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8 October 2015

## **EURASIA DRILLING COMPANY LIMITED**

### **ANNOUNCEMENT OF MERGER**

Eurasia Drilling Company Limited (the "Company") announces that it has received an offer for a potential merger with the intention to take the Company private (the "Merger Proposal").

The Board of Directors received the Merger Proposal from certain management and core shareholders this morning which included an offer consideration of US\$10.00 per share. Subsequently the Board formed a special committee (the "Special Committee") comprised of the Earl of Clanwilliam (as chairman of the Special Committee), Dr. Alexander Shokhin and Dr. Igor Belikov, who are independent non-executive directors of the Company and who are unaffiliated with the offering company and any of its participants or their affiliates, to negotiate on behalf of the Board the terms of a potential merger with the assistance of separate advisers appointed by the Special Committee. The Special Committee will make their recommendation to the Board to accept or reject the proposal.

Following the failure of the proposed transaction with Schlumberger, certain management and core shareholders seek to undertake significant rationalisation of the business that would best be achieved by taking the company private, so it can sustain itself through the expected prolonged and difficult market conditions. While EDC's fundamentals are still robust in the long-term, the current performance is significantly impacted by a combination of challenging macro-economics, acceleration in ruble depreciation, continued geopolitical risks, upstream capex cuts by the Russian oil majors on the back of oil price pressure, compounded by changes in tax regulations for the oil sector, weak pricing for drilling, poor forward visibility on offshore activity and uncertainty in the services market stemming from sanctions. Given all of these challenges, the management of EDC believe they require maximum flexibility to manage the business, which is best facilitated by being a private company at this time. As cost management becomes a foremost priority, going private also releases material financial benefit.

Lord Clanwilliam, Chairman of the Special Committee, said: "The Board is focused on preserving shareholder value following the failure of the Schlumberger transaction which would have been extremely beneficial to shareholders. The cancellation of this transaction is particularly unfortunate given all the challenges EDC is now facing. We are currently reviewing the Merger Proposal with the assistance of professional advisers and we will make our recommendation to the Board in due course. "

#### **ADVISORS:**

For the Offering Company: Financial advisers: Xenon Capital Partners and legal advisers: Skadden, Arps, Slate, Meagher & Flom (UK) LLP.

For the Special Committee: Renaissance Capital to opine on the fairness of the transaction (financial) and legal advisors Willkie Farr & Gallagher LLP.

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