

FINAL TRANSCRIPT

Alterra Power Corporation

Q1 2015 Earnings Conference Call

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CORPORATE PARTICIPANTS**Ross Beaty**

Alterra Power Corporation — Chairman

John Carson

Alterra Power Corporation — Chief Executive Officer

Lynda Freeman

Alterra Power Corporation — Chief Financial Officer

Jay Sutton

Alterra Power Corporation — Vice President, Hydro Power

Paul Rapp

Alterra Power Corporation — Vice President, Wind and Geothermal Power

CONFERENCE CALL PARTICIPANTS**Jonathan Lo**

Raymond James — Analyst

Mike Plaster

Salman Partners — Analyst

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PRESENTATION**Operator**

Good morning, ladies and gentlemen, and welcome to the Alterra Power Corp. First Quarter Results Conference Call. At this time, all lines are in listen-only mode.

Following the presentation we will conduct a question-and-answer session.

If at any time during this call you require immediate assistance, please press *, 0 for the Operator.

This call is being recorded on Wednesday May 13, 2015.

I would now like to turn the conference over to your host, Ross Beaty. Please go ahead.

Ross Beaty — Chairman, Alterra Power Corporation

Thank you very much, Operator, and good morning, ladies and gentlemen. Welcome to Alterra's first quarter financial and operating results conference call.

The first thing I'm going to say and direct your attention to on the web presentation and also our news release and MD&A and all of our disclosures is that we do have forward-looking statements and we seek Safe Harbor for these.

Well, yesterday we had our Annual General Meeting and it was a full house, great turnout, and we had all of our team there. And really able to go through what we're doing right now in words and pictures. And I think people who were there were able to sense the excitement among the

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group, among certainly the management team about what we're doing today. And it was a nice time to convey to everybody what we see coming forward for 2015.

Some of this, I think, we're going to be able to give you again today. We've got most of our senior management team in the room here. I'm going to let John introduce them in a minute, and of course direct your attention to the slides that are on our website that we can—we'll be able to reference as we walk through the presentation today.

So let's get right to it. I'd like to introduce John Carson, Alterra's Chief Executive Officer, who will quarterback today's call and introduce our team as we go through things. Over to you, John.

John Carson — Chief Executive Officer, Alterra Power Corporation

Thanks, Ross. It's been a great quarter for us; record generation here at Alterra led by our Toba Montrose facility, which you'll hear about in just a moment. And also we have two major projects that are coming to the fore here and will soon be in operations for Alterra: the Jimmie Creek and the Shannon projects, which we're also very happy to tell you are both on time and on budget.

We'll get into all the details, but first as Ross said, let me introduce our senior management team who's with me today. First our CFO, Lynda Freeman; and then Paul Rapp, our Head of Wind Operations and Geothermal Operations; Jay Sutton, our Head of Hydro Power; and

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also in the room with me is Murray Kroeker, our Head of Engineering and Solar; John Schintler, our Vice President of Project Finance; and Shannon Webber, our General Counsel.

With that, I'd like to get on to the body of the presentation to start off with our financials.

Lynda, over to you.

Lynda Freeman — Chief Financial Officer, Alterra Power Corporation

Thanks, John. As you will soon hear from others in the management team, so far 2015 has been an extremely busy year at Alterra, predominantly due to the ongoing construction and advancement of our development assets, most specifically at Jimmie Creek and Shannon wind.

However, from a first quarter financial reporting perspective our results were relatively straightforward, and there has been very little changes to the format or presentation of our financial results against either the prior quarter or year-end.

The impact of the advanced construction of Jimmie Creek cannot be easily seen in the numbers reported, for we continue to ex the account for our investment with the only movement since December being due to FX. As reported at year-end, the project secured its financing in October 2014, and since then has been able to stand on its own two feet from an accounting perspective.

No further capital contributions are expected by Alterra.

It's a different story at Shannon wind, where project financing is expected to be completed in the next few weeks. And Alterra has been continuing to finance the ongoing construction with

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spend of over 40 million to date on the project, and only around 15 million left to finance for our expected 50 percent share in the project.

The spend on Shannon can be seen through the increase in development cost since December and correspondingly a reduction in cash.

One other presentation change to highlight is with regards to the Company's Soda Lake facility, which together with certain geothermal development assets was sold to Cyrq Energy on January 30th. You may remember that Soda Lake was reported as a held-for-sale investment written down to fair value at December 31st, and, therefore, following the sale there was limited impact on the balance sheet and only a small gain recorded in the income statement.

Moving on to our operating results for the quarter, and for those of you following the analyst presentation I refer you to Slide 4. At March 31st, we continue to consolidate the results of our two geothermal facilities in Iceland, Reykjanes and Svartsengi. In addition, we included the results of Soda Lake up until the sale on January 30th.

The key operating highlight for the quarter without a doubt was the record high fleet-wide first quarter performance against budget, primarily due to the record high production at the Toba Montrose facility of 248 percent of budget, which had an impact on our equity income over the comparative quarter. As a direct result of this, our consolidated EBITDA increased \$0.07 to 8.3 million.

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I'm not going to go through the detail on each of the slides, but would like to highlight a few other key points. Consolidated revenue, although down by 13 percent against the comparative quarter to 16.4 million, was primarily due to the sale of Soda Lake and foreign currency impacts at HS Orka.

In Icelandic krona, revenue at HS Orka was actually up quarter on quarter, and in fact FX had a huge impact on both our operating results and our balance sheet due to the strengthening of the US dollar in the period.

Consistent with the comparative quarter and previous periods, our income statement fluctuated significantly due to the noncash movements, as well as foreign exchange, both of which have had a significant impact on our bottom line.

Lastly, finance costs increased over the comparative quarter due to the inclusion of interest expense in relation to the new holding company financing that closed in the summer of 2014.

Consistent with previous reporting and presentations, the Company continues to monitor the performance of our assets on a net interest basis. Net interest reflects our ownership percentage at March 31st being 66.6 percent of Orka, 40 percent of Toba Montrose, 25.5 percent of Dokie 1, as well as 100 percent of Soda Lake until its sale. I refer you to Slides 5 and 6 for comparative information quarter on quarter on a net interest basis.

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As mentioned above, the Company benefitted from strong fleet generation in the quarter, and most significantly this translated into increased revenue and EBITDA at Toba Montrose over the comparative quarter.

Additionally, development and head office costs decreased due to lower recurring costs and fluctuations in foreign exchange.

Turning to the balance sheet on Slide 7. Total assets decreased 6 percent to 584 million since December 31st with a number of movements up and down in the quarter, due to such items at Shannon and the sale of Soda Lake, but the most significant driving factor for the decline in asset value was the weakening Canadian dollar and Iceland krona against the US dollar, which on average reduced by 8 percent since December.

The Company's working capital, available cash, and liquidity has decreased against December, primarily due to a cash spend on Shannon, coupled with debt repayments and spend on plant and equipment at HS Orka, all of which were expected and budgeted for in the quarter.

Although working capital has decreased, the Company has over 30 million in unrestricted cash held at the corporate level, excluding HS Orka or project cash, and this amount is considered sufficient to fund both the Company's corporate needs and the remaining equity contribution required for Shannon, as show on Slide 8.

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The final slide I'll talk to you is Slide 9. This slide provides details of all long-term debt held by the Company on a net interest basis, including debt service paid in the quarter. I also refer you to Appendix 1 of the presentation for further information on long-term debt.

The key point to highlight is the Company's operating projects continues to pay down their debt, all of which is nonrecourse to the Company.

That concludes my presentation. I'll now hand you back to John.

John Carson

Thanks, Lynda. A great quarter again for us with increased generation and increased EBITDA all around.

With that, let's go over and look at our individual assets, and Jay Sutton, who is our Head of Hydro, I will turn it over to you now.

Jay Sutton — Vice President, Hydro Power, Alterra Power Corporation

Thanks, John. Referring to Slide 10, we had a record first quarter at Toba Montrose, producing 59 gigawatt hours of energy versus our forecast of 24 gigawatt hours. We had a mild winter that resulted in a significantly higher than forecast inflows in the first quarter, and as a result we achieved an incredible 248 percent of our forecast generation.

Our strong generation is continuing, and we achieved 88 percent of the forecast for the month of April, which is the second highest April generation since we started operation in 2010.

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We have completed the annual maintenance in all of the major equipment, and all four of the units continue to operate well in response to the increased flows.

We are also currently completing refinements to our winter maintenance program and sediment exclusion procedures, which we expect will reduce operating and maintenance costs in the future. Our crews continue to operate and maintain the plant safely and according to our environmental commitments, and there are no operating issues at either of the facilities.

John Carson

Thanks, Jay. Paul, over to you for Dokie.

Paul Rapp — Vice President, Wind and Geothermal Power, Alterra Power Corporation

Sure. Thanks, John. The Dokie wind farm performed very well in Q1 and produced 88.3 gigawatt hours of electricity, or 97 percent of budgeted generation. This strong production continued through April, and we finished the month at 99 percent of budget so far for the year.

Vestas continues to meet their turbine availability targets. Availability averaged 97 percent for Q1 to fill in the mystery blank on the slide there for you.

The Dokie. The overall facility continues to operate very well. We've had no safety or environmental issues, and we successfully completed our annual maintenance outage last week with minimal loss generation. During the outage, we did scheduled maintenance and testing on the collector and transmission lines to the substation equipment and other equipment. And the work confirmed that all the equipment at the site is in good health and is operating well.

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John Carson

Thanks, Paul. With that, let's flip to Slide 12, and let's look at the geothermal side of the business.

Paul Rapp

Sure. So at Svarstengi and Reykjanes, both plants performed well in the first quarter, and production was 98 percent of plan. We're at 96 percent of plan for the year at the end of April.

Production is slightly behind plan, primarily due to the unusually cold winter in Iceland this year, which has required us to utilize more steam than planned for hot water production for our domestic heating customers, and this has reduced the amount of steam available for electricity production over this period.

The capital works in Iceland through this quarter have focused on operational improvements. We completed a second reinjection well at Reykjanes, RN-34 that we've previously talked about on these calls, in the same area as the previously drilled RN-33 to provide additional reinjection capacity. And now work is well underway on construction of a pipeline which will transport geothermal fluid from the power production at Reykjanes to RN-33/34 for reinjection to provide pressure support for the geothermal field, and provide long-term stability for the Reykjanes plant.

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Over at Svarstengi we're also constructing a new pipeline. This one is a fluid disposal pipeline. This pipeline would allow better control of the fluid discharge from the plant and will allow increased power production at the plant as well.

John Carson

Great. With that, let's flip to our construction projects. First the Jimmie Creek hydro project. Jay?

Jay Sutton

Thanks, John. Turning to Slide 13, Jimmie's also benefit greatly from the mild winter, and we're very pleased with the progress on site.

Up at the intake we've completed the excavation and concrete for the intake foundation and are now forming a place in concrete for the base slab and walls. The river and tributary diversions are complete and functioning well, and the intake's on schedule to be completed this fall.

On the penstock construction, the contractor continuous made great progress with more than 65 percent of the penstock and stalls welded and back filled. The photograph on the slide shows some of the penstock being installed near the powerhouse.

We expect to complete the installation of the penstock in September of this year, ahead of schedule.

At the powerhouse, we completed stage one power concrete and have started work on installation of the steel superstructure. The tower's construction is well underway, and the

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switchyard excavation is nearly complete in preparation for concrete to be placed starting in late May.

Members of our engineering team have travelled overseas to observe the factory acceptance tests for the turbine inlet valves and generators, and have been very pleased with the quality of equipment being supplied. All the key components are now either complete or well into the manufacturing phase, and delivery to site will start in early June and continue through to the end of the year.

We have a great project team and great contactors performing the work, and we extend our thanks to them for keeping the project on schedule and on budget.

John Carson

Great. Good report. Shannon construction, Paul?

Paul Rapp

Sure. Thanks, John. As Lynda noted earlier, we're very close to achieving financial close on Shannon, and expect this to occur in the next few weeks.

Initial construction started on site in December 2013, and our contractor, Mortenson, mobilized the site for start of the main construction in December of 2014, and they now have between 100 and 150 workers on site, depending on activities.

Construction activities are going very well, and to date we've completed construction of all our site roads and the majority of the electrical collection system. We've completed all the wind

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turbine foundation excavations, and we've completed over 50 percent of the wind turbine foundations themselves.

Our project substation is well advanced, and the interconnection substation constructed by Oncor is nearing completion and is scheduled to be energized shortly. The photo there shows one of the wind turbine foundations under construction, and the cover photo for the slide shows the trench excavation for the collector lines.

One of our main pieces of equipment, our main power transformer, is actually being delivered to site as we speak. We just got off the phone, and it's just coming down the road into the site.

So very exciting times at Shannon, and it's setting up well for the start of wind turbine delivery and turbine erection phase of construction. We expect turbines to begin arriving in site in June, and commercial operations should commence in late 2015 at Shannon.

John Carson

Great. I personally was able to visit each of these construction sites over the last two weeks, both the Jimmie Creek and the Shannon site. I can personally attest to echo everything first that Paul and Jay have said, and they just look great. The projects are showing extremely well, and we're just very pleased.

They've been thoroughly de-risked, and we're very excited about the future of these two projects. It's looking good.

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With that, let's look at some of our growth opportunities that we have. If you look on the presentation on Slide 15, you'll see a couple of photographs of our Mariposa site. Those of you that have been following our company over the years, we've had this asset for some time and we're actually coming to quite a milestone event.

This October we will spud or begin drilling our primary drilling program. We're planning three large diameter holes to be drilled on site, which should elucidate and confirm the resource as preparation for a base-load plant delivering power to power hungry Chile later on in a few years.

Here you see a couple of photographs. First some roads that we have built to our drill sites, and then at the bottom photograph you'll see a reservoir that's designed to supply water to the drilling operations. We've done a lot of work this year, as is outlined in the slide, in the field to prepare for this drilling, and that should make at a very smooth operation once we begin in October.

So please watch this space. We're very excited about this and excited to be working with our partner, EDC, the Philippine-based operator of geothermal plants.

Turning to the next slide we have a new asset. You may have seen a news release from us yesterday. This is a 15-megawatt site in British Columbia, the Tahumming River. Visited this site as well a couple of weeks ago, and this is really a strong resource, and we're excited to be working with the Klahoose First Nation to be developing this project. And so this is full steam ahead as an early stage hydro project.

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We also had some new hydro projects in Iceland, as I turn to Slide 17, and just before I get into these slides I wanted to talk a little bit about the power market in Iceland. There are some new industries that are creating additional power demand in the country, and that positions us well as we have these development assets which can be converted into power-generating projects to serve the needs of that.

The power prices in Iceland have been on the increase, not only due to increased demand, but also some shortages of supply. Last year there was some shock to the supply side based on hydro shortages. So here we are with some hydro projects that are flowing well and that we're excited to be moving forward at this time.

First up at the top it looks like it's Hvalá—its pronounced Kavalo—and there it is, a 55 megawatt, a pretty sizeable hydro asset that we're working on in a company called Vesturverk where currently we project 58 percent ownership and perhaps even greater as we develop this project further.

Down at the bottom of the photograph and closer to our existing plants is the Brúarvirkjun site. This is greater than 9 megawatts, and we're happy to be working on this one. And also I want to announce that the Hvalá site above and then on the next slide the Skúfnavatnavirkjun site at the bottom of the slide, both just received their research permits. They both passed through their appeals period, so we're fully engaged to go on both of these projects.

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At the top of Slide 18 is the Bulandsvirkjun project. You've heard about this one before. This is 150-megawatt project. It's a very large project, we have been making good advances there on many fronts, including with land donors and environmental work. So we're excited about this one in our future, and as I mentioned at the bottom, the Skúfnavatnavirkjun project, which is very close to our Hvalá project.

Moving on then to the last slide on Slide 19. I just want to mention a couple of growth projects here you haven't seen before. We've called out in solar some South American opportunities, as well as North American opportunities.

We're currently working on one project in particular exclusively, which we hope to have more information for you later. Also we're working on wind opportunities in the United States right now in particular, and you can see also some of our other projects which remain active on our radar screen. And again, with respect to the geothermal opportunities in Iceland that are listed there these also stand to take advantage of burgeoning opportunities in the country.

So I'm excited about where we are with growth opportunities; very pleased with where our operations are; another record quarter; and as I said in our press release yesterday, very happy with our teams. All of our teams who make these assets work who are there day by day living them, I give you our thanks. And I'm very excited about where we are.

And then these two new growth projects, Jimmie Creek and Shannon, which will give our company 50 percent greater generating capacity than we have today.

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Excited about our future and with that, Ross, I'll turn it back to you.

Ross Beaty

Thanks, John. I don't think I have anything more to add. That's a good summary of where we stand. Thank you very much to everyone here, and I think we should open it to questions now.

Thank you.

Q&A**Operator**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press *, followed by 1 on your touch-tone phone. You will hear a three-toned prompt acknowledging your request, and your questions will be polled in the order they are received. If you are using a speakerphone, please lift the handset before pressing any keys.

Again, if you do have a question, please press *, followed by 1 on your touch-tone phone.

Your first question comes from Jonathan Lo, Raymond James. Jonathan, please go ahead.

Jonathan Lo — Raymond James

Hi. Thanks. Just on the Toba Montrose, the mild winter that translated to higher water flows. How does that impact future water flows when you have a mild winter?

Jay Sutton

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Well, it's really dependent—this is Jay—it's really dependent on freezing levels and rainfall throughout the summer. But I guess what we're expecting is maybe to have a slightly lower generation in Q2 because of the lower snow pack, and then back to full production in the summer as the freezing levels go up.

Jonathan Lo

Right. Okay. And on Shannon, I guess without the project financing closing—let's say it doesn't close in two weeks, is there—do you guys continue to finance it all the way till the end? Or is there some point where it could get delayed along the way if project financing doesn't close?

John Carson

Yeah. Thanks, Jonathan. There will come a point where obviously we're not going to continue to pile more in until the financing occurs. The reason that we're continuing to put money into it today is because we're comfortable that the financing's about to close, so surely if something highly unexpected happened to derail us we'd have to change our plan, but that's way away from where we are right now.

Jonathan Lo

Great. Great. That's all for me. Thanks.

Ross Beaty

Thank you.

Operator

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Thank you. Ladies and gentlemen, as a reminder, if you do have a question please press *, followed by 1 on your touch-tone phone.

Your next question comes from Mike Plaster, Salman Partners. Mike, please go ahead.

Mike Plaster — Salman Partners

Hi. Thanks very much. Just a few from me. Could you talk a little bit about the CapEx expectations at HS Orka this year just with the new production wells and some of the other work that you're doing over there?

John Carson

Yeah. Well, you saw a couple of the projects that we're working on. Number one was the pipeline, the discharge pipeline at Svartsengi; number two is the inject-take pipeline at Reykjanes; number three, which we didn't mention today, is a new hot water unit at the Svartsengi plant; and then number four is the onsite drilling. There are three holes that we're drilling this year.

One is at Reykjanes, which was RN-34, which Paul had already mentioned. The next two are makeup and growth wells at the Svartsengi plant area. Those are all of our primary capital projects at Iceland today. I don't know if we have the exact numbers for those but, Mike, why don't we send you just kind of a rough outline of those numbers after the call here today.

Mike Plaster

That would be great. Thank you. Another question I had, in your MD&A there was a line in there on the debt side sort of talked about some discussions with lenders for a new loan to fund

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some additional development. Just wondering what projects you're referring to there if you can talk about that?

John Carson

Which line are we talking about, Lynda?

Lynda Freeman

AMP, the increase in the...

John Carson

Yeah. So yeah, just a little bit of background here. Tranche C—the formal rights to tranche C expired at the end of the month of March. We're in very close contact, pretty much daily contact with AMP, our lenders. It's a great relationship there. They are very ready and willing to fund a new tranche C related to Shannon.

As you can see from Lynda's presentation, we don't need it. We have plenty of cash on hand to make our equity investment; however, it is available.

Now I mentioned a South American solar opportunity that we're working on. I also mentioned the United States wind opportunities. I'm not naming any of them yet; it's too early. However, if one of those happens to come to the fore here in the next month or two or three, it is very likely at that point that we would exercise a tranche C with AMP related to the holding company.

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AMP is working closely with us, and actually is looking at new assets alongside with us as we kind of grow together a base of good projects.

Mike Plaster

Okay. Great. And on the new project, the Tahumming River, if I'm saying that right, could you just kind of talk about how you are looking at that just in the grand spectrum of all your other pipeline and projects sort of where you would put it in terms of the time line and perhaps prioritizing it for work?

John Carson

Yeah. That one, although it's a smaller project, if you look at a generation profile of it we've already noticed that it's one-fourth the size of Jamie Creek, but it produces half the power. Under the standing offer program, provided it reaches and achieves that program, it's actually a very profitable project for us.

So even though the headline number 15 megawatt seems a little smaller, it plays above its weight. So within BC where we've seen a lot of blockage and hindrances toward some of our projects, our long-standing projects, such as the Bute project which we're waiting on, this is one that has the potential to move forward. And that's why we're excited about it; the Klahoose First Nation who is working with us is excited about it.

So yes, it's small, but it really is a good-looking attractive and profitable project that we hope to share with the Klahoose First Nation soon.

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Jay, anything else?

Jay Sutton

No. And the timing for it would probably be we'd look to do at after Jaime Creek is complete. So we put our application in to BC Hydro for the standing offer program in 2016, and then look to construct it 2017, 2018.

John Carson

So we wouldn't generate until 2018, right?

Jay Sutton

At least, correct.

John Carson

There you are, Mike.

Mike Plaster

Perfect. That helps. One more quick one, if I may, just to change subjects a little bit here. So we had the Alberta election and the new NDP government. And there's certainly been some of talk of opportunities for renewable power projects in that province. Is that something that you would look at?

Ross Beaty

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So what we're doing right now, we're looking at a lot of things, but we have the capacity to do well only a few things. And that's really the important thing here is that we manage what we have as carefully as we can.

So whenever we see an opportunity we look at the total risk profile and the total return profile, of course. Alberta has lots of pluses and minuses, and it's fair to say we've looked at a number of projects there in the past. We're not looking at any right now, but if something came along that looked good, we'd certainly jump on it. There's a lot of renewable energy potential in Alberta. It's right next door to us, and if something came forward we certainly would jump on it that looked good.

Mike Plaster

Okay. Thanks. That's it for me.

Operator

Thank you. There are no further questions at this time. Please proceed.

Ross Beaty

No further questions, no further answers. Thank you all for being part of our call today, and keep an eye on us as we grow in the balance of 2015.

Thank you very much. We'll end the call now.

Operator

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Thank you. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.

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