PAO NOVATEK

Fourth Quarter and Full Year 2019

Financial and Operational Results – Earnings Conference Call

20 February 2020

Moscow, Russian Federation

Mark Gyetvay:

Ladies and Gentlemen, Shareholders and colleagues good evening and welcome to our Fourth Quarter and Full Year 2019 earnings conference call. Joining me on tonight’s conference call will be Mr. Leonid V. Mikhelson, Chairman of the Management Board. We will conduct tonight’s Question and Answer section in the dual languages of English and Russia; therefore, we request you consider this fact when asking your question. There is ample time allotted this evening to address all questions.

We would like to thank everyone for taking your valuable time to join us this evening.

DISCLAIMER

Before we begin with the specific conference call details, I would like to refer you to our Disclaimer Statement, as is our normal practice. During this conference call, we may refer to forward-looking statements by using words such as our 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 risks and uncertainties and reflect 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 31 December 2018, as well as any of our earnings press releases and documents throughout the past year for more description of the risks that may influence our results.

CONFERENCE CALL TEXT

Two Thousand and Nineteen (2019) was a fantastic year for NOVATEK as we delivered all of our key financial and operational goals and objectives. We operated our flagship Yamal LNG project at all three liquefaction trains above nameplate capacity by slightly more than 110%, totaling 18.4 million tons per annum output. This impressive figure combined with our Cryogas-Vysotsk medium scale LNG project in the Leningrad Region achieved total LNG output of just under 19 million tons per annum, representing approximately 5% of the global LNG market.

We also made the crucial final investment decision in September 2019 to commence our next major, large-scale LNG project, Arctic LNG 2, as well as completed the sale of the remaining 30% participation stake to an excellent group of partners. Arctic LNG 2 will comprise a joint venture including NOVATEK at 60%, and Total, CNPC, CNOOC and a consortium of JOGMEC and Mitsui with 10% interest each. Estimated capital expenditures for Arctic LNG 2 is the equivalent of $21.3 billion. We look forward with working constructively with our partners to deliver another exceptional LNG project commencing with the first LNG train in 2023.

We also delivered solid operational results as we commenced initial production at our North-Russkoye field and offset our liquids declines at our mature fields by launching new crude oil
production at the Yaro-Yakhinskoye field, and targeting deeper, liquid rich lower zones of the Achimov horizons at ArcticGas.

Despite all of our successes over the past year, we now confront a market oversupplied with natural gas. This supply/demand imbalance is exasperated by the commissioning of new LNG complexes, a demand situation that has weakened with warmer than normal winter weather, high storage balances in Europe and now, growing global concerns over the Coronavirus in China. This combination of external factors has exerted significant downward pressure on global LNG spot prices. The Coronavirus, for example, is a “Black Swan” event, unpredictable to forecast and difficult to gauge the extent and duration of this virus epidemic. Chinese demand has clearly been impacted, but this negative impact in demand has been felt across by all business segments, not just the oil and gas industry.

The present market imbalance does not represent a structural shift in our future gas demand forecast. We remain very optimistic that the strategy we have adopted to become a leader in delivering low-cost LNG to key consuming global markets is the right strategic decision. Natural gas will play a key role in powering the energy transition and combating the negative effects on climate change. In fact, if we replace all coal in the market by 2050 with natural gas as part of this energy transition to cleaner burning fuels, we will meet the stringent emission goals established by the Paris Climate Accord, which were adopted and signed by Russia this past September. We are certain that natural gas will remain a fuel of choice, and our strategy to grow our gas market share internationally reflects this certainty.

Our core competitive advantage has been and will remain our low cost position vis-à-vis our global competitors. We are able to deliver one of the lowest landed LNG costs globally, and, since commencement of LNG production from Yamal LNG, we have delivered our natural gas molecules to over 28 countries. The ability to effect such a quick market penetration demonstrates the attractiveness of delivering our LNG to both the Atlantic and Pacific basins cost competitively. We have stated this point many times – low cost providers, like NOVATEK, will find profitable markets for its products. This is exactly what we have done domestically and now internationally with our shift towards the global LNG markets.

At year-end, we had all 15 Arc7 ice-class tankers in operations as promised. Many skeptics doubted we would receive all of the tankers with the sanctions on subsidiaries of COSCO shipping, but we managed to meet all of our contractual commitments without disruptions. We have begun the final shipping and marketing tests to demonstrate, without question, that we can successfully operate the LNG plant, load all tankers and deliver LNG during the maximum ice period. Once these tests are completed and the DSU released, we will increase our dividend payout.

Around one-third of LNG volumes sold globally are marketed at the current low spot prices. This weak spot price environment obviously makes for sensational news stories, but in reality short or spot cargos, accounted for around 116 million tons sold in 2019. We see these volumes (both spot and short term) increasing as part of the total LNG trade as this development supports market liquidity and meets buyers’ expectation of flexible supplies. We are all learning to adapt to these changing market conditions.

Europe became the destination of last resort in 2019. Net imports into Europe aggregated roughly 87 million tons, driven mainly by the continent’s established infrastructure - storage capacity and pipeline connectivity – but also due to buyers shifting supply sources to take advantage of lower spot prices. This past year, seasonal storage fill was earlier than normal due to low spot prices
and the withdrawals levels are below historical norms due to warmer winter weather. Nonetheless, gas demand in Europe remained strong.

The three largest LNG markets of Japan, South Korea and China still accounted for slightly more than one-half of all LNG imported in 2019. The global LNG market reached roughly 361 million tons, or 12% higher than 2018. In the fourth quarter (4Q), LNG volumes totaled 95 million tons, or 7% higher than the 4Q 2018. Although showing some signs of slowing down, China’s demand still increased year-on-year (Y/y) by more than 12%. Europe as whole imported a record 87 million tons of LNG, or 35 million tons more than 2018. This record volume exceeding the previous high of roughly 66 million tons in 2011. Europe will remain a destination for LNG shipments in 2020 as the continent diversifies supply sources between LNG and pipeline imports to offset declining indigenous natural gas production and to meet de-carbonization targets by displacing coal with cleaner burning natural gas.

Yamal LNG loaded and dispatched 253 cargos or 18.4 million tons of LNG during 2019, as well as 42 shipments of gas condensate totaling 1.2 million tons. The facility exceeded the nameplate capacity by 1.9 million tons, or by 11.5%. In the 4Q, 65 shipments of LNG were dispatched totaling 4.7 million tons, as well as seven (7) cargos of gas condensate or approximately 300 thousand tons. Since inception, the project has dispatched 369 cargos for a total of 27 million tons of LNG, along with 72 shipments of gas condensate for just under two (2) million tons.

Long-term contracts represented 45% of all volumes sold, whereas spot represented the remaining 55% during 2019. The ratio between long-term contracts and spot sales related primarily to the early startup volumes with initial volumes sold via spot sales. This ratio has changed as the year progressed. In the 4Q, long-term sales represented 64%, whereas spot sales represented the remaining 36%. In 2020, we expect spot sales will not exceed 25% of delivered LNG volumes, due to the start of long-term contracts on Train 3. For example, in January 2020, the preliminary ratio was roughly 80% long-term contracts and 20% spot sales.

We have stated previously that LNG contractual terms are commercial secrets respected by all industry players and our counterparties. We do not disclose our price formula but we can state that there is move towards hybrid pricing due to increased liquidity and the diversification of suppliers and customers. Hybrid formulas consider gas hub linkages and/or partial crude oil linkages, or a combination of both. We believe the era of high gas prices linked to crude oil indices is decoupling, and this trend will continue as liquidity increases to support trading activities.

One question raised by investors and analysts, and reported in the press, is the question around price renegotiations. Another question more recently asked is the potential force majeure by Chinese offtakers due to the Coronavirus.

The commodity markets are cyclical. We see periods of high prices and low prices, and prices fluctuate due to the natural evolution of markets, and as new consumers and players emerge. External events also influence commodity prices that are generally beyond the control of management. The very nature of this price cyclicality does not mean price renegotiations are imminent. We thoroughly vetted every long-term contract signed by both parties, including testing the contracts under different price scenarios and macroeconomic parameters. We see no compelling justifications for price renegotiations; therefore, we do not consider this a risk. Our contracts embed standard industry conditions on price redeterminations that are widely accepted. The same situation with the force majeure question. We have not received any force majeure notifications at this time.
As for our Arctic LNG 2 project, we would like to remind everyone tonight that our shareholders have committed to offtake their respective share of LNG. We already signed Heads of Agreements with all project shareholders, with terms FOB Murmansk and FOB Kamchatka, including agreed pricing formulas. We expect first LNG produced from Train 1 in 2023. We expect a more balanced LNG market after the slowdown of FID’s and the recent wave of project commissioning. Thus, we see limited impact from the current pricing environment on the marketing process from Arctic LNG 2. We actively marketed in 2019 and this process is ongoing. We see no delays although the current market environment is more competitive.

The recent trend where sponsors (or affiliates) procure LNG volumes without long-term contracts is quite different from historical norms. Traditionally, securing long-term LNG contracts was required prior to making the final investment decision (FID). This recent trend has multiple benefits as faster investments decisions, flexible marketing terms and conditions, and the ability to sell more volumes to less creditworthy buyers without covenant restrictions are all positive developments. It also means that we (or collectively sponsors) can postpone decisions to secure long-term contracts in a weaker pricing environment, as we see in the market today. Conversely, it has negative implications for other LNG sponsors needing to secure contracts prior to FID, and we are beginning to see the start of project postponements or delays in FIDs because of the lack of securing long-term contracts.

Arctic LNG 2 is proceeding along as planned. We forecast capital expenditures of roughly $4.6 billion in 2020, net of VAT, and, as of 2019, we spent approximately $2.3 billion, net of VAT. We have already financed about 14% of the total project’s capital program. We contracted more than 80% of total capital expenditures and approximately 90% of the equipment. More than 3,000 construction workers are onsite, with more than 90 construction vehicles. Currently, we are constructing well pads, road infrastructure, water and energy infrastructure, as well as contractors’ camp. Three (3) drilling rigs are on site and started production drilling. We will mobilize another drilling rig and commence drilling shortly.

The Utrenneye Terminal has obtained main governmental permission, and the construction of the terminal and planned dredging works are underway. The dredging works for 2019 were 100% completed and we can now accommodate Arc4 vessels all-season.

We have already begun pouring concrete for the first GBS and will shortly commence work on the second GBS. We continue to make good progress on various aspects of the construction works at the Murmansk LNG construction yard. So far, we are on schedule with all related work activities with Arctic LNG 2.

Overall progress at Yamal LNG’s Train 4 is 73% complete (versus 61% at 30 September), with more than 1,700 working at the site. When designing liquefaction trains using a modified version of our Arctic Cascade liquefaction technology for Obskiy LNG, we decided to improve and enhance the technical solutions on Train 4. We will complete the construction and begin commissioning of Train 4 in the 3Q 2020.

As for Obskiy LNG, we will provide more information over the course of this year, but briefly, it will be a project comprised of two liquefaction trains at 2.5 million tons each, or 5 million tons in total. The implementation of the Obskiy LNG project and its final investment decision is not dependent on the timing and launch of Train 4 at Yamal LNG. We will provide additional information on this LNG project on future conference calls.
At Cryogas-Vysotsk, we produced 414 thousand tons of LNG since launch of the medium-scale LNG facility in the Second Quarter 2019. We dispatched 92 shipments via tanker and another 240 shipments via trucks. The project aims to capture market share for bunkering fuels with the introduction the new IMO 2020 standards, which reduces the maximum Sulphur content permitted in marine bunker fuels from 3.5% to 0.5% globally. Moreover, it allows for small LNG shipments to regions not connected to the pipeline grid. We believe this market has potential and will eventually link our LNG marketing strategy with the construction of the Rostock Terminal in Germany, and the build out of retail LNG stations in Poland and Germany.

We have three retail stations in Poland and Germany, and we will launch our fourth retail station very shortly. NOVATEK Green Energy, formerly NOVATEK Polska, manages this business segment.

Our exploration activities yielded very positive results in 2019. Exploration drives future development activities but it is also crucial to prove-up our resource base on new license areas to support our future LNG projects as well as ensure sufficient production capabilities to meet our domestic gas requirements. At year-end 2019, our total SEC proved reserves, including our proportionate share in joint ventures, increased by 3% to 16.3 billion barrels of oil equivalent (BOE), inclusive of 2.2 trillion cubic meters of natural gas and 193 million tons of liquid hydrocarbons. We achieved a Reserve Replacement Rate (RRR) of 181% during 2019. Our organic reserve replacement rate, excluding the effects of the acquisitions and disposals, mainly related to the disposal of the 40% participation interest in Arctic LNG 2, amounted to 252%.

Under the PRMS reserve methodology, our total proved plus probable reserves, including our proportionate share in joint ventures, aggregated 28.7 billion BOE, inclusive of 3.9 trillion cubic meters of natural gas and 373 million tons of liquid hydrocarbons. Our organic reserve replacement rate under the PRMS reporting methodology amounted to 200%.

We also maintained an active development-drilling program throughout 2019. We drilled and completed 150 production wells this year versus 105 production wells in corresponding 2018 period, representing a 43% growth in drilling completions. Our focus remained on the North Russkoye field and accordingly, we commenced initial production in December 2019, as well as production from lower producing horizons at our ArcticGas joint venture.

We plan to increase our natural gas production by 2% to 3%, and our liquids production by 1% to 2% in 2020. This growth is mainly attributable to production for the Russian domestic market, as well as ensuring adequate liquid volumes delivered to our processing facilities to run at 100% of their respective operating capacities. It is important to note that we will maintain plateau levels at our processing capacities until such time we expand both Purovsky Processing Plant and the Ust-Luga Complex.

We generated another good set of financial and operational results in the Fourth Quarter and Full Year 2019, despite the general weaknesses in the underlying commodity prices across our product range, including the big declines in global natural gas and corresponding spot LNG prices. Brent crude oil prices declined by 10% year-on-year (Y/y) from an average of $71 per barrel to $64 per barrel, whereas benchmark natural gas prices like NBP (National Balancing Point (UK)) and TTF (Title Transfer Facility (Netherlands)) declined by 44%, respectively, during 2019. Spot prices improved in the 4Q but this improvement was short lived, as ample supplies were available via inventory and spot sales, and warmer than normal winter weather.
Not all was negative on prices in 2019. The Russian domestic gas tariffs increased over the past year, and this fact had a positive impact on our revenues received and netbacks achieved for gas sold domestically via the Unified Gas Supply System.

The global growth in LNG demand continued unabated, despite the apparent headwinds. We believe lower commodities prices will spur additional demand growth opportunities. This provides the stimulus for key importing countries to transition from coal to natural gas to meet the demand forecasts supporting future growth in natural gas consumption.

The Coronavirus will affect demand to some extent in 2020, but the impact on demand at this time is uncertain. The consultancy firm Wood Mackenzie just published a report (February 2020) that attempts to quantify potential demand disruption on “best” and “prolonged” case scenarios. They forecasted gas demand of 330 billion cubic meters in China pre-Coronavirus. Their recent report suggests potential demand reduction by six (6) to 14 billion cubic meters depending on the scenarios.

Unfortunately, no one can predict with any degree of certainty at this point. It is crucial that we maintain our focus on developing our LNG platform to deliver cost-competitive LNG to consuming markets at one of lowest landed costs. We believe LNG remains a key driver in future global natural gas demand growth, and our cost-competitive LNG platform positions us to play a leading role in the energy transition.

Despite weaker natural gas prices in Europe and Asia, our results for the full year 2019 were strong as we increased natural gas revenues and netback sales by 11% and 14%, respectively. Seasonal volume adjustments affected our quarter-on-quarter (Q/q) results but overall we were satisfied with our financial and operational results in the fourth quarter, as gas revenues and netback sales increased 16% and 14%, respectively.

We sold 18.1 billion cubic meters (bcm) of natural gas on the Russian domestic market and 2.7 billion cubic meters in equivalent LNG sales during the 4Q reporting period, accounting for a combined net Q/q increase of 4.1 billion cubic meters, or by almost 25%.

Our full year international LNG sales revenues increased Y/y by RR 32 billion, or by 28%, due to a significant increase in volumes sold of 12.8 billion cubic meters. Offsetting our volume growth, however, was a 40% decrease in the average realized price in RR terms. Our LNG revenues declined Q/q by RR 1.8 billion, which resulted mainly from a reduction in our offtakes from Yamal LNG as we shifted to more long-term contracts, and accordingly, reduced our offtake volumes from early start-up. Domestically, our sales volumes remained flat on an annual basis but increased Q/q by 4.5 billion cubic meters, or 33%. Domestic gas revenues increased by 3% annually and by 28% Q/q.

LNG sales on international markets represented 16% of our total natural gas volumes sold and accounted for 36% of our natural gas revenues in 2019. Our average netback was 4.0 times higher for LNG volumes sold internationally than netbacks received on the domestic market. This netback ratio remained relatively consistent each quarter in 2019. Even with weak spot prices, LNG volumes sold internationally contributed positively to our revenues and netbacks for natural gas. This fact combined with our cash generative domestic production demonstrates the importance of expanding our LNG platform, while remaining focused on our core domestic business.
We sold 4.3 million tons of liquids in the reporting period, representing a Y/y and Q/q increase of 11% and 6%, respectively, as we increased our liquids sold by more than 3% to 16.4 million tons. We exported 59% of our total liquid volumes throughout the year.

Our operating expenses during the reporting periods were consistent with our expectations, with overall costs increasing on an annual basis by 6% and by 19% Q/q. Purchases were the most significant expense item. Most of the remaining operating expenses, including G&A, was consistent with our expectations for the reporting periods and seasonal adjustments.

We spent RR 163 billion in cash on our capital program, representing an increase of RR 68.5 billion, or 73% in 2019 versus 2018. In the 4Q, our capital program totaled RR 50 billion, representing a 40% increase Q/q. The majority of our capital program related to works on future LNG projects, and capital spent on the North-Russkoye license area. These main projects accounted for RR 97 billion, or 59%, of our total capital expenditures. We allocated the remaining capital spent was over a range of development projects across our project portfolio.

For 2020, we estimate our capital expenditure to be approximately RR 250 billion, of which more than 60% will be spent on future LNG projects. Our capital expenditures for projects connected to the UGSS and liquids to our processing facilities will remain consistent with that spent in 2019.

Our normalized EBITDA totaled RR 461 billion for the twelve months ended 31 December 2019, increasing by 11% over the prior year, led by strong contributions from our joint ventures. Normalized EBITDA was also very strong Q/q, increasing by 18%. Our operating cash flows exceeded our cash used to finance capital expenditures by 1.9 times, despite the fact that we have increased our cash spent on our capital program Y/y by 73%. We generated sufficient operating cash flows to fund our capital program, service any debt payment or liabilities, as they become due, and disburse semi-annual dividends to shareholders.

Our balance sheet remained very strong during 2019. We again improved all of our credit metrics during the year, and demonstrated without question an exceptionally strong balance sheet to support our international and domestic credit ratings.

In closing, we delivered another set of very good financial and operational results in 2019 including the fourth quarter. We understand that the focus is presently on an oversupplied gas market, the impact this oversupply has caused on spot prices, and the potential negative impact of a prolonged period of concerns and disruptions caused by the Coronavirus. We have confronted significant price volatility before in 2008/09 and the negative impact of the global recession in 2014. We actually did better than most of our global peers as our business model clearly demonstrated the resiliency and profitability of being one of the lowest cost producers in the global oil and gas industry.

We still produce and deliver a significant volume of natural gas on the Russian domestic market. Actually, 84% of our sales volumes, or 66 billion cubic meters sold was not impacted by the decrease in global spot gas prices. We believe many investors and analysts overlook this important fact, and focus solely on our LNG business. Yes, our global LNG business is important, but our Russian domestic business is equally important, and remains highly profitable and generates solid operating cash flows.

As global natural gas prices declined by 44% Y/y in key gas hubs, the overall natural gas tariff domestically increased by almost 4% in 2019. We see limited downside risk in our overall gas business as our lifting costs remains one of the lowest relative to our peers. It was $0.59 per BOE, or $0.10 mmbtu in 2019. Moreover, our associated liquids production also strongly supports our
operating cash flows, both from our subsidiaries and joint ventures, as well as gas condensate produced and sold from Yamal LNG.

Two thousand and nineteen (2019) was a record year for final investment decisions for liquefaction projects, reaching 70 million tons of new capacity. We expect FIDs to remain strong in 2020, but we are seeing initial signs of potential project delays. The LNG investment wave of 2019 and 2020 is sufficient to meet expected demand in the mid-2020’s but the energy transition as well as forecasted demand growth will absolutely require additional LNG projects. Our LNG model is scalable to bring to market low cost LNG when needed; therefore, we are optimistic that our target to deliver up to 70 million tons by 2030 is realistic.

The Coronavirus is an event that no one was able to predict. No one is certain of its duration but we can say with absolute certainty – this event will pass. It is important to reiterate that China will remain a market of choice for LNG for many years.

Economic growth in developing economies, the energy transition from coal to clean burning natural gas, de-carbonization agendas, and the focus on climate change solutions all bode very well for natural gas as an affordable, secure and sustainable energy source for many decades ahead. NOVATEK has positioned itself as one of the leaders in this energy transition movement.

Two Thousand and twenty (2020) will be a tough year for the oil and gas industry, but the negative impact it is not consistent across all companies.

We are different.

We reported a strong financial results and operating cash flows. We reported positive free cash flows. We sold a larger share of our LNG volumes under long-term contracts, not spot sales. This represents an important evolution in Yamal LNG’s marketing activities. Our domestic gas business is highly profitable and cash generative. We generated slightly more than $2.3 billion in free cash flows from our core domestic business, consistent with what we stated in our corporate strategy. We demonstrated strong production growth, arrested the declines in liquids, and replaced our proved reserves by 181%. These are all very positive developments in 2019.

Unfortunately, the sentiment towards our stock is negative. Investors overreacted to negative global gas news and oversold our stock. Too much focus has been placed on current spot prices and projecting this negative outlook to our future LNG projects. We reject this notion and believe gas prices will strengthen to support project developments.

We also believe that the investment community does not properly value the future optionality of our liquids business. For example, we have seen limited comments on the gas condensate produced and sold from the Yamal LNG project. We sold 1.2 million tons in 2019 and 300 thousand tons in the 4Q at strong netbacks. This alone significantly compensates the project with additional cash flows, which is unique relative to most LNG projects around the world. In fact, the stable gas condensate sold (excluding transport) at Yamal LNG covered more than 100% of the plant’s core operating expenses in 2019. We estimate that Arctic LNG 2 will produce around 1.5 million tons of gas condensate, and this will, like Yamal LNG, cover a large portion of the project’s operating expenses or generate additional project revenues and cash flows.

We understand very well the present market situation. We are facing headwinds in 2020. LNG is fast becoming a global commodity business.

Even in this low price environment, NOVATEK remains profitable and competitive in all global markets. Our LNG projects span economic lives of more than 30 plus years, so we cannot make
economic decisions based on short-term price volatility. We fully anticipate that our LNG projects – present and in the future – will be through all price commodity cycles. The best antidote to stress case scenarios is a low cost business model, and we are one of the lowest-cost providers of clean-burning natural gas in the global oil and gas industry.

We successfully transformed NOVATEK into a global gas player in 2019. Natural gas remains the fuel of choice in the energy transition and the core part of our business strategy. As a large gas producer, we understand our role in the climate change debate. We have one of the lowest carbon emissions in the global oil and gas industry. We are exploring clean gas initiatives such as hydrogen as one way to reduce our carbon emissions.

We are building our first hydrogen production capacity at Ust-Luga for our own consumption, but we see good future prospects in hydrogen due to our low cost operations. We are also studying various options to reduce our carbon footprint, like wind turbines to provide additional sources of renewable energy to our facilities, as well increasing our use of solar power along our internal pipeline network.

NOVATEK fully supports ongoing ESG initiatives and actively engages with investors on this topic. Last year we published our 12th Sustainability Report, which is available on our website for review. We encourage our investors to read this report as it reflects our ongoing efforts to promote social and economic development in the regions where we operate, as well as our responsible stewardship of our hydrocarbon resources. We have embedded Sustainability Principles in our Strategic Framework, and we aim to provide our carbon emission targets in the near-term.

We have a tremendous future ahead of us at NOVATEK. We have an exciting portfolio of assets second to none in the industry. The present disruption in the gas market is not structural. Long-term demand forecasts for natural gas remains intact. We will profitably capture an increasing share of this market space with our future LNG projects, as well as remaining committed to provide clean-burning natural gas to the Russia domestic market.

We would like to thank everyone again for attending tonight’s conference call and for your continued support of NOVATEK.

We are now ready to open tonight’s session to questions and answers.

Thank you.