

1H 2012 Financial / 3Q 2012 Operating Results

9 October 2012



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Today's presenting team



Anton Evdokimov

CFO of Etalon Group
Member of the Board of
Directors

With Etalon Group since 1998



Dmitri Boulkhoukov

Head of Investments
of Etalon Group
Member of the Board of
Directors

With Etalon Group since 2007



1

1H 2012 Financial
Results

2

3Q 2012 Operating
Results

3

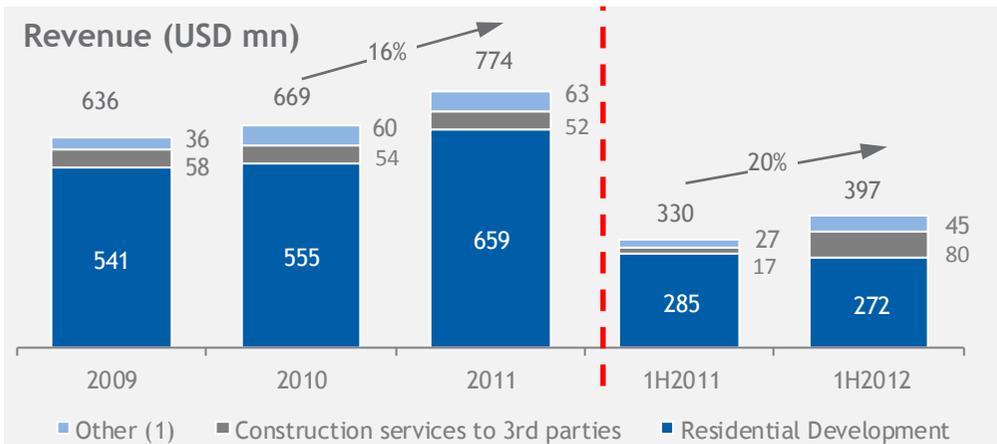
Eight Step
Programme for 2012

4

Key Takeaways

1H 2012 Financial Results

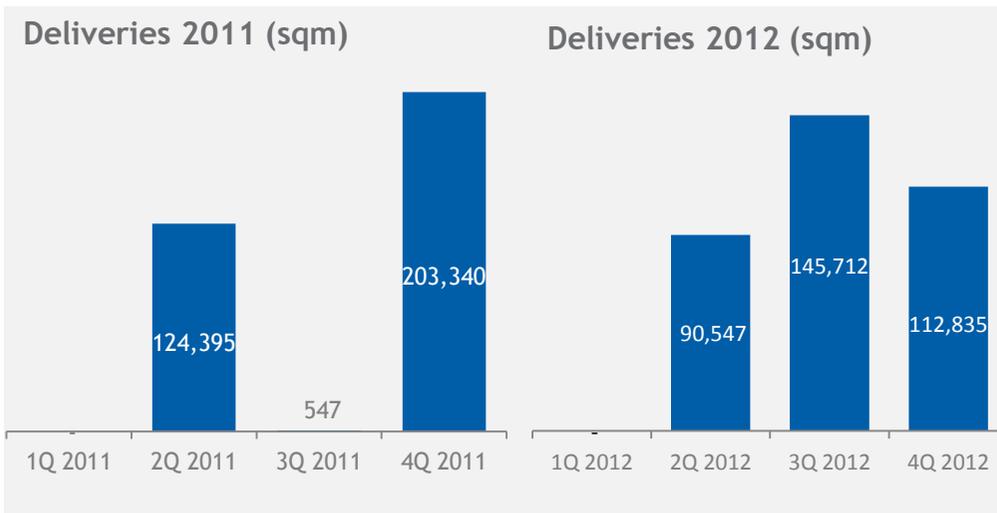
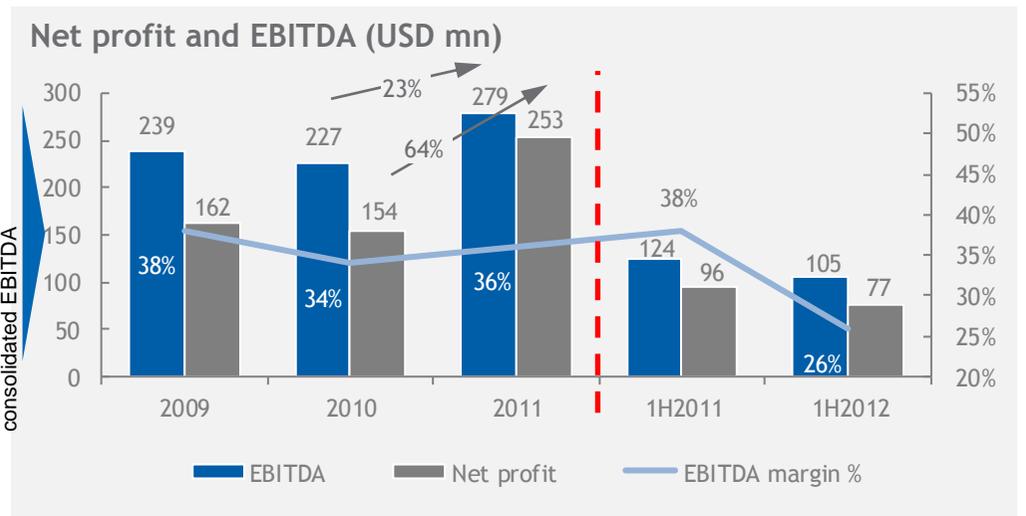
Revenue and EBITDA analysis



Source: audited consolidated IFRS accounts for 2008, 2009, 2010, 2011

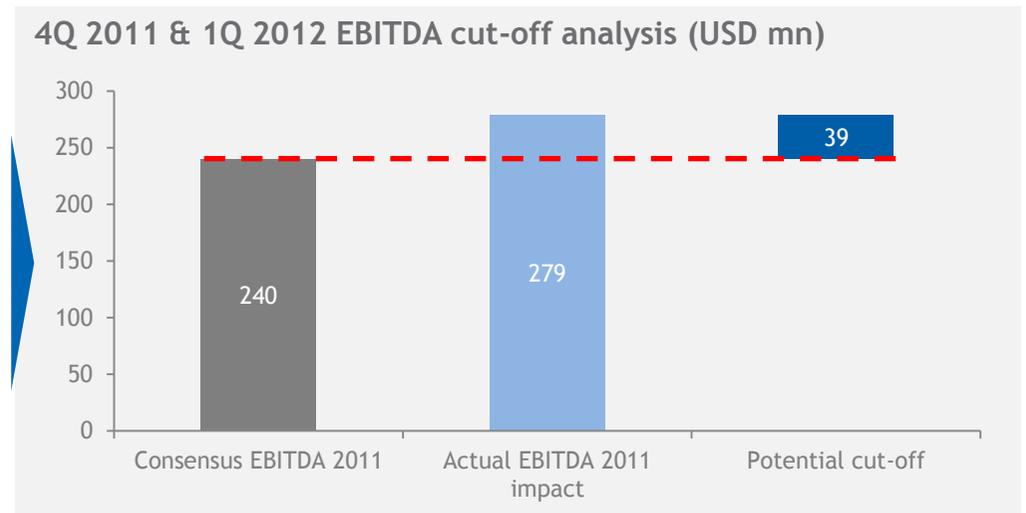
a) Increasing share of industrial construction SG&A distribution between 1H/2H not prorated, creating a dilution effect on consolidated EBITDA

b)



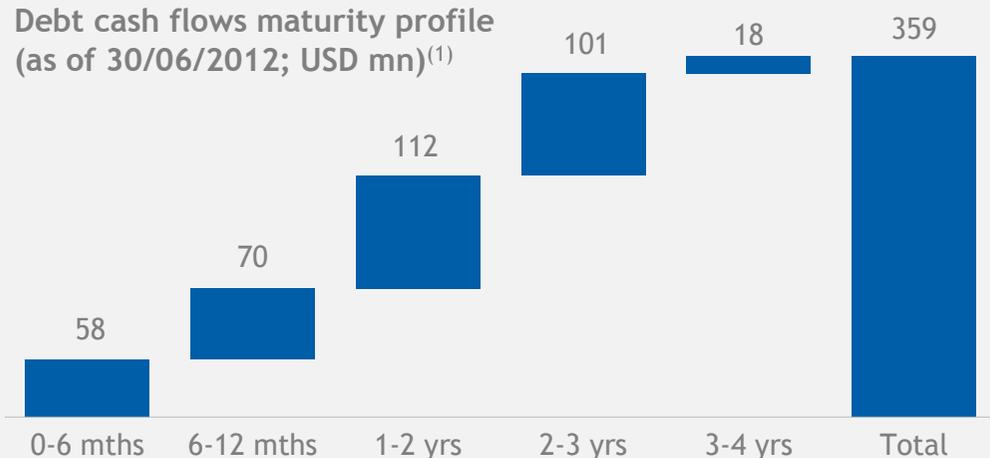
Average USD/RUB fx rate in 1H2011 28.56
 Average USD/RUB fx rate in 1H2012 30.57

(1) Includes 'Other operations' reporting segment (selling of construction materials, construction of stand-alone premises for commercial use and various services related to sale and servicing of premises) and 'Other revenues' (reflect revenues from operations not classified under any of the three reporting segments) (2) EBITDA is defined as profit (loss) for the period before interest and related income / (expenses), income tax expense, depreciation and amortization



Robust balance sheet

Debt cash flows maturity profile (as of 30/06/2012; USD mn)⁽¹⁾

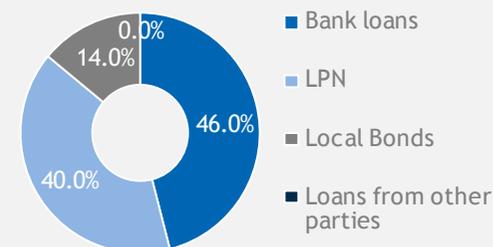


Net cash (at 30/06/2012), USD mn

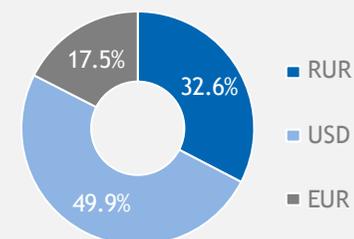


Debt composition (as of 30/06/2012)

By type of facility



By currency



Financing strategy

- Longer debt maturities (3-5 years)
- Decrease the cost of funding
- Conservative approach to leverage, less than 2.0 net debt/EBITDA

End of period USD/RUR fx rate at 30 June 2012	32.82
End of period EUR/RUR fx rate at 30 June 2012	41.32

⁽¹⁾ Includes estimated interest payments and excluding the impact of netting agreements (Note 26 of Financial Statements)

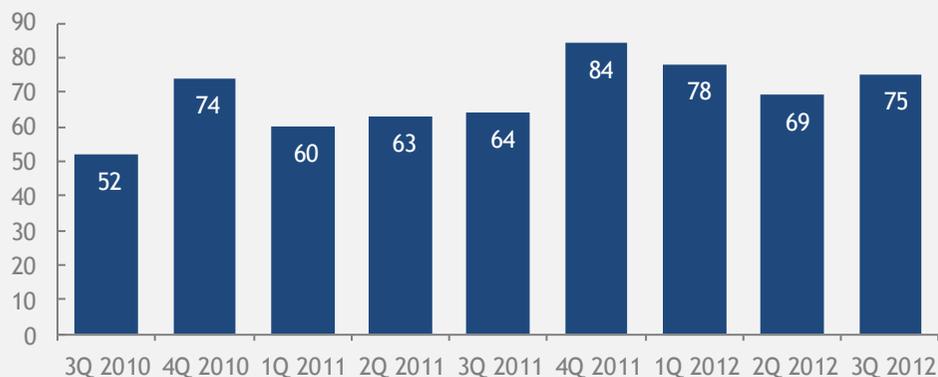
⁽²⁾ bank deposits from ST Investments line (Note 19 of Financial statements)

3Q 2012 Operating Results



Quality new contract sales dynamics, still below pre-crisis levels

New contract sales, ths sqm



Significant growth of key sales metrics

- Share of mortgage contracts reached 13% in 3Q 2011
- Average down payment was 73% (significantly above the average of 50% envisaged by the business model)
- Share of MMA* contracts in 3Q 2012 new sales was 18%

3Q 2012 operating results

	3Q 2012	3Q 2011	Change %
New Sales, sqm	75,102	63,737	18%
New sales, mnRUR	5,563	4,336	28%
Average price, RUR/sqm	74,073	68,030	9%

9M 2012 operating results

	9M 2012	9M 2011	Change, %
New Sales, sqm	221,983	185,919	19%
New sales, mnRUR	16,324	12,275	33%
Average price, RUR/sqm	73,537	66,023	11%

* Moscow metropolitan area

Jubilee Estate Completed



- One of Etalon Group's biggest and most profitable projects
- The largest completed integrated development project in St. Petersburg
- Construction launched in 2007, completed in 3Q 2012
- 602 thousand sqm of NSA
- 13 buildings and 7,671 flats capable of housing over 20,000

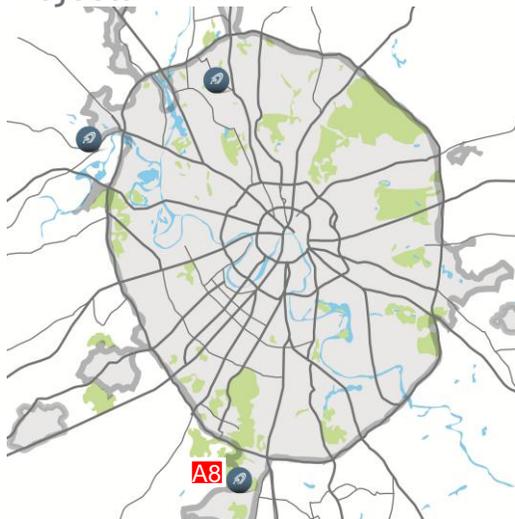
Eight step programme for 2012



2012 eight step programme & 25% growth in NCS in 2012

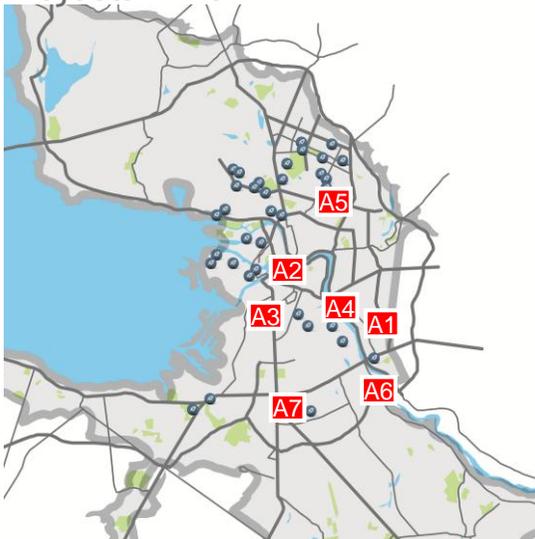
New projects scheduled for launch in 2012

Projects in MMA

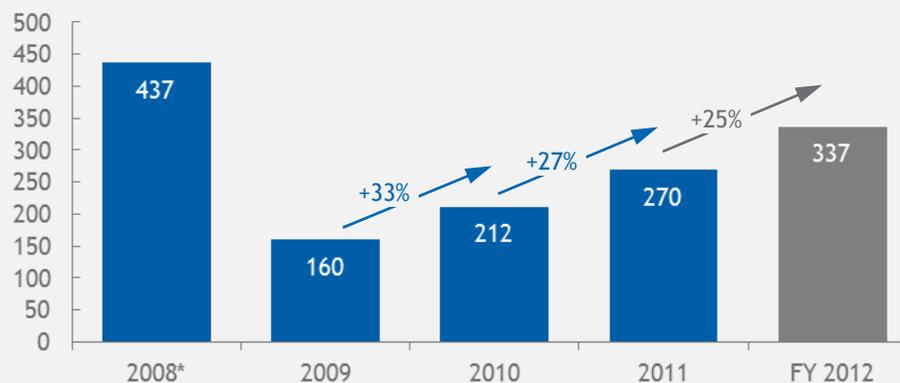


Project	NSA, ths sqm	Status
A2 Tsarskaya stolitsa	459	Expect to launch before year end
A8 Etalon-City	381	Expect to launch before year end
A1 Lastochkino gnezdo	319	Launched
A6 Rechnoy	108	Construction permit obtained, launch due 10/2012
A4 Molodejny	96	Expect to launch before year end
A7 Letniy	71	Expect to launch before year end
A3 Galant	56	Expect to launch before year end
A5 Marshala Tukhachevskogo	30	Launched
Total	1,520	

Projects in SPMA



New sales contracts, ths sqm



* Annualized new contract sales based on 1H 2012, St. Petersburg only

Key Takeaways



Key takeaways

- **Pickup in performance on contract sales**
 - New contracts sales during 3Q 2012 were 75 thousand sqm and RUB 5.6 billion, year-on-year (y-o-y) increases of 18% and 28%, respectively
 - Average prices increased 9% y-o-y to RUB 74 thousand per sqm in 3Q 2012
 - Primarily driven by units mix, where the share of 3 and 4 room units in 3Q 2011 was 31%, while it was 21% in 2012
 - Average down payment was 73% (significantly above the average of 50% envisaged by the Company's business model)
 - Share of mortgage contracts increased to 13% for 3Q 2012
 - Sales launched at Marshala Tukhachevskogo project
- **Share of MMA continued to increase**
 - Share of contracts in the Moscow Metropolitan Area ("MMA") reached 18%
- **Guidance for 25% y-o-y increase in new contract sales remains achievable, but will be defined by 4Q sales dynamics**
 - Tsar's Capital delayed, but launch still expected before year end
 - Etalon City launch may slip into 2013
 - Confirming expectation of 337 ths sqm of new contract sales for 2012
- **EBITDA required detailed cut-off, segmentation and SG&A analysis**
 - Revenue for the first half of 2012 increased 29% year-on-year (y-o-y) to RUB 12,157 million from RUB 9,412 million in 6M 2011
 - EBITDA performance for the period requires a detailed revenues cut-off analysis against 4Q 2011 to calculate adjusted y-o-y growth. Full year 2011 EBITDA was significantly above the Company's and analysts' expectations (16% above consensus), with relatively stable margins, but at the expense of 1H 2012 performance
 - Industrial construction segment's share in revenue increased to 27%, which had a natural dilution impact on consolidated EBITDA margin, driven by the traditionally modest margins of the fee-development business model
 - SG&A expenses mostly recognized as incurred, with no link to deliveries or new contract sales volumes - different from revenue recognition based on deliveries and transfers to customers
- **Strong balance sheet position to benefit from higher quality deal flow**
 - Financial position remains very strong with USD 519 million of expansion capital and USD 170 million of net cash on the balance sheet*
 - Plan to put this to work to build shareholder value - expect to complete a number of acquisitions in Moscow and St. Petersburg before the end of the year
- **Land bank sufficient until 2017**

* per unaudited management accounts as of 1 September 2012

Appendix



At a glance

Presence in rapidly growing markets

- Dominant player in “comfort class” (sweet spot between economy and business class) in Russia
- Focus on “Golden Triangle” of Moscow, Greater Moscow Area and St. Petersburg
- Leader in St. Petersburg* real estate market with c. 11% market share⁽¹⁾

Strong delivery track record

- 3.0 mln sqm commissioned since inception in 1987
- 25 years of construction & development experience

True vertical integration

- All stages of development cycle
- Large-scale multi-phase projects
- Country-wide sales network
- 40 business units with c. 4,000 people

* St Petersburg metropolitan and Moscow metropolitan areas respectively
⁽¹⁾ Average annual market share of total residential completions in the private sector (excluding individual construction) between 2000 and 2011 in St. Petersburg;
⁽²⁾ Net debt as of 31.12.2010, EBITDA for 2010; based on audited consolidated IFRS accounts of Etalon Group; ⁽³⁾ 'B' long-term & 'B' short-term corporate credit ratings of SSMO LenSpetsSMU with 'Stable' outlook (last reconfirmed on 10.01.2012);

Liquidity and credit ratings

- Secure liquidity position supported by pre-sales cash collections
- Low leverage: 0.6x Net debt / EBITDA as of 31.12.2010 ⁽²⁾, Net cash = US\$167 mln as of 31.12.2011
- Credit rating by S&P's: B/Stable/B ⁽³⁾

Rapidly expanding projects portfolio

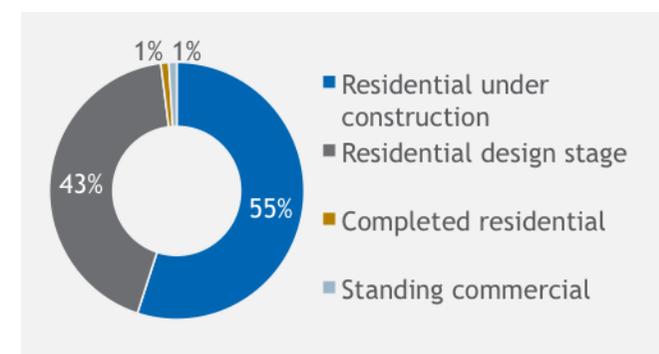
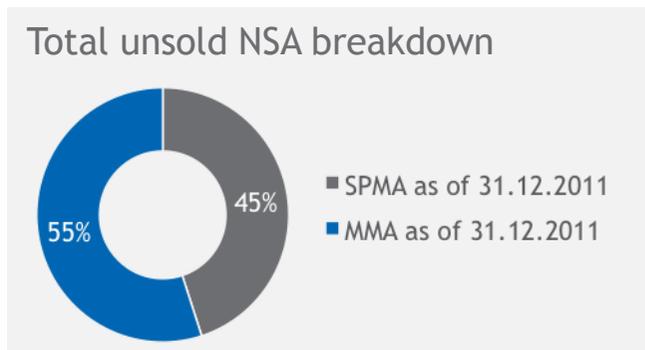
- Land bank of 3.78 mln sqm (equivalent of c. 16 Empire State Buildings)
- Land bank sufficient until 2017
- Projects portfolio focused on cash-flow generation
- Focus on comfort class segment
- Land bank secured to 2x delivery volume by 2012 and 4x by 2014

Corporate governance

- 10 BoD members, five NEDs
- Fully accomplished Board of Directors with appropriate representation of interests of all investor groups
- Quarterly trading updates and semi-annual financial reporting
- Official guidance on deliveries and new contract sales

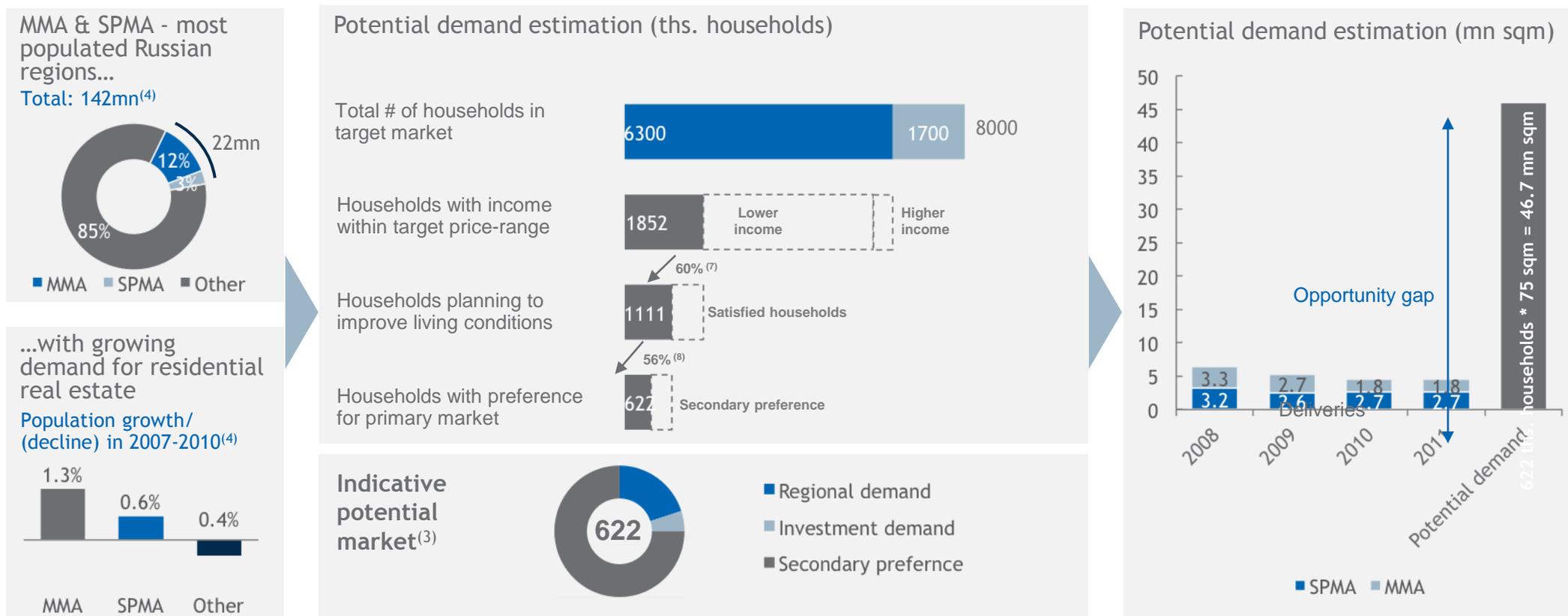
Ticker	ETLN:LI
Market capitalization	USD 1,808 mln (08.10.2012)
Share price	USD 6.13 (08.10.2012)

Portfolio composition



Multiple generations of growth opportunity

MMA and SPMA are the most attractive residential markets in Russia



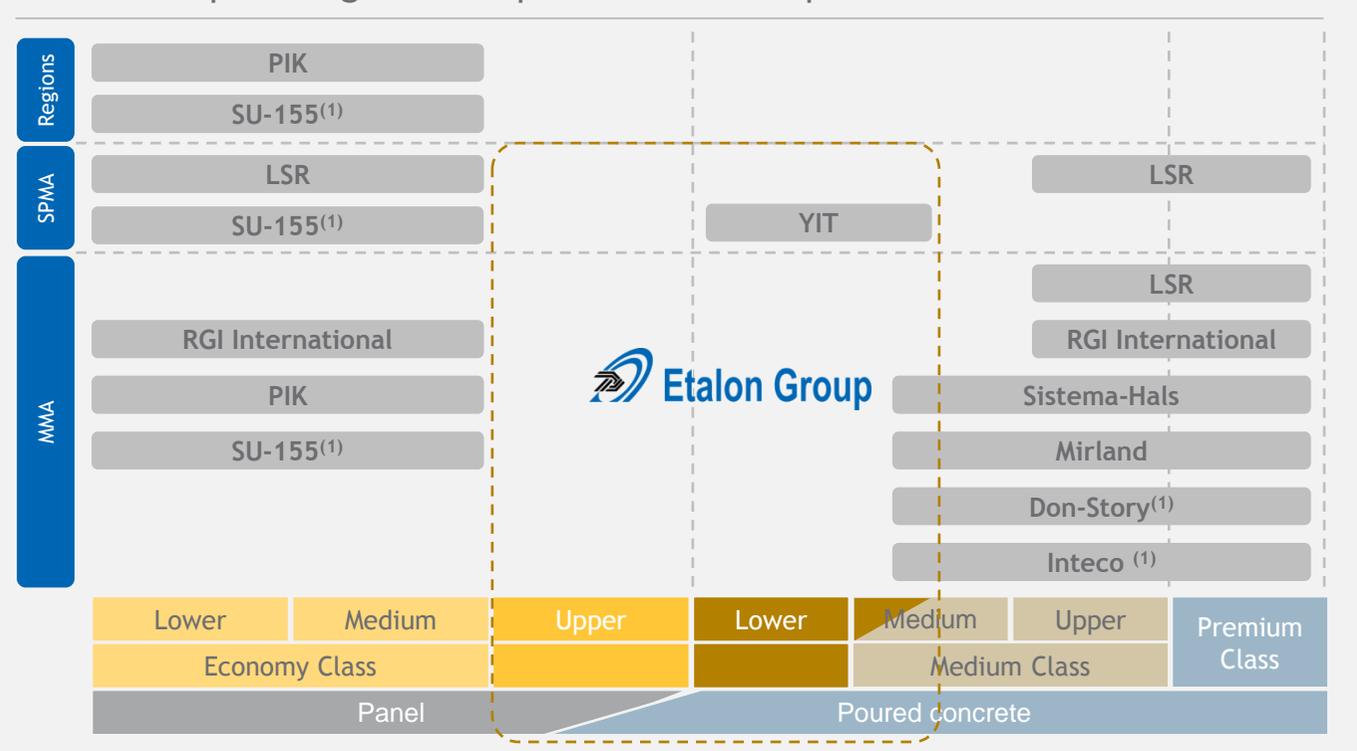
The above set of simple assumptions further supports the existence of significant unsatisfied demand for value-added housing in MMA and SPMA

⁽¹⁾Company estimates based on Rosstat's methodology and data; includes additional demand from mortgage users - share of sales with mortgage in total sales is 12%, according to MER (assuming no overlap between mortgage and instalments customers); ⁽²⁾1H2010 new supply volume of Middle Class residential properties on the primary market, according to MIAN and SPb Realty, converted from sqm into housing units, assuming that 1 flat = 85.3 sqm (average flat size in Russia in 2009, Rosstat); ⁽³⁾The demand structure shown on the pie chart is for indicative purposes; ⁽⁴⁾Rosstat data as of January 2010; ⁽⁵⁾Residential real estate commissioning, excluding individual construction; ⁽⁶⁾Calculated as residential real estate commissioning volume in 2009 (excluding individual construction) multiplied by average real estate RUR prices on the primary market in 2009 and divided by end of period official CBR RUR/US\$ exchange rate in 2010 (RUR/US\$ 30.5); ⁽⁷⁾60% of households plan to improve living conditions (source - Rosstat; Comcon, 2010); ⁽⁸⁾56% of consumers prefer primary vs. secondary residential real estate market (Source -Metinfo survey in Moscow, 1H 2010)

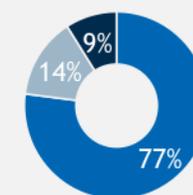
Unique price, product and market combination

Etalon Group is attractively positioned in high quality, yet affordable real estate segment

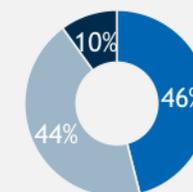
Real estate price segments of presence vs. competitors



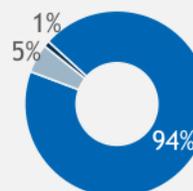
Supply structure by volume⁽²⁾
(2H 2010)



St. Petersburg
Total: 1.1mn sqm



Moscow
Total: 1.9mn sqm



Moscow Region
Total: 13.7mn sqm

■ Economy class ■ Middle class ■ Premium class

- Etalon Group is positioned in Upper Economy Class and Lower Middle Class - market segment with fewer number of competitors
- Economy Class and Middle Class price segments dominate both SPMA and MMA real estate markets, with marginal share of premium class
- Competitive pricing combined with upscale poured concrete technology is able to target a very wide universe of customers

⁽¹⁾Non-public peers

⁽²⁾Based on the total area of residential apartments available for sale on primary market at the end of 2H 2010

Nationwide sales & marketing network supports sustainable contracting

Powerful sales network across the country

Regional population actively buys apartments in Moscow and St. Petersburg



- Etalon Group sales force is focused on the regions with the **largest disposable income**
- Key markets: **SPMA and MMA**
- **30 cities covered** with 10 sales offices in St. Petersburg and 10 sales offices nationwide
- External professional marketing and sales service agents engaged nationwide

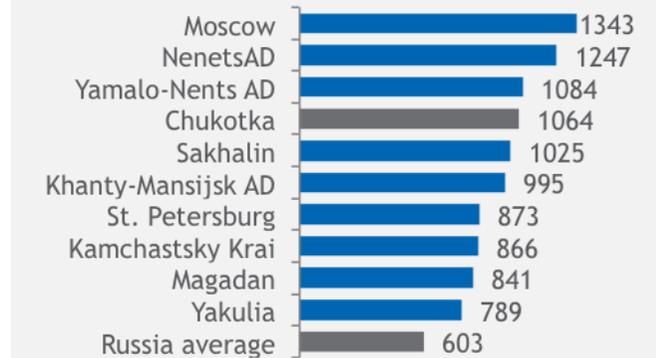
⁽¹⁾Average monthly disposable income, Rosstat data as of 3Q 2010; RUR values were converted into US\$ at official CBR average exchange rate in 3Q 2010 (30.62 RUR/US\$);
⁽²⁾Source: management accounts

Etalon Group's regional sales geography (2010)⁽²⁾

Region	Share in sales
Leningrad region	3.9%
Khanty-Mansijsk AD	3.2%
Yamalo-Nenets AD	2.0%
Kamchatsky Krai	1.9%
Sakhalin region	1.2%
Magadan region	0.9%
Yakutia	0.6%
Nenets AD	0.2%
Other Russian regions	9.9%
Foreigners	0.6%
Total:	28.5%

The Group's flats are sold in 9 out of 10 richest Russian regions

Disposable income (US\$)⁽¹⁾



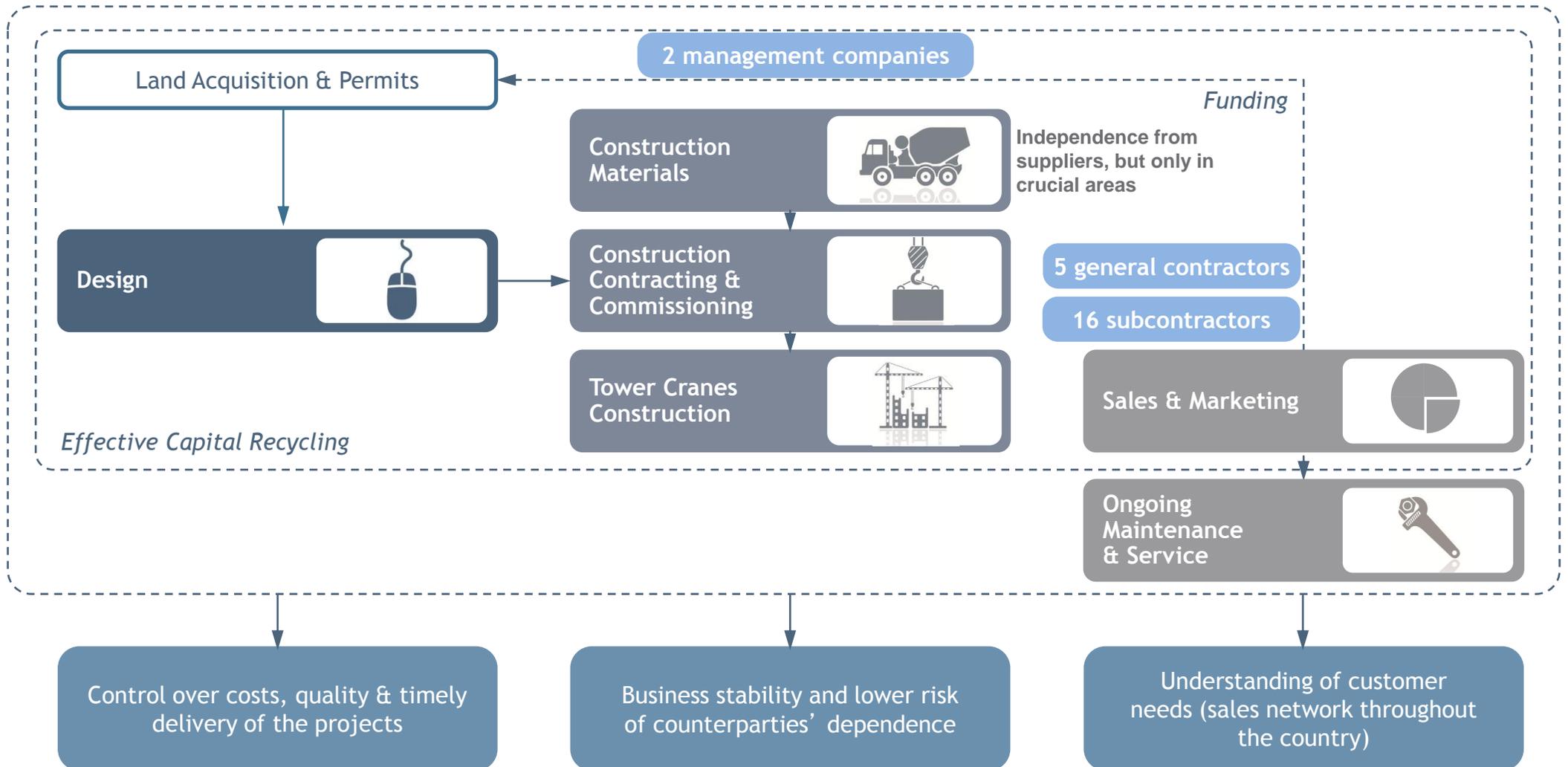
■ Etalon Group's target regions

Strategic vertical integration: control over costs, quality and timing

Etalon Group operates in every part of property development process

> 40 business units

> 4,000 people



⁽¹⁾Brick plant and concrete products plant. Own production only for "bottleneck" construction materials

⁽²⁾38 Liebherr tower cranes (of which 37 were manufactured in 2006-2008). Data as of 31.12.2010

⁽³⁾Construction to third parties

Board of Directors represents interests of all investor groups

FOUNDERS



Viacheslav Zarenkov

Chairman of the Board of Directors, Founding shareholder and President of Etalon Group

Experience and awards

- 43 years of experience in construction industry
- Honored builder of Russia⁽¹⁾

Education

- Institute of Civil Engineering and SPb University of the Internal Affairs
- PhD in Economics, PhD in Technical Sciences, PHD in Architecture, Professor



Dmitri Zarenkov

First Vice-President of Etalon Group

Experience and awards

- 16 years of experience in construction industry
- Honored builder of Russia⁽¹⁾; Certificate of Honour of the Ministry of Regional Development

Education

- Institute of Aeronautical Instrumentation, SPb University of Architecture & Civil Engineering and SPb University of Internal Affairs
- PhD in Engineering

NON-EXECUTIVE DIRECTORS



Michael John Calvey

Senior partner at Baring Vostok since 1999

Experience and awards

- Member of the board of Europlan, Volga Gas, Gallery Media Group, etc.
- Worked at EBRD, Salomon Brothers, Sovlink Corporation
- Ex-Member of the board of CTC Media, Golden Telecom, Burren Energy

Education

- University of Oklahoma and London School of Economics



Alexey Kalinin

Senior partner at Baring Vostok

Experience and awards

- With Baring Vostok since 1999
- Worked at Alfabank and Alfa Capital
- Chairman of the Board of Directors at Volga Gas, member of the board of directors at Samarenergo and two Russian glass companies

Education

- Moscow Power Engineering University
- PhD in Engineering



Martin Cocker

INED at Etalon Group

Experience and awards

- 16 years of experience in audit, 3 years - in construction industry
- Runs his own development business in Portugal
- Worked at Deloitte & Touche, KPMG and Ernst & Young in Russia, Kazakhstan and UK

Education

- University of Keele



Peter Touzeau

Client Director at International Private Equity Services (Guernsey) Limited

Experience and awards

- Director of the General Partners Boards of a number of Guernsey private equity funds
- Director of the Board of the Investment Advisor to the funds investing in Russia, board member of a number of their portfolio companies
- Worked at Sedgwick Management Services (Guernsey) Limited, Marsh Management Services (Guernsey) Ltd

Education

- Oatlands College



Anton Poriadine

INED at Etalon Group

Experience and awards

- 10 years of experience in strategy consulting at A.T. Kearney. Partner and Vice President at A.T. Kearney
- Previously project manager at Barents International Markets B.V., Corporate Development and Project Finance Director at Torno Internazionale S.p.A., deputy General Manager of St. Petersburg Foundation for Enterprise Development

Education

- St. Petersburg Technical University and Business School at the University Of Rochester

EXECUTIVE DIRECTORS



Alexander Shkuratov

Advisor to the President of Etalon Group

Experience and awards

- 6 years of experience in construction industry
- Worked at Baring Vostok, Carlyle Group, E&Y, Deloitte

Education

- Finance Academy under the Government of Russia



Anton Evdokimov

CFO of Etalon Group

Experience and awards

- 26 years of experience in construction industry
- Certificate of Honour of the Ministry of Regional Development of Russia

Education

- Leningrad Engineering Construction Institute, SPb State University and International Banking Institute, MBA



Dmitri Boukhoukov

Head of investments of Etalon Group

Experience and awards

- 6 years of experience in construction industry
- Worked at Renaissance Partners, Carlyle Group, Deloitte, E&Y

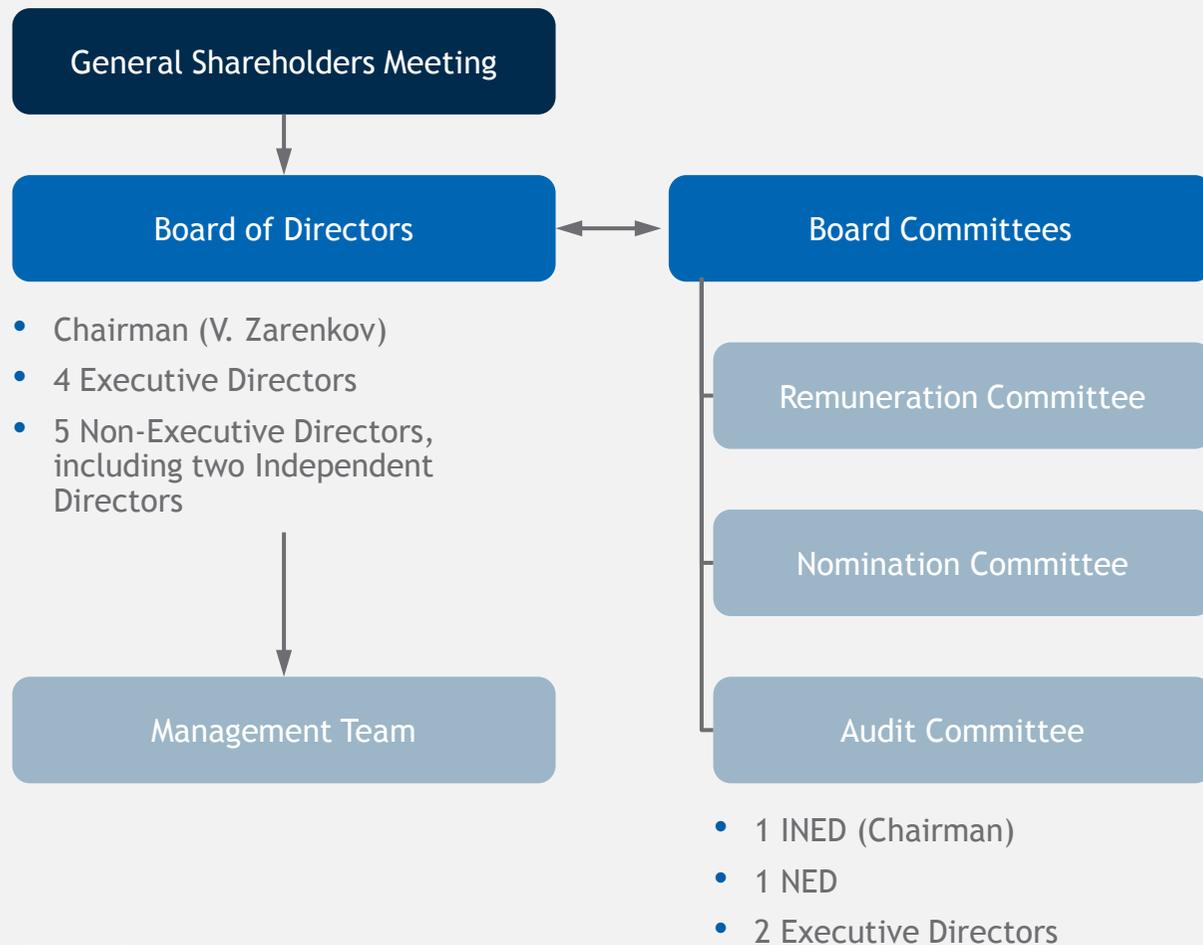
Education

- Moscow State University named after Lomonosov

⁽¹⁾ Title granted by President of Russia

Strong corporate governance and cornerstone international investor

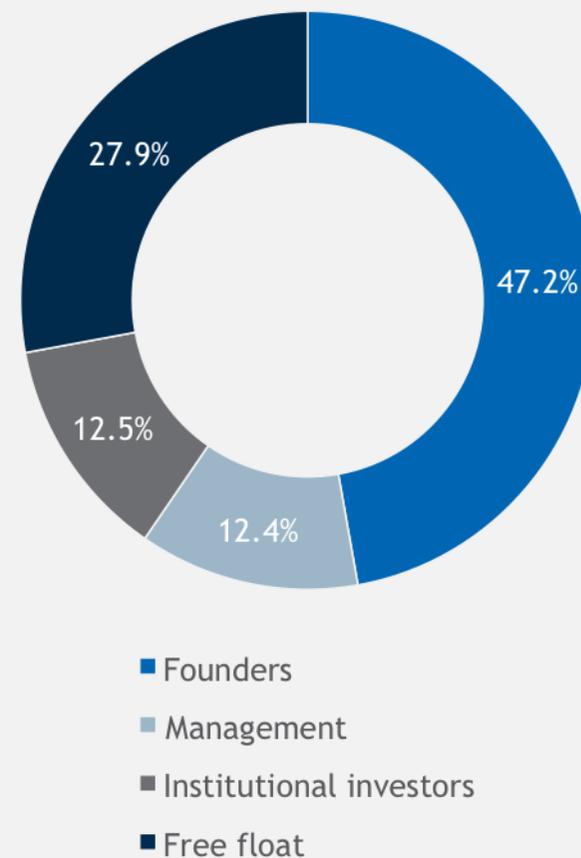
Corporate governance structure



Source: Company data

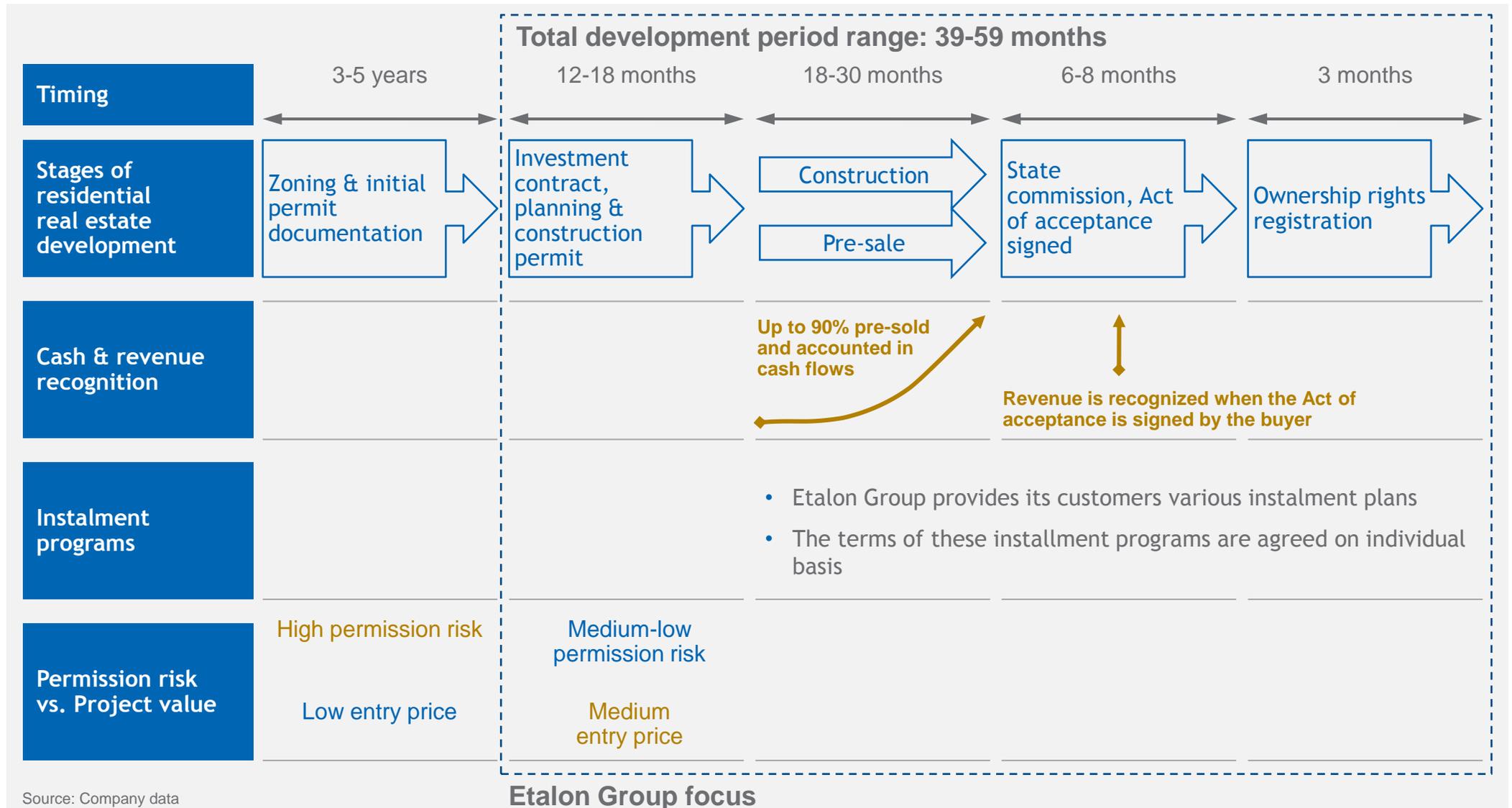
⁽¹⁾includes Baring Vostok

Current shareholding structure



As of 15 April 2011

Revenue recognition scheme



Source: Company data

Industrial construction

Description

•Etalon Group is a leader in industrial construction in the North-West region of Russia with superb track record throughout its history

Track-record

•We have contributed to 15 milestone projects

•Heat & power station, two hotels, four car assembly plants, shipyards, machinery plant, fitness and sports center etc.

Strategy

•12 projects under way

•Etalon Group plans to continue developing its industrial construction operations and maintain its share in total business

Diversification benefits

•Ability and expertise to provide quality construction services to well-known international and local companies facilitates Group's brand development

•Allows to maintain skilled work force during market downturn

Selected industrial projects completed by Etalon Group

Toyota



Poling and gridding

Ford



Design & construction (increase of production capacities)

GM



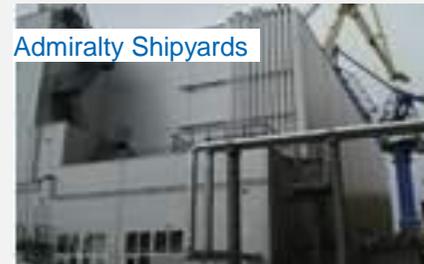
Poling & road infrastructure construction

Nissan



Infrastructure & site for the finished good

Admiralty Shipyards



Construction of workshop & transportation utilities

Pulkovo customs



Full construction cycle

Satellite Antennas Production Plant



Turn-key project, which involved design and construction of an industrial building

North-West Heat & Power Station



Foundation construction for a cooling tower and main building

Almazov Medical Complex



Renovation of the existing building and building up two additional floors

Income statement

Mn USD	2009	2010	2011	1H 2011	1H 2012
Revenue	635.6	668.7	773.8	329.6	397.7
Cost of sales	(347.0)	(364.6)	(404.5)	(166.4)	(255.1)
Gross profit	288.6	304.1	369.3	163.1	142.6
General and administrative expenses	(45.3)	(67.4)	(79.2)	(35.7)	(39.1)
Selling expenses	(4.1)	(19.4)	(29.1)	(11.8)	(12.7)
Other expenses, net	(6.2)	(5.8)	(0.9)	1.3	(0.9)
Results from operating activities	233.0	211.5	260.1	116.9	89.9
Finance income	7.1	9.3	49.0	8.2	12.0
Finance costs	(33.0)	(22.0)	(2.0)	(0.7)	(3.1)
Net finance costs	(25.9)	(12.6)	47.0	7.5	8.9
Share of profit of equity accounted investees (net of income tax)	0.1	0.0	0.0	0.0	0.0
Profit before income tax	207.1	198.9	307.1	124.5	98.8
Income tax expense	(45.1)	(44.6)	(53.9)	(28.2)	(21.3)
Profit for the period	162.0	154.3	253.1	96.3	77.5
<i>Profit attributable to:</i>					
Owners of the Company	155.4	152.3	249.5	95.3	76.6
Non controlling interest	6.6	1.9	3.7	1.0	0.9
Profit for the period	162.0	154.3	253.1	96.3	77.5

Source: audited consolidated IFRS accounts for 2009, 2010, 2011 and condensed consolidated IFRS accounts for 6M 2012

Balance sheet

Mn USD	2009	2010	2011	30/06/2012
Assets				
Non-current assets				
PP&E	55.0	54.5	62.4	65.6
Other long-term investments	1.1	1.3	2.7	1.5
Trade and other receivables	26.7	26.7	17.1	14.4
Deferred tax assets	36.9	8.6	21.1	16.3
Other non-current assets	0.1	1.1	2.9	0.3
Total non-current assets	119.7	95.1	106.2	98.0
Current assets				
Inventories	883.5	841.6	995.2	1,054.6
Trade and other receivables	128.2	130.1	232.1	249.8
Short-term investments	0.9	11.2	41.2	92.4
Cash and cash equivalents	113.0	119.3	449.8	404.5
Other current assets	0.8	1.9	1.1	0.4
Total current assets	1,126.4	1,104.0	1,719.4	1,801.8
Total assets	1,246.1	1,199.1	1,825.6	1,899.8

Mn USD	2009	2010	2011	30/06/2012
Equity and Liabilities				
Equity				
Share capital	64.6	64.0	465.2	456.0
Retained earnings	176.1	333.2	549.8	609.7
Total equity attributable to equity holders of the Company	240.6	397.3	1,015.0	1,065.7
Non-controlling interest	25.6	15.1	11.6	13.3
Total equity	266.2	412.3	1,026.6	1,079.0
Non-current liabilities				
Long-term debt	85.1	219.9	262.6	227.5
Long-term trade and other payables	12.6	8.6	1.5	0.9
Provision	2.7	2.7	2.4	1.9
Deferred tax liabilities	27.8	1.3	3.0	8.3
Total non-current liabilities	128.2	232.4	269.5	238.5
Current liabilities				
Loans and borrowings	108.2	46.7	60.6	102.8
Trade and other payables	679.8	468.6	420.5	443.9
Provisions	63.6	39.0	48.4	35.5
Total current liabilities	851.6	554.4	529.5	582.3
Total equity and liabilities	1,246.1	1,199.1	1,825.6	1,899.8

Source: audited consolidated IFRS accounts for 2009, 2010, 2011 and condensed consolidated IFRS accounts for 6M 2012

Cashflow statement

Mn USD	2009	2010	2011	1H 2011	1H 2012
Operating Activities					
Profit for the period	162.0	154.3	253.1	96.3	77.5
<i>Adjustments for</i>					
Depreciation and amortisation	6.5	9.4	9.0	4.4	6.8
(Gain)/loss on disposal of PP&E	(2.0)	(0.0)	(3.1)	(2.1)	(0.9)
Loss on disposal of subsidiaries	0	0.2	0.0	0.0	0.0
Share of profit on equity accounted investees	(0.1)	0.0	0.0	0.0	0.0
Gain/(loss) on disposal of other investments	0.0	0.0	(0.8)	(0.8)	0.0
Finance cost, net	24.3	16.1	(48.5)	(7.4)	(7.8)
Impairment losses on loans given	2.4	0.0	0.0	0.0	0.0
Income tax expense	45.1	44.6	53.9	28.2	21.3
Cash from operating activities before changes in working capital	238.2	224.6	263.7	118.6	96.9
Change in inventories	81.6	50.0	(180.6)	(62.0)	(68.1)
Change in accounts receivable	(26.0)	(6.6)	(98.4)	(32.0)	(13.1)
Change in accounts payable	(196.2)	(219.2)	(27.8)	(15.3)	46.9
Change in provisions	13.2	(24.2)	12.5	(5.3)	(13.4)
Change in other current assets	(0.5)	(1.1)	0.8	1.0	0.7
Income tax paid	(15.9)	(35.6)	(64.5)	(48.0)	(30.6)
Interest paid	(26.0)	(26.8)	(37.4)	(19.2)	(15.6)
Net cash provided by operating activities	68.6	(39.0)	(131.8)	(62.2)	3.7

Mn USD	2009	2010	2011	1H 2011	1H 2012
Investing Activities					
Proceeds from disposal of non-current assets	3.4	1.0	4.0	3.4	1.3
Interest received	6.3	3.1	4.8	2.4	8.2
Acquisition of PP&E	(7.0)	(10.8)	(24.7)	(6.7)	(9.7)
Loans given	(8.4)	(3.5)	(8.6)	(2.1)	(0.4)
Loans repaid	0.2	2.0	8.0	1.9	0.8
Acquisition of subsidiaries, net of cash acquired	0.5	0.3	0.0	0.0	0.0
Disposal of subsidiaries, net of cash disposed of	0.0	(1.2)	(0.6)	0.0	0.0
Acquisition of other investments	0.0	(9.1)	(34.9)	(17.3)	(54.9)
Net cash used in investing activities	(4.9)	(18.3)	(52.1)	(18.4)	(54.7)
Financing activities:					
Proceeds from IPO	0.0	0.0	458.9	472.2	0.0
Proceeds from issue of share capital	0.0	0.0	0.0	0.0	0.0
Acquisition of non-controlling interest	0.0	(3.2)	(0.1)	0.0	0.0
Proceeds from disposal of non-controlling interest	0.0	0.0	0.8	0.8	0.0
Proceeds from borrowings	272.2	355.3	216.2	79.8	90.6
Repayments from borrowings	(303.4)	(283.7)	(164.0)	(27.2)	(80.1)
Acquisition of own shares	0.0	0.0	(15.6)	0.0	(0.4)
Dividends paid	(1.0)	(1.3)	0.0	0.0	0.0
Net cash (used in) from financing activities	(32.1)	67.1	496.1	525.6	10.1
Net increase in cash and cash equivalents	31.6	9.9	312.2	445.0	(40.9)
Cash & cash equivalents at the end of the period	107.5	119.7	492.8	565.2	434.2

Source: audited consolidated IFRS accounts for 2009, 2010, 2011 and condensed consolidated IFRS accounts for 6M 2012

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