



## **ADNOC and BHGE Form a Strategic Partnership to Improve Drilling Efficiencies and Grow ADNOC Drilling Into a Fully-Integrated Drilling and Well Construction Business**

October 8, 2018

*Strategic partnership will expand ADNOC Drilling's capabilities into the integrated drilling and well construction segment and expand BHGE's presence in the UAE*

*BHGE will acquire a five percent stake in ADNOC Drilling, valuing the business at \$11 billion, and the partnership will enable ADNOC Drilling to gain greater market access and new business opportunities*

*ADNOC Drilling will obtain exclusive access to BHGE capabilities, market leading technology and equipment portfolio in the UAE to strengthen its service offering, technical expertise, improve drilling efficiencies and know-how*

*ADNOC will capture more value from growth across its conventional and unconventional hydrocarbon resources, expand local talent development opportunities and generate greater in-country value for the UAE*

ABU DHABI, United Arab Emirates--(BUSINESS WIRE)--Oct. 8, 2018-- Abu Dhabi National Oil Company (ADNOC or the Group) and Baker Hughes, a GE company (BHGE:NYSE) today signed a strategic partnership agreement, that will enable and support the growth and development of ADNOC's subsidiary, ADNOC Drilling, into a fully-integrated drilling and well construction provider. As part of the agreement, BHGE will acquire a five percent stake in ADNOC Drilling. The transaction values ADNOC Drilling at approximately \$11 billion. BHGE will be the sole provider of certain proprietary leading edge and differentiated equipment and technologies related to the integrated drilling offering, supporting ADNOC Drilling's growth. Together, ADNOC and BHGE will deliver more competitive well completion times, greater drilling efficiencies and better well economics, and will capitalize on new business opportunities as ADNOC Drilling grows through its new expanded offering.

This press release features multimedia. View the full release here: <https://www.businesswire.com/news/home/20181007005085/en/>

The partnership represents the first time that ADNOC has brought an international strategic partner to acquire a direct equity stake in one of its existing services businesses. ADNOC Drilling is the largest drilling company in the Middle East and the sole provider of drilling rigs and associated services to ADNOC Group companies. ADNOC Drilling also possesses decades of market experience and detailed knowledge of the UAE's subsurface, enabling reduced risk in drilling activities. With more than 40 years of operations in the country, BHGE has deep domain expertise and a proven track record of solving complex drilling challenges through innovative technical solutions. Ongoing access and support from BHGE's market-leading technology and equipment portfolio will help accelerate ADNOC Drilling's ongoing growth and development of a broader product offering, including drilling and well completion services. This partnership structure aligns the interests of both ADNOC and BHGE in driving greater productivity and efficiency while increasing returns.

The partnership is expected to generate predictable, long-term revenue streams and growth in the market for both companies through a mutually-beneficial, attractive commercial structure, pre-defined work plans and future dividends. ADNOC Drilling and BHGE will set up an advisory board with representation from both companies to oversee the implementation and ongoing operations, and BHGE will join ADNOC Drilling's Board of Directors.

The partnership will enable ADNOC to capture more value from every barrel of oil it produces as it plans to grow its conventional drilling activity by 40 percent by 2025 and substantially ramp up the number of its unconventional wells, in line with its 2030 smart growth strategy. ADNOC Drilling will remain the sole rig provider to ADNOC Group Companies and capitalize on ADNOC's growing upstream activity by deploying its new integrated offering to capture up to 30 percent of the drilling and completion market over the next three years, as it demonstrates increasing drilling efficiencies and improved customer service levels.

The two partners will be able to leverage ADNOC Drilling's existing rig fleet capacity with limited capital expenditure outlay. The partnership will gain significant new business opportunities, including the potential to offer integrated drilling services beyond the UAE's borders.

H.E. Dr Sultan Ahmed Al Jaber, UAE Minister of State and ADNOC Group CEO, said: "We are very pleased to be partnering with BHGE in ADNOC Drilling, in line with our wise leadership's guidance to create and enhance value across our business by forming strategic partnerships. We chose BHGE after a rigorous and competitive process as a partner with whom we have a long-standing working relationship and who shares ADNOC's long term vision and values. This unique partnership with BHGE comes at an important time in the drilling needs of Abu Dhabi as ADNOC grows its conventional and unconventional hydrocarbon resources and as we see future potential for further regional growth. It will ensure we will be able to better service our upstream growth while capturing and retaining greater value.

"The partnership forms an important building block of ADNOC's 2030 smart growth strategy as we continue to drive operational efficiency and performance, and unlock even more value from every barrel we produce. The combined capabilities and expertise from this partnership will create greater drilling efficiencies and faster well completion times, generate attractive returns and enable the transfer of know-how and access to technology. Importantly, it will also drive job creation and economic growth, as well as maintain a healthy level of competition in the dynamic UAE oilfield services market."

This partnership is another important step in ADNOC's group-wide transformation and value creation program that addresses the evolving energy landscape and helps ensure ADNOC remains a resilient and flexible company able to take full advantage of market opportunities – from upstream to downstream. The Group's transformation is supported by a new and expanded approach to strategic partnerships and co-investments as well as the more proactive management of ADNOC's portfolio of businesses and allocation of capital.

"This partnership brings together BHGE and ADNOC, backed by a close and long working relationship. We are very pleased to take a minority stake in

ADNOC Drilling to jointly develop and further grow the company's technical capabilities, market access and value. In a unique way, it allows us to drive predictable revenue streams and long-term growth for both companies and lets us invest in a stable, reliable and secure market environment. Supported by BHGE's leading technology and service portfolio, ADNOC Drilling will enable ADNOC to unlock significant value from their untapped resources, while building local capabilities and accelerating overall market growth," said BHGE Chairman and Chief Executive Officer Lorenzo Simonelli. "The transaction significantly increases our activity in the region and demonstrates our unique ability to create value for our customers and shareholders through innovative commercial arrangements, partnerships and leading technology solutions."

The UAE is located in one of the world's largest hydrocarbon super-basins with significant potential to tap its undeveloped reservoirs and further develop its existing resources. Realizing this potential, alongside the ongoing growth and development of ADNOC Drilling, will provide more opportunities for local third-party service providers to compete for and support ADNOC's expanding integrated drilling and ancillary service requirements. The transformation of ADNOC Drilling will improve the integration of UAE private sector service providers, as well as create new career opportunities for ADNOC employees and support domestic economic growth. The partnership reinforces ADNOC's in-country value creation strategy and demonstrates BHGE's longstanding commitment to the country.

Today, BHGE employs more than 1,000 employees in the UAE and supports customers with products and services spanning the entire oil and gas value chain. BHGE will maintain its existing operations and footprint in Abu Dhabi and will continue to leverage its fullstream portfolio to serve ADNOC and other customers in the Middle East region.

### **Transaction Highlights**

The partnership leverages a robust commercial framework and aligns the interests of BHGE and ADNOC Drilling to drive significant and predictable long-term earnings streams for both companies and supports near and long-term development and growth of ADNOC Drilling.

- BHGE will acquire a five percent stake for \$550 million in ADNOC Drilling. The transaction values ADNOC Drilling at approximately \$11 billion, including approximately \$1 billion of net debt
- Transaction includes an activity and milestone-based deferred consideration mechanism, beginning in 2023, linked to the development of ADNOC's new conventional and unconventional development program
- Partnership is a key step for capturing more value from ADNOC's upstream growth and the substantial increase in the number of wells required, as well as a vehicle for the potential expansion of regional drilling services
- Partnership will support ADNOC's target to reduce drilling time by 30 percent by the end of 2019
- BHGE will receive a seat on ADNOC Drilling's Board of Directors
- ADNOC Drilling expects to generate stable annual dividends with an estimated long-term yield in the range of seven percent per annum for both shareholders
- BHGE to provide ongoing technology, software, equipment and training support
- With operations commencing in 2019, the commercial framework accounts for BHGE's working capital requirements and equipment lead times including milestones payments
- Expected to be accretive to BHGE's earnings per share starting the first year

The transaction was approved by the Board of Directors of each company and is expected to close in the fourth quarter of 2018, subject to customary closing conditions including appropriate regulatory approvals.

Moelis & Company is acting as exclusive financial advisor to ADNOC and Citi is acting as advisor to BHGE.

### **About ADNOC**

ADNOC is a major diversified group of energy and petrochemical companies that produces about 3 million barrels of oil and 10.5 billion cubic feet of raw gas a day. Its integrated upstream, midstream and downstream activities are carried out by 14 specialist subsidiary and joint venture companies.

To find out more visit: [www.adnoc.ae](http://www.adnoc.ae)

For further information: [media@adnoc.ae](mailto:media@adnoc.ae)

### **About ADNOC Drilling**

Established in 1972, ADNOC Drilling provides drilling rigs and associated services to ADNOC Group companies. ADNOC Drilling is the largest drilling company in the Middle East, and operates an expansive fleet of rigs that includes 60 land rigs, 20 jackup rigs, and 11 island rigs, that drilled over 7,200 wells and more than 46.8 million feet.

To find out more visit: [www.adnoc.ae/en/adnoc-drilling](http://www.adnoc.ae/en/adnoc-drilling)

### **About Baker Hughes, a GE company**

Baker Hughes, a GE company (NYSE: BHGE) is the world's first and only fullstream provider of integrated oilfield products, services and digital solutions. We deploy minds and machines to enhance customer productivity, safety and environmental stewardship, while minimizing costs and risks at every step of the energy value chain. With operations in over 120 countries, we infuse over a century of experience with the spirit of a startup – inventing smarter ways to bring energy to the world.

To find out more visit: [www.BHGE.com](http://www.BHGE.com)

Source: Baker Hughes, a GE company and Abu Dhabi National Oil Company

Baker Hughes, a GE company

BHGE Investor Contact:

Philipp Mueller, +1 281-809-9088

[investor.relations@bhge.com](mailto:investor.relations@bhge.com)

or

BHGE Media Contacts:

Melanie Kania, +1 713-439-8303

[melanie.kania@bhge.com](mailto:melanie.kania@bhge.com)

or

Stephanie Cathcart, +1 202-549-6462

[stephanie.cathcart@bhge.com](mailto:stephanie.cathcart@bhge.com)

or

Ulviyya Hasanzade, +971526400279

[ulviyya.hasanzade@bhge.com](mailto:ulviyya.hasanzade@bhge.com)