

## Schlumberger invests \$1.7bn for stake in Eurasia Drilling

<http://www.ft.com/cms/s/0/a7d2f966-a09e-11e4-8ad8-00144feab7de.html?siteedition=uk#axzz3PLW5zqzc>

20.01.15

Schlumberger is to invest \$1.7bn for a minority stake in Russia's largest drilling company in one of the boldest attempts so far to take advantage of the turmoil in Russian markets.

The world's largest oil-services company by market capitalisation will take a 45.7 per cent stake in Eurasia Drilling by backing a deal to delist its global depository receipts from the London Stock Exchange. As part of the deal, Schlumberger will have an option to buy the rest of the company after three years.

Schlumberger's investment is one of the largest by a western company since the US and EU first imposed sanctions on Russia over the annexation of Crimea in March. It comes after Russian equities have fallen 45 per cent in the past year, with Eurasia Drilling down 71 per cent as Russia's oil-services industry was hit by a combination of sliding oil prices, rouble volatility and western sanctions.

"They're taking a very long-term view and are not deterred by the market volatility," said one person close to the deal.

The take private deal and Schlumberger's subsequent purchase of Eurasia Drilling shares would value the company at \$3.2bn, or \$22 per GDR, an 81 per cent premium to Monday's closing price. The deal would see a group of Eurasia Drilling's major shareholders and management, led by chief executive Alexander Djaparidze, retain a 54.3 per cent stake in the company.

The tumble in oil prices has triggered consolidation in the oil-services industry, as cutbacks in oil groups' spending plans hurt profitability. Schlumberger last week said that it would cut 9,000 jobs and took a \$1.77bn pre-tax charge in its fourth-quarter results.

The Russian oil-services industry has suffered the additional blow of western sanctions that have squeezed financing across the economy as well as imposed specific restrictions on sales of western equipment for shale, Arctic and deepwater projects.

The sanctions on the Russian oil industry have pushed western oil-services groups to take a step back, with Schlumberger withdrawing a significant number of its US and European executives from the country.

A person close to the deal said that the two sides were confident that it would not be affected by sanctions.

Eurasia Drilling, which was spun out of Lukoil's in-house drilling unit a decade ago, is Russia's leading onshore drilling company accounting for 28 per cent of all metres drilled as well as a major provider of rigs in the Caspian Sea.

The deal will further deepen a relationship that started in 2011 when the two companies formed a strategic alliance and agreed to swap assets.