Company: **NOVATEK**

Conference Title: **Q3 2010 IFRS Results**

Presenter: **Mark Gyetvay**

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Operator: Good day and welcome to the NOVATEK Third Quarter Financial Results Conference Call. This conference is being recorded. At this time I would like to hand the conference over to Oleg Maximov. Please go ahead.

Oleg Maximov: Good afternoon and welcome, I'm Oleg Maximov from Troika Dialog and this is NOVATEK's Third Quarter 2010 IFRS Results Conference Call. With us today is Mark Gyetvay, Chief Financial Officer and Member of the Board of Directors of NOVATEK. Mark, please start with your presentation. Thank you.

Mark Gyetvay: Thank you Oleg. Ladies and gentlemen, shareholders and colleagues, good evening and welcome to our Third Quarter 2010 Earnings Conference Call. I would like to thank everyone for joining us this evening and again extend our sincere gratitude to Troika Dialog for organising and hosting this important conference call. As customary before we begin with the specific conference call details I would like to refer you to our disclaimer statement. During this conference call we may make references to 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 by those implied by such forward-looking statements due to known and unknown risks and uncertainties and reflects our views as of 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 year ended 31st December 2009 as well as any of our earnings press releases for more descriptions of the risks that may influence our results.

First of all we are very pleased to report record financial and operational results during the past quarter. Our quarterly results continued to demonstrate the robustness of our operations and the successes we have achieved with our commercial activities. We continue to invest capital in our development projects as planned and remained free cash flow positive during the reporting period. The financial and operational results we achieved are consistent with our stated guidance and we have emerged from the recent economic crisis in a stronger financial position without incurring any negative consequences to our liquidity position and/or our business operations. However before we begin discussing the specific quarter on quarter and year on year financial information I would like to provide our shareholders with an update of our recent activities, so to begin today's conference call I would like to briefly discuss the strategic transactions that were recently approved by the Board of Directors and broadly outline how these transactions fit into our asset portfolio and complement our strategic objectives.

We are very excited about the recent announcements and the accretive value of these transactions to our market capitalisation. I have enumerated many times in the past that NOVATEK's corporate strategy is centred on growing our resource base, increasing our natural gas and gas condensate production, expanding our processing capabilities, maintaining our low cost position, optimising our marketing channels and enhancing our netback margins. We have not deviated from our strategic objectives and by undertaking the series of announced acquisitions combined with our ongoing capital expenditure programmes we believe we have continued to enhance as well as supplement our existing asset portfolio with value accretive transactions.

Speaking about our existing core asset portfolio it is important that we maintain an inventory of exploration and development projects covering the short, mid and long term production horizons. With the recent completion of Stage 3 of the second phase development activities at our Yurkharovskoye field, it became imperative that we assess our existing asset portfolio to determine potential opportunity sets both organic and inorganic to complement our core producing fields as well as to maintain our desired growth targets. Essentially this is nothing more than the standard process of high grading or existing asset portfolio. Based on this exercise we can make prudent capital investment decisions to optimise hydrocarbon reserve movements and production profiles and if necessary acquire or dispose of assets with the ultimate aim of achieving our stated objectives and goals as well as enhancing the net present value of our asset base.

From a capital investment perspective we are essentially completing the major capital spending at our Yurkharovskoye field and as a result we expect to revert to spending maintenance capital at the field by the end of next year. If we combine this large producing field currently representing 72% of our gas production and 58% of our stable gas condensate with our two other producing assets, the East-Tarkosalinskoye and Khancheyskoye fields which are already in maintenance capital mode, all three of our core producing assets will be generating significant free cash flow. I have mentioned this back on a few other occasions and specifically highlighted this point in my last conference call by explaining the expected number of wells needed to drill to complete the field development. Furthermore it is evident by reviewing the combined capital spend on the East-Tarkosalinskoye and Khancheyskoye fields over the second and third quarters of 2010 representing 206 million and 243 million rubles respectively that these two fields generate free cash flow which is available to redeploy to other development projects or distribute it as dividends. It is reasonable to expect that the Yurkharovskoye field will follow the same pattern of free cash flow generation.

Our balance sheet and liquidity position remained strong during the reported period as evident by the reduction of our net debt quarter on quarter by 5.4 billion rubles and our ability to fund our capital expenditure programme from internally generated cash flows. Our ratio of net operating cash flow to capital expenditures increased from 1.1 times to 1.7 times between the second and third quarters of 2010 clearly demonstrating our ability to fund capital projects and service our existing debt. As a result of these developments both the stage of our core asset development and our ability to generate free cash flow, we have now approached a key decision point on how best to recycle our free cash flow into future exploration development projects to continue our growth as outlined in our corporate strategy. The Board of Directors has chosen a path to supplement our current asset portfolio with strategic acquisitions.

I will now briefly discuss the SeverEnergia acquisition. As previously discussed in July 2010 we formed a 50/50 joint venture with Gazprom Neft called Yamal Development with the primary aim of developing jointly hydrocarbon assets in the Yamal Nenets Autonomous region. Yamal Development will acquire a 51% participation interest in a limited liability company SeverEnergia from Gazprom for a total cash consideration of approximately $1.55 billion excluding the assumption of debt totalling approximately $245 million implying a transaction value per barrel of oil equivalent approximately $0.30 per boe as calculated according to the Russian reserves ABC1+C2. Our pro rata share of this purchase price will represent 50% of the cash consideration and our pro rata assumption of the debt for a total transaction price of approximately $900 million. The remaining 49% is held by Arktikrussia B.V., a 60-40 venture of Eni and Enel respectively.

SeverEnergia through its subsidiaries hold licences to exploit and develop oil and gas licences in the Yamal Nenets Autonomous region which are in close proximity to our existing transportation and processing infrastructures and the Purovsky Processing Plant. There is no meaningful commercial production at any of the acquired fields as of yet and accordingly we are presently studying the existing development plans. Based on our extensive understanding of the sub-surface geology in this area combined with the successful development programme we have implemented at our current fields we have formed a very definitive view on how best to exploit the resources in a cost effective manner consistent with the development costs at our other field locations. As a result we together with our partners may supplement or amend our current development plans.

SeverEnergia is comprised of three entities: Arktikgaz, the holder of two exploration and development licence areas; Urengoil one licence area; and NefteGas Technologia, also one licence area. The Sambursky field owned by Arktikgaz is the most advanced in terms of its development stage. As of 31st October 2010 the Sambursky field had drilled 15 development wells, built facilities including the gas separation plant, fire station and the rotational fail cap and began construction of a gas and gas condensate pipeline infrastructure, although the pipeline infrastructure is not completed at this time. All other remaining licence areas are in the early stages of development, thus we would generally characterise this acquisition as primarily being greenfield development although as mentioned the Sambursky is in an advanced stage of development. We anticipate the commencement of initial production at this field by the end of 2011.

As of 1st January 2009 total reserves under the Russian reserve classification ABC1+C2 totalled 1.3 trillion cubic metres of natural gas, 154 million tonnes of gas condensate and 568 million tonnes of crude oil according to Russian Federation state balances of reserves for a combined total of approximately 13.3 billion barrels of oil equivalent. We expect to have our petroleum engineers DeGolyer and MacNaughton appraise the reserves in accordance with SEC and PRMS reserve methodologies as part of their annual reserve appraisal. We believe this transaction provides immediate synergy benefits to NOVATEK due to the close proximity to licence areas through our recently launched gas condensate pipeline from the Yurkharovskoye field to the Purovsky Processing Plant thus optimising the utilisation of our existing pipeline and processing infrastructure. It is anticipated that gas produced from this field will be purchased directly by Gazprom. We will account for this acquisition under the equity method.

I will briefly discuss our announced transaction of the 51% equity stake in Sibneftegaz which holds four exploration and production licences in the Yamal Nenets region and is also located in close proximity to our existing infrastructure and fields. We will acquire the 51% equity stake from Gazprombank for a total cash consideration of approximately $865 million excluding the assumption of our pro rata share of debt of approximately 11 billion rubles implying a transaction value of approximately $1.26 per boe as calculated based on the latest PRMS proved reserves appraised by DeGolyer and MacNaughton. Under the ABC1+C2 reserves the implied transaction value is approximately $0.91 per boe and the remaining 41% interest in Sibneftegaz is held by Itera. The largest of the four field areas is the Beregovoye field which presently has 63 development producing mainly dry gas from the [sendimanian] layers and is already connected to the UGS pipeline structure via a 32km pipeline. Natural gas produced on this particular horizon does not require significant further processing for commercial suitability. It is important to highlight that a significant portion of capital expenditures has already been invested into the Beregovoye field development stage, thus there is no need currently to develop infrastructure linking the field to the Purovsky Processing Plant or expend significant sums of cash into field development. Sibneftegaz also produces small quantities of natural gas from the Pyreinoye field which has completed 12 development wells, some treatment facilities and is also presently connected to the UGS system via a 36km pipeline. There are ongoing exploration activities and some limited development activities on the two other licence areas but as of today there is really nothing of significance to report. For your information the existing infrastructure at Sibneftegaz fields and licence areas has been constructed over the past three years. After 31st December 2009 the PRMS proved reserves as appraised by D&M totalled 290 billion cubic metres of natural gas and 2 million tonnes of condensate for a combined total of approximately 1.9 billion barrels of oil equivalent. The total proved plus probable reserves as defined under the PRMS reserve methodology totalled 344 billion cubic metres of natural gas and 3.8 million tonnes of condensate for a combined total of approximately 2.3 billion barrels of oil equivalent. We will account for a 51% equity stake in Sibneftegaz under the equity method because of voting rights in respect of Sibneftegaz will be split 50/50 with Itera. Total production at both producing fields is estimated to be approximately 10.2 billion cubic metres in 2010 and as of 30th September Sibneftegaz's production totalled approximately 7.3 billion cubic metres. We will separately market our pro rata share of natural gas in the fields beginning 1st January 2011 and equally important our pro rata share production is already considered into NOVATEK's Russian gas balance.

I will briefly discuss how we plan to finance these two acquisitions. We have arranged for a bridge financing facility with a group of banks. We will draw down the entire amount of the bridge facility as well as utilising additional credit facilities for our pro rata share of the total consideration paid by Yamal Development to acquire SeverEnergia. The Board of Directors have approved the placement of a Eurobond up to the maximum amount of $1.5 billion for a maximum period of up to 10 years. The maximum amount end periods were stipulated by the board to provide sufficient flexibility based on prevailing market conditions at the time of placement. The proceeds from the placement will repay the bridge facility and any remaining acquisition costs. For the Sibneftegaz acquisition we will finance this acquisition with an initial cash payment of approximately $150 million of the purchase price at closing with a remaining balance of approximately $715 million due to be paid by the end of the fourth quarter 2011. A portion of the final purchase price will obviously be paid from the cash generated from more pro rata share natural gas production from this particular yield inclusive of other internally generated cash flows and the use of existing debt facilities.

During the period we completed the divestiture of our non-core polymer business to join stock company Sibur Holdings for 2.4 billion rubles payable throughout September 2013. Under international accounting we recognised a loss on this disposal by applying a discount of 8% to the deferred payment. With the disposal of this entity which accounted for less than 2% of our revenues we will free up the requirement to invest significant capital over the next few years to modernise the plant's product output. In light of this consideration a decision was made to dispose of this non-core business to focus our capital investments in our core gas and gas condensate business.

I would like to now move on to the next area of my discussion and say a few words on Yamal LNG. Recently Prime Minister Putin was present to launch the third stage production facilities at our Yurkharovskoye field. During this event it was mentioned that the Russian government will propose a series of tax concessions specific to our LNG project. Subsequent to this event a formal executive order was issued by the Prime Minster to relevant ministries to prepare the necessary framework for his signature into law. This executive order is posted on the official Russian government website. Essentially the executive order stipulates zero MET for the first 250 billion cubic metres of LNG or for a period not exceeding 12 years zero MET for the first 20 million tonnes of gas condensate or for a period not exceeding 12 years and requests that the relevant ministries develop a plan whereby the LNG and stable gas condensate from this particular project will be subject to zero export duties. We expect the fulfilment of the executive order to be finalised shortly. This executive order provides clarity to the expected fiscal terms for this project.

Another important step in the process is the completion of the pre-feed study which as at today is almost complete and based on the work conducted during this feasibility study we now have a better understanding of the technical aspects of the project. Based on this latest information we have restarted negotiation dialogues for potential strategic partners. This process is now ongoing and we will provide additional updates once we have concrete items to discuss. We expect that the final investment decision on the Yamal LNG project will be made in 2012.

I would also like to make a few comments regarding some of our commercial marketing activities before proceeding with our financial and operational results for the third quarter 2010. We recently completed the signing of a new five year gas contract with Itera for approximately 4 billion cubic metres per annum effective 1st January 2011 based on the FTS price at the Sverdlovsk region. This agreement is not related in any way to our planned acquisition of Sibneftegaz and will be characterised as sales to wholesale traders. I know there has been questions about our ability to market our forecasted production. This contract is just one recent example. During the quarter we also made a small acquisition for the amount of $5 million to purchase 100% of the outstanding shares of Intergas Systems, one of the largest LPG traders in South East Poland. Intergas is a holder of the discharging and trans-shipment facility at the point where the real links between Russia and Europe are different, namely a point where the wide and narrow tracks meet. We believe this acquisition will facilitate commercial development activities within Poland and other European countries.

That essentially concludes my update comments during the third quarter. Our production growth for both natural gas and liquids during the third quarter and the nine months ended September 30th 2010 continue to be driven by the successful development of the Yurkharovskoye field over the past couple of years. Since 2008 we managed to complete three stages of the field's Phase II development with the most recent launch of another 7 billion cubic metres of capacity availability in October 2010. With the successful launches of these three stages we have managed to increase the field's productive capacity to approximately 33 billion cubic metres per annum and NOVATEK's total productive capacity to approximately $52 billion cubic metres. We anticipate that the field's gross natural gas and unstable gas production will more than double from 11.7 billion cubic metres in 2008 to approximately 24.6 billion cubic metres by year end 2010 and from 895,000 tonnes to approximately 2.1 million tonnes over the same corresponding period. If we combine the infrastructure projects that have been completed and commissioned during this respective time period, the operational accomplishments achieved at the Yurkharovskoye field have been stellar. The Yurkharovskoye field will be the cornerstone of NOVATEK's production profile for many years and a significant source of present and future cash flow generation.

During the third quarter 2010 we managed to increase our natural gas production by 604 million cubic metres or by 7.8% over the prior year on year period supporting continued growth in our production profile from ongoing development activities. We also managed to marginally increase our gas production by 84 million cubic metres quarter on quarter. For the nine months ended September 30th 2010 we averaged 98 million cubic metres per day or approximately 3.5 billion cubic feet per day representing an 8.9% increase over the full year 2009 average daily gas production. We have subsequently increased our daily average production to approximately 124 million cubic metres per day with the equivalent 4.4 bcf per day effective 1st November 2010 thus reconfirming our production guidance for 2010 assuming normal weather patterns throughout the remainder of this calendar year. Presently the weather has been warmer than normal over the past few weeks or so this year which may put some downside pressure on total Russian gas consumption.

During the third quarter 2010 we increased our total production of liquid hydrocarbons year on year by 146,000 tonnes or by 19.8% and marginally quarter on quarter driven again by continued strong production growth of 44.1% and 4.1% respectively at the Yurkharovskoye field. The increase in our year on year and quarter on quarter liquids productions was mainly derived from production increases of unstable gas condensate offset by slight reductions in crude oil productions.

As I mentioned in my last conference call we dispatched the first high tonne tanker, the Aframax tanker Baltica from the port of Murmansk to navigate the Northern Sea route carrying a consignment of approximately 70,000 tonnes of stable gas condensate destined to the Asia Pacific region. The tanker landed at the port of Ningbo on the East Coast of China in September and by utilising the sea route we were able to significantly reduce the nautical miles of this voyage from approximately 12,900 to approximately 7,700. The cargo travelled in approximately half the time it would have taken us to deliver this cargo using the traditional shipping route through the Suez Canal. We are planning to ship additional cargos utilising this new route when navigational conditions permit.

We have highlighted many times before the seasonal variations on our natural gas production and sales by stating that we peak during the first and fourth quarters and we trough during the second and third quarters. These seasonal trading patterns held during this particular quarter, however as you are probably well aware we experienced a brutally hot summer this past year especially during the months of July and August where average temperatures exceeded the corresponding prior year by roughly 7^{o} C to 8^{o} C. This meant that overall consumption in Russia was quite robust during this period with strong demand coming from the power sector.

During the third quarter 2010 we increased our year on year sales of natural gas end consumers by approximately 218 million cubic metres or by 3.7%. We also had a notable shift in sale volumes to end customers quarter on quarter by approximately 881 million cubic metres or by 70% reflecting the increased consumption by our main consumer base during the hot summer months. As a result we shifted our quarter on quarter sales mix by roughly 9% achieving a 75-25 split in end consumers to wholesale traders as compared to a 66-34 split in the second quarter 2010.

If we return back to the year on year comparison we changed the composition of our end customer sales year on year with the cessation of sales to traders in remote points effective 1st January 2010 which meant that we significantly increased our direct sales to consumers as well as enhanced the average netback we received during this period relative to the corresponding period. If you recall our average netback per total end customer sales in the third quarter 2009 was approximately 994 rubles per thousand cubic metres inclusive of sales to traders in remote points. During the current reporting period we managed to increase our average netback by 19.2% or by 191 rubles per thousand cubic metres by eliminating that category of sales even though our average transport costs increased as a result of transport tariff hikes and an increase in the average distance to market. Our average transport distance increased year on year from 1,952km to 2,052km largely attributable to regional shifts in sales with significant increases in sales to Perm, Orenburg, Sverdlovsk in the Moscow region which were offset by reduced sales to the Chelyabinsk region and the Baskurdistan Republic. If we look at the same comparison quarter on quarter the main difference in our end customer sales volumes essentially represents a geographical shift to more distant regions in the current quarter, most notably an increase of deliveries to the Moscow region by 355 million cubic metres which represented 40% of the quarter on quarter increase. In other words our average distance increased by approximately 108 kilometres or by 6% explaining the quarter on quarter increase in our transport expense and the marginal reduction of approximately 13 rubles per thousand cubic metres in our average netback.

During the third quarter 2010 we injected approximately 229 million cubic metres of natural gas into the underground storage system to meet future contractual obligations. Our balance in underground storage at 30th September stood at approximately 1.1 billion cubic metres as compared to 829 million cubic metres after 30th June 2010 and 509 million cubic metres as of 30th September 2009. Overall we were very pleased with the strong financial results we achieved for our natural gas business in the reporting period. The average realised price we received for end customer sales was consistent with our price expectations vis-à-vis the general tariff increase and the relative geographical mix of our primary customer base during the quarter. Moreover we combined our average netback price increase year on year by 17.6% but were slightly lower by less than 1% quarter on quarter as explained by the increase in our average transport distance.

Our total volumes sold for liquids increased by 37.6% or by approximately 266,000 tonnes as compared to the prior year. Specifically we increased the volumes of stable gas condensate sold year on year from 467,000 tonnes to 722,000 tonnes or by 54.6% including the recognition of approximately 126,000 tonnes of stable gas condensate or two tankers that were previously recorded as in transit. We also managed to increase our volumes sold for LPG by 17,000 tonnes and marginally decrease our volumes sold for crude oil by 6,000 tonnes. In comparison to the second quarter 2010 we increased our total volumes of liquid sold by 152,000 tonnes due to the reduction of stable gas condensate volumes in transit essentially representing a quarter on quarter reversal of approximately 181,000 tonnes. During the third quarter 2010 we reduced the volume of stable gas condensate in transit and storage by approximately 126,000 tonnes culminating in a period ending inventory balance of 206,000 tonnes as at 30th September as compared to 332,000 tonnes at the end of the second quarter and 202,000 tonnes at 30th September 2009. We dispatched ten tankers carrying approximately 601,000 tonnes from the Vitino sea port terminal of which six tankers or approximately 58.6% of the volumes dispatched were destined to the US markets as compared to four tankers or 40.2% in the second period of 2010. Of the remaining four tankers dispatched one was sent to Singapore and three were sent to China. This was the second consecutive quarter whereby we had no tanker sales to the European markets.

Our Purovsky Processing Plant operated at 67% of its rated capacity with total output reaching 807,000 tonnes comprising of 597,000 tonnes of stable gas condensate, 207,000 tonnes of LPG and approximately 3,000 tonnes of methanol. During the third quarter 2010 we completed the line sale requirements for the new unstable gas condensate pipeline by allocating approximately 30,000 tonnes of unstable gas condensate produced at the Yurkharovskoye field to the capitalised costs of the project as well as allocating approximately 6,000 tonnes of unstable gas condensate to the newly constructed de-ethinisation plant. Our average export netbacks on a US dollar basis per stable gas condensate and LPG volume sold during the period increased year on year by approximately 6% and 33.9% respectively despite increases in both export duties and average transportation expenses.

In comparison to the second quarter of 2010 our average export netbacks for stable gas condensate and LPGs increased by 3.3% and 29.2% respectively largely attributable to reductions in transport and export duties for both projects. For stable gas condensate we sold 722,000 tonnes, realised an average netback per tonne of approximately $301 for the third quarter 2010 as compared to $292 per tonne in the second quarter 2010 and $284 in the third quarter of the prior year. Our quarter on quarter netbacks increased by approximately $9 per tonne which resulted from an 8.1% decrease in export duties, a 10.6% decrease in transport charges and a 2.6% decrease in the average contractual price period on period. The positive effect of the changes in both export duties and transport charges largely negated the decrease in average contract price.

For LPG sales we managed to significantly increase our year on year average export netback by $123 per tonne on sales volumes of 103,000 tonnes whereas our quarter on quarter comparators showed an increase in our average export netbacks by $110 per tonne although on reduced sales volumes. This quarter on quarter increase in our average netback was largely due to the higher average contractual price we received which was partially offset by the application of the real and export duty concessions. Domestically we had a reduction in both volumes sold and average netback received by 16.9% and 14% respectively. There were no sales of LPG to the CIS countries during the reporting period.

We had a quarter on quarter reduction in our LPG sales volumes due to the commissioning of our new gas condensate pipeline and de-ethinisation unit and that's in the Yurkharovskoye field with the Purovsky Plant. By eliminating the need to use third party facilities we retained a higher quality of unstable gas condensate before processing through our wholly owned facilities which ultimately reduced the output volumes of LPG we received at the Purovsky Processing Plant. Overall we were pleased with the strength of our liquid business and the financial results we achieved during the third quarter of 2010. We managed to increase our year on year and quarter on quarter stable gas condensate sales by 68.6% and 37.7% respectively based on stronger benchmark prices and a reduction in inventory volumes and our LPG sales by 27.2% year on year. The quarter on quarter increase was marginal. As a percentage of total revenues our liquid business accounted for 41.6% during the reporting period as compared to 36.6% year on year and 38.3% quarter on quarter. Our total operating expenses increased year on year in absolute terms from 13.6 billion rubles to 17.6 billion rubles but decreased as a percentage of total revenues from 62.1% to 59.7%, however for the remaining discussions on operating costs during this conference call I will focus my attention primarily between the quarter on quarter comparatives unless something needs to be specifically highlighted to better understand the year on year numbers.

Total operating expenses increased by approximately 1.9 billion rubles between the second and third quarters but decreased as a percentage of total revenues from 62.1% to 59.7% largely due to an increase in total revenues and our ability to manage controllable costs. Transportation expenses and our depreciation, depletion and amortisation charge accounted for approximately

1.3 billion or 68.4% and 234 million or 12.3% respectively as a change between the periods. The main difference between our operating expenses quarter on quarter was the overall impact from total operating expenses due to volumetric changes which increased our variable rate expenses as one would expect. As previously explained our total volumes sold to end customers increased by 881 million cubic metres or by 17% which meant that we had a corresponding increase in transportation expenses as our percentage of end customer sales quarter on quarter increased from 66% to 75%. Furthermore we also increased our average transport distance by roughly 108 kilometres which partially accounted for the increase in transport expenses during the quarter. The transportation of our liquid products contributed 218 million to the overall increase in third quarter transport expenses are more volumes were sold during the quarter. In addition 222 million was charged to operating expenses for the recognition of stable gas condensate revenues that reach its intended destination. The change in inventory was partially offset by the injection of natural gas into underground storage amongst other minor items.

The same sort of volumetric analysis can be applied to the variable nature of our taxes other than income but since the overall volumes produced for both natural gas and liquids were reasonably constant period on period, the changes in our expense line items were not significant. The only notable change quarter on quarter related to the movement in excise and fuel taxes for deliveries of LPG into Poland through our wholly owned subsidiary NOVATEK Polska which increased from 56 million in the second quarter to 82 million in the third quarter. All other changes in tax balances were considered immaterial.

For my discussions relating to general and administrative expenses and material services and others, I will briefly highlight some of the more significant changes year on year and quarter on quarter although we believe we have done an excellent job in managing our controllable expenses throughout the respective periods. The year on year and quarter on quarter changes in materials, services and other operating expenses was not considered to be material, however there are certain component costs that tend to fluctuate period on period or have been eliminated through the subsequent consolidation of entities previously accounted for as associates such as operator service expenses. The main reason for the year on year and quarter on quarter increase in materials and supplies related to the purchases of raw materials for the production of polymer products. This trend has been relatively consistent period on period depending on the increase and/or decrease in polymer sales activities. During both reporting periods the increases in polymer sales resulted in corresponding increases in the purchases or raw material feedstock. The divestiture of our polymer business in September 2010 as noted earlier renders this issue moot going forward.

I mentioned on my last earnings conference call that effective 1st July we were planning to introduce a company-wide inflationary wage adjustment of 10%. I would like to report that this wage adjustment was implemented as planned. Within the materials, services and other operating expenses we record the pay related expenses for employees who are physically located at our field operations and charged as part of our operating costs. During the third quarter of 2010 we increased the number of employees charged to Opex by 84 individuals, however despite the increase in our employee head count and a 10% wage adjustment, our quarter on quarter employee compensation expands by roughly 26 million rubles due to a reduction in miscellaneous payroll benefits. The change year on year related mostly to the wage indexation and the increase in salaries for the increase in personnel.

One of the benefits we expect to achieve with the construction of our own processing and transport facilities was the corresponding reduction in these similar types of payments to third parties. With the launch of the de-ethinisation unit at the Yurkharovskoye field in August 2010 we managed to reduce our year on year and quarter on quarter processing fees paid to third parties by 30 million rubles and 91 million rubles respectively. We will continue to monitor these particular cost savings over the next several quarters and report them accordingly.

In respect of general & administrative expenses I will explain some of the more significant changes such as the 10% company wide adjustment, movements in head count and other items which I believe is relevant to the readers of our financial statements. We consider this important expense category to be well controlled by senior management and as our historical financial results, our G&A expenses do not fluctuate dramatically period on period as a percentage of revenues.

We increased our total G&A expenses by approximately 348 million rubles or 22.4% as compared to the prior year, but this expense item decreased marginally quarter on quarter. The main components representing the year on year increase were the changes in employee compensation and an increase in our charitable contributions. Our employee compensation expenses increased year on year by approximately 158 million rubles due to the salary indexation as already mentioned and a corresponding increase in employee head count by 33 employees. The combination of these two factors accounted for approximately 100 million rubles of the increase.

Another main factor that contributed to the increase was the initiation of our share based compensation programme in the second quarter of 2010 as part of our long term employee motivation programme which excludes members of the management board. We expensed 86 million and 99 million rubles to employee compensation as part of the share based programme during the second and third quarters respectively. No share based compensation was expensed in the prior year. Our employee compensation expenses decreased quarter on quarter by approximately 138 million rubles largely due to the reduction in bonus payments between the two periods. Even though our employee head count increased by 33 individuals between the second and third quarters of 2010, the effect of the head count increase was largely offset by the reduction in bonus payments. During the last conference call I mentioned that we did not consider employee compensation to be an area warranting excessive scrutiny because the actual expenses relative to our total revenues was reasonably consistent over the past couple of years and that same changes were made to employee compensation were implemented to better align employee compensation to shareholder value creation. I would like again to reiterate that employee compensation as recorded in our G&A expense category has averaged as a percent of revenues approximately 3% to 3.3% over the past six quarters again confirming my point. As at the end of the third quarter our total G&A headcount totalled 1,059 employees.

We continued to increase our capital asset base with ongoing work activities during the respective periods. Our depreciation, depletion and amortisation increased year on year and quarter on quarter by 316 million or by 21.5% and by 234 million or by 15.1% respectively largely due to the commission of a series of capital projects at the Yurkharovskoye field. Our DD&A unit charge as calculated under the units of production method continues to fluctuate period on period and was 23.9 rubles per barrel of oil equivalent largely due to the capitalisation of approximately 7.1 billion to the cost depletion base in the third quarter of 2010. We fully expect that the depletion cost base will continue to increase through the remaining course of the year as we capitalise costs to oil and gas producing properties in each respective period and only adjust our reserves on an annual basis which is fully explained in our MD&A.

As a result of the factors enumerated above, our EBITDA net profit margins have remained healthy and consistent with our financial guidance and we have increased relative to the financial results we have achieved in the second quarter 2010. If you exclude the positive and/or negative effects from finance income and expenses, our quarter on quarter profits from operations increased from approximately 10 billion rubles to 12 billion rubles or by approximately 20% largely due to increases in our natural gas and liquid sales. Our net profit between periods continues to be affected by fluctuations in the exchange rates of the Russian ruble relative to US dollar and the application of those foreign exchange movements to the portion of our debt position denominated in US dollars. During the second quarter the Russian ruble depreciated against the US dollar by roughly 6.2% resulting in a non-cash foreign exchange loss of 1.1 billion rubles, whereas our third quarter net profits were positively aided by a 571 million non-cash foreign exchange gain due to the appreciation of the Russian ruble against the US dollar by approximately 2.6%.

Our balance sheet and liquidity position continue to remain strong throughout the third quarter as we decreased our total debt position relative to our year end and second quarter balances largely due to the payment of debt as scheduled. We will continue to service our syndicate term loan facility and other debt facilities as they mature; and finally we continue to remain free cash flow positive throughout the nine months of 2010.

In conclusion we have delivered another solid quarter of financial and operational results completely in line with our expectations for the period. During 2010 we have continued to demonstrate our ability to grow our production of natural gas as domestic demand recovers as well as optimise our sales mix to minimise the effects of seasonal patterns. We have also continued to demonstrate our ability to deliver our liquid products to our main consuming markets and we are very proud of the distinction that we were the first company to deliver a large tanker of hydrocarbons through the Northern Sea route.

Tonight I've briefly touched on a recently announced acquisition and the rationale for investing our expected free cash flow generation. We are very excited about the two announced acquisitions because we know the asset base and the sub-surface geology in the region very well and we believe we can accrete value to these acquisitions based on our proven track record of optimising field development. Equally important the Sibneftegaz acquisition will provide incremental volumes to our gas marketing efforts and immediately generate cash flows. Both of these acquisitions will have an amenable contribution to our reserve base and ensure continued growth and stabilisation of our production profile. Our proved operating track record for optimising sales development, our low development costs and our commitment to cost control will continue to be the hallmark of our operating philosophy. Our goal is to create sustainable shareholder value. We remain confident in NOVATEK's growth strategy and we look forward to integrating these value accretive transactions as part of our asset portfolio.

I would like to end this portion of the conference call and open the session to Q&A. Thank you.

Operator: Thank you. If you would like to ask a question please press *1 on your telephone keypad. Please ensure the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has been answered you may remove yourself from the queue by pressing *2. Again please press *1 to ask a question.

We'll take the first question from Oleg Maximov from Troika Dialog. Please go ahead.

Oleg Maximov: Hi Mark, thank you for the presentation and update. Three questions from me. If you could please discuss the operational upside you see that the Sibneftegaz, what is the production growth upside from the current 10 billion cubic metres per year? Is there any cost upside that you see in the company? The second question on Ust-Luga, if you could educate me on the project given that it will be the new capital cost item for NOVATEK starting next year, basically I'm trying to understand what are you trying to achieve there? Third question, with new contracts with Itera would you be willing to update your production guidance for next year? Thank you.

Mark Gyetvay: Thank you Oleg. On the first one, Sibneftegaz, essentially what we have today is what we've reported. We only report production expected for the remainder of this particular year as I mentioned 10.2, 10.3 and current production as of September of 7.3 for the field. As I mentioned there are licences in the particular field and the Pyreinoye field is still in its early stage of development, so I don't want to speculate at this particular point on any of the upside. I believe that we should be able to influence the cost side of the business due to our understanding of the field etc but I think it's too premature to really go into that at this particular juncture. On your second question on Ust-Luga, for those that don't know what Ust-Luga is about, Ust-Luga is going to be a 6 million tonne fractionation unit built on a new I guess product export port about 170km or so south of the St. Petersburg region on the Baltic Sea. The Ust-Luga project for us will be constructed over the next couple of years, then we're going to do it similar to what we did with the Purovsky Processing Plant is constructed in essentially two phases. The first phase we expect to be 3 million tonnes and that will be completed probably some time in the fourth quarter of 2010 as planned. The objective of Ust-Luga is essentially to take the stable gas condensate that was produced and processed at the Purovsky Processing Plant and fractionate it further down into a constituent of different products such as light naphtha, heavy naphtha, diesel fuel, jet fuel etc. Based on that particular constituent of products we now have a broader market to sell our products than we presently have say with stable gas condensate. So if you look at the stable gas condensate market essentially today we probably have about 20 or so firm buyers of our stable condensate globally with the fractionation of these constituent product parts we then open up our marketing to a significant higher level of consumers in excess of 100 or so which provides us with a little more flexibility to deliver products into the product market. Also the other thing too is that as you know traditionally our stable gas condensate was priced on a benchmark crude WTI brand where if it went into Asia, Japan naphtha and Dubai light and then it had a formula which sometimes had a premium, sometimes had a discount. With the product market we have defined benchmark prices, so it kind of puts a little more clarity to the product stream. If you look at where we are today essentially we have recently or plan to recently finish in the next few days I believe our project documents and these documents are essentially technical documents, project definition, engineering components etc and we need to finish this before we can really begin construction in earnest. We will have this done, submitted to the relevant ministries etc who are responsible for that and then be able to start with the construction side. Also I think we're looking to complete the same type of project document for subcontractors so that we can essentially decide through a tender process what contractors will be selected for this particular project and I think we're looking at probably within the first half probably closer to May, June of 2011 to complete that side of the documentation and contracting phase. However with that said we've already completed a series of work at Ust-Luga, essentially about 100% almost, we've completed the dredging and the land reclamation around the field and essentially what we did, we dredged sand out of the sea and rebuilt the new wall, extended the land section and as a result of that we're constructing a 540 metre jetty which I believe as of today I can reasonably say that we've completed just slightly under 50% of the sea wall. This jetty will be able to accommodate two Aframax type class tankers of about 75,000 tonnes each. Next year I think we'll continue again sort of in more earnest the actual construction whereby we start beginning the actual delivery of equipment to the site, building and completing some of the reservoir pipelines, communication, electricity, water lines etc and then as I mentioned complete Phase I 3 million tonnes per annum by approximately the fourth quarter 2012. So essentially what it is, it's a project that we've been considering for the past couple of years as a way to facilitate further our marketing of our products and ultimately at the same time enhancing the overall netbacks we receive or optimise the netbacks we received for the finished products. I think it's also important to note too that when this particular facility is completed it will essentially mean that we probably will stop deliveries of stable gas condensate to the port of Vitino. We will then essentially use the Ust-Luga facility both for the export of products and the export of unstable gas condensate, so going forward we probably once this is completed will stop using the port of Vitino.

Your third question in terms of providing any additional guidance going forward, as I mentioned on our last conference call we expected at least 12% over next year. I don't think we have deviated dramatically from that, but now we have to add on top of that the acquired assets that we expect to produce in 2011, but the new Itera contract does not imply that we anticipate to increase or provide additional guidance for our production. What it does, I just wanted to demonstrate that we have now, we are increasing the market for the increased production that we plan to produce because that was raised by several people and I read in several of the analysts' comments from time to time that they question our ability to market this and that was just one example of a new contract we signed. It's not the only contract that we plan to sign but it's one of the ones that we've already signed and will be effective as of 1st January 2011.

Oleg Maximov: Great, thank you very much Mark, very detailed. Thank you.

Operator: The next question comes from Vadim Mitroshin from Otkritie. Please go ahead.

Vadim Mitroshin: Yes, hello, good afternoon Mark, it's Vadim Mitroshin from Otkritie Bank. I guess I want to return to your acquisitions and I just want to verify that I understood it correctly, the fact that you provided earlier during the year presentation, you said that you will pay 865 million for a 51% stake in Sibneftegaz plus an assumption of debt of 11 billion rubles which is roughly 355. Do I understand correctly that the total cost for your acquisition price will be roughly 1.2 billion?

Mark Gyetvay: I would say yes. The numbers that you basically have remunerated are the numbers that we planned as I mentioned, yes. The numbers that you are generating essentially yes, that's the total consideration that we assume today.

Vadim Mitroshin: Ok, fair enough. Just to verify, I think you also mentioned that despite the fact that you will be buying a 51% stake you intend to reflect this company in your accounts on an equity basis because your split in the Board of Directors will be 50-50 with Itera? I wonder if it's true then what are the conditions for you to potentially receive control over the subsidiary and if there is any plan to do so.

Mark Gyetvay: I didn't say it was the board. I basically said a charter document and the voting rights are 50-50 and that's where it is right now. I really can't comment on anything else in relation to whether or not that would change or not, but that's where it is right now.

Vadim Mitroshin: Ok. Then finally if you could give us any guidance at all regarding next year regarding Capex because my understanding is that once the Yurkharov facility, modernisation and upgrade are finished, my question is essentially how much Capex do you plan to allocate to your core assets next year and how much should we anticipate you will allow to Sibneftegaz developments?

Mark Gyetvay: Capex right now, I'm going to revert from providing any numbers on Capex because obviously until such time as we close these transactions and get final approval from our Board of Directors on the capital expenditure programme for 2011 we will then disclose those numbers, so I think we should wait on that until such time as this process is done and we decide exactly what we're going to do in terms of development activities by the board in terms of what needs to be spent for 2011.

Vadim Mitroshin: Ok, fair enough. Thank you.

Operator: The next question comes from Lev Snykov from VTB Capital.

Lev Snykov: Yes, good evening Mark, basically an extension of the previous question. Do I understand right that the shareholder agreement which doesn't allow you to consolidate Sibneftegaz is the legacy from the previous shareholders?

Mark Gyetvay: Yes.

Lev Snykov: Basically the initial agreement between Gazprom and Itera on the split of control.

Mark Gyetvay: Yes, that's correct. We're talking about the charter document, right now if you look at it where it is, it's essentially an 11 member board. We will have six people on the board based on our 51%, but all decisions that will be made relative to this field or activity will be approved by nine people as defined by the charter.

Lev Snykov: Ok, so would you say that the right way to model it going forward is an equity method or we should just simply wait until you finalise the deal and maybe sort out the issues with Itera.

Mark Gyetvay: At present right now we're planning for equity accounting and I would probably wait to see if there's any further news flow coming from this particular transaction that may or may not change that relationship. Right now we're planning to account for our 51% under the equity method.

Lev Snykov: Ok. When would you expect all the details to be sorted out?

Mark Gyetvay: I really can't comment on that Lev. It's ongoing, let us get into the project first. There's ongoing discussions at the moment. Let us get into the asset first, close the transaction and then we'll provide you with some additional information probably either at the annual update or some time earlier. Right now I just really can't comment on that.

Lev Snykov: Ok, thank you Mark.

Operator: Again as a reminder to ask a question today please press *1 on your telephone keypad. Please ensure the mute function on your telephone is switched off to allow your signal to reach our equipment. We'll now take the next question from Igor Kurinnyy from ING Bank.

Igor Kurinnyy: Good afternoon. I have three questions. One is on the level of maintenance Capex, Mark, you mentioned that soon you will basically move to maintenance more at the Yurkharovskoye field so I was wondering if you could comment on what the maintenance Capex would be and in case that your Capex does fall significantly say in 2011 or 2012, would you consider paying a higher dividend?

Mark Gyetvay: In terms of Yurkharov Igor, what I'm telling you right now is we have additional capital that needs to be spent although it's discretionary since we've already achieved capacity today of 33 billion cubic metres, all the infrastructure is in place. So we have the flexibility to alter that Capex as we see fit, so I would refrain from providing you the exactly number on the maintenance capital at this particular time until such time as we get to that point and we decide exactly what we're going to do over the next 12-18 months on a particular field. I will tell you though however that the majority of the Capex has been already spent on the field since we're already at the capacity. In my annual conference call you can revert back to that and you can see that I provided detailed numbers of hw many wells we expect to drill and I gave you the average cost per well and if you calculate that you would see that going forward the amount of capital we need to spend at the Yurkharov field to maintain current levels of production was quite low. I can tell you if we look at fields that are already in maintenance mode such as the East-Tarkosalinskoye and Khancheyskoye fields that if we look at the capital spent on these two fields over the last two or three quarters you would see that in the first quarter we spent approximately 204 million at East-Tarkosalinskoye, approximately 5 million at Khancheyskoye, 186 million at East-Tarkosalinskoye in the second quarter, 23 million at Khancheyskoye and 221 million in the third quarter and 21 million at Khancheyskoye. If you look at the contribution of revenues you would see that the fields essentially contributed about roughly I would say about between $300-350 million of revenues for capital spend of about $8 million. That's the maintenance capital level at the existing fields. What happens to the Yurkharovskoye field going over, let us get into maintenance capital mode first and then I'll be glad to provide that information to you, but we're getting pretty close as I mentioned tonight on the call.

Igor Kurinnyy: Ok, thank you. About dividends, that question was that if you end up being significantly more cash generative going forward would you consider reviewing your dividend policy or basically increasing dividend payouts?

Mark Gyetvay: We have a policy in place that we disclose on our website that basically says that we will pay at least 30% of the net profit under the Russian accounting standards. The payout rate has been slightly higher over the last couple of dividend payments but it also caveats based on what our capital expenditure programme looks like, what our cash flow needs and our ability to service debt, so we have spelled out what our dividend payment and what our dividend policy has been like. What we look at, what we're trying to accomplish with these acquisitions, we're trying to look at ways to redeploy capital back into accretive projects. So we have these particular projects that we will inherit through the acquisition. We have other projects that we will eventually undertake such as Stage 3 expansion of the Purovsky Processing Plant, the Yamal LNG project etc will also take a portion of this capital that we will generate from the free cash flow. If we do not have projects that are value accretive, if we do not have projects that return similar rates of return that we've experienced, then we will consider the option of whether or not we want to issue dividends or increase our dividend payout in any respective period, but right now the dividend policy has been established, we have projects that we know we want to invest in and we plan to use a portion of those funds to utilise the development and then as a result of that enhance or increase further the cash flow generation from the new fields coming on stream.

Igor Kurinnyy: Ok, understood. Also two more quick questions if I may, one on your gas price negotiations with Gazprom for Sibneftegaz. I understand you probably cannot comment on that too much but if you can give us any colour, would it be negotiating in this price area, would it be based on formula? Would it reflect domestic gas prices in Russia or anything that would help us to model it?

Mark Gyetvay: I'm really not going to make any comment at this point but you can see relatively speaking what our gas prices are. We basically sell either at the well head or based on FTS prices depending on whether we sell it to a customer or we sell it to the well head. I don't believe that's going to deviate dramatically.

Igor Kurinnyy: Ok. Final question, if you can give us any sort of idea about production growth at SeverEnergia and also if you see any challenges for marketing that gas considering that you already have significant spare capacity at the Yurkharovskoye field. Would you try to reach the spare capacity and then ramp up production at SeverEnergia? Would it make it more challenging for you to reach your maximum production at Yurkharovskoye, the fact that you have to market this additional gas from SeverEnergia as well?

Mark Gyetvay: SeverEnergia has its own production profile etc. Right now as I mentioned it is expected that Gazprom will take the gas from that particular field. Going forward we may decide at some point in time to change that, but right now that is basically the plan in that particular field. Yurkharov essentially we have our own marketing structure, we have our own ability and as I mentioned earlier the scepticism that people have in our ability to market our gas, all we do is keep showing you that we have new contracts, new ability, we grow our production and we market our gas. We expect to do the same going forward in the future.

Igor Kurinnyy: Ok, thank you Mark.

Mark Gyetvay: You're welcome.

Operator: The next question comes from Maxim Moshkov from UBS.

Maxim Moshkov: Good evening Mark, thank you for the presentation and detailed comments. I have a question also on these acquisitions, let me start with SeverEnergia. As far as I understood you account this on an equity basis of Sibneftegaz, but Yamal Development will use your infrastructure for the unstable gas pipeline to process condensate. What incremental revenue are you expecting to realise to book from servicing Yamal Development? In Sibneftegaz I understand that there will be also on an equity basis but how will you be returning cash on this particular structure and what dividend policy should be applied for Sibneftegaz reasonably? Thank you.

Mark Gyetvay: Maxim, on your first question theoretically you're absolutely correct in your comments about the synergistic benefits of using our pipeline structure and our processing facilities. At this point in time right now we have supplied our partners with our projected rates for these particular usage of facilities and until such time as we agree them I'm kind of reluctant to be able to provide any revenue numbers at this point because we're still in negotiations of these relative tariffs, but they will provide additional revenue streams to NOVATEK for the use of the pipeline and the processing facility. On your second question, could you repeat your second question please on Sibneftegaz?

Maxim Moshkov: How will you be returning cash? What will be the dividend policy of Sibneftegaz?

Mark Gyetvay: I think first of all we will determine a price for gas, we expect that since we're taking gas and marketing ourselves that NOVATEK will be the profit centre, so absent providing specific details on what the shareholder agreements etc, you should just assume that the profit centre for any marketing will be for at least our proportional share of gas will be at NOVATEK level.

Maxim Moshkov: I guess my question is that you are deferring the payment for the asset until next year. Should we be expecting that some of this deferral payment for Sibneftegaz will be financed from the cash generated by Sibneftegaz?

Mark Gyetvay: That's what I said in my prepared text, it basically said that we expect the cash flow generated from this particular field will be partially used to finance the acquisition along with other cash flow generated from our other fields as well as debt.

Maxim Moshkov: Thank you.

Operator: The next question comes from Nadia Kazakova from JP Morgan.

Nadia Kazakova: Hello, I have a couple of questions please. The first one just going back quickly to Ust-Luga. Can you verify the timing please for the first stage, first streaming stage of this refinery because you've given us two different dates? It's the fourth quarter of '11 and first quarter of '12. Also the Capex number please for Ust-Luga for 2011-2012. The second question is on Sibneftegaz basically from a P&L perspective I will see NOVATEK purchasing gas from Sibneftegaz at cost and then I will have a look at the contribution from Sibneftegaz participation. Is that roughly how I would see that in the accounts?

Mark Gyetvay: The first one, we expect to launch in the fourth quarter 2012. That's the planned target for the first 3 million tonnes launch of the Ust-Luga facility. In terms again of capital spend, we're not providing guidance today in terms of what we plan to spend on the particular projects at this particular point. As soon as we finalise our capital expenditure programme for this year I'll be able to provide that to you in terms of a breakdown essentially between each of the projects we do and specifically related to this particular project I'll be able to provide you with the update, but right now we're not essentially providing that detail at this particular conference call. In terms of Sibneftegaz again as I mentioned we expect that NOVATEK will be the profit centre for gas deliveries, so there will obviously be a cost recovery of expenses etc back to Sibneftegaz but the actual profit on marketing the gas will be retained through our marketing arm here in NOVATEK.

Nadia Kazakova: Thank you.

Operator: We will take our next question from Vadim Mitroshin from Otkritie. Please go ahead.

Vadim Mitroshin: Yes Mark, a final question if I may. On Purovsky Plant utilisation you mentioned 67% utilisation rate. I wonder following all the upgrades that you have done at the Yurkharov field whether we should expect any up-tick in utilisation in Q4?

Mark Gyetvay: First of all what I said is that it was 65% in the third quarter. It was 67% in the second quarter and as I mentioned part of the change was essentially that some of the condensate produced at the Yurkharovskoye field was used for line fill and inventory at the de-ethinisation plant, so there's actually volumes that would have generally gone through the plant that did not go through the plant in this particular quarter. It's expected that we should continue to increase the output of natural gas from the Yurkharov field with the launch of the additional facility in October which obviously is a wet gas field, hence our liquid production should increase as part of the step-up from approximately 98 million cubic metres to 124 million cubic metres per day. Most of that is coming from the Yurkharovskoye field. I would say your view of it, your assessment of it is that we should expect more volumes produced in the fourth quarter and hopefully better utilisation of the plant.

Vadim Mitroshin: I see, thank you.

Operator: As there are no further questions I would like to hand the call back over to Mr. Gyetvay for any additional or closing remarks.

Mark Gyetvay: Thank you very much for attending tonight's call. I really don't have much more to say other than we're very excited about these acquisitions and we hope to complete both of them by the end of this year. Once they're completed we will be able to provide you with some additional updates, so please bear with us tonight with what we can provide to you, but as soon as we're able to discuss it in a little more detail we'll be glad to do that with everybody. Thank you very much.

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