directors under four assumed performance scenarios. These charts are for illustrative purposes only and actual outcomes may differ from that shown.

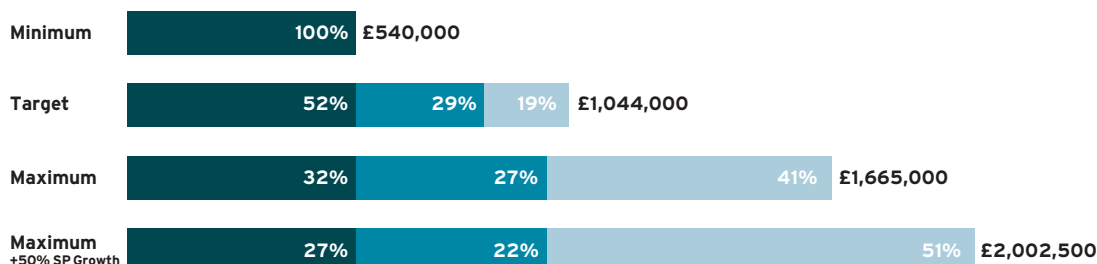
## CHIEF EXECUTIVE OFFICER

### Bill Higgs



## CHIEF FINANCIAL OFFICER

### Esa Ikaheimonen



Assumed performance	Assumptions used
<b>All performance scenarios</b>	<ul style="list-style-type: none"> <li>Consists of total fixed pay, consisting of base salary and cash supplement in lieu of benefits and pension</li> <li>Base salary - salary effective as at 1 January 2020</li> <li>Benefits - 20% of base salary</li> </ul>
<b>Minimum performance</b>	<ul style="list-style-type: none"> <li>No pay-out under the annual bonus</li> <li>No vesting under the PSP</li> </ul>
<b>Performance in line with expectations</b>	<ul style="list-style-type: none"> <li>Two thirds of the maximum pay-out under the planned operation of the annual bonus for 2020. This represents 67% of base salary for both executive directors</li> <li>30% vesting under the PSP</li> <li>Value of awards under the PSP based on 2020 award levels of 150% of salary</li> </ul>
<b>Maximum performance</b>	<ul style="list-style-type: none"> <li>100% of the maximum pay-out under the planned operation of the annual bonus for 2020. This represents 100% of base salary for both executive directors. This is lower than the maximum limit set out in the Policy</li> <li>100% vesting under the PSP</li> <li>Value of awards under the PSP based on 2020 award levels of 150% of salary</li> </ul>
<b>Maximum performance (including 50% share price growth)</b>	<ul style="list-style-type: none"> <li>100% of the maximum pay-out under the planned operation of the annual bonus for 2020. This represents 100% of base salary for both executive directors. This is lower than the maximum limit set out in the Policy 100% vesting under the Performance Share Plan, and assuming 50% share price growth between grant and vesting</li> <li>Value of awards under PSP based on 2020 award levels of 150% of salary</li> <li>The basis of the calculation of the share price appreciation is that the share price embedded in the calculation for the 'maximum' bar chart is assumed to increase by 50% across the performance period</li> </ul>

Unless otherwise stated, PSP awards have been shown at face value, with no share price growth or dividend accrual assumptions.

### 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.



## ANNUAL REPORT ON REMUNERATION

### Advisers to the Committee

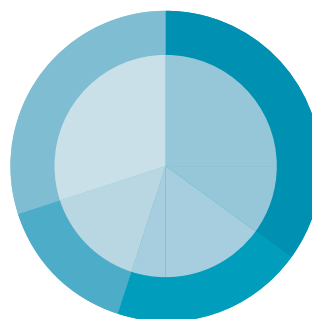
Once again, the Committee has appointed Deloitte LLP ('Deloitte') to provide independent advice on remuneration matters under consideration by the Committee. The Committee chose to continue with the appointment of Deloitte as it was felt they had the most relevant experience and expertise on remuneration related matters to effectively advise the Committee.

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. In 2019, Deloitte also provided the Company with risk advisory services, and advice in respect of the operation of the Company's share plans. 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 £38,700 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 former Chairman, Stephen Whyte, CEOs (Bill Higgs and 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.

### REMUNERATION COMMITTEE TIME SPENT



Executive Director remuneration	35%
All employee remuneration	20%
Long term incentive plans for all employees	15%
Governance	30%

### 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 2019 and discusses how the Policy has been implemented in the 2019 financial year. Details of the Policy can be found on pages 61 to 71.

### Shareholder voting

At the AGM held on 16 May 2019, votes cast by proxy and at the meeting in respect of the Annual Report on Remuneration for the year ended 31 December 2018 were as follows:

	Number of votes cast	For	Against	Abstentions
<b>To approve the Annual Report on Remuneration for the year ended 31 December 2018</b>	190,994,352	190,325,656	668,696	13,118
		99.65%	0.35%	
<b>To approve the Directors' Remuneration Policy at the 2017 AGM</b>	208,954,335	144,818,609	64,135,726	4,000
		69.31%	30.69%	

### Audited information

The following tables set out the total remuneration for the Executive Directors and Non-Executive Directors for the period in office for the year ended 31 December 2019, and comparison figures for 2018.

Name	Salary/fees <sup>4</sup> £'000		Benefits <sup>4</sup> £'000		Bonus <sup>4</sup> £'000		LTIP <sup>5</sup> £'000		Total £'000	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	
<b>Executive Director</b>										
<b>Bill Higgs<sup>1</sup></b>	<b>390</b>	-	<b>78</b>	-	<b>254</b>	-	<b>390<sup>6</sup></b>	-	<b>1,112</b>	-
<b>Esa Ikaheimonen<sup>2</sup></b>	<b>323</b>	-	<b>65</b>	-	<b>207</b>	-	<b>225<sup>7</sup></b>	-	<b>820</b>	-
<b>Murat Özgül<sup>3</sup></b>	<b>139</b>	515	<b>35</b>	129	<b>125</b>	560	-	678	<b>299</b>	1,882

1. Bill Higgs was appointed as CEO on 7 April 2019

2. Esa Ikaheimonen was appointed as Executive Director on 7 April 2019

3. Murat Özgül stepped down as CEO and from the Board on 7 April 2019 but remained an employee of the Company. For the period of his employment he will remain on the same salary and benefits as when he was CEO. For 2019 only he participated in the company bonus scheme on the same basis as when he was CEO. For the period of his employment after ceasing to be a director, he is eligible for a further bonus opportunity which is contingent on the achievement of defined outcomes and fulfilling certain responsibilities and is at the discretion of the Remuneration Committee. On stepping down from the Board, he ceased to be eligible for further awards under the RSP or PSP

4. Salary, benefits and bonus payments are all pro-rated according to the dates above

5. LTIP includes shares under the Company's PSP and RSP

6. The RSP award granted to Bill Higgs in 2019 was agreed prior to his appointment as CEO and was made in respect of work carried out in his previous role

7. The RSP award granted to Esa Ikaheimonen in 2019 was part of his promotion as an Executive Director

Name	Salary/fees £'000		Benefits £'000		Bonus £'000		LTIP £'000		Total £'000	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	
<b>Non-Executive Directors</b>										
Stephen Whyte <sup>1</sup>	204	220	-	-	-	-	-	-	204	220
George Rose <sup>2</sup>	93	88	-	-	-	-	-	-	93	88
Tim Bushell	91	87	-	-	-	-	-	-	91	87
Martin Gudgeon	81	77	-	-	-	-	-	-	81	77
Mehmet Ögütçü <sup>3</sup>	-	30	-	-	-	-	-	-	-	30
Nazli K. Williams	56	56	-	-	-	-	-	-	56	56

1. Stephen Whyte resigned as Chairman and from the Board on 3 December 2019
2. George Rose was appointed Interim Chairman on 3 December 2019 for which an interim fee was set at £200,000
3. Mehmet Ögütçü retired from the Board on 17 May 2018

## Additional disclosures in respect of the single total figure table

### Base salary

The table below shows base salaries which were effective during 2019.

	Base salary on 1 January 2018	Base salary on 1 Jan 2019	Base salary on date of appointment	Base salary on 1 August 2019
Bill Higgs <sup>1</sup>	-	-	£530,000	£530,000
Esa Ikaheimonen <sup>2</sup>	-	-	£422,300	£450,000 <sup>4</sup>
Murat Özgül <sup>3</sup>	£515,000	£527,875	-	-

1. Bill Higgs was appointed as CEO on 7 April 2019
2. Esa Ikaheimonen was appointed as Executive Director on 7 April 2019
3. Murat Özgül stepped down as CEO and from the Board on 7 April 2019 but remained as an employee on his existing salary
4. Esa Ikaheimonen's base salary was increased to £450,000 on 1 August 2019 to reflect increased functional responsibilities

Salary information for 2020 is provided on page 77.

## Benefits

In line with the Committee's aim to provide a simple, transparent package, the Executive Directors receive a cash supplement of a percentage 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 Executive Directors participate 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. This percentage was adjusted for the incoming CEO and Executive Director in April from 25% of base salary to 20% to better align with the wider workforce.

## Annual bonus

The 2019 annual bonus scorecard was approved based on the Company's performance against key business objectives with a weighting of 100% against Company metrics for Murat Özgül, and a combination of 20% personal and 80% company metrics for both Bill Higgs and Esa Ikaheimonen. The personal score for Esa of 80% reflects a year of continued strong financial performance and Bill's score at 85% demonstrates his personal success against operational readiness and leadership objectives.

The Executive Directors will be invited to voluntarily defer up to 100% of their 2019 annual bonus into Company shares. Any bonus that is deferred will vest after a two year period, and will be subject to malus provisions during this period. The proportion of 2019 bonuses that are deferred will be reported at the time deferral is made and in the 2020 Annual Report.

Company metrics included safety and environmental targets (15%), operational targets (20%), financial targets (20%), targets for Bina Bawi and Miran value creation (20%) and strategy execution targets (25%). Once again, the Company delivered strong performance against safety and environment and financial performance targets. Limited progress was made on the execution of our strategy and with discussions on Bina Bawi and Miran. Further details are set out on page 74.

	2019 bonus <sup>1</sup>	As % of maximum
Bill Higgs	£254,000	65%
Esa Ikaheimonen	£207,000	64%
Murat Özgül	£125,000	60%

1. Pro-rated according to period holding Executive Directorship

**2019 - Annual bonus, Remuneration Committee assessment of performance against targets**

The 2019 bonus was assessed by the Committee, based upon the achievement of performance targets. The overall 2019 bonus outcome was 60% 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>– 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>	<ul style="list-style-type: none"> <li>– Zero performance rate on LTIs maintained and no serious incidents reported</li> <li>– Leading indicators in place and ready for reporting in 2020</li> <li>– Leadership visits and training throughout 2019 continued to embed Management System and Culture globally</li> </ul>	15%
<b>Operational</b>	20%	<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>	<ul style="list-style-type: none"> <li>– 2019 actual production within 2% of production guidance</li> <li>– New wells did not deliver required production contribution</li> </ul>	12.5%
<b>Financial</b>	20%	<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>	<ul style="list-style-type: none"> <li>– All 2019 critical activity completed, with spend below budget</li> <li>– Strong free cash flow performance</li> <li>– Company in net cash position</li> <li>– Firm activity delivered within budget</li> </ul>	20%
<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>	<ul style="list-style-type: none"> <li>– Bina Bawi FDP submitted, but commercial framework for progression of asset development not in place</li> </ul>	0%
<b>Strategy Execution</b>	25%	<ul style="list-style-type: none"> <li>– Develop and deliver material strategic growth opportunities</li> </ul>	<ul style="list-style-type: none"> <li>– Organic portfolio of assets and well diversity of production enhanced</li> </ul>	12.5%

**Share plan awards made in 2019**

At the time awards were granted in 2019, the Committee believed that both relative and absolute TSR were important measures of long-term performance. Therefore, PSP awards from 2017 to 2019 were granted based on 50% relative TSR against our peer group, and 50% against absolute TSR targets as considered appropriate at the time. The peer group for the 2019 PSP awards is below.

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

Ophir Energy was delisted in May 2019 and removed from this peer group.

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 and RSP during 2019. 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/Vesting
Bill Higgs	PSP <sup>1</sup>	£795,000	150%	30%	100%	07/05/2022
	RSP	£389,500	100% <sup>2</sup>			07/05/2022
Esa Ikaheimonen	PSP <sup>1</sup>	£633,450	150%	30%	100%	07/05/2022
	RSP <sup>3</sup>	£225,000	50%			27/08/2022

1. Face value has been calculated using the average share price, ten dealing days prior to the date of grant, of 223.10 pence
2. Award based on face value of salary under role held prior to CEO appointment
3. Face value has been calculated using the average share price, ten dealing days prior to the date of grant, of 180.3 pence

## Share awards

The following table provides a summary of all share awards as at 31 December 2019. Further details of the Company's share plans are set out on pages 108 and 109.

Scheme	Grant date	Exercise price (pence)	At 1 January 2019	Granted during the year	Dividend	Vested during the year	Released during the year	Exercised during the year	Lapsed during the year	31 December 2019	At 31 December 2019	Performance period end	Expiry date/Vesting
<b>Bill Higgs<sup>1</sup></b>													
PSP	22/12/2017		60,000	-	3,773	-	-	-	-	63,773		22/12/2020	22/12/2027
PSP	11/04/2018		285,219	-	17,939	-	-	-	-	303,158		11/04/2021	11/04/2028
PSP	07/05/2019		-	356,342	22,413	-	-	-	-	378,755		07/05/2022	07/05/2029
RSP	22/12/2017		140,000	-	6,603	38,300	-	-	-	146,603			22/12/2027
RSP	07/05/2019		-	174,585	10,981	-	-	-	-	185,566			07/05/2029
<b>Esa Ikaheimonen<sup>1</sup></b>													
PSP	25/08/2017		477,061	-	30,006	-	-	-	-	507,067		25/08/2020	25/08/2027
PSP	11/04/2018		356,812	-	22,442	-	-	-	-	379,254		11/04/2021	11/04/2028
PSP	07/05/2019		-	283,930	17,858	-	-	-	-	301,788		07/05/2022	07/05/2029
RSP	25/08/2017		437,397	-	18,246	118,472	-	-	-	455,643			25/08/2027
RSP	27/08/2019		-	124,792	2,589	-	-	-	-	127,381			27/08/2029
<b>Murat Özgül<sup>2</sup></b>													
SOP	19/12/2011	787.58	31,764	-	-	-	-	-	31,764	-		19/12/2014	07/10/2019
PSP	07/05/2016	Nil	1,135,171	-	-	-	-	-	1,135,171	-		31/12/2018	07/05/2026
PSP	10/05/2017	Nil	1,163,151	-	73,162	-	-	-	-	1,236,313		09/05/2020	10/05/2027
PSP	25/08/2017	Nil	20,706	-	1,302	-	-	-	-	22,008		24/08/2020	25/08/2027
PSP	11/04/2018	Nil	594,688	-	37,405	-	-	-	-	632,093		11/04/2021	12/04/2028

1. Awards made to Bill Higgs and Esa Ikaheimonen prior to 7 April 2019 were made to them before they held Executive Directorships
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 December 2019, Stephen Whyte stepped down as Chairman and was awarded pay in lieu of notice of £55,000 in line with his Letter of Appointment and the Remuneration Policy.

## Payments for loss of office

In April 2019, Murat Özgül stepped down as CEO but continued his employment with the Company on the package described above. He received no payment for loss of office as a Director. Should he cease employment before the vesting of his PSP awards he will be treated as a good leaver such that the performance targets will be measured at the normal time but there will be no pro-rating for time. His future remuneration will no longer be disclosed as this relates to his ongoing below Board role.

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

The beneficial interests of the Directors in the Company's shares as at 31 December 2019 are shown in the table below.

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

Director	Ordinary shares as at 31 December 2018 or date of leaving	Ordinary shares as at 31 December 2019 or date of leaving	Interest in share options granted under the Company share plans as at 31 December 2019 or at date of leaving
<b>Bill Higgs</b>	-	37,829	1,077,855
<b>Tim Bushell</b>	-	-	-
<b>Martin Gudgeon</b>	100,000	100,000	-
<b>Esa Ikaheimonen</b>	-	-	1,771,133
<b>Murat Özgül<sup>1</sup></b>	673,152	673,152	1,890,414
<b>George Rose</b>	90,000	90,000	-
<b>Stephen Whyte<sup>2</sup></b>	24,504	24,504	-
<b>Nazli K. Williams</b>	-	-	-

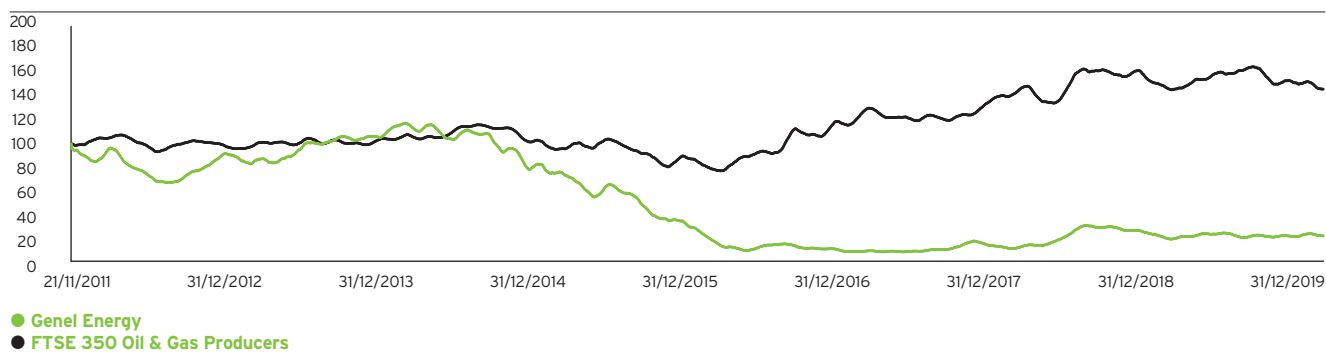
1. Murat Özgül stepped down from the Board on 7 April 2019
2. Stephen Whyte resigned as Chairman and from the Board on 3 December 2019

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 2019 financial year.

	2011	2012	2013	2014	2015	2015	2016	2017	2018	2019	2019
<b>Chief Executive Officer</b>					<b>Tony Hayward</b>				<b>Murat Özgül</b>	<b>Murat Özgül<sup>2</sup></b>	<b>Bill Higgs<sup>2</sup></b>
<b>CEO single figure remuneration (£'000)</b>	139	1,691	1,779	2,521	468	531	1,519	1,765	1,882	<b>299</b>	<b>1,112</b>
<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>60%</b>	<b>65%</b>
<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%	<b>0%</b>	<b>n/a</b>

1. The Committee exercised its discretion to reduce the vesting under the 2013 PSP awards from 30% to 0%

2. Pro-rated according to period holding Executive Directorship

### 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 2018 and 31 December 2019 compared to the average for permanent employees of the Company.

	% change in base salary 2018/2019	% change in benefits 2018/2019	% change in annual bonus 2018/2019
<b>Chief Executive Officer</b>	2.8%	(12.4%)	(32.36)%
<b>All employees</b>	2.6%	6.4%	7.3%

The percentage change in annual bonus for the CEO compares 2018 outcomes against 2019.

### 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. 2019 saw the maiden dividend payment to shareholders (as set out on pages 80 to 81) as well as a share buy-back programme. The cost to the Company of share buy-back and dividends paid to shareholders in 2019 was \$32.7m.

Remuneration paid to all employees	\$m
<b>2018</b>	18.1
<b>2019</b>	20.2

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

### Implementation of Remuneration Policy in 2020

This section provides an overview of how the Committee is proposing to implement our Remuneration Policy in 2020.

In determining Executive Director salary increases for 2020, the Committee once again 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 decided to increase Bill Higgs's base salary by 2% with effect from 1 January 2020, in line with the wider UK workforce. Esa Ikaheimonen's salary remains unchanged. The table below shows the base salaries for Executive Directors in 2020.

Base salary from 1 Jan 2020	
<b>Bill Higgs</b>	£540,600
<b>Esa Ikaheimonen</b>	£450,000

## Benefits

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

For 2020, the cash supplement is set at 20% of base salary. This is in line with Company ambition to align Executive remuneration with the wider workforce, and is in line with our Executive Committee members.

2020 benefits allowance	
<b>Bill Higgs</b>	£108,120
<b>Esa Ikaheimonen</b>	£90,000

## 2020 - Annual bonus targets

The target bonuses for the Executive Directors for 2020 will be at a maximum of 100% of base salary. For 2020, the performance of the Executive Directors will be measured 20% against personal performance metrics and 80% against Company metrics.

For 2020, the focus for the cash bonus will be on short-term delivery over the year. In order to reflect this, the Company scorecard structure has been reviewed and measures retitled to give greater focus to the performance required to deliver share price growth. We continue to maintain the focus on high performance in safety and environment including a clear target for our ESG planning, and 55% of the bonus will rely on the delivery of production and activity.

Bonus performance measures	Specific targets	Percentage
Culture Delivery	<ul style="list-style-type: none"> <li>- Safety</li> <li>- ESG implementation plan complete</li> <li>- Strong compliance culture</li> </ul>	25%
Dividend Delivery	<ul style="list-style-type: none"> <li>- Firm budget free cash flow in excess of \$100m benchmarked at \$60/bbl</li> <li>- Derisk impact of bond covenants on dividend payments</li> </ul>	20%
Production Delivery	<ul style="list-style-type: none"> <li>- New wells drilled to deliver in excess of 1.4mmbbls net to Genel</li> <li>- Exit rate production in excess of 40,000 bopd</li> </ul>	20%
Activity Delivery	<ul style="list-style-type: none"> <li>- 2020 activity programme delivered within Capex and Opex budget</li> <li>- Delivery of Sarta first oil</li> <li>- Progress farm-out of Somaliland within commercial objectives</li> </ul>	35%

## 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 ultimate goal of our strategy is to provide long-term sustainable returns to shareholders. During the year, the Committee reviewed whether our current performance measures remained aligned with this objective. It concluded that, whilst the relative TSR measure should be retained, the absolute TSR measure should be replaced with strategic measures aligned to our critical long-term strategic goals. Whilst details of the strategic goals and measures remain commercially sensitive (and therefore will only be disclosed retrospectively following vesting) the measures will be focused on strategic milestones, will have hard targets and will be connected to the development of our organic FID pipeline to deliver high margin production.

The 2020 award for the Executive Directors will continue to be based on a face value of 150% of base salary.

The peer group for the measurement of the relative TSR element of the 2020 award, representing 50% of the award, will continue to be:

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

The relative TSR vesting schedule will remain the same as for awards made in 2019, as outlined on page 74.

### Chairman and Non-Executive Director remuneration

Non-Executive Director fees were reviewed in 2019 against benchmark data for companies with a similar market cap, and also against comparable E&P companies. The fees for all apart from the Chairman remain unchanged for 2020, and fees were set for Senior Independent Director and Deputy Chairman.

In order to support the ability of the company in the current market to attract the best candidate, the fee for the Chairman was increased.

Role	Fee
Non-Executive Chairman	£230,000
Deputy Chairman	£10,000
Senior Independent Director	£10,000
Non-Executive Director	£56,000
Additional fee for membership of two or more Board Committees	£14,000

Additional fee for Committee chairmanship:

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

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



**Martin Gudgeon**  
Chairman of the Remuneration Committee

18 March 2020

# 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.

Genel Energy plc is a Jersey incorporated company with a standard listing on the London Stock Exchange. Notwithstanding our standard listing, we are committed to complying with the regulatory requirements in both Jersey and the UK. We are in full compliance with the provisions of the Code. A copy of the Code can be found at [www.frc.org.uk/corporate/ukcgcode.cfm](http://www.frc.org.uk/corporate/ukcgcode.cfm)

## 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 in the Edwardian I Room at the Taj Hotel, St James Court, 54 Buckingham Gate, London SW1E 6AF, UK on Thursday, 14 May 2020 at 11.00am.

## Articles of association of the Company

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

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

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

## Appointment and replacement of Directors

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

## Directors

The biographical details of the Directors of the Company who were in office during the year and as at the date of this Annual Report are set out on pages 40 to 42. Details of Directors' service agreements and letters of appointment are set out on pages 69 and 70.

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 76.

Details of Directors submitting themselves for re-election and 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.

## Employee share schemes

Details of the Company's employee share schemes are set out in note 20 to the financial statements of this Annual Report.

## Employee Benefit Trust ('EBT')

Equiniti Jersey Limited was appointed as trustee of Genel Energy's EBT in 2012. The voting rights relating to the shares held by the employee benefit trust are exercisable by the trustees in accordance with their fiduciary duties.

Further details regarding the EBT and of shares issued pursuant to Genel Energy's various employee share plans during the year, are set out in note 20 to the financial statements.

## 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 30.

## Political donations

No political donations were made, nor was any political expenditure incurred, by any Group company in the year ending 31 December 2019 (2018: nil).

## Results and dividends

Ordinary activities after taxation of the Group for the period 1 January 2019 to 31 December 2019 amounted to a profit of \$103.9m.

In 2019 the Company paid a final dividend of \$27.4 million, or 10 cents per ordinary share. The rate used to convert US dollars into pound sterling on 24 May 2019 was £0.7859 and hence a dividend of 7.859 pence per share was paid on 24 June 2019. This dividend was approved by shareholders at the 2019 AGM.

In addition, the Directors paid an interim dividend of 5 cents per ordinary share on 8 January 2020. The rate used to convert US dollars into pound sterling on 13 December 2019 was £0.7506 and hence a dividend of 3.753 pence per share was paid on 8 January 2020.

No dividend was paid in 2018.

#### Subsequent events

Please see note 23 to the financial statements on page 110 of this Annual Report for details of subsequent events.

#### Share Capital

As at 18 March 2020, 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. These consist of 277,670,478 voting ordinary shares and 2,577,720 shares held as treasury shares.

#### Share Buy-back Programme

In June 2019 the Company announced a share buy-back programme which was executed on behalf of the Company by Canaccord Genuity Wealth Limited. The Company bought back 2,267,851 shares representing 0.81% of the total issued share capital at an average price of 188.05 pence per share.

These shares were bought back in accordance with Resolution 14 approved at the 2019 AGM and have been held as treasury shares since. Genel believed that its shares were materially undervalued and that utilising its balance sheet to repurchase shares represented a value accretive use of its significant cash resources. A list of the trades is available on the Company's website.

#### Resolutions in relation to share capital

At the AGM of the Company held on 16 May 2019, the shareholders granted the Company authority to make market purchases of up to 27,924,235 ordinary shares (representing approximately 10% of the aggregate issued ordinary share capital of the Company at 9 April 2019) and hold as treasury shares any ordinary shares so purchased. Following the share buy-back programme detailed above, the Company can make market purchases of a further 25,656,384 ordinary shares under this authority, which expires on the earlier of the 2020 AGM or 16 November 2020.

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.

#### Related party transactions

Details of transactions with Directors and Officers are set out in note 22 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) in effect at the time.

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
- 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).

**Substantial shareholdings**

As at 31 December 2019, 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<sup>1</sup></b>	58,419,883
<b>Bilgin Grup Doğal Gaz A.Ş</b>	61,103,966
<b>Daax Corporation FZE</b>	46,018,622
<b>NR Holdings Limited</b>	21,214,583

1. Between the 31 December 2019 and 18 March 2020 the Company has received a notification from Türkiye İş Bankası ("Is Bank") that, pursuant to a security interest agreement entered into between Focus Investments Limited and Is Bank in November 2012, Is Bank had acquired voting rights over 19,000,000 (6.84%) shares in the Company. A subsequent notification was received from Focus Investments Limited that the total number of shares in the Company they controlled voting rights over was 39,419,883 shares.

**Other Disclosures**

Other information that is relevant to this report and which is also included by reference including information in accordance with Listing Rule 9.8.4R can be found as follows:

		Pages
9.8.4(4)	Long term incentive plans	108 to 109
Code	Going concern and viability statement	27

**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.

By order of the Board



**Bill Higgs**  
Chief Executive Officer

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

# 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 Group financial statements comply with the Companies (Jersey) Law 1991 and the Directors' Remuneration Report comply with the Companies Act 2006 given the parent company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the United Kingdom Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom and Jersey 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 Annual 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



**Bill Higgs**  
Chief Executive Officer

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

## 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 2019 and of its profit 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 2019, 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

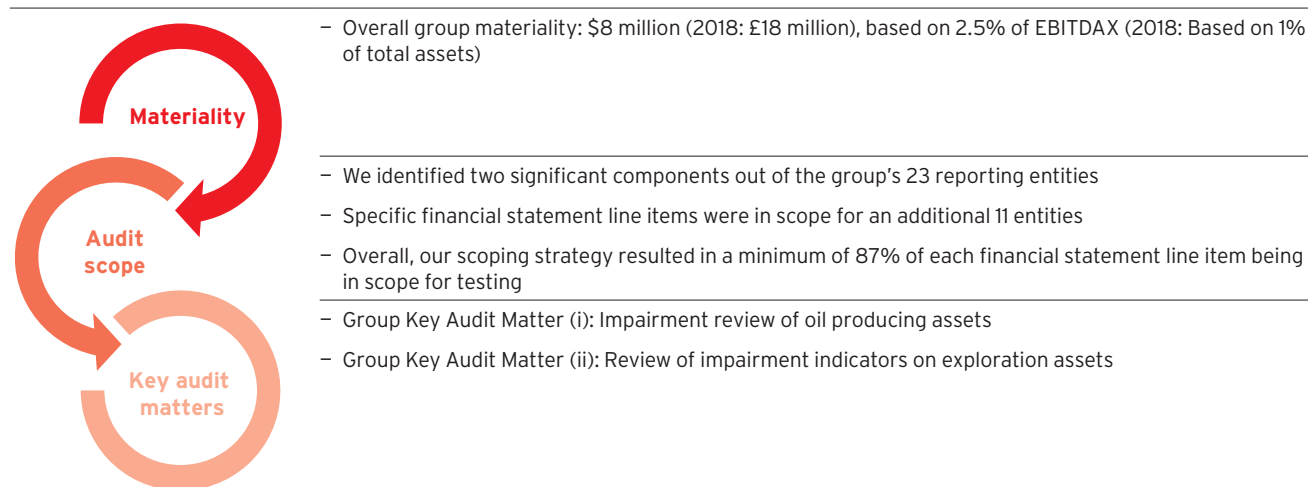
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with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

### Our audit approach

#### Context

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'). During the year the group acquired interests in two licences, also in the KRI, being the Sarta and Qara Dagh exploration assets. In addition, discussions with the Kurdistan Region Government ('KRG') on the development of the potential gas and oil projects on the Bina Bawi and Miran Production Sharing Contracts ('PSC') also continued but had not concluded by the date of this report.

#### Overview



#### 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

**(i) Impairment review of oil producing assets**  
**Refer to Notes 1 and 9 for further information.**

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.

Management concluded that impairment indicators exist for both Tawke and Taq Taq, primarily due to the production performance during the year of both assets, the reserves reduction at Tawke and downward revisions to forecast oil prices.

As a result, management performed full impairment assessments of the Tawke and Taq Taq CGUs as at 31 December 2019. This resulted in an impairment charge of \$21m and \$9m for Tawke and Taq Taq, respectively.

**(ii) Review of impairment indicators on exploration assets**  
**Refer to Notes 1 and 8 for further information**

During the year, discussions with the KRG have continued regarding the development of the gas and oil projects at Bina Bawi and Miran.

New commercial terms for Bina Bawi were discussed and informally agreed between management and the KRG in September 2019 to replace the now lapsed Bina Bawi Gas Lifting Agreement ('GLA'). The assumption is that a new GLA and amended PSC will be signed before 30 April 2020, which is the date on which the KRG has a right of termination for the Bina Bawi PSC. A new GLA and amended PSC for Miran is then expected to be signed subsequent to that, but prior to 31 May 2020 which is the date on which the KRG has a right of termination for the Miran PSC.

Under IFRS 6, management is 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.

As part of their review of indicators, management considered the following key areas for both CGUs: resources, timing of project, oil price forecast, cost and discount rate.

Following their assessment, management have not identified any impairment indicators for the Bina Bawi and Miran CGUs.

In order to challenge management's assessment of the recoverable amount of each CGU, we considered the reasonableness of management's key assumptions as follows:

Reserves, production and cost profile - we compared management's reserves, production and cost assumptions with those of management's experts in the Competent Person's Report ('CPR's), and the operators as relevant. We also held discussions with management's experts, and discussed production performance and future drilling plans with operational management. We compared forecasts with actual field performance and agreed drilling plans and costs to approved asset development plans. We did not identify any issues from this exercise.

Oil price forecast - we benchmarked management's oil price forecast against independent brokers and consultant estimates. We found management's assumptions to be in the upper quartile of our sample range.

Discount rate - we benchmarked management's discount rate against an independently determined range calculated by our valuations experts. Management's discount rate was within, but below the midpoint of our independently calculated range.

We also performed sensitivity analysis over management's key assumptions used in their impairment assessments taking into account the CPRs and our own view of future oil prices and discount rate.

Taking into account the work set out above, including the sensitivity analysis, we found management's assessment of the recoverable values of the Tawke and Taq Taq CGUs to be reasonable, and the calculations of the related impairment charges appropriate. We also considered management's disclosure of the impairment testing to be in accordance with IAS 36.

Our work focused on two key judgements:

- Whether the lack of a formal agreement with the KRG as at the date of our audit report, combined with the KRG's right to terminate the PSCs if new GLAs are not signed by 30 April/ 31 May 2020 (as relevant) resulted in a significant uncertainty as to the carrying value of the Bina Bawi and Miran exploration assets
- Whether, on the assumption that agreements in accordance with the informally agreed terms were signed, management's assessment of impairment indicators was appropriate.

We held meetings with key management to understand the status of formalising the draft commercial terms with the KRG. We reviewed email correspondence with the KRG including the draft commercial terms informally agreed between management and the KRG, and the correspondences between both parties.

In order to confirm our resulting understanding of the facts, we also had a telephone call with the Company's lawyers who had been involved in the drafting of agreements based on the agreed terms, and who had been present in meetings with the KRG.

In respect of the KRG's right to terminate the PSCs in certain circumstances, we discussed the process and Genel's rights and potential mitigations with the company's in-house counsel and external legal advisers and reviewed the relevant clauses of the PSCs.

Based on these enquiries, we did not identify any evidence that indicates the KRG intend to terminate the licences for Bina Bawi and Miran, up to the date of our report. We also reviewed the related disclosures in the Annual Report in order to ensure that they were appropriate in the circumstances and we obtained representations from the Directors in this regard.

In respect of the impairment indicators, our audit work focused on assessing the reasonableness of management's key assumptions by comparison with last year's as to whether there is any indicator of impairment. We have:

- agreed the key terms outlined in the draft GLA and the Field Development Plans ('FDP') to the underlying discounted cash flow models;
- benchmarked resources and cost against those of the CPR experts;
- assessed management's discount rate which is within the range of the discount rates calculated by our internal valuations experts;
- reviewed management's oil price forecast and benchmarked it against independent market views;
- sensitised the timing of the Bina Bawi project by testing the impact of potential delay to the model; and
- considered whether or not the resulting headroom indicates a risk of impairment.

We concurred with management's assessment that no impairment indicators exist for both Bina Bawi and Miran CGUs.

## 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 two reporting segments being the type of assets it operates: Producing assets and Pre-producing assets. The group financial statements are a consolidation comprising the group's operating businesses in these reporting segments as well as centralised functions. While the group's key assets are almost entirely based in the Kurdistan Region of Iraq, accounting functions are largely performed in the company's office in Ankara.

Our group scoping was based on total assets, we have 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 87% 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>	\$8 million (2018: £18 million).
<b>How we determined it</b>	2.5% of EBITDAX (2018: 1% of total assets)
<b>Rationale for benchmark applied</b>	For the current year, we chose to use a profit based measure (a departure from prior years where we used an asset based benchmark) as the benchmark for materiality as the focus of the investors changes to the profits and cash earnings from the Group's producing assets, especially in light of management's commitment to a regular dividend distribution policy. Earnings before interest, tax, depreciation, depletion, amortisation, and exploration expense ('EBITDAX') is considered the most appropriate profit based measure given it is most commonly assessed by management and reported to members.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. 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 \$0.4 million (2018: \$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
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>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 of the United Kingdom's withdrawal from the European Union 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.

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

As a result of the directors' reporting on how they have applied the UK Corporate Governance Code (the "Code"), we are required to report to you if we have anything material to add or draw attention to regarding:

- The directors' confirmation on page 23 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 27 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report in respect of this responsibility.

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#### **Other Code Provisions**

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

- The statement given by the directors, on page 83, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group obtained in the course of performing our audit.
- The section of the Annual Report on page 50 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in respect of this responsibility.

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

### **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 83, 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 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Other required reporting**

##### **Companies (Jersey) Law 1991 exception reporting**

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Other voluntary reporting

### Review of certain provisions of the UK Corporate Governance Code under the Listing Rules as though the company were a premium listed company

The directors have prepared a corporate governance statement and requested that we review it as though the company were a premium listed company. We have nothing to report in respect of the requirement for the auditors of premium listed companies to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

The directors have requested that we review the statement on page 27 in relation to going concern as if the company were a premium listed company. We have nothing to report having performed our review.

The directors have requested that we perform a review of the directors' statements on pages 22 and 27 that they have carried out a robust assessment of the principal risks facing the group and in relation to the longer-term viability of the group, as if the company were a premium listed company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge and understanding of the group its environment obtained in the course of the audit. We have nothing to report having performed this review.

### Directors' remuneration (United Kingdom Companies Act 2006)

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

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



**Michael Timar**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Recognized Auditor

London  
19 March 2020

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$m	2018 \$m
<b>Revenue</b>	2	<b>377.2</b>	355.1
Production costs	3	<b>(37.7)</b>	(28.7)
Depreciation and amortisation of oil assets	3	<b>(157.1)</b>	(134.5)
<b>Gross profit</b>		<b>182.4</b>	191.9
Exploration (expense)/credit	3	<b>(1.2)</b>	1.5
Impairment of intangible assets	3-8	<b>-</b>	(424.0)
Impairment of property, plant and equipment	3-9	<b>(29.8)</b>	-
General and administrative costs	3	<b>(19.1)</b>	(24.0)
<b>Operating profit/(loss)</b>		<b>132.3</b>	(254.6)
<i>Operating profit/(loss) is comprised of:</i>			
EBITDAX		<b>321.8</b>	304.1
Depreciation and amortisation	3	<b>(158.5)</b>	(136.2)
Exploration (expense)/credit	3	<b>(1.2)</b>	1.5
Impairment of intangible assets	3-8	<b>-</b>	(424.0)
Impairment of property, plant and equipment	3-9	<b>(29.8)</b>	-
Finance income	5	<b>6.6</b>	4.4
Bond interest expense	5	<b>(30.0)</b>	(30.0)
Other finance expense	5	<b>(4.3)</b>	(3.2)
<b>Profit/(Loss) before income tax</b>		<b>104.6</b>	(283.4)
Income tax expense	6	<b>(0.7)</b>	(0.2)
<b>Profit/(Loss) and total comprehensive income / (expense)</b>		<b>103.9</b>	(283.6)
<b>Attributable to:</b>			
Shareholders' equity		<b>103.9</b>	(283.6)
		<b>103.9</b>	(283.6)
<b>Profit/(Loss) per ordinary share</b>		<b>¢</b>	¢
Basic	7	<b>37.8</b>	(101.6)
Diluted	7	<b>37.0</b>	(101.6)
Underlying		<b>49.0</b>	49.8

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019

	Note	2019 \$m	2018 \$m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	775.6	818.4
Property, plant and equipment	9	636.9	565.8
		<b>1,412.5</b>	1,384.2
<b>Current assets</b>			
Trade and other receivables	10	157.4	99.4
Restricted cash	11	3.0	10.0
Cash and cash equivalents	11	390.7	334.3
		<b>551.1</b>	443.7
<b>Total assets</b>		<b>1,963.6</b>	1,827.9
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	12	(118.8)	(76.8)
Deferred income	13	(26.7)	(31.9)
Provisions	14	(37.4)	(32.9)
Borrowings	15	(297.9)	(297.3)
		<b>(480.8)</b>	(438.9)
<b>Current liabilities</b>			
Trade and other payables	12	(91.7)	(52.6)
Deferred income	13	(5.0)	(5.0)
		<b>(96.7)</b>	(57.6)
<b>Total liabilities</b>		<b>(577.5)</b>	(496.5)
<b>Net assets</b>		<b>1,386.1</b>	1,331.4
<b>Owners of the parent</b>			
Share capital	17	43.8	43.8
Share premium account		4,033.4	4,074.2
Accumulated losses		(2,691.1)	(2,786.6)
<b>Total equity</b>		<b>1,386.1</b>	1,331.4

These consolidated financial statements on pages 90 to 110 were authorised for issue by the Board of Directors on 18 March 2020 and were signed on its behalf by:



**Bill Higgs**  
Chief Executive Officer



**Esa Ikaheimonen**  
Chief Financial Officer



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share capital \$m	Share premium \$m	Accumulated losses \$m	Total equity \$m
At 1 January 2018		43.8	4,074.2	(2,508.2)	1,609.8
Loss and total comprehensive expense		-	-	(283.6)	(283.6)
Share-based payments		-	-	5.2	5.2
At 31 December 2018 and 1 January 2019		43.8	4,074.2	(2,786.6)	1,331.4
Profit and total comprehensive income		-	-	103.9	103.9
Share-based payments	20	-	-	5.1	5.1
Purchase of shares to satisfy share awards		-	-	(8.2)	(8.2)
Purchase of treasury shares		-	-	(5.3)	(5.3)
Dividends provided for or paid <sup>1</sup>	18	-	(40.8)	-	(40.8)
<b>At 31 December 2019</b>		<b>43.8</b>	<b>4,033.4</b>	<b>(2,691.1)</b>	<b>1,386.1</b>

1. 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).

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$m	2018 \$m
<b>Cash flows from operating activities</b>			
Profit/(Loss) and total comprehensive income / (expense)		103.9	(283.6)
Adjustments for:			
Finance income	5	(6.6)	(4.4)
Bond interest expense	5	30.0	30.0
Other finance expense	5	4.3	3.2
Taxation	6	0.7	0.2
Depreciation and amortisation	3	158.5	136.2
Exploration expense/(credit)	3	1.2	(1.5)
Impairment of intangible assets	3	-	424.0
Impairment of property, plant and equipment	3	29.8	-
Other non-cash items	3	(2.4)	4.9
Changes in working capital:			
Increase in trade receivables		(55.4)	(21.5)
Increase in other receivables		(0.2)	(1.1)
Increase in trade and other payables		3.3	9.2
<b>Cash generated from operations</b>		<b>267.1</b>	295.6
Interest received	5	6.6	4.4
Taxation paid		(0.8)	(0.8)
<b>Net cash generated from operating activities</b>		<b>272.9</b>	299.2
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(26.5)	(39.7)
Purchase of property, plant and equipment		(123.8)	(65.3)
Restricted cash	11	7.0	8.5
<b>Net cash used in investing activities</b>		<b>(143.3)</b>	(96.5)
<b>Cash flows from financing activities</b>			
Dividends paid to company's shareholders, including expenses	18	(29.0)	-
Purchase of shares for employee share trust		(8.2)	-
Purchase of treasury shares		(5.3)	-
Lease payments	19	(0.6)	-
Interest paid		(30.0)	(30.0)
<b>Net cash used in financing activities</b>		<b>(73.1)</b>	(30.0)
<b>Net increase in cash and cash equivalents</b>		<b>56.5</b>	172.7
Foreign exchange loss on cash and cash equivalents		(0.1)	(0.4)
Cash and cash equivalents at 1 January	11	334.3	162.0
<b>Cash and cash equivalents at 31 December</b>	11	<b>390.7</b>	334.3

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Basis of preparation

Genel Energy Plc - registration number: 107897 (the Company) is a public limited company incorporated and domiciled in Jersey with a listing on the London Stock Exchange. The address of its registered office is 12 Castle Street, St Helier, Jersey, JE2 3RT.

The consolidated financial statements of 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 95 and 96.

There have been no changes in related parties since last year and no related party transactions that had a material effect on financial position or performance in the year. There are not significant seasonal or cyclical variations in the Company's total revenues.

### Going concern

The Company regularly evaluates its financial position, cash flow forecasts and its covenants by sensitising with a range of scenarios which incorporate changes 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 2019 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

Apart from those involving estimations (which are dealt with separately below), there is no significant judgements 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.

### Significant estimates

The following are the critical estimates 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.

### 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, 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 and amortisation of oil and gas assets and testing for impairment.

Hydrocarbons that are not assessed as reserves are considered to be resources and are classified as exploration and evaluation assets. These assets are expenditures incurred before technical feasibility and commercial viability is demonstrable. Estimates of resources for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and being depleted and are likely to contain estimates and judgements with a wide range of possibilities. These assets are considered for impairment under 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.

**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 nominal discount rate of 12.5% is used when assessing the impairment testing of the Company’s oil assets. Risking factors are also used alongside the discount rate when the Company is assessing exploration and appraisal assets.

In addition, estimation of the recoverable amounts of the Bina Bawi and Miran CGUs, which are classified under IFRS as exploration and evaluation intangible assets and consequently carry 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 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 materially lower asset value. Under the existing PSCs for both Bina Bawi and Miran, effective from 30 April 2020 and 31 May 2020 respectively, the KRG has a right (not an obligation) to terminate the PSCs in the absence of new Gas Lifting Agreement(s) being in place. The KRG is required under the PSCs to give notice of its intention to terminate and there are various consequent provisions in the PSC that provide periods for remedy by Genel and/or delay to any purported termination by the KRG, which consequently would take some time.

**Change in accounting estimate - Tawke carrying value**

Management has assessed Tawke production and its updated oil price forecast as indicators of impairment. Management has performed its impairment assessment, with a reduction in oil price and production forecast resulting in an impairment of \$21 million.

**Change in accounting estimate - Taq Taq carrying value**

Management has assessed Taq Taq production and its updated oil price forecast as indicators of impairment. Management has performed its impairment assessment, with a reduction in oil price and production forecast resulting in an impairment of \$9 million.

**Change in accounting estimate - Tawke depreciation**

Management assessment of depreciation has resulted in an increase in depreciation rate per barrel, principally as a result of an increased estimate of future costs, which are cost recoverable and do not materially impact NPV as explained in the sensitivity to capital expenditure disclosure in note 9. This resulted in a depreciation expense that was \$11 million higher compared to the expense based on prior depreciation rate per bbl.

**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 and intangible assets. 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	2020	2021	2022	2023
<b>Forecast</b>	<b>65</b>	<b>67</b>	<b>68</b>	<b>72</b>
<i>Prior year forecast</i>	66	68	71	72

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 on 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.

**Acquisitions of Sarta and Qara Dagħ PSCs**

On 28 February 2019 the Company completed the acquisition of a 30% interest in the Sarta PSC, with an economic date of 1 January 2019. Shortly after acquisition date, final investment decision (“FID”) was taken on phase 1A development, resulting in the recognition of gross 2P reserves at the asset level of 34mmbbls, of which the Company’s share was 10mmbbls. The interest has been accounted for as an asset acquisition under IAS 16, with the result being the recognition of a development asset, reflecting the acquired 2P reserves. Consideration of \$49.4 million (note 8 and 12) for the asset is a combination of cost recoverable carry and a milestone success payment and has been assessed based on the 2P reserves that have been recognised. On the same date, the Company also completed the acquisition of a 40% interest in the Qara Dagħ PSC. Consideration on the asset is cost recoverable carry arrangement on one well. Both assets are treated as Joint Operations under IFRS 11.



### 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 2018, adjusted for transitional requirements where necessary, further explained under 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 estimates and judgements.

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.

#### 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.

##### Other intangible assets

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

#### Property, plant and equipment

##### Producing and Development assets

Oil and gas assets classified as producing and 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.

### 1.3 ACCOUNTING POLICIES continued

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 assets are classified under producing assets following the commercial production commencement.

Development expenditure is accounted for in accordance with IAS 16 - Property, plant and equipment. Producing 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 barrels to provide a \$/barrel unit depreciation cost. Changes to depreciation rates as a result of changes in forecast production and estimates of future development expenditure are reflected prospectively.

The estimated useful lives of property, plant and equipment and their residual values are reviewed on an annual basis and changes in useful lives are accounted for prospectively. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income for the relevant period.

Where exploration licences are relinquished or exited for no consideration or costs incurred are neither de-risking nor adding value to the asset, the associated costs are expensed to the income statement.

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

#### Financial assets and liabilities

##### 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.

##### 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.

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 has been established, and consequently three months has been assessed as the established operating cycle under IAS 1. The Company's assessment of impairment model based on expected credit loss is explained below under Financial assets.

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.

### 1.3 ACCOUNTING POLICIES continued

#### Impairment

##### Oil and gas assets

The carrying amounts of the Company's oil and gas assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs of disposal. For value in use, the estimated future cash flows arising from the Company's future plans for the asset are discounted to their present value using a 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 (cash generating unit).

The estimated recoverable amount is then compared to the carrying value of the asset. Where the estimated recoverable amount is materially lower than the carrying value of the asset an impairment loss is recognised. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

##### Property, plant and equipment and intangible assets

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

##### Financial assets

Impairment of financial assets is assessed under IFRS 9 with a forward-looking impairment model based on expected credit losses (ECLs). The standard requires the Company to book an allowance for ECLs for its financial assets. The Company has assessed its trade receivables as at 31 December 2019, which are expected to be collected in 2020 under the normal operating cycle, for ECLs. 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 under IFRS is a \$0.5 million adjustment.

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.

### 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 following new accounting standards, amendments to existing standards and interpretations are effective on 1 January 2019. Amendments to IFRS 9 - Prepayment Features with Negative Compensation, Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures, Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement, IFRIC 23 - Uncertainty over Income Tax Treatments, Annual Improvements to IFRS Standards 2015-2017 Cycle. The adoption of these standards and amendments has had no impact on the Company's results or financial statement disclosures.

IFRS 16 - Leases is effective on 1 January 2019 and the impact on the Company's financial statements is explained below.

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: Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 Jan 2020), Amendment to IFRS 3 Business Combinations (effective 1 Jan 2020), Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 Jan 2020), Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform (effective 1 Jan 2020), IFRS 17 Insurance contracts (effective 1 Jan 2021).

### Changes in accounting policies

IFRS 16 - Leases, which became effective by 1 January 2019, requires the lessee to recognise a right to use asset and lease 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 has adopted IFRS 16 from 1 January 2019 with the modified retrospective approach, and has not restated comparatives. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019 and further explained in Note 19.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.5%.

## 2. SEGMENTAL INFORMATION

The Company has two reportable business segments: Production and Pre-production. Capital allocation decisions for the production segment are considered in the context of the cash flows expected from the production and sale of crude oil. The production segment is comprised of the producing fields on the Tawke PSC (Tawke and Peshkabir) and the Taq Taq PSC (Taq Taq), which are located in the KRI and make sales predominantly to the KRG. The pre-production segment is comprised of discovered resource held under the Sarta PSC, the Qara Dagh PSC, the Bina Bawi PSC and the Miran PSC (all in the KRI) and 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.



**2. SEGMENTAL INFORMATION** continued

For the period ended 31 December 2019

	Production \$m	Pre- production \$m	Other \$m	Total \$m
Revenue from contracts with customers	368.7	-	-	368.7
Revenue from other sources	8.5	-	-	8.5
Cost of sales	(194.8)	-	-	(194.8)
Gross profit	182.4	-	-	182.4
Exploration expense	-	(1.2)	-	(1.2)
Impairment of property, plant and equipment	(29.8)	-	-	(29.8)
General and administrative costs	-	-	(19.1)	(19.1)
Operating profit/(loss)	152.6	(1.2)	(19.1)	132.3
<i>Operating profit/(loss) is comprised of</i>				
EBITDAX	339.5	-	(17.7)	321.8
Depreciation and amortisation	(157.1)	-	(1.4)	(158.5)
Exploration expense	-	(1.2)	-	(1.2)
Impairment of property, plant and equipment	(29.8)	-	-	(29.8)
Finance income	-	-	6.6	6.6
Bond interest expense	-	-	(30.0)	(30.0)
Other finance expense	(1.8)	(0.3)	(2.2)	(4.3)
Profit/(Loss) before income tax	150.8	(1.5)	(44.7)	104.6
Capital expenditure	115.1	43.0	-	158.1
Total assets	998.1	595.2	370.3	1,963.6
Total liabilities	(99.4)	(149.9)	(328.2)	(577.5)

Revenue from contracts with customers includes \$104.3 million (2018: \$105.4 million) arising from the 4.5% royalty interest on gross Tawke PSC revenue ending at the end of July 2022 ("the ORRI"). Total assets and liabilities in the other segment are predominantly cash and debt balances.

For the period ended 31 December 2018

The Company has updated its segmental reporting 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.

	Production \$m	Pre- production \$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 credit	-	1.5	-	1.5
Impairment of intangible assets	-	(424.0)	-	(424.0)
General and administrative costs	-	-	(24.0)	(24.0)
Operating profit/(loss)	191.9	(422.5)	(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 credit	-	1.5	-	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	(422.7)	(50.9)	(283.4)
Capital expenditure	70.4	25.1	-	95.5
Total assets	1,015.4	493.2	319.3	1,827.9
Total liabilities	(89.1)	(100.5)	(306.9)	(496.5)

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

### 3. OPERATING COSTS

	2019 \$m	2018 \$m
Production costs	(37.7)	(28.7)
Depreciation of oil and gas property, plant and equipment	(88.8)	(72.4)
Amortisation of oil and gas intangible assets	(68.3)	(62.1)
<b>Cost of sales</b>	<b>(194.8)</b>	(163.2)
<b>Exploration (expense)/credit</b>	<b>(1.2)</b>	1.5
<b>Impairment of intangible assets (note 8)</b>	<b>-</b>	(424.0)
<b>Impairment of property, plant and equipment (note 9)</b>	<b>(29.8)</b>	-
Corporate cash costs	(14.1)	(17.4)
Corporate share-based payment expense	(3.6)	(4.9)
Depreciation and amortisation of corporate assets	(1.4)	(1.7)
<b>General and administrative expenses</b>	<b>(19.1)</b>	24.0

Exploration expense relates to spend and 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:

	2019 \$m	2018 \$m
Audit of consolidated and subsidiary financial statements	(0.7)	(0.4)
Tax and advisory services	(0.2)	(0.3)
<b>Total fees</b>	<b>(0.9)</b>	(0.7)

### 4. STAFF COSTS AND HEADCOUNT

	2019 \$m	2018 \$m
Wages and salaries	(18.6)	(17.1)
Social security costs	(1.6)	(1.0)
Share based payments	(5.8)	(6.3)
	<b>(26.0)</b>	(24.4)

Average headcount was:

	2019 number	2018 number
Turkey	62	64
KRI	18	15
UK	24	17
Somaliland	17	17
	<b>121</b>	113

### 5. FINANCE EXPENSE AND INCOME

	2019 \$m	2018 \$m
Bond interest payable	(30.0)	(30.0)
Other finance expense	(4.3)	(3.2)
<b>Finance expense</b>	<b>(34.3)</b>	(33.2)
Bank interest income	6.6	4.4
<b>Finance income</b>	<b>6.6</b>	4.4

Bond interest payable is the cash interest cost of Company bond debt. Other finance expense primarily relates to the discount unwind on the bond and the asset retirement obligation provision.

### 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.

	2019	2018
Profit/(Loss) attributable to equity holders of the Company (\$m)	<b>103.9</b>	(283.6)
Weighted average number of ordinary shares - number <sup>1</sup>	<b>275,197,007</b>	279,065,717
Basic earnings/(loss) per share - cents per share	<b>37.8</b>	(101.6)

1. Excluding shares held as treasury shares

### Diluted

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

	2019	2018
Profit/(Loss) attributable to equity holders of the Company (\$m)	<b>103.9</b>	(283.6)
Weighted average number of ordinary shares - number <sup>1</sup>	<b>275,197,007</b>	279,065,717
Adjustment for performance shares, restricted shares and share options	<b>5,859,457</b>	1,182,481
Weighted average number of ordinary shares and potential ordinary shares	<b>281,056,464</b>	280,248,198
Diluted earnings / (loss) per share - cents per share	<b>37.0</b>	(101.6)

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 2018	1,471.7	425.1	6.5	1,903.3
Additions	25.1	-	0.3	25.4
Discount unwind of contingent consideration	8.1	-	-	8.1
Other	(11.7)	-	-	(11.7)
At 31 December 2018 and 1 January 2019	1,493.2	425.1	6.8	1,925.1
Additions	<b>20.9</b>	-	<b>0.5</b>	<b>21.4</b>
Discount unwind of contingent consideration	<b>5.2</b>	-	-	<b>5.2</b>
Other	<b>(0.8)</b>	-	-	<b>(0.8)</b>
At 31 December 2019	<b>1,518.5</b>	<b>425.1</b>	<b>7.3</b>	<b>1,950.9</b>
<b>Accumulated amortisation and impairment</b>				
At 1 January 2018	(581.3)	(32.8)	(6.3)	(620.4)
Amortisation charge for the period	-	(62.1)	(0.2)	(62.3)
Impairment	(424.0)	-	-	(424.0)
At 31 December 2018 and 1 January 2019	(1,005.3)	(94.9)	(6.5)	(1,106.7)
Amortisation charge for the period	-	<b>(68.3)</b>	<b>(0.3)</b>	<b>(68.6)</b>
At 31 December 2019	<b>(1,005.3)</b>	<b>(163.2)</b>	<b>(6.8)</b>	<b>(1,175.3)</b>
<b>Net book value</b>				
At 31 December 2018	487.9	330.2	0.3	818.4
<b>At 31 December 2019</b>	<b>513.2</b>	<b>261.9</b>	<b>0.5</b>	<b>775.6</b>

		2019 \$m	2018 \$m
<b>Book value</b>			
Bina Bawi PSC	<i>Discovered gas and oil, appraisal</i>	<b>352.9</b>	338.7
Miran PSC	<i>Discovered gas and oil, appraisal</i>	<b>120.3</b>	116.2
Somaliland PSC	<i>Exploration</i>	<b>33.8</b>	33.0
Qara Dagh PSC	<i>Exploration / Appraisal</i>	<b>6.2</b>	-
<b>Exploration and evaluation assets</b>		<b>513.2</b>	487.9
Tawke overriding royalty		<b>160.2</b>	217.5
Tawke capacity building payment waiver		<b>101.7</b>	112.7
<b>Tawke RSA assets</b>		<b>261.9</b>	330.2

## 9. PROPERTY, PLANT AND EQUIPMENT

	Producing assets \$m	Development assets \$m	Other assets \$m	Total \$m
<b>Cost</b>				
At 1 January 2018	2,683.9	-	9.4	2,693.3
Additions	70.4	-	0.2	70.6
Non-cash additions for ARO/share-based payments	2.9	-	-	2.9
At 31 December 2018 and 1 January 2019	2,757.2	-	9.6	2,766.8
Asset acquisitions	-	49.4	-	49.4
Additions	115.1	22.1	0.3	137.5
Right-of-use assets (note 19)	-	-	3.6	3.6
Net change in payable	-	(3.6)	-	(3.6)
Non-cash additions for ARO/share-based payments	3.8	0.1	-	3.9
At 31 December 2019	2,876.1	68.0	13.5	2,957.6
<b>Accumulated depreciation and impairment</b>				
At 1 January 2018	(2,119.7)	-	(8.6)	(2,128.3)
Depreciation charge for the period	(72.4)	-	(0.3)	(72.7)
At 31 December 2018 and 1 January 2019	(2,192.1)	-	(8.9)	(2,201.0)
Depreciation charge for the period	(88.8)	-	(1.1)	(89.9)
Impairment	(29.8)	-	-	(29.8)
At 31 December 2019	(2,310.7)	-	(10.0)	(2,320.7)
<b>Net book value</b>				
At 31 December 2018	565.1	-	0.7	565.8
<b>At 31 December 2019</b>	<b>565.4</b>	<b>68.0</b>	<b>3.5</b>	<b>636.9</b>

Asset acquisitions of \$49.4 million relates to the Sarta PSC. Further explanation on oil and gas assets is provided in the significant accounting judgements and estimates in note 1.

CGU carrying value		2019 \$m	2018 \$m
Tawke PSC	<i>Oil production</i>	474.9	478.2
Taq Taq PSC	<i>Oil production</i>	90.5	86.9
Producing assets		565.4	565.1
Sarta PSC	<i>Oil development</i>	68.0	-

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.

	Taq Taq CGU \$m	Tawke CGU \$m
Long term Brent +/- \$5/bbl	+/- 3	+/- 18
Discount rate +/- 2.5%	+/- 6	+/- 48
Production and reserves +/- 10%	+/- 8	+/- 62

## 10. TRADE AND OTHER RECEIVABLES

	2019 \$m	2018 \$m
Trade receivables	150.2	94.8
Other receivables and prepayments	7.2	4.6
	157.4	99.4

At 31 December 2019, \$54.1 million relating to invoices due in November and December was overdue. Payment for these invoices was received January and February 2020. The fair value of trade receivables is broadly in line with the carrying value.

### Movement on trade receivables in the period

	2019 \$m	2018 \$m
Carrying value at 1 January	94.8	73.3
Revenue from contracts with customers	368.7	350.3
Cash proceeds	(317.4)	(335.1)
Loss allowance	(0.5)	-
Capacity building payments	4.6	6.3
<b>Carrying value at 31 December</b>	<b>150.2</b>	<b>94.8</b>

\$0.5 million of loss allowance is made under the expected credit loss model as explained at note 1.

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

	2019 \$m	2018 \$m
Cash and cash equivalents	390.7	334.3
Restricted cash	3.0	10.0
	<b>393.7</b>	344.3

Cash is primarily held on time deposit with major financial institutions or in US Treasury bills. Restricted cash of \$3.0 million relates principally to exploration activities in Morocco.

**12. TRADE AND OTHER PAYABLES**

	2019 \$m	2018 \$m
Trade payables	10.3	10.7
Other payables	144.4	81.3
Accruals	55.8	37.4
	<b>210.5</b>	129.4
Non-current	118.8	76.8
Current	91.7	52.6
	<b>210.5</b>	129.4

Current 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. For non-current payables, liabilities are recognised at discounted fair value using the effective interest rate, with the unwind either expensed as finance cost or capitalised against the relevant asset. Other payables include a balance of \$73.7 million (2018: \$68.5 million) recognised at its discounted fair value using the effective interest rate, which has been added to the book value of 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. Additionally, other payables include contingent consideration relating to the acquisition of the Sarta asset, explained in note 1. It has been recognised at its discounted fair value using the effective interest rate, which has been added to the book value of the Sarta asset.

**13. DEFERRED INCOME**

	2019 \$m	2018 \$m
Non-current	26.7	31.9
Current	5.0	5.0
	<b>31.7</b>	36.9

**14. PROVISIONS**

	2019 \$m	2018 \$m
Balance at 1 January	32.9	29.3
Interest unwind	1.3	1.2
Additions	3.2	2.5
Reversal	-	(0.1)
<b>Balance at 31 December</b>	<b>37.4</b>	32.9

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 inflated at 2% (2018: 2%) and discounted at 4% (2018: 4%). The cash flows relating to the decommissioning and abandonment provisions are expected to occur between 2028 and 2038.

**15. BORROWINGS AND NET CASH**

	1 Jan 2019 \$m	Discount unwind \$m	Dividend paid \$m	Net change in cash \$m	31 Dec 2019 \$m
<b>2022 Bond 10.0%</b>	(297.3)	(0.6)	-	-	<b>(297.9)</b>
<b>Cash</b>	334.3	-	(27.4)	83.8	<b>390.7</b>
<b>Net Cash</b>	37.0	(0.6)	(27.4)	83.8	<b>92.8</b>

The fair value of the bonds is \$316.5 million (2018: \$308.3 million).

	1 Jan 2018 \$m	Discount unwind \$m	Net change in cash \$m	31 Dec 2018 \$m
2022 Bond 10.0%	(296.8)	(0.5)	-	(297.3)
Cash	162.0	-	172.3	334.3
Net Cash	(134.8)	(0.5)	172.3	37.0



## 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:

	2019 \$m	2018 \$m
Trade and other receivables	155.3	97.0
Cash and cash equivalents	390.7	334.3
	<b>546.0</b>	431.3

All trade receivables are owed by the KRG with \$54.1 million overdue year-end. This was received post year-end, with \$64.5 million overdue at the signing date. Cash is deposited with the US treasury or term deposits with banks that are assessed as appropriate based on, among other things, sovereign risk, CDS pricing and credit rating.

### Liquidity risk

The Company is committed to ensuring it has sufficient liquidity to meet its payables as they fall due. At 31 December 2019 the Company had cash and cash equivalents of \$390.7 million (2018: \$334.3 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 circa \$25 million. Sensitivity of the carrying value of its assets to oil price risk is provided in notes 8 and 9.

### Currency risk

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

### Interest rate risk

The Company reported borrowings of \$297.9 million (2018: \$297.3 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 \$390.7 million (2018: \$334.3 million).

## 17. SHARE CAPITAL

	Total ordinary shares
At 1 January 2018 - fully paid <sup>1</sup>	280,248,198
<b>At 31 December 2018, 1 January 2019 and 31 December 2019 - fully paid<sup>1</sup></b>	<b>280,248,198</b>

1. Ordinary shares include 2,577,720 (2018: 1,005,839) treasury shares. Share capital includes 4,303,249 (2018: 1,324,150) of trust 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. DIVIDENDS

	2019 \$m	2018 \$m
<i>Ordinary shares</i>		
Final dividend for the year ended 31 December 2018 of 10¢ per share	27.6	-
Interim dividend for the year ended 31 December 2019 of 5¢ per share	13.2	-
<b>Total dividends provided for or paid</b>	<b>40.8</b>	-
	2019 \$m	2018 \$m
Paid in cash	27.4	-
Recognised as payable (paid on 8 January 2020)	13.2	-
Foreign exchange income on dividend paid	0.2	-
	<b>40.8</b>	-

**19. RIGHT-OF-USE ASSETS/LEASE LIABILITIES**

The Company’s right-of-use assets are related to office, car and warehouse rents. The Company has elected to apply the transition exemptions for short-term and low-value leases. These leases are expensed when they incur.

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. 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.

	Right-of-use assets \$m
<b>Cost</b>	
At 1 January 2019	1.9
Additions	1.7
<b>At 31 December 2019 (note 9)</b>	<b>3.6</b>
<b>Accumulated depreciation</b>	
At 1 January 2019	-
Depreciation charge for the period	(0.9)
<b>At 31 December 2019</b>	<b>(0.9)</b>
<b>Net book value</b>	
At 31 December 2018	1.9
<b>At 31 December 2019</b>	<b>2.7</b>

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.5%. Right-of-use assets are depreciated over the lifetime of the related lease contract. The lease terms vary from one to five years.

	Lease liabilities \$m
At 1 January 2019	(1.9)
Additions	(1.7)
Payments of lease liabilities	0.6
<b>At 31 December 2019 (note 12)</b>	<b>(3.0)</b>

Included within lease liabilities of \$3.0 million are non-current lease liabilities of \$2.2 million. The identified leases have no significant impact on the Company’s financing, bond covenants or dividend policy. The Company does not have any residual value guarantees. Extension options are included in the lease liability when it, based on the management’s judgement, is reasonably certain that an extension will be exercised. As at 31 December 2019, the contractual maturities of the Company’s lease liabilities are as follows:

	Less than 1 year \$m	Between 1-2 years \$m	Between 2-5 years \$m	Total contractual cash flow \$m	Carrying Amount \$m
Lease liabilities	(1.0)	(0.8)	(1.4)	(3.2)	(3.0)

**20. SHARE-BASED PAYMENTS**

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

Key features	PSP	RSP	SOP
Form of awards	Performance shares. The intention is to deliver the full value of vested shares at no cost to the participant (e.g. as conditional shares or nil-cost options).	Restricted shares. The intention is to deliver the full value of shares at no cost to the participant (e.g. as conditional shares or nil-cost options).	Market value options. Exercise price is set equal to the average share price over a period of up to 30 days to grant.
Performance conditions	Performance conditions will apply. Awards granted from 2017 are based on relative and absolute TSR measured against a group of industry peers over a three year period.	Performance conditions may or may not apply. For awards granted to date, there are no performance conditions.	Performance conditions may or may not apply. For awards granted to date, there are no performance conditions.

Vesting period	Awards will vest when the Remuneration Committee determine whether the performance conditions have been met at the end of the performance period.	Awards typically vest over three years.	Awards typically vest after three years. Options are exercisable until the 10th anniversary of the grant date.
Dividend equivalents	Provision of additional cash/shares to reflect dividends over the vesting period may or may not apply.	Provision of additional cash/shares to reflect dividends over the vesting period may or may not apply.	Provision of additional cash/shares to reflect dividends over the vesting period may or may not apply.

In 2019, 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 2019 are set out below:

	PSP options (nil cost)	RSP options (nil cost)	Share option plan	SOP weighted avg. exercise price
Outstanding at the beginning of the year	10,148,551	1,511,298	132,334	803p
Granted during the year	1,930,702	850,408	-	-
Dividend equivalents	592,675	84,657	-	-
Forfeited during the year	(2,439,495)	-	-	-
Lapsed during the year	(241,580)	(18,251)	(12,746)	742p
Exercised during the year	-	(704,568)	-	-
<b>Outstanding at the end of the year</b>	<b>9,990,853</b>	<b>1,723,544</b>	<b>119,588</b>	<b>810p</b>

The range of exercise prices for share options outstanding at the end of the period is 742.00p to 1,046.00p.

Fair value of awards granted during the year has been measured by use of the Monte-Carlo pricing model. The model takes into account assumptions regarding expected volatility, expected dividends and expected time to exercise. Expected volatility was also analysed with 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 2019 and fair values per share using the model were as follows:

	RSP 7/5/19	RSP 21/8/19	PSP 7/5/19	PSP 21/8/19
Share price at grant date	211p	183p	211p	183p
Exercise price	-	-	-	-
Fair value on measurement date	211p	183p	130p	109p
Expected life (years)	1-3	1-3	3-6	3-6
Expected dividends	-	-	-	-
Risk-free interest rate	0.83%	0.42%	0.83%	0.42%
Expected volatility	57.37%	55.26%	57.37%	55.26%
Share price at balance sheet date	189p	189p	189p	189p
Change in share price between grant date and 31 December 2019	(10%)	3%	(10%)	3%

The weighted average fair value for PSP awards granted in the period is 129p and for RSP awards granted in the period is 206p.

Total share-based payment charge for the year was \$5.8 million (2018: \$6.3 million).

## 21. CAPITAL COMMITMENTS

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.

## 22. RELATED PARTIES

The directors have identified related parties of the Company under IAS 24 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:

	2019 \$m	2018 \$m
Board remuneration	0.7	0.7
Key management emoluments and short-term benefits	5.6	6.0
Share-related awards	0.6	1.4
	<b>6.9</b>	<b>8.1</b>

There are no other significant related party transactions.

### 23. EVENTS OCCURRING AFTER THE REPORTING PERIOD

After the balance sheet date, there has been a significant fall in oil price as a result of a number of macro events and the Company's operations have been impacted by COVID-19. Under IFRS these are non-adjusting events in respect of the year-end 31 December 2019. Although the full extent and timing of the impact of these events is not yet known, the Company expects to experience delays in operations as a result of COVID-19 and the lower oil price is impacting the cash generation of the business. Consequently, the financial reporting impact will need to be considered in 2020 and could impact areas such as the carrying value of our oil and gas assets.

### 24. SUBSIDIARIES AND JOINT ARRANGEMENTS

The Company has four joint arrangements in relation to its producing assets Taq Taq, Tawke and pre-production assets Sarta and Qara Dagh. 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. The Company holds 30% working interest in Sarta PSC which is operated by Chevron. The Company holds 40% working interest in Qara Dagh PSC which is operated by the Company.

For the period ended 31 December 2019 the principal subsidiaries of the Company were the following:

Entity name	Country of Incorporation	Ownership % (ordinary shares)
Barrus Petroleum Cote D'Ivoire Sarl <sup>1</sup>	Cote d'Ivoire	100
Barrus Petroleum Limited <sup>2</sup>	Isle of Man	100
Genel Energy Africa Exploration Limited <sup>3</sup>	UK	100
Genel Energy Africa Limited (in liquidation) <sup>4</sup>	UK	100
Genel Energy Exploration 2 Limited (in liquidation) <sup>4</sup>	UK	100
Genel Energy Finance 2 Limited <sup>5</sup>	Jersey	100
Genel Energy Finance plc (in liquidation) <sup>4</sup>	UK	100
Genel Energy Gas Company Limited <sup>5</sup>	Jersey	100
Genel Energy Holding Company Limited <sup>5</sup>	Jersey	100
Genel Energy International Limited <sup>6</sup>	Anguilla	100
Genel Energy Miran Bina Bawi Limited <sup>3</sup>	UK	100
Genel Energy Morocco Limited <sup>3</sup>	UK	100
Genel Energy No. 5 Limited <sup>3</sup>	UK	100
Genel Energy No. 6 Limited <sup>3</sup>	UK	100
Genel Energy Petroleum Services Limited <sup>3</sup>	UK	100
Genel Energy Qara Dagh Limited <sup>3</sup>	UK	100
Genel Energy Sarta Limited <sup>3</sup>	UK	100
Genel Energy Somaliland Limited <sup>3</sup>	UK	100
Genel Energy UK Services Limited <sup>3</sup>	UK	100
Genel Energy Yonetim Hizmetleri A.S. <sup>7</sup>	Turkey	100
Taq Taq Drilling Company Limited <sup>8</sup>	BVI	55
Taq Taq Operating Company Limited <sup>9</sup>	BVI	55

1. Registered office is 7 Boulevard Latrille Cocody, 25 B.P. 945 Abidjan 25, Cote d'Ivoire

2. Registered office is 6 Hope Street, Castletown, IM9 1AS, Isle of Man

3. Registered office is Fifth Floor, 36 Broadway, Victoria, London, SW1H 0BH, United Kingdom

4. Registered office is 3 Field Court, London, WC1R 5EF

5. Registered office is 12 Castle Street, St Helier, JE2 3RT, Jersey

6. Registered office is PO Box 1338, Maico Building, The Valley, Anguilla

7. Registered office is Next Level Is Merkezi, Eskisehir Yolu, Dumlupinar Bulvarı, No:3A-101, Söğütözü, Ankara, 06500, Turkey

8. Registered office is PO Box 146, Road Town, Tortola, British Virgin Islands

9. Registered office is 3rd Floor, Geneva Place, Waterfront Drive, PO Box 3175, Road Town, Tortola, Virgin Islands, British

### 25. ANNUAL REPORT

Copies of the 2019 annual report will be despatched to shareholders in April 2020 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).

### 26. STATUTORY FINANCIAL STATEMENTS

The financial information for the year ended 31 December 2019 contained in this preliminary announcement has been audited and was approved by the board on 18 March 2020. The financial information in this statement does not constitute the Company's statutory financial statements for the years ended 31 December 2019 or 2018. The financial information for 2019 and 2018 is derived from the statutory financial statements for 2018, which have been delivered to the Registrar of Companies, and 2019, which will be delivered to the Registrar of Companies and issued to shareholders in April 2020. The auditors have reported on the 2019 and 2018 financial statements; their report was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report. The statutory financial statements for 2019 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The accounting policies (that comply with IFRS) used by Genel Energy plc are consistent with those set out in the 2018 annual report.

## REPORT ON PAYMENTS TO GOVERNMENTS FOR THE YEAR 2019

### 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 2019 as required under the Disclosure and Transparency Rules of the UK Financial Conduct Authority (the 'DTRs') and in accordance with our interpretation of the Industry Guidance issued for the UK's Report on Payments to Governments Regulations 2014, as amended in December 2015 ('the Regulations'). The DTRs require companies in the UK and operating in the extractives sector to publically disclose payments made to governments in the countries where they undertake exploration, 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').

### 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 - 2019

Country/Licence	KRI Total <sup>1</sup>	Taq Taq <sup>2</sup>
Production entitlement (bbls)	2,158,407.69	2,158,407.69
Royalties in kind (bbls)	435,881.47	435,881.47
<b>Total (bbls)</b>	<b>2,594,289.16</b>	2,594,289.16
Value of production entitlements (\$million)	128.43	128.43
Value of royalties (\$million)	25.80	25.80
Capacity building payments (\$million) <sup>3</sup>	4.63	4.63
<b>Total (\$million)</b>	<b>158.86</b>	158.86

- 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.



## 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
'Genel'	May refer to Genel Energy plc and/or one of its subsidiaries and/or one or more employees as the case may be. It is used for convenience only and is in no way indicative of how the Genel group, or any entity within it, is structured, managed or controlled.
'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>	
'bbl'	barrel
'bcma'	billion cubic metres per annum
'Bboe'	billion barrel oil equivalent
'bopd'	barrels of oil per day
'boepd'	barrels of oil equivalent per day
'km'	kilometres
'mcf'	thousand cubic feet
'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, 14 May 2020 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

The Company's first dividend was paid on 24 June 2019 and an interim dividend on 8 January 2020. Further information can be found on page 80.

### Payment of dividends to UK resident shareholders

Shareholders whose dividends are currently sent to their registered address should consider having their dividends paid directly into their personal bank or building society account. This has a number of advantages, including the crediting of cleared funds on the actual dividend payment date. If you would prefer to have future dividends paid in this way, please contact the Registrar for a bank mandate form. Under this arrangement, dividend confirmations are still sent to your registered address.

### Ordinary shares

The Company's ordinary shares of nominal value 10p each are traded on the main market for listed securities on the London Stock Exchange (LON: GENL).

### 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 Buy-back Programme

Information on the share buy-back programme can be found on page 81.

### 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  
St Helier  
Jersey  
JE2 3RT

### London Office

Fifth Floor  
36 Broadway  
Victoria  
London  
SW1H 0BH

### Ankara Office

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

**Jersey Company Registration  
Number: 107897**

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Consultancy, design and production  
[www.luminous.co.uk](http://www.luminous.co.uk)

### **Registered Office**

12 Castle Street  
St Helier  
Jersey  
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Dumlupinar Bulvarı No:3A-101  
Söğütözü 06500  
Ankara, Turkey

[www.genelenergy.com](http://www.genelenergy.com)