Genel Energy plc

Trading and Operations Update

Genel Energy plc ("Genel" or the “Company”) issues a Trading and Operations Update in advance of the Company’s 2013 full year results, which are scheduled for release on 6 March 2014. The information contained herein has not been audited and is subject to further review.

HIGHLIGHTS

• Kurdistan Region of Iraq ("KRI") independent pipeline infrastructure complete, exports expected to commence in the near future
  - The KRI independent export pipeline infrastructure is mechanically complete.
  - Commissioning of the system is ongoing and is expected to continue through the first quarter of 2014.
  - The first KRI pipeline oil has arrived at Ceyhan in Turkey. The Kurdistan Regional Government ("KRG") has announced that first KRI export sales via the pipeline are expected to commence in the near future, and ramp up over the remainder of the year.

• Inter-governmental Gas Sales Agreement signed
  - In November 2013, the Government of Turkey and the KRG signed a Gas Sales Agreement ("GSA") governing the export of natural gas from the KRI to Turkey.
  - The GSA calls for an initial 4bcma of gas exports from 2017, rising to 10bcma by 2020 and the option of increasing to 20bcma thereafter.
  - Genel anticipates that the Miran and Bina Bawi fields will deliver the gas supply to underpin the GSA, and as such it represents a significant milestone in the commercialisation of this major gas resource.

Tony Hayward, Chief Executive of Genel, said:

“2013 was a transformational year for Genel. The energy agreement between the KRG and Turkey and the completion of the KRI independent pipeline infrastructure has paved the way for steadily rising oil export volumes from Taq Taq and Tawke over the course of 2014.

In addition the Gas Sales Agreement has created the opportunity to develop our substantial gas resources at Miran and Bina Bawi for the Turkish market.

Drilling is also now underway on our high impact African assets, with four wells set to be drilled this year, each offering the potential for material finds. Overall, 2014 is shaping up to be another very exciting year for Genel.”
PRODUCTION UPDATE

- Net working interest production for 2013 averaged 44,000bopd, in line with 2012
  - Gross Taq Taq production in 2013 averaged 77,000bopd (2012: 75,500bopd). Volumes in 4Q 2013 were impacted by a fire at the Taq Taq Tanker Loading Station in November. As a consequence the field operated at a reduced rate through much of November and December. Full operating capability was restored towards the end of 2013.
  - Gross Tawke production in 2013 averaged 39,000bopd (2012: 45,000bopd). Pricing sensitivity in the domestic market impacted production levels in 4Q 2013 versus the prior quarter.
- The Company’s 2014 production guidance is set at 60-70,000boe/pd, which at the midpoint would represent a c.50% increase on 2013. This guidance is constructed on a relatively conservative basis as the new KRI independent export pipeline comes into operation. It assumes:
  - 1Q 2014 production dynamics broadly similar to full-year 2013 - i.e. domestic sales from both Taq Taq and Tawke and truck based exports from Taq Taq via Turkey.
  - Major exports via the new KRI independent export pipeline to commence and ramp up during 2Q 2014.

REVENUES

- Revenues for 2013 totalled c.$350 million ($333 million in 2012), within the Company’s guidance range of $300-400 million.
- 2013 sales realisations were as follows:
  - Taq Taq truck exports realised c.$75-80/bbl.
  - Taq Taq domestic market sales (including Bazian refinery) realised c.$71/bbl.
  - Tawke domestic market sales realised c.$60/bbl.
- The Company’s 2014 revenue guidance is set at $500-600 million.

CAPEX AND BALANCE SHEET

- 2013 capital expenditure totalled c.$560 million, of which c.$480 million was KRI spend with the balance on the Africa exploration portfolio.
- 2014 capital expenditure is projected at $550-600 million and reflects
  - $400-450 million on the KRI portfolio, with a broadly equal split between development and E&A activities.
  - $150 million on the Africa exploration portfolio.
- Balance sheet cash at end-2013 was c.$700 million with no debt.
- The Company remains in discussions with a number of banks on the potential for debt funding.
OPERATIONS UPDATE

KRI Oil Assets

KRI independent pipeline export infrastructure

During the fourth quarter of 2013, the final phase of the KRI independent export pipeline infrastructure from Dohuk to Fishkabur was completed and tied-in to the Iraq-Turkey-Pipeline via a new metering station within the KRI. Since then, commissioning and line-fill operations have been progressing in parallel. Test flows commenced in December 2013 and first KRI oil through the new pipeline reached Ceyhan in Turkey early in 2014.

On 8 January, the KRG announced that first export sales via the pipeline are expected to commence in the near future. Sales volumes are expected to ramp up over the remainder of the year. Genel expects that the pipeline system will be fully commissioned during 2Q 2014 once required upgrades to pumping stations on the KRI section of the pipeline are completed.

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

The Taq Taq field produced an average of 77,000bopd in 2013, compared to 75,500bopd in 2012. Trucked exports to international markets via Turkey commenced in January 2013 and steadily increased over the year, and on certain days in 2H 2013 totalled c.70,000bopd. Over the course of the year exports averaged c.20,000bopd with the remainder being domestic deliveries (including the Bazian refinery).

The 2014 activity plan envisages the drilling of four further production wells, including a highly deviated well and the first horizontal well on the field. Construction of the second Central Processing Facility is progressing and is now targeted for completion in 4Q 2014.

The Taq Taq Deep well, targeting Jurassic and Triassic intervals beneath the main producing Cretaceous reservoirs in the field, is drilling ahead. The well is currently at 4,200 metres with a planned target depth of 5,400 metres. Results are expected in 1Q 2014.

Tawke PSC (25% working interest)

The Tawke field produced an average of 39,000bopd in 2013, compared to 45,000bopd in 2012. Production levels were reduced in 4Q 2013 relative to the prior quarter due to price sensitivity in the domestic market. The Tawke-20 and Tawke-23 horizontal wells were brought onstream during 2013 at rates of 25,000bopd and 32,500bopd. Drilling operations on the third and fourth wells in the programme, Tawke-21 and Tawke-22, are progressing with results expected in 1Q 2014.

In 2014, planned activity includes the drilling of further horizontal wells. Work will continue on the Tawke production facilities, which is expected to raise production capacity from 100,000bopd to 200,000bopd.

Further success in the horizontal drilling programme could lead to further increases in production capacity going forward. To facilitate the higher volumes, a new 24” pipeline is planned from the field to the Tawke partners’ Fishkabur export facility. The Tawke partners also plan to appraise the Peshkabir discovery in 2014 with a side-track of the Peshkabir-1 discovery well and the drilling of the Peshkabir-2 well.
**KRI Gas Assets**

In November 2013, the Government of Turkey and the KRG signed a Gas Sales Agreement governing the export of natural gas from the KRI to Turkey. The GSA calls for an initial 4bcma of gas exports from 2017, rising to 10bcma by 2020 and the option of increasing to 20bcma thereafter. Genel anticipates that Miran and Bina Bawi will be anchor suppliers under the GSA and believes it is a significant milestone in the commercialisation of the major gas resource in both fields.

**Miran PSC (100% working interest, operator)**

A Declaration of Commerciality (“DoC”) for the Miran field was approved by the Kurdistan Regional Government on 3 September 2013.

Miran is one of the largest undeveloped gas discoveries in the KRI, and the Turkey-KRG Gas Sales Agreement is a significant milestone in the commercialisation of this material resource. Discussions with the KRG have already commenced, with the objective of finalising a Gas Sales Offtake Agreement for the Miran field by mid-year 2014. In parallel, the Company continues to screen a number of development concepts, incorporating both domestic and export supply options.

2014 will see the completion of the Miran West-5 (“MW-5”) appraisal well. MW-5 was spudded in July 2013 but mechanical difficulties with the DQE rig resulted in the well being suspended. A decision has been made to swap the DQE rig for the T-63 rig which has recently finished the Bina Bawi-6 appraisal well. Results from the MW-5 well are now expected by mid-year 2014, to be followed by an Extended Well Test in 2H 2014. The Miran Deep exploration well is now expected to be drilled in 2015.

The Miran-1 oil Early Production Facility (“EPF”) has been producing at 500-1,500bopd. The EPF is to be suspended in 1Q 2014 in preparation for drilling the first horizontal development well into the Miran oil reservoir. The well is expected to spud around mid-year 2014, and the results of this well will be important in shaping future oil development on the licence.

**Bina Bawi PSC (44% working interest)**

Genel enjoyed significant E&A success at Bina Bawi in 2013 with the BB-4 & 5 wells testing at a cumulative rate of 60mmmcfd across the Triassic Kurra Chine. In addition, the Triassic Geli Khana reservoir flowed at 10mmcf. The wells established a 1,500 metre gas column in the field with the potential for another 500 metres of column down-dip of the Bina Bawi-4 well. The results confirmed Bina Bawi as a major gas discovery.

A Competent Person’s Report commissioned from RPS Energy has led to a 10% upgrade in the gross mean contingent gas resource at Bina Bawi from 4.4Tcf to 4.9Tcf. Management believes that, when combined with Miran, Bina Bawi is well placed to anchor the 10bcma of export volumes from the KRI to Turkey by 2020, as envisaged in the GSA between Turkey and the KRG.

**Dohuk PSC (40% working interest)**

In September 2013, the Dohuk licence partners signed a Gas Sales and Purchase Agreement with the KRG to supply gas from the Summail field to a local power station. Initial deliveries will be around 30 to 50mmmcfd with a continual ramp up to 100mmcf as new wells are drilled and additional facilities are installed. First gas from the Summail-1 well is targeted for 1Q 2014.
**KRI Exploration and Appraisal**

**Chia Surkh PSC (60% working interest, operator)**

On the back of the results from the successful CS-10 and CS-11 wells, 3D seismic acquisition over the entire Chia Surkh PSC is now around 60% complete. Two appraisal wells are planned on the greater Chia Surkh structure in 2014. Further E&A activity, including a potential exploration well on the Qalami structure, is planned for 2015.

**Ber Bahr PSC (40% working interest, operator)**

The Ber Bahr-1 well was successfully side-tracked in 1H 2013 and tested 2,100bopd of 15 degree API oil from the Jurassic Sargelu formation. A 3D seismic survey is planned for completion by mid-year 2014. Ber Bahr-2, an appraisal well, is planned to spud in 4Q 2014.

**Africa Exploration Portfolio**

2014 will see the spudding of four wells across our African portfolio, each with the potential for finding material resources.

**Morocco**

**Juby Maritime (37.5% working interest)**

Drilling operations with the Cajun Express semi-submersible have commenced on the JM-1 well, which is targeting the Cap Juby prospect offshore Morocco. The primary target of the well is a Middle Jurassic carbonate play, where prior drilling has indicated the presence of a working hydrocarbon system. The secondary target is appraisal of the existing Upper Jurassic heavy oil discovery.

**Sidi Moussa (60% working interest, operator)**

An exploration well is planned to spud on the Sidi Moussa licence in mid-2014 using the Noble Paul Romano semi-submersible rig. The most likely target is the Nour prospect.

**Mir Left (75% working interest, operator)**

An exploration well is planned to spud on the Mir Left licence in 4Q 2014. Prospect maturation is currently ongoing.

**Malta**

**Area 4 PSC (75% working interest, operator)**

In January 2014, the Area 4 partners reached an agreement with the Government of Malta for a six month extension to the Production Sharing Contract, allowing sufficient time to complete the drilling of the Hagar Qim prospect, where operations are expected to commence in 1Q 2014. The expiry of the first exploration period to the PSC is now 17 July 2014.

The Noble Paul Romano semi-submersible rig is currently in the final stages of a refurbishment programme, after which the rig will come on contract to Genel.
Somaliland

SL-10-B and SL-13 (75%, operator) / Odewayne (50%, operator)

Seismic operations in Somaliland were temporarily suspended in September 2013 due to a deteriorating security environment. Discussions continue with the Somaliland Government in order to facilitate a resumption of activity.

Ethiopia

Adigala (40% working interest)

In August 2013 the Company announced the acquisition of a 40% working interest in the Adigala permit onshore Ethiopia. Completion of the transaction is expected shortly. A 2D seismic survey is planned to commence in 1Q 2014 in order to refine a number of existing leads into drill ready prospects.

Côte d’Ivoire

CI-508 (24% working interest)

Further seismic interpretation, geological and geophysical studies are planned during 2014.

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Notes to editors:
Genel Energy is an independent oil and gas exploration and production company listed on the main market of the London Stock Exchange (LSE: GENL). The Company, with headquarters in London and additional offices in Ankara and Erbil, is the largest independent oil producer and the largest holder of reserves in the Kurdistan Region of Iraq and, through value-accretive acquisitions, is building a high impact exploration portfolio within the Middle East and Africa. For further information, please refer to www.genelenergy.com.
Disclaimer

This announcement contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil & gas exploration and production business. Whilst the Company believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Company’s control or within the Company’s control where, for example, the Company decides on a change of plan or strategy. Accordingly no reliance may be placed on the figures contained in such forward looking statements.