Company: **NOVATEK**

Conference Title: **FY 2011 Financial Results Conference**

Presenter: **Mary Gyetvay**

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Operator: Good day and welcome to the Full Year 2011 NOVATEK Financial Results conference call. Today's conference is being recorded. At this time I would like to turn the conference over to Oleg Maximov, senior analyst of Troika Dialog. Please go ahead, sir.

Oleg Maximov: Good afternoon and welcome. I'm Oleg Maximov from Troika Dialog and this is NOVATEK Financial Year 2011 Results conference call. With us today is Mark Gyetvay, Chief Financial Officer of NOVATEK and member of the Board of Directors. Mark, over to you, please start your presentation. Thank you.

Mark Gyetvay: Thank you, Oleg. Ladies and gentlemen, shareholders and colleagues, good evening and welcome to our Fourth Quarter and Full Year 2011 Earnings conference call. I would like to thank everyone for joining us this evening and again extend our sincere gratitude to Troika Dialog and Oleg Maximov for organising and hosting our earnings conference call.

Before we begin with specific conference call details, I would like to refer you to our disclaimer statement as is normal practice. During this conference call, we may make statements, forward-looking statements by using words such as 'plans', 'objectives', 'goals', 'strategies' and other similar words which are other than statements of historical facts. Actual results may differ materially from those implied by such forward-looking statements due to known and unknown risk and uncertainties, and reflect our views at the date of this presentation. We undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements in light of new information or future events. Please refer to our regulatory filings, including our annual review for the past year as well as our earning press releases and documents throughout the year, for more description of the risks that may influence our results.

Since the 5th December demonstrations commenced, we have fielded a number of questions from analysts and investors concerning NOVATEK's exposure to potential changes in the State Duma or governmental officials as well as an increased focus on the potential risk and impact to our business model, our future prospects and recent acquisitions. Essentially, most investors and analysts felt that the political risk surrounding NOVATEK had significantly increased relative to other Russian issuers, a statement that we find with no rational basis and one in which we would adamantly disagree.

Since going public in 2005, we have fielded many speculative questions regarding asset redistributions, access to the pipeline structure, growth prospects as well a myriad of additional questions regarding our position in the Russian gas market vis-à-vis Gazprom and the Russian oil majors. We have never shied away from responding to these types of questions or providing insights into the Russian oil and gas markets as well as the global gas markets, or limited our availability to meet with investors to address any of your concerns. In fact, we have been and will continue to be extremely active in maintaining an ongoing and proactive dialogue with our investors at conferences at meetings, and throughout the past seven years we have continuously improved on the level of our financial and operational disclosures, the timeliness of our reporting and the transparency and corporate governance of the Company.

We completely understand the concerns and questions raised by investors who reside outside of Russia and rely on these types of dialogues to assess the risk inherent in making prudent investment decisions, but what we do not understand were the comments specifically towards NOVATEK concerning heightened risk exposure or speculation on asset forfeitures from those individuals whom we felt understood the operating and political environment in Russia. These types of speculative comments, lacking any factual basis, do not serve readers with any value-added insights but rather continues to perpetuate the high country risk factor impacting debt transactions and equity valuations for all companies operating and/or residing in Russia, which ultimately counterbalances our ongoing efforts to mitigate or change this risk perception.

The presidential elections are over and, to no great surprise, Prime Minister Putin returned to serve a third term in office. We await the announcement by the President-Elect of his new administration but we operate with the assurances that there'll be no wholesale changes to our business environment. Although we have underperformed our Russian oil and gas peer over the past three months, despite another stellar year of financial and operational results, we would like to strongly reiterate that our business model is sound, our assets are secure and we will continue to invest capital to achieve the strategy we comprehensively articulated to our investors on the 9th December in London.

Another onerous issue that recently surfaced is a comment made by the Ministry of Finance on potentially raising the mineral extraction tax or MET on the gas sector. Essentially, as stated, the new tax regime will impose a tax burden equivalent to 80% of the increase in natural gas tariffs effective in 2015, and basically means that if we assume a 15% tariff increase, our effective increase will be roughly 3%, which is presently below the rate of inflation. We do not believe that this newly discussed tax regime is realistic because it is our opinion that an inflation-adjusted net price increase would be the minimum. However, as we have done previously, we will lobby proactively against any punitive tax policies aimed specifically at the gas sector. If you recall, we faced similar challenges recently for imposing significant increases in the MET for natural gas, which were not implemented by the Russian government although many analysts assumed the worst, and we believe the noise raised as of today is preliminary positioning in respect of potential tax increases. We presently budget an increase in our MET tax burdens ranging from 5.2% to 6% over the ensuing three-year period.

You may have also read recently that our wholly owned subsidiary NOVATEK Gas & Power has been active in negotiating gas contracts in the European market, which I can confirm is accurate. However, these negotiations do not mean that we believe there will be any impending changes to the export law, but rather a normal progression for us to begin finding new customers for our gas trading business in Europe as well as future customers for our LNG once the plant is commissioned in operations. As of today, we are not trading any gas in the European markets, nor have we finalised the execution of any contractual arrangements, although we believe this will be concluded in a matter of time.

It has also been reported, which I can also confirm, that we have begun the process of seeking potential customers for our LNG and we have assembled a joint team that are presently working on a marketing strategy and will travel and meet with potential LNG customers. We also have recently concluded a tender for financial advisors on the LNG project and we will work very closely with our advisors on determining the best course of action for us as it relates to commercial marketing arrangements for eventual project financing.

Last week, Forbes Magazine published a list of the wealthiest individuals and two of our core shareholders were among those listed in the top 100. Subsequent to this publication, other news agencies began to run their biased views on the subject matter and have again begun another campaign of speculative reporting rather than reporting on facts. So to clarify some of this speculative nonsense, I will address upfront the negative comments surrounding our recent acquisition of Gazprom Mezhregiongas Chelyabinsk and hopefully set some facts on this transaction.

As you may recall, we purchased another trading company based in Chelyabinsk region called Yamalgasresources for approximately RUB 400 million, which provided us with a trading arm of four people with sales to high-quality industrial accounts of approximately 2 billion cubic metres per annum. Moreover, for the reporters listening to tonight's conference call, we began to sell gas to the Chelyabinsk region in 2003 and as of this past year, it represented about 21% of our end customer sales. This information is available via our investor presentations and our financial statements. The transaction to purchase natural gas and Gazprom Mezhregiongas Chelyabinsk was based on our own internal valuation of the potential market opportunities this regional trader provides us in securing more end customer sales, and was basically compared to our prior acquisition of Yamalgasresources in valuation terms, although the size and operational characteristics of this regional trader was quite different. It has over 600 employees, sells approximately 8 bcm of gas to the region, and the quality of that customer base is diverse, covering all segments of the market from industrial to residential.

We took all these factors into consideration when determining our valuation approach, as well as the key fact that this regional trader was reporting a loss-making operations in its Russian statutory accounts. In fact, for the full year 2011 it reported a loss of RUB 66 million. In our 2011 financials, we impaired a number of outstanding receivables relating to the aging of these particular accounts under the conservative principle of accounting.

For reporting purposes, we applied IFRS 3 Business Combinations as required, estimated the pro forma revenues and results of operations as if this acquisition would have occurred as of the beginning of the reporting period under a myriad of assumptions as if NOVATEK would have operated this trading entity under our cost and business model, and excluding a series of adjustments as disclosed in our financial statements. This calculation is not meant to be a proxy for valuation purposes, nor does it represent actual results if the transaction did indeed happen on the 1st January. This analogy is also applicable to the fair value calculations that the accounting standards require us to perform even though we fully realise that we would never use these numbers as a basis for fair market valuation when considering a potential acquisition.

So to infer that we significantly underpaid for this transaction or, as the reporters are trying to say, that we got this acquisition at a significant discount to its true market value is complete and utter nonsense, and only clearly demonstrates the lack of financial knowledge or acumen in assessing these types of transactions. We would never pay the 6 to 8 times multiples for this trading entity as alluded in this recent article, and I would like to remind you that this is the same newspaper who first reported and speculated that we paid $500 million for this acquisition, because I remember this very well with my intense discussions I had with our credit rating agencies trying to convince them that this was not an accurate value.

So moving forward I would like to highlight some key facts in 2011. Our natural gas and liquid productions increased by 42% and 14% respectively, which is quite an accomplishment relative to our present scales of operations and it clearly demonstrates our ability to grow our productive capacity in line with our strategic goals and objectives, of which 66% represented organic growth from our three core fields and 34% represented gas production from the acquisition of Sibneftegaz. We increased our SEC proved reserves by 16% to 9.4 billion barrels of oil equivalent and our PMRS proved reserves 22% to 11.3 billion barrels of oil equivalent, excluding any reserve contributions from the recent acquisition of four new licences in the

Yamal-Gydan Peninsulas. Our reserve replacement ratio for the past year was 444%, our three-year average 597%, and our reserve-to-production life was 25 years under the SEC proved case and 40 years under the PMRS proved and probable case. We continue to lower our industry lifting cost by 8% in rouble terms to RUB 15.00 per barrel of oil equivalent or equivalent of $0.51 per BOE. We continue to be one of the lowest-cost producers in the global oil and gas industry in terms of finding and development and reserve replacing cost for the next three-year period covering 2009-2011.

We sent nine tankers through the Northern Sea Route, transporting over 600,000 tons of stable gas condensate, clearly demonstrating the seasonal viability of this logistical route for deliveries to this important Asia Pacific consuming region. We continued to increase our market share in the Russian domestic market by securing new end customers and acquiring the gas traders in key consuming regions. We announced Total as our strategic partner in the Yamal LNG project, with a 20% equity stake, as well as outlining the financial parameters of this transaction. We acquired the four new licenses in the Yamal-Gydan Peninsulas, providing an enormous operational platform for future exploration and development, and complementing our existing current asset base.

We reached a record level of free cash flow during 2011 of RUB 40.8 billion, further attesting to our ability to fund our capital expenditure programme from internally generated cash flows. And finally, all of our financial parameters were met this past year, excluding the impact of the net gain on disposal, with our full year EBITDA and net profit margins at 48.5% and 32.2% respectively.

During 2011 we drilled approximately 41,000 metres of 124,000 feet of exploration wells with the South-Tambeyskoye and the Samburgskiy license areas representing about 41% of the total and the remainder more or less distributed equally amongst the Yurkharovskoye field and the Yarudeyskoye and Urengoyskiy license areas. Our exploration drilling activities were successful in discovering 17 new deposits, with the largest number of new discoveries at the South-Tambeyskoye field: 9 new gas condensate deposits. At the Yarudeyskoye license areas, the results of our exploration drilling yielded large extensions of gas condensate and oil deposits which significantly increased the C1 reserves in this license area. We drilled 35 production wells in 2011, including 15 side-tracking completions. At the East-Tarkosolinskoye field, we completed the drilling of 5 oil wells as part of our plan to expand oil production on this field, as well as 11 gas side-tracking completions. In 2012 we will continue to expand our drilling programme at this particular field as part of our development strategy to monetise the oil layers at this field. We also completed 11 gas condensate wells as the Yurkharovskoye field, adding productive capacity to the field's wet gas profile as well as completing 5 gas condensate wells including 1 side-tracking well at the Samburgskiy field.

In other important capital activities, we completed construction work on the foundation for a reservoir park comprised of 25 storage tanks at the Ust-Luga Complex which, when completed, will hold approximately 640,000 cubic metres of finished products and raw materials as well as all planned dredging activities. At the Purovsky Processing Plant, we completed the fourth LPG storage facility, increasing total storage capacity by 9,600 cubic metres to 38,800 cubic metres, comprising storage of approximately 25,200 cubic metres for LPG and 13,600 cubic metres for de-ethanised gas condensate or raw materials. On the Yamal LNG project, besides the ongoing drilling activities at the South-Tambeyskoye field, we worked on constructing housing for employees, the communication infrastructure, the landing strip for the airport, the fuel depot and constructing a gas pipeline from two wells at the field to Sabetta for use for heating and energy for the village.

From an operational perspective, NOVATEK had a very strong fourth quarter with our core gas production increasing by 8.3% or roughly by 1 billion cubic metres, led by continued production growth at the Yurkharovskoye and East-Tarkosolinskoye fields. Our Yurkharovskoye field accounted for 74% of the growth in core gas production during the year as well as 82% of the growth in gas production quarter-on-quarter. Our natural gas production including our equity purchases for the 12 months of 2011 totalled 52.9 billion cubic metres, representing an increase of 15.6 cubic metres of 42% over the corresponding reporting period, of which 49% represented organic growth at the Yurkharovskoye field, 17% represented resumption of dry gas production at our existing core asset portfolio and 34% represented contributions from our equity share production from Sibneftegaz. Including purchases of equity share of Sibneftegaz's gas production and the assumption of gas purchase contracts from our recent acquisition of Gazprom Mezhregiongas Chelyabinsk, we managed to increase our overall production and purchases to 15.2 billion cubic metres or by 14% as compared to our quarter-on-quarter production figures. For the full year 2011, we managed to increase our core gas production by 10.3 billion cubic metres or by 27.5% and improving our equity share in gas purchases by 16.5% – 15.5 billion cubic metres or roughly 44%. We had an exceptional year-on-year performance by any reasonable measurement and we averaged approximately 147 million cubic metres per day or 5.2 billion cubic feet per day, making NOVATEK one of the largest gas producers in the world and without question the largest independent gas producer.

In November 2011 we announced that we had acquired the regional gas trader from Gazprom and that with this acquisition, we will continue to further penetrate the important consuming region of Chelyabinsk. As part of this acquisition, we assumed the present gas purchase contracts for the month of December which totalled approximately 841 million cubic metres of gas priced and delivered to this particular region. Beginning in 2012, we will cease these purchases and use our own equity gas to deliver to this important industrial region. However, with the gas purchases noted, our average purchase cost increased, as reflected in the fourth quarter financial statements, because these contracts included the price of transportation, resulting only in a marginal gain for NOVATEK from these particular sales.

In the third quarter we announced that we would commence buying gas from Sebor in the amount of 3.5 billion cubic metres in 2012, an increase of approximately 4 billion cubic metres thereafter until 2016, as well as supplying approximately 2 billion cubic metres of natural gas from our fields to their facilities. We have commenced this activity with Sebor and we will also consider increasing the level of purchased gas from other producers in this area. As an example, we are in the process of finalising a sales and purchase gas contract for procuring dry gas produced at the Beregovoy field whereby our joint venture Sibneftegaz will purchase the dry gas from Geotransgaz commencing some time in the second quarter 2012. As a result of our increased level of gas purchasing activities, we will begin adding additional financial disclosures in our 2012 financial statements and management discussion and analysis of financial conditions and results of operations to clearly delineate the netbacks received on our own produced gas versus those netbacks or margins received on our gas trading activities. We believe that additional disclosure will provide better comparative information for the readers of our financial statements and hopefully make it absolutely clear what the various margins are for equity gas sold versus trading gas sold.

While on the subject of natural gas production, I would like to remind our investors and analysts that we are conservatively projecting production growth in 2012 ranging 6% to 7%, which is largely on top of a significant increase year-on-year in 2011. During 2012, we anticipate that forecasted production growth will be back-loaded, with further development activity at the Yurkharovskoye field where we intend to complete Stage IV of the field Stage II development. We plan to increase the Yurkharovskoye field's productive capacity by another 4 billion cubic metres next year to approximately 37 billion cubic metres, thus bringing NOVATEK's overall productive capacity to roughly 57 to 58 billion cubic metres by year end. This production growth will not happen until the latter part of 2012, effectively negating its full impact until 2013 and beyond. Another important factor to consider in 2012 is the formal commissioning of first natural gas production at SeverEnergia, which has been slightly postponed until around the month of April and accordingly we will benefit financially via our 25.5% indirect equity stake in the joint venture, although as we already reported, Gazprom will be the purchaser of 100% of the gas produced at the wellhead.

As already reported in the Russian CDU-TEK information, our gas production for the first two months of 2012 was very strong at 9.7 billion cubic metres, averaging approximately 161 million cubic metres per day or 9% above the 2011 daily average. For liquids, we increased our quarter-on-quarter production volumes by 6.5% or by 65,000 tons whereas our full year production increased by 494,000 tons or by 13.7%, led primarily by increased wet gas production at the Yurkharovskoye field. In the fourth quarter, we managed to increase our liquid production at the East-Tarkosolinskoye field by 8,000 tons or by 4% despite declining overall for the full year as has been the trend over the past several years. We continued to see relative declines in liquids outputs from both the East-Tarkosolinskoye and Khancheyskoye fields, which corresponded to the declining concentration levels of the unstable gas condensate at mature fields. We anticipate compensating for these natural declining levels of liquid concentration by bringing on stream other wet gas fields such as the fields of SeverEnergia and as discussed at our recent strategy presentation, the fields located on the Gydan Peninsula.

I previously reported that the Arctic ice melt was increasing at a record rate and may surpass those previous low periods set in September 2007, essentially meaning that the navigational period was extended by another month, thereby increasing the number of voyages utilising the Northern Sea Route from June to November. We took full advantage of this extended navigable period to collect important shipping data, test tanker sizes and as already mentioned, demonstrated the viability of this important shipping route for future delivery of the stable gas condensate and in the future, liquefied natural gas. We delivered nine tankers of stable gas condensate through the Northern Sea Route during the 2011 navigational period but during the fourth quarter we completed the final voyage in November by utilising a 170,000-ton tanker which is similar in size and scale to the new Yamal Arc 7 ice-class tankers we plan to use to transport LNG when the project deliveries commence.

We increased our natural gas sales volumes by 42% during the fourth quarter, or by 4.6 billion cubic metres as compared with the prior year fourth quarter reporting period. Our seasonally adjusted quarter-on-quarter 2011 sales volumes increased by 12.3 billion cubic metres to 15.6 billion cubic metres, or by 27%, representing continued strong sales throughout the traditional winter period. Excluding the sales from purchases of 841 million cubit metres but accounting for the withdrawals of natural gas from underground storage, we managed to increase our quarter-on-quarter sales volumes by 2.5 bcm or by 20.2%. We increased our volumes of natural gas sold for the full year by 16.6 bcm or by 44.6%, representing an increase of approximately 24% for end customers and 82% for wholesale gas traders. Within our total sales mix for natural gas, end customers represented 55% versus 64% year-on-year for the comparative 12 months ending the 31st December, with total volumes to the power generation sector accounting for approximately 40% of our total sales volumes or 73% of our volumes sold to end customers. During the fourth quarter of 2011, our sales mix was 57% end customers and 43% wholesale traders. The year-on-year reduction in our end customer sales was largely attributable to the initiation of a high netback margin wholesales contract effectively beginning on the 1st January. Our volume of natural gas sold to end customers increased by 26.7% in the fourth quarter as compared to the third quarter 2011 and we are relatively consistent with those volumes sold year on year at 57%. During the third quarter of 2011 we injected 991 million cubic metres of natural gas into the underground storage whereas in the fourth quarter we withdrew approximately 464 million cubic metres resulting in a cumulative quarter on quarter change of 1.5 billion cubic metres. We ended 2011 with an inventory balance of 760 million cubic metres of natural gas in underground storage facilities representing a reduction of only 30 million cubic metres as compared to the beginning of the year. Our average realised prices for end consumer sales during the fourth quarter increased by 12.2% in comparison to year on year and were slightly lower than those prices realised quarter on quarter. For ex-field or wholesale trader sales our average realised prices increased year on year by 194 rubles per thousand cubic metres or by 16.2% and was consistent with the prices we received for this category of sales quarter on quarter.

For the full year 2011 our end customer and wholesale traders averaged realised prices increased by 13.7% and 14.9% respectively which was consistent with our price expectations vis-à-vis the general tariff increase and the geographical mix of our natural gas sales. Our average netback for natural gas sales sold to end customers excluding trading margins increased by 229 rubles per thousand cubic metres or 19.2% for the full year 2011 whereas on a quarter by quarter basis our average netbacks increased by 22 rubles per mcm or by 1.6% due mainly to a 3% reduction in our average transport cost. We continued to achieve a higher margin differential between end customers and ex-field netbacks excluding trading activities as compared to the prior year which continues the pricing dynamics trends achieved prior to the economic crisis although we cannot be certain that these trends will remain consistent or continue to fluctuate period on period.

Our overall average distance to transport our natural gas to end consumers was lower in 2011 by 7%, averaging approximately 1,859 kilometres during the year versus 2,008 kilometres in 2010 which was slightly offset by a 9.3% increase in the transport tariff approved by the Federal Tariff Service effective 1st January. The geographical markets representing at least 10% of sales volumes were the Moscow, Orenburg, Chelyabinsk and Perm regions which were consistent with both comparable reporting periods.

For Liquid sales we sold 1,148,000 tonnes of liquids in the fourth quarter which represented a quarter on quarter increase of 23% or by 215, 000 tonnes. For the full year 2011 we increased our volumes of liquids sold by 710,000 tonnes or by 21% which represented a combination of production growth at our Yurkharovskoye field and a reduction in volumes of inventory held in storage or in transit. Stable gas condensate continued to be the primary growth driver in our total volumes of liquids sold representing 92% of the increased volumes sold for the full year 2011 and 88% of the volumes sold quarter on quarter. Within our liquid sales mix stable gas condensate increased 28% for the full year 2011 and 29% quarter on quarter while crude oil sales increased 31% in 2011 and 12% quarter on quarter. Sales of LPG were relatively consistent between 2011 and 2010 but increased quarter on quarter by 8.7% or 18,000 tonnes.

We had large movements in storage between the reporting periods which essentially increased the volumes recognised as sold. The Yurkharovskoye field continued to yield organic growth in both natural gas and liquids production. With the increase of natural gas volumes produced at the Yurkharovskoye field we also correspondingly increased our unstable gas condensate production by approximately 619,000 tonnes or by approximately 30%.

As I mentioned we continued to experience declining liquid volumes on our older mature fields which is consistent with our overall operational experience as already discussed. Specifically we continue to have another strong year on year growth of our export sales of stable gas condensate representing roughly 73% of the total volumes sold in 2011. LPG sales were more or less distributed equally between export and domestic sales whereas crude oil was sold primarily on the Russian domestic market. During the year our volume of stable gas condensate in transit and storage fluctuated throughout the year depending on loading schedules and transit routes and ended 2011 with a balance of 228,000 tonnes representing a reduction of 36,000 tonnes on the beginning of the year and 97,000 tonnes versus the third quarter 2011. Our overall liquid hydrocarbon volumes in inventory aggregated 325,000 tonnes at period end versus 365,000 tonnes year on year and 422,000 tonnes quarter on quarter.

We haven't spent much time specifically talking about LPG sales but I wanted to provide some brief comment on the distribution of our sales, NOVATEK Polska and impending changes to our LNG business as noted during our Strategy Day presentation. Poland is our primary export market for LPG sales representing approximately 60% of the export volume sold in 2011 and 58% in 2010 with Finland and Turkey representing 18% and 9% respectively in 2011. NOVATEK Polska, our wholly owned subsidiary represents our LPG marketing efforts in the Central & Eastern European markets and we believe we have the ability to further increase our market share penetration in these key regional markets.

As noted during our Strategy Day presentation we will begin selling more LPG directly to Sebor as part of our strategic relationship with this important petrochemical entity in Russia and we will sell all volumes above 1.2 million tonnes to this entity as part of a long term purchase agreement which also correspondingly reduces our total capital commitment towards the next phase of expansion at our Purovsky Processing Plant as outlined in our strategy presentation materially. We will continue to update our investors on these future developments.

The most notable difference in our liquid sales year on year was the significant increase in commodity prices between the respective periods, particularly the price of Brent in euros blend which positively affected our overall liquid netbacks. Our average export netback on a US dollar basis for stable gas condensate and LPG volumes sold during the period increased by approximately 31% and 15% respectively despite increases in both export duties and average transportation expenses. In comparison to the third quarter 2011 our average export netback for stable gas condensate increased by 11% largely due to a decrease in our export duties as well as decreases in our average railroad and transport tariffs for tankers, despite having a slight reduction of roughly 3% in our average sales contract price.

I have previously mentioned on prior conference calls that it will be very difficult for analysts and investors to precisely calculate our export liquid sales for a number of reasons such as a timing and destination of cargoes but equally important the benchmark pricing used as the basis of our contractual arrangements which also must take into consideration any premium or discounts based on present market conditions and demand. We continued to use a range of pricing formulas during the past year that takes a 50-50 ratio between WTI and Brent as well as pricing based on naphtha Japan and Dubai, so it's not too surprising to read post earnings release comments that indicate that our liquid pricing was probably weaker than expected when the basis of most of the analyst estimates were probably skewed to the higher Brent pricing during the period. As noted in our selected macroeconomic data in our MD&A the average benchmark crude prices differed by over $15 per barrel in 2011 when comparing Brent versus WTI; whereas the average difference was only 10 cents per barrel in 2010. We consider a range of market factors when determining where to sell our stable gas condensate to diverse regional markets and industrial segments and we believe the pricing formula used during this period was consistent with our market assessment and our traders' expectations.

For stable gas condensate we sold 2.9 million tonnes realising an average netback per tonne of $421 per tonne in 2011 as compared to $322 per tonne in 2010. During the fourth quarter 2011 we sold 847,000 tonnes for an average netback realisation of $397 per tonne as compared to 657,000 tonnes in the third quarter 2011 at an average netback realisation of $357 per tonne. The difference per tonne year on year was largely attributable to the significant increase on our contractual prices which exceeded the increase in both export duties and transport expenses. Although our average contractual price in the fourth quarter of 2011 was lower than the price received in the third quarter by 3%, the overall reduction in the export duty more than offset the reduction in the average, thus the increase in our netback realisations during the period.

During the past year we dispatched 50 tankers carrying approximately 2.9 million tonnes from the Vitino Sea Terminal, an increase of 477,000 tonnes or 20% versus 2010 of which 18 tankers carrying approximately 35% of the volumes dispatched were destined to the European markets. 11 tankers or approximately 23% of the volumes were destined to the United States; and the remaining 21 tankers or approximately 42% of the volumes destined to the Asia Pacific region. Our Purovsky Processing Plant operated at 77% of its rated capacity with total output reaching 3.8 million tonnes comprised of the 2.9 million tonnes of stable gas condensate; 883,000 tonnes of LPG; and 16,000 tonnes of methanol products. On a total barrel or oil equivalent basis we increased our full year production to 381 million barrels of oil equivalent in 2011 versus 274 million barrels of oil equivalent in the prior reporting period representing an average total hydrocarbon production per day of 1,043,000 barrels, an increase of 39% year on year. This marks the first time in our history that we averaged over 1 million barrels of production on a daily basis for the full year.

We increased our capital expenditures year on year by approximately 20% to 31.1 billion rubles in line with our announced capital programme for the year, specifically the Yurkharovskoye field accounted for approximately 37% or 11.4 billion rubles of our invested capital which was lower by 4 billion rubles or 26% relative to the capital spent on the field in the prior year but higher than the amount spent in the third quarter of 2011 by 551 million rubles or 20% due to our field expansion plans. As I mentioned earlier we are planning to expand the productive capacity of the Yurkharovskoye field during the latter part of 2012, but nonetheless we are slowly approaching the point whereby the Yurkharovskoye field will begin its capital maintenance programme and the overall reduction in the intensity of capital spend over the past 12 months reflects that fact. In comparison to the third quarter of 2011 the most significant increase in our capital spending was related to ongoing construction activities at the Ust-Luga complex which increased by 1.6 billion rubles quarter on quarter as well as drilling infrastructures at other satellite fields which was partially offset by a reduction in drilling activities at the South Tambeyskoye field in the fourth quarter.

We were finalising our business planning process when we conducted our Strategy Day presentation and thus did not provide any guidance as to our 2012 capital expenditure programme. Tonight I will provide a breakdown of our 2012 capital programme by main subsidiaries. We plan to invest approximately 50 billion rubles in 2012 of which Yurkharovskoye represents 33%. Ust-Luga represents 30%. Tarkasolineftegaz represents 22%. The Purovsky Processing Plant represents 11% with the remaining 4% dispersed amongst other projects. The forecasted capital programme excludes Yamal LNG as well as our joint ventures Sibneftegaz, SeverEnergia and Ternertegas. In addition we plan to spend approximately $200-300 million this year on ongoing exploration related activities consistent with prior years.

For the full year 2011 natural gas represented 63% of our total revenues as compared to 61% in the prior year. Stable gas condensate continued to represent the majority of our liquid sales accounting for 27% in 2011 and 25% in 2010 as a percentage of our total revenues. Overall we maintained our revenue split of 63%-37% between natural gas and liquids which is relatively consistent with the revenue guidance of 60%-40%, but the present revenue mix was skewed higher towards natural gas because of the timing of recognition for revenues with our stable gas condensate inventory in transit as well as the increased volumes of natural gas sold during the past year. For the fourth quarter the revenue distributions on a percentage basis were relatively consistent with those of the full year and quarter on quarter.

We continued to maintain our trend of strong control over our operating costs during the fourth quarter 2011 relative to the size of our business and the continued growth of our revenues and as a result there were no real surprises on the cost side during the period. Our total operating expenses increased for the full year 2011 in absolute terms from 68.5 billion rubles to 97.7 billion rubles but decreased as a percentage of total revenues from approximately 59% to 55%. Operating expenses in the fourth quarter amounted to 28.9 billion rubles versus 22.9 billion rubles in the third quarter but although the absolute number was higher by 6 billion rubles it was constant as a percentage of revenues due to lower taxes which was offset by higher purchases of natural gas. As expected the most significant changes in our operating expenses for the comparative periods were the relative increases in our transportation expenses which is explainable by the overall growth in our end customer sales combined with the annual tariff increase as well as taxes other net income which increased year on year largely due to the volumetric nature of this expense item and the 61% increase in the mineral extraction tax for natural gas effective 1st January.

During the fourth quarter of 2011 however we managed to reduce our overall transport costs on a per unit basis of delivery for both natural gas and liquids with the average transport rate per mcm declining by 146 rubles per thousand cubic metres or by 12% despite higher end customer sales in the period by 27%. For liquids the rate of decrease on a percentage basis was much smaller but it included a reduction in both real tariffs and tanker charges for stable gas condensate to the international markets.

We continue to effective manage and control our general & administrative expenses as a normal course of our business although these expenses continue to fluctuate period on period in this controllable expense category due primarily to semi-annual and annual employee bonus payments, charitable contributions, consultant service and business travel expenses among other line items. The main increase in our G&A expenses year on year was the increase in charitable contributions and social programmes in the Yamal Peninsula which was directly related to our ongoing activities at the Yamal LNG project as well as bonus payments and salary indexations. Bonus payments to our employees and management increased by 530 million rubles representing approximately 55% of the annual increase in payroll expenses. Bonus payments represented the largest portion of our quarter on quarter increase in employee compensation largely due to the timing of payments and recognition of the results achieved throughout the past year. At the end of the fourth quarter 2011 the company had a total employee head count of approximately 4,020 employees of which 1,103 employees or 27% represented employees classified under the General and Administrative cost classification. Overall our total head count increased year on year by approximately 129 employees.

As also mentioned on prior conference calls we undertake various repairs and maintenance activities at our production and processing sites and these expenses tend to vary period on period based on rotating schedules and work commitments, therefore it is not unusual to see periodic expenditures paid to maintain our asset base and proper working conditions and more importantly the type and frequency of the work varies depending on whether something was specifically planned to undergo repair and maintenance or something unexpected arose that needed attention during a particularly important period. The majority of our repair and maintenance work related to this periodic work on maintaining the operational integrity of the production assets, well flow rates and water pumping systems.

As a result of the factors enumerated our EBITDA and net profit margins continued to remain robust in the respective reporting periods achieving levels of 49% and 32% respectively excluding the net gain on disposals for the full year 201 which is consistent with our financial guidance.

With the acquisition of both SeverEnergia and Sibneftegaz in late 2010 we began reporting our proportionate share of losses on these equity investments primarily due to the amortisation of the fair value adjustment under IFRS and the expansion of interest costs on loans provided to these entities. In 2011 these losses were relatively consistent throughout the reporting period but were increased in the fourth quarter 2011 as a result of payments made by Yamal LNG to undertake the new socioeconomic programmes related to this particular project which up to the nine months result were originally accounted for in our general and administrative operating expenses. Unfortunately in a difficult estimate with certainty, the amount of losses that may accrue with these types of activities because of the timing of the work programmes, the general nature of financing the joint ventures with loans as well as the timing of social payments that are generally variable to coincide with specific programme funding requirements. As you recall we decided to make NOVATEK the profit centre for gas sales rather than at the joint venture level which means that there will be continued losses recognised with these sales activities at the joint venture level which will be accounted for as losses as presently reported in our consolidated financial statements.

Our balance sheet and liquidity position continued to remain strong throughout the reporting period although we increased our overall debt portfolio of this past year by 23.3 billion rubles as a result of the US dollar denominated euro bond in the amount of $1.25 billion that we concluded in February 2011. We remained free cash flow positive during the fourth quarter of 2011 and throughout all of 2011 ending the year with a record level of free cash flow for the company at 40.8 billion rubles or 116% higher than the prior year. In October 2011 we received a cash payment totalling $425 million from Total as part of its purchase of a 20% stake in Yamal LNG and when combined with a reduction in short term debt and accounts payable, essentially reversed our working capital position from a negative 27.9 billion rubles to a positive 8.2 billion rubles at year end. We will continue to fund our capital expenditure programme through internally generated cash flows and we have the ability to meet all of our debt obligations and liabilities when they mature or become due for payment.

In conclusion NOVATEK ended the past year with record financial and operational results and a stronger platform for future growth opportunities as detailed on our corporate strategy day.

We have enormous growth potential based on our existing portfolio of assets and we believe we can continue growing our production profile, our cash flows and our resource base in a cost efficient manner as detailed in our recent strategy update. Although the level of speculation about potential scenarios affecting our business and industry has arisen of late, one thing remains constant: our commitment to deliver above average financial and operational results under any market environment.

We have built a sustainable business model under difficult market environmental circumstances since our inception when no-one gave us a remote chance of succeeding. We have overcome many challenges and obstacles in building one of the largest gas companies in the world despite the many perceived risks ascribed to our business, our transport access and our ability to sustain production growth. Our recent publication from Ernst & Young entitled Global E&P Benchmark Study dated November 2011 summed up our results amongst all oil and gas companies on a global basis over the three year period covering 2008 to 2010. We ranked number one improved reserve acquisition costs at 64 cents per barrel of oil equivalent. We ranked number one in reserve replacement costs at $1 per barrel of oil equivalent. We ranked number two in finding and development costs at $1.48 per barrel of oil equivalent. We ranked number 5 in gas replacement rate at 625% and we ranked number six in terms of production costs at $6.19 per barrel of oil equivalent. These unbiased inventory rankings underscore the cornerstone of our success and the proud efforts of many dedicated and committed people working today throughout the NOVATAEK organisation.

Our success has been based on sound business fundamentals, prudent investment decisions, adherence to cost controls and an effective and flawless execution of our core business strategy not on rumoured political favours or on the back of one core investor. This type of speculative rhetoric diminishes all of the incredible accomplishments that we have achieved in our corporate history and lays no credit to the decisions we made to build NOVATEK into a premier oil and gas company.

I would like to sincerely thank all our valued shareholders for your continued belief in the fundamental growth story of NOVATEK and the positive support you have provided us this past year, despite the periods of market volatility and against an onslaught of speculative commentary. We trust the facts speak for themselves and the strategy presentation we articulated in December outlines a promising and exciting future with the portfolio of assets we currently have in the pipeline, our strong production profile, our increasing cash flow generation and our low risk, long life reserve base.

I would like to now end this conference call and open it up to questions and answers. Thank you.

Operator: Thank you. If you would like to ask a question at this time please press the star or asterisk key followed by the digit 1 on your telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has already been answered you may remove yourself from the queue by pressing *2. Again please press *1 to ask a question. We will pause for just a moment to allow everyone to signal.

Once again as a reminder ladies and gentlemen, to ask a question at this time please press *1 on your telephone keypad.

We will take our first question today from Karol Kostanian from Bank of America Merrill Lynch. Your line is now open, please go ahead.

Karen Kostanian: Mark, thank you very much for the presentation. I have a quick question, could you by any chance update us where do we stand in the process of attracting new partners into Yamal LNG and just moving the project forward in terms of the final investment decision and the engineering study? Thank you.

Mark Gyetvay: Karen, yes I can. As we mentioned at our strategy presentation there's no specific timetable to make a decision on the other strategic partners. We felt that with Total coming on board as a 20% stakeholder we have now the technical partner and one of the marketing commercial partners that we can work with and it doesn't delay any of the project's work schedules, so we're still reviewing our options as it relates to other partners coming in for the additional 29% farm-out and we can say that there are still due diligence going on as we speak, but I don't want to make any comments relating to the specific timing because we don't have any timing as to whether or not we will announce either another partner or multiple partners.

In terms of the FEED study we are expecting the FEED work to be completed any day now. We will have it submitted to us for review by the end of this month, no later. We already have seen various drafts of the report and we are providing our commentary on particular points, so we believe that we'll have that as we stated by the end of the first quarter. In the meantime we have been working already to start looking at doing some of our engineering and procurement contacts over the next few months, so I think what you'll end up seeing is that we are not working linearly, we are working consecutively that once the FEED study has been finalised we will be able to immediately move into some of the discussions relating to the engineering and procurement contracts.

In terms of FID, the plan is as we speak right now is to make the FID decision by the end of this particular year.

Karen Kostanian: Thank you Mark.

Operator: We will take our next question today from Tatiana Boroditskaya from UBS. Please go ahead.

Tatiana Boroditskaya: Good afternoon gentlemen, thank you very much for your presentation. Some questions from my side. The first one is related to if you have any plans to issue Eurobonds this year, can you please clarify that? Secondly can you please provide us with production growth in terms of gas and liquids for 2012 and where do you see capex for 2012?

Mark Gyetvay: Thank you. I have already provided those numbers as I spoke, maybe you missed them but I will answer your question in the first part in terms of Eurobonds. As we speak right now I mentioned that we have sufficient internally generated cash to fund our capital expenditures programme and so at the immediate point in time we are not looking at a Eurobond but that doesn't mean that we will exclude going to the market if an opportunity arises, so I think until such time as we make some kind of announcement on that, I think the plan right now is not to go to the market but that doesn't mean we will not go to market for certain if we find something to spend funds on. In terms of the gas production for 2012 I mentioned we were looking at conservatively 6-7% growth. I think we will be reasonably in line with our history of liquid productions but I don't think it will be as robust as the 13.5% we achieved this year, it will probably be less because again it will be back loaded with the production growth at the Yurkharovskoye field. In terms of capital programme I mentioned that we plan to spend approximately 50 billion rubles in 2012 and I gave the distribution of the activities we will be doing in terms of the companies and so we'll be glad to discuss with you, but you'll see the transcript of text, so I don't want to repeat them again as we speak but it's RR 50 billion and that's up from RR 31 billion on a core capital expenditure for 2011.

Tatiana Boroditskaya: Thank you very much. Can you please provide some guidance on 2013? Is it going to be around the same levels or is it going to be different?

Mark Gyetvay: Can you repeat that question please?

Tatiana Boroditskaya: Sure. In relation to 2013 would we expect production guidance and capex around the same levels or higher?

Mark Gyetvay: The best way to look at this information is just go to our strategy presentation. We've kind of outlined where we think we'll be from 2015 and 2020. We don't give individual years, only for the upcoming year, not multiple years, but you can see the general trend of our capex programme as outlined in our strategy presentation as well as our production profile that we talked about in London.

Tatiana Boroditskaya: Thank you very much.

Mark Gyetvay: You're welcome.

Operator: We will take our next question from Ilya Balabanavsky from Renaissance Capital. Please go ahead.

Ilya Balabanavsky: Mark, thank you very much for the presentation, two questions if I may. First to follow up on Yamal LNG, with the start they are obviously very close to completion. You updated your $18-20 billion estimate for the cost of the project. The second question, what do you expect the preparation of natural gas sales to end customers to be in 2012 following the acquisition of Chelyabinsk marketing assets? Thank you.

Mark Gyetvay: In terms of the first part of the question we have not revised the pre-FEED study until such time as we go out and finish the FEED study and finalise the assessment, but again I want to put everybody on caution. I think you have to understand this. We are going to go out with the best information that we have possible based on the assessment of the market as it stands today. That's what CB&I Lummus is doing in terms of their FEED study. They are going out and assessing what they believe the overall costs to be for liquefaction, building out facilities etc as we stand today. Now with that said we then go out and have to negotiate the EPC contracts and so there may be slight differences based on the timing, bottlenecks in the system etc in terms of making sure that we are relatively in a range of what the FEED study says. When it's published when we make that announcement it will give us the best capex number we know as we speak today. In terms of your second question as it relates to…could you repeat it because you were breaking up a little bit?

Ilya Balabanavsky: Sure. The question was what do you expect the proportion of natural gas sales to end customers to be portfolio wide in 2012?

Mark Gyetvay: Sorry about that. We're getting static on the Q&A side. I believe it will be roughly 70%, 70-75% range probably.

Ilya Balabanavsky: Got it. Thanks a lot.

Mark Gyetvay: You're welcome.

Operator: We will take our next question today from Igor Korneev from ING Bank. Please go ahead.

Igor Korneev: Good evening, it's Igor Korneev from ING Bank. Hi Mark, a few questions actually. One is on gas extraction tax. You talked briefly about that during the introduction to the call. I was just wondering, do you see a risk that starting from 2015 as gas prices in Russia are moving closer to the regulated level, is there a risk that gas extraction tax for the north would increase faster than for Gazprom, so basically there would be a levelling of gas extraction tax for independence and for Gazprom? The second question regarding Ust-Luga gas fractionation project, could you give us any guidance as to how naphtha liquids could change? I see the current strategy for naphtha, naphtha export tax stays in place and whether you have any view as to the government's decision to extend this 90% export tax or basically whether it will be cancelled in July? Finally your plans for the Beregovoy field, at what point will you make investment decisions and also is there a possibility to integrate development of these fields into your Yamal LNG project?

Mark Gyetvay: Ok Igor. On the first question on the MET tax, obviously this has been a point of discussion for the past couple of years and we and the independent gas producers has been successful in negotiating against any punitive taxes to the independent producers. By the way I think a lot of people are interested in the recent announcement, the potential Rosneft/Itera deal will also provide us with another of the large entities to help us in these lobbying efforts, so don't overlook that important fact too. But in terms of increasing at a rate the same as Gazprom, we don't see that happening right now. As I mentioned we're looking at about 5.2-6% over the next three years. However I think it's important that everybody understand that some time probably around April, June, after the administration is formed this year, they will start voting on a budget that will take in the 2015 year and so ought to be able to get an indication reasonably soon what direction more or less the tax regime will go post our inflation adjusted taxes. I don't see the tax increase right now and I don't believe our people who are dealing with this specifically in the governmental administration side, in our lobbying efforts believe we will have a gas tax structure, an MET similar to Gazprom. The reason why it's presently is because Gazprom has the export monopolies as you well know. In terms of the tax related to Ust-Luga, it's a little premature to kind of give you what the netbacks are for the plant. We have a theoretical model of the plant's output, obviously we are prepared to look at the products slate as you know, and representing about 74% of the output will be a combination of light and heavy naphtha and as you right pointed out naphtha is taxed at a different rate, at 90%. We will more or less achieve some tax benefits on that of about 10% from the current export duties that we pay for stable gas condensate but I just want to again mention so that it's clearly understood, we are not and we have not looked at the Ust-Luga project purely on a tax play. I know some of the analysts have essentially modelled it saying this 60-66 tax etc before they knew what the actual product distribution was and considered it beneficial to NOVATEK and enhances our overall return. Ust-Luga is built because we see and we have assessed the global condensate market. We have seen and we know that there will be an increase in condensate coming on-stream from the Middle East and as well as the US market with the migration from dry to wet gas production. We kind of talked about that at our strategy presentation that it's not tax driven, it's driven more or less on the overall change in dynamics of the stable gas condensate markets as we see it today as well as our ability to significantly increase the amount of customer base that we can deal with. Under the current stable gas condensate structure, please understand that there is only 15-20 major buyers who we deal with on a global basis, but by essentially fractionating our product stream now to handle light and heavy naphtha, jet fuel, kerosene and diesel, we have significantly increased the amount of customer base which we can market our finished products to a much wider audience.

Now what I hope to do as this year progresses, I will start outlining in this conference call and/or presentations I do with investors, I will start outlining our sort of view on a change in dynamics of the whole Ust-Luga project and how it affects our liquid sales because you've got to remember this is another segment that we're going to add into our reporting structure because we are now moving further down the refining side because at the stable gas condensate level that is part of our upstream production assets because unstable gas condensate is not a saleable product.

We are moving further down into the processing side and we will have to increase the level of disclosures both on the processing side as well as product, product marketing, pricing etc. So you will see a level of disclosures as this project comes on-stream, but quite frankly it will not be impactful into 2013 but hopefully, over the course of the remainder of 2012, I will be able to provide everybody with updates so you understand the impact of what Ust-Luga looks like to our logistical structure, our markets and hopefully a theoretical pricing so you get a sense of what the netbacks will be. But as we stand right now the combined netbacks on the fractionated products are higher than the netbacks that we receive on stable gas condensate and markets.

As to your final question, the plan as we outlined in the strategy presentation is to bring these products on stream earlier in 2017 and 2018, bring those fields on stream earlier by constructing a pipeline that connects these fields down to the Yamburg Compressor Station where we believe capacity will be available for us to utilise all three corridors of the pipeline structure: North, Central and South; and we will be able to deliver that gas to the Russian domestic market. That's the plan right now. It is not planned to be a feed stock into Yamal LNG.

Igor Korneev: Thank you Mark.

Mark Gyetvay: You're welcome.

Operator: We will take our next question today from Oleg Maximov, Senior Analyst of Troika Dialog. Please go ahead.

Oleg Maximov: Hi Mark, thank you for the presentation. Several questions from me. What sort of capex does the operation like Yurkharovskoye require post capacity build-out and associated increase in drilling? In other words what should I model as the maintenance capex of Yurkharovskoye in three or four years? The second question, if you could repeat and expand your points on Geotransgaz that you mentioned, what sort of volumes are you talking about? Finally there will be a postponed launch of SeverEnergia to April impact gas and liquid volumes this year in any way? Thank you.

Mark Gyetvay: Oleg, the first question, theoretically and as I mentioned in the text that's exactly what's happening as we move to maintenance capital. Now remember I am trying to paint a broader picture of the overall Yurkharov development because we also have the Yurkharovskoye licence area which surrounds that, so a lot of times that's going to be managed by Yurkharovneftegaz, so you may see from an entity perspective capital is still being spent and I believe post 2015 or so you might see an order of magnitude of 15 billion rubles per annum for the overall Yurkharov licence area being spent as we go deeper into the Achimov and Jurassic levels of gas production. But as we move away from the Yurkharovskoye field which is now producing, really the question depends on how big do we get this production level up to? Do we monetise it on an NPV value by bringing it on stream faster, i.e. increasing the level of drilling activities to raise the production profile beyond the 37 or 40 that will eventually maintain as peak production, or do we just go into that peak production scenario? I believe it was over a year ago that I kind of outlined the number of wells that we planned to drill at the Yurkharovskoye field and I believe the number of my memory recollects correctly was about 95 wells drilled, to complete the full development and exploitation of this obviously critical field for NOVATEK. As of last year I believe we had about 55+ wells drilled and so we added another 11 wells I think so far this year and so we're roughly about two thirds of the way through our overall drilling programme at the Yurkharovskoye field; so I think to answer your question in this regard, getting down to maintenance capital, you're probably talking in the order of magnitude of under $100 million for that particular field to sustain production on a maintenance capital basis.

Geotransgaz in terms of the volume, it's not a major producer so I think what we're talking about is a BCM per annum of output that will be purchased by the joint venture. In terms of SeverEnergia just a couple of comments on why we were expecting production to begin towards the latter part of November, but these are high pressure wells and some of the equipment that we needed to deliver to the field were not delivered on time as it relates to the connection into the actual pipeline and metering of the wells. So what we did, we were waiting on contractors and now we are completing that phase of work, so yes, with a slight decline there will be a slight reduction in the overall production output of the Samburgskiy field which I believe we were estimating to be roughly about a little over 2 billion cubic metres, 2.4, 2.5 bcm for the full year

2012 or probably slightly less, but not notably and again as you recall I just mentioned that Gazprom will be the buyer of 100% of this gas anyway.

Oleg Maximov: Ok, great. Thank you.

Operator: We will take our final question today from Geyder Mamedov from Goldman Sachs. Please go ahead.

Geyder Mamedov: Hi Mark. In continuation of what you have mentioned that Gazprom will be purchasing 100% of SeverEnergia gas on an export basis, how should we account for it in modelling? Is it going to be profit centred for it, i.e. will NOVATEK be buying this gas, its portion of gas and selling to Gazprom or will it be feeding into the earnings of SeverEnergia directly, i.e. is it going to feed into your EBITDA or will we see it through incremental associates? Thanks.

Mark Gyetvay: Ok. I would just remind you that it’s important as we outlined, we achieved through the SeverEnergia licence and development the largest project finance to date in Russia by three Russian banks, so that loan, that project finance is at the SeverEnergia level, not the individual partners level. So therefore it was absolutely critical and obviously you can appreciate conditions on project finance and at the profit centre remained at SeverEnergia and that we would only pick up our share of revenues etc through the equity accounting. So it’s different in nature as to how account for production and revenues in Sibneftegas. Now in terms of liquid production, I think it may be partly to us but I think also when we relate to liquid production I would say that it’s probably going to be also at the same level to support the project financing of this particular project. As you recall I think we raised almost $3 billion. So it’s more likely going to be at the equity pickup of this particular venture. We will disclose it. If it starts producing we will provide some disclosure on this because this is a very, very important deal for us in future development, but it would not be accounted for in the same way as Sibneftegaz.

Geyder Mamedov: Thank you very much.

Operator: As there are no further questions in the queue that will conclude today's question and answer session. I would now like to turn the call back to your hosts today for any additional or closing remarks.

Mark Gyetvay: I would just like to say again thank you very much for the patience you had particularly over these last couple of months with this uncertainty, but rest assured we are doing everything possible to ensure the integrity of our business and the continued growth of NOVATEK. Any new developments that we undertake we will disclose on a timely basis as we have always done, our standard practice of timely disclosures. I look forward to engaging our investors through one on one meetings and conferences that we attend. But thank you very much and we are very proud of the year we achieved in 2011. Thank you.

Operator: That will conclude today's conference call. Thank you for your participation ladies and gentlemen, you may now disconnect.