



ADNOC Unlocks \$4 Billion in Value in Landmark Pipeline Infrastructure Investment Agreement with BlackRock and KKR

February 24, 2019

Transaction marks the first midstream infrastructure partnership by leading global institutional investors and a national oil company in the Middle East

Tried and tested global infrastructure investment approach applied for the first time in the region

Transaction further demonstrates the more active management of capital and portfolio of assets as part of ADNOC's 2030 commercially focused smart growth strategy

Paves the way for future foreign direct investment (FDI) into Abu Dhabi and the UAE

Long-term investment aligns interests of all three parties, and reinforces KKR and BlackRock's commitment to the region and to investing in key energy infrastructure

Abu Dhabi, UAE – 24 Feb, 2019: The Abu Dhabi National Oil Company (ADNOC) announced that it has entered into a landmark multibillion-dollar midstream pipeline infrastructure partnership with KKR and BlackRock, two of the world's leading institutional investors. To mark the occasion, a signing ceremony was held today at ADNOC Headquarters with His Excellency Dr. Sultan Ahmed Al Jaber, ADNOC Group CEO, Laurence D. Fink, Chairman and CEO of BlackRock and Henry Kravis, CoChairman and Co-CEO of KKR.

As part of the transaction, a newly formed entity called ADNOC Oil Pipelines – Sole Proprietorship LLC (henceforth referred to as "ADNOC Oil Pipelines") will lease ADNOC's interest in 18 pipelines, transporting stabilized crude oil and condensate across ADNOC's offshore and onshore upstream concessions, for a 23-year period. The entity will, in turn, receive a tariff payable by ADNOC, for its share of volume of crude and condensate that flows through the pipelines, backed by minimum volume commitments. Funds managed by BlackRock and KKR will form a consortium to collectively hold a 40% interest in the entity, while ADNOC will hold the remaining 60% majority stake. Sovereignty over the pipelines and management of pipeline operations remain with ADNOC. The transaction will result in upfront proceeds of approximately \$4 billion to ADNOC and is expected to close in Q3 2019, subject to customary closing conditions and all regulatory approvals.

BlackRock and KKR's long-term investment underlines the attractiveness of Abu Dhabi and the UAE as a rapidly emerging investment destination for international capital. This transaction marks the first time that leading, global institutional investors have deployed capital into key midstream infrastructure assets of a national oil company in the Middle East.

In conjunction with this transaction, ADNOC is laying the groundwork for additional infrastructure related investment opportunities with institutional investors. ADNOC's 60% equity stake in ADNOC Oil Pipelines will be held through ADNOC Infrastructure LLC, a 100% ADNOC-owned subsidiary, which also holds ADNOC's 100% stake in Abu Dhabi Crude Oil Pipeline (ADCOP). In time, ADNOC Infrastructure LLC is expected to add further select ADNOC infrastructure assets and become the key vehicle for a new and innovative ADNOC infrastructure investment platform.

Commenting on the transaction, His Excellency Dr. Sultan Ahmed Al Jaber, UAE Minister of State and ADNOC Group CEO said: "The level and sophistication of the investors that we are attracting as financial partners to invest, alongside ADNOC, in these select pipeline assets is a clear reflection of the UAE's stable, attractive and reliable investment environment. It also demonstrates the global investment community's validation of ADNOC's progressive and smart approach to unlocking value from its portfolio of assets while retaining control over their ownership and operation."

"This transaction is another example of the innovative steps we are taking to constantly optimize our assets and capital and deliver sustained value to both ADNOC and the UAE. We are creating a range of attractive opportunities for global and regional institutional investors to partner and invest alongside ADNOC to enhance value from our sizeable infrastructure base, drawing on our expertise in structuring and packaging value-enhancing partnership programs that preserve Abu Dhabi's ownership and control of its assets. Most importantly, this transaction marks a milestone for ADNOC and Abu Dhabi as it paves the way for further significant foreign direct investment into the UAE."

Commenting on the transaction, Henry Kravis, Co-Founder, Co-Chairman and Co-CEO of KKR said: "We have created an innovative core midstream infrastructure platform alongside ADNOC and BlackRock that can be a catalyst for further foreign investment and broader economic transformation in the United Arab Emirates. Having long had a presence in the region, we appreciate the high quality of ADNOC as a partner and Abu Dhabi's investor-friendly environment to enable our first direct investment in the region. With this transaction as a precedent, we believe there is substantial potential to do even more."

"For many years BlackRock has had strong relationships in the United Arab Emirates and across the region, so we are especially pleased to be able to play a role in this landmark transaction," said Laurence D. Fink, Chairman and CEO of BlackRock. "Public-private partnerships are essential for investment to drive continued economic growth in the region, and we believe that today's agreement among ADNOC, BlackRock and KKR will be followed by many more such partnerships to invest in the future growth of the region."

As announced in July 2017, ADNOC is significantly expanding its strategic partnership model and creating new investment opportunities across all areas of its value chain, while at the same time, more proactively managing its portfolio of assets and capital. This transaction follows several other recent value creation initiatives including ADNOC's debut capital markets transaction, the issuance of the Abu Dhabi Crude Oil Pipeline (ADCOP) bond, the IPO of ADNOC Distribution, the recent strategic equity and commercial partnerships between ADNOC Drilling and Baker Hughes as well as ADNOC Refining and Eni and OMV. Fitch Ratings also recently assigned ADNOC a standalone credit rating of AA+ and a Long-Term Issuer Default Rating of AA with a Stable Outlook. Both ratings are the highest currently assigned by Fitch for any oil and gas company, globally.

The deal represents a major step in ADNOC's commercially focused 2030 smart growth strategy, marked by significant milestones of the last three years. The company has consolidated its businesses and unified its brand identity; entered the global capital markets for the first time; completed the first ever IPO of an ADNOC business; opened-up its concessions to new strategic partners; competitively tendered new exploration blocks for the first time in Abu Dhabi's history; launched the UAE's unconventional industry; embarked on an ambitious gas strategy aimed first at self-sufficiency and then transitioning to become a potential net exporter of gas; launched a major \$45 billion expansion to its downstream operations; undertaken a comprehensive digital transformation and taken its first steps to expand internationally. Guided by the strategic pillars of People, Performance, Profitability and Efficiency, ADNOC is creating a dynamic corporate culture that optimizes resources, maximizes value and incubates talent. In 2018, ADNOC achieved its 3.5 million bpd production capacity target and last month was named the most valuable brand in the Middle East.

KKR's investment was made through its third Global Infrastructure Investors fund, which closed in September 2018 at \$7.4bn. KKR invests in infrastructure assets on a global basis, with \$12.6 billion in assets under management within its Infrastructure strategy. This investment in Abu Dhabi builds on KKR's global midstream expertise in sourcing and structuring transactions with high-quality counterparties, including existing investments in the U.S. DJ Basin and Gulf of Mexico, Canada's British Columbia and Alberta Montney regions, and Mexico's Bay of Campeche. KKR Infrastructure invests in essential midstream infrastructure backed by proven reserves, production, and contractual protections, with the goal of delivering downside-protected, long-term cash flows to its investors.

BlackRock is investing through its Global Energy & Power Infrastructure Fund (GEPIF) series, which, for the last decade, has provided investors with a market-tested strategy of investing in stable, missioncritical, high-quality contracted energy infrastructure on a global basis. This contracted midstream investment, located in Abu Dhabi, is consistent with the Fund's strategy of serving as a long-term, value-added partner to world-class energy industry players to provide a customized solution for both the Fund and the counter-party with an investment that is structured with a focus on downside protection and a highly deliverable base-case. BlackRock's GEPIF Funds have successfully employed this consultative and tailored approach to investing in contracted energy & power infrastructure on four continents, throughout North America, South America, Europe and Asia and delivered income and returns to its investors across market cycles.

Further Transaction Details

This collection of 18 pipelines being leased by ADNOC Oil Pipelines has a total length of over 750km, and a total aggregate capacity of approximately 13,000 Mbblpd (gross). These assets represent key midstream infrastructure for Abu Dhabi's energy ecosystem, allowing for the vast majority of Abu Dhabi's crude oil production to be transported from ADNOC's onshore and offshore upstream assets, to Abu Dhabi's key take-away outlets and terminals for conversion to other high-value products, or on to global energy markets. The pipelines have underlying long-term minimum volume commitments and are supported by stable crude oil production from ADNOC Onshore and ADNOC Offshore - the leading onshore and offshore operating companies in ADNOC with global IOCs as JV partners, each with an average remaining concession life of over 35 years.

Bank of America Merrill Lynch and J.P. Morgan acted as financial advisers to ADNOC while Moelis & Company acted as an independent financial advisor to ADNOC.

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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 For further information: media@adnoc.ae

About BlackRock

BlackRock helps investors build better financial futures. As a fiduciary to investors and a leading provider of financial technology, our clients turn to us for the solutions they need when planning for their most important goals. As of December 31, 2018, the firm managed approximately \$5.98 trillion in assets on behalf of investors worldwide. For additional information on BlackRock, please visit www.blackrock.com

About KKR

KKR is a leading global investment firm that manages multiple alternative asset classes, including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds. KKR aims to generate attractive investment returns for its fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with KKR portfolio companies. KKR invests its own capital alongside the capital it manages for fund investors and provides financing solutions and investment opportunities through its capital markets business. References to KKR's investments may include the activities of its sponsored funds. For additional information about KKR & Co. Inc. (NYSE:KKR), please visit KKR's website at www.kkr.com and on Twitter @KKR_Co.

Press Contacts:

BlackRock

Farrell Denby farrell.denby@blackrock.com Phone: +1.212.810.8034 / +1.347.853.1808

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Finsbury Simon Moyse / Hiba Moussa simon.moyse@finsbury.com / hiba.moussa@finsbury.com Mobile: +971 55 551 3621 / +971 54 304 6338