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## **UNITED ENERGY GROUP LIMITED**

**聯合能源集團有限公司\***

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 467)**

### **VOLUNTARY ANNOUNCEMENT BUSINESS UPDATE**

This is a voluntary announcement made by United Energy Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”) in relation to certain update on our business and operations with the objective of informing our shareholders and potential investors of the Group’s operational progress and performance.

For purposes of equal, effective and timely dissemination of information to shareholders and the investor community, the presentation entitled “United Energy Group Limited Corporate Presentation” is attached to this announcement, and a copy of this announcement will be available on the Company’s website at <https://www.uegl.com.hk/>.

Shareholders and potential investors of the securities of the Company should note that the information in this voluntary announcement and the presentation attached hereto is subject to the qualifications, limitations and assumptions set forth in the attached presentation, including on the page entitled “Disclaimer.”

In particular, this voluntary announcement and the presentation attached hereto contain forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements merely reflect our current view with respect to future events and are not a guarantee of future performance. Our financial condition may differ materially from the information contained in the forward-looking statements due to a number of factors, many of which are beyond our control. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this announcement or the attached presentation, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this announcement or the attached presentation might not occur in the way we expect, or at all. Accordingly, shareholders and potential investors of the securities of the Company should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this announcement and the attached presentation are qualified by reference to this cautionary statement.

In addition, any expected operational or financial results for any period subsequent to 31 December 2019 discussed in this announcement or the attached presentation are based on preliminary information available to the Company. Actual results could differ materially from such expectations. This information reflects management’s current views and may change as a result of management’s review of results and other factors, including a wide variety of business, economic and competitive risks and uncertainties. Shareholders and potential investors of the securities of the Company should exercise caution in relying on this information and should not draw any inferences from this information regarding financial or operating data not yet provided or available. This preliminary information is subject to the preparation of the unaudited condensed consolidated financial statements as of and for the six months ended 30 June 2020.

*\* For identification purposes only*

By Order of the Board  
**United Energy Group Limited**  
**Zhang Hong Wei**  
*Chairman*

Hong Kong, 3rd July 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Zhang Hong Wei (Chairman) and Ms. Zhang Meiyang; and the independent non-executive directors are Mr. Chau Siu Wai, Mr. San Fung and Ms. Wang Ying*



# United Energy Group Limited

Corporate Presentation, 3rd July 2020



**UEG** 联合能源

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# Table of contents

**I. Introduction to UEG**

**II. Asset overview**

**III. Financial overview**

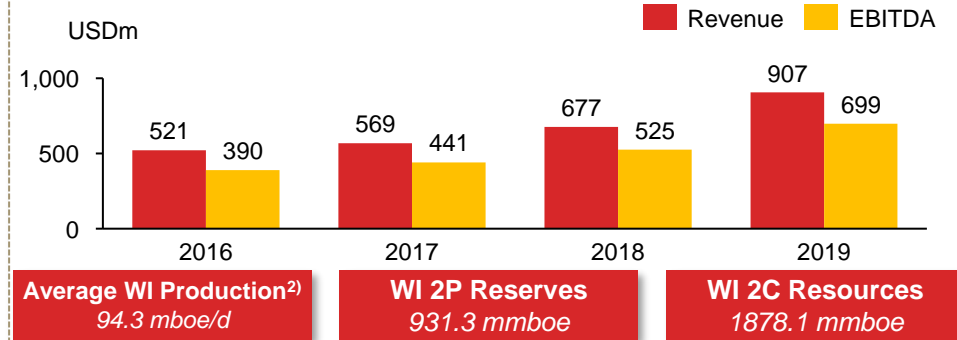
# Introduction to UEG

## Independent upstream O&G company

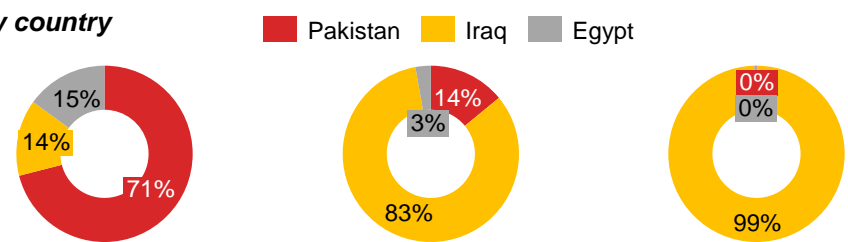
- Onshore Oil & Gas producer listed in Hong Kong (467.HK) since 1992
  - Market Cap of ~USD 4.8bn<sup>1)</sup>, net debt of ~USD 170m as of 31 December 2019
  - Owned 71.4% by Zhang Hong Wei
- Headquartered in Beijing and Hong Kong, with operational offices in Dubai, Pakistan, Iraq and Egypt
  - ~1,900 full-time employees
  - Proven organization having achieved significant operational improvements
- Pakistan is the historical core operation of the Company
  - Acquired from BP for USD 775m in 2011
  - Largest foreign independent gas producer in Pakistan, average WI production > 66,500 boe/d
- Entered MENA in 2019 through acquisition of Kuwait Energy
  - Acquired for USD 915m Enterprise Value
  - Average WI production of ~27.8 mboe/d as of 31 December 2019<sup>2)</sup>
  - Block 9 development in Iraq key future focus for the Company

## Key metrics - 2019

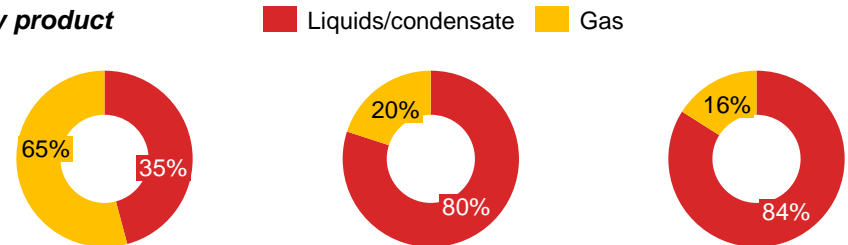
### KEY FINANCIALS



### By country



### By product



Sources: Company information

Notes: 1) As of 26<sup>th</sup> June 2020 (HKD 12.1bn, HKD/USD 0.13); 2) Average for KEC assets since acquisition



# Key highlights of the business

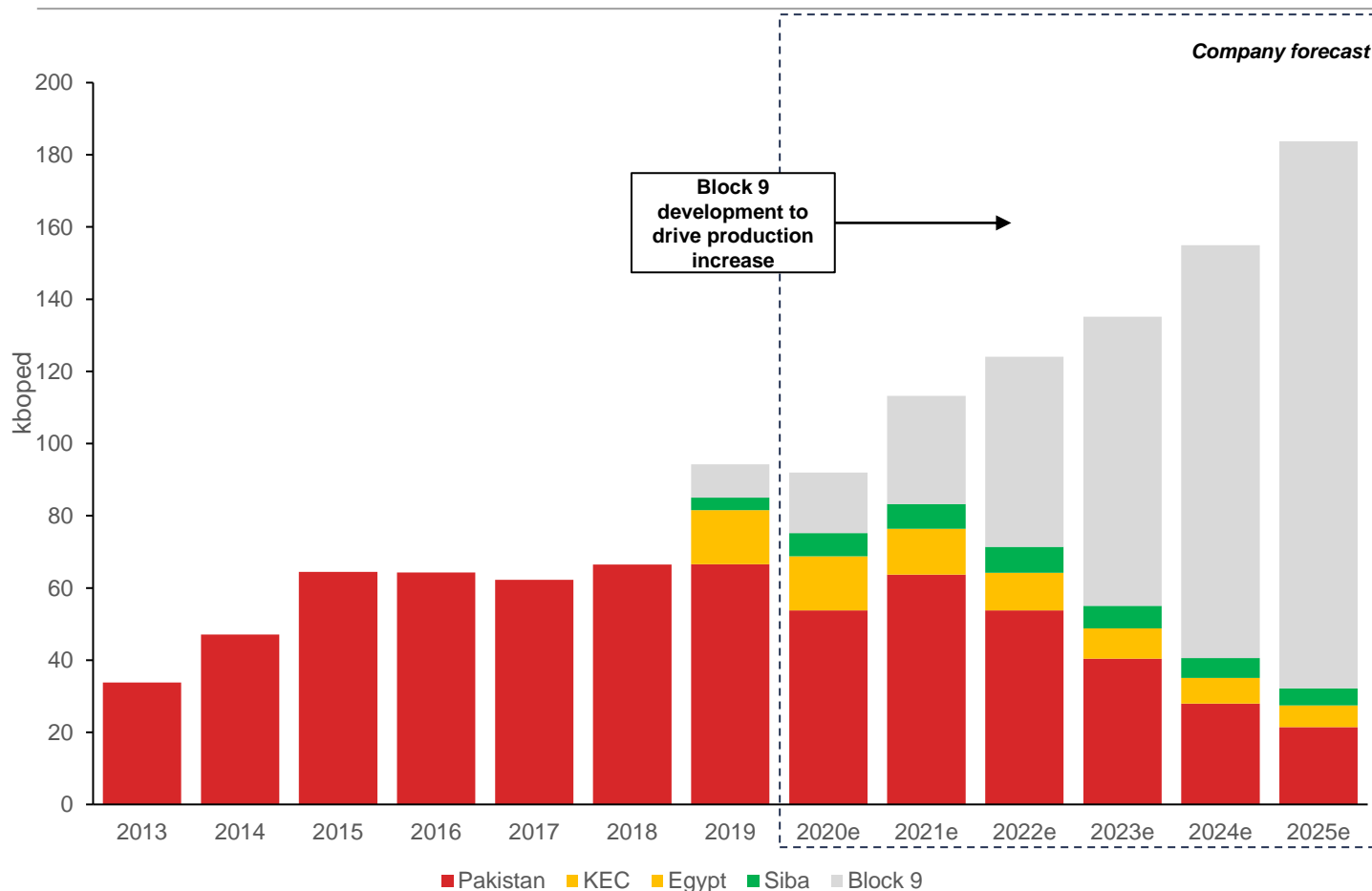


- I** *Leading independent emerging market E&P group*
- II** *Attractive gas market fundamentals in Pakistan with limited exposure to oil price volatility*
- III** *Proven track record of delivering growth*
- IV** *Strong financial performance with competitive cost structure driving superior margins*
- V** *Prudent financial policy & solid balance sheet*
- VI** *Experienced management team with strong corporate governance standards*



# Solid base of producing assets with significant growth anticipated

Production profile by country (working interest)



## Comments

- Company has made several acquisitions accretive to both overall reserves and production in Pakistan
  - Increasing output from acquired assets through investment programmes covering extensive seismic acquisition and drilling campaigns
- Significant growth expected from Block 9 in Iraq with substantial development programme
  - FDP for Siba and Phase I of Faihaa submitted and endorsed
- Temporary decrease in production rate in Pakistan, due to delayed drilling as a result of Covid-19

# Table of contents

## I. Introduction to UEG

## II. Asset overview

- i. Pakistan assets*
- ii. Iraq assets
- iii. Egypt assets

## III. Financial overview



# Introduction to Pakistan operations

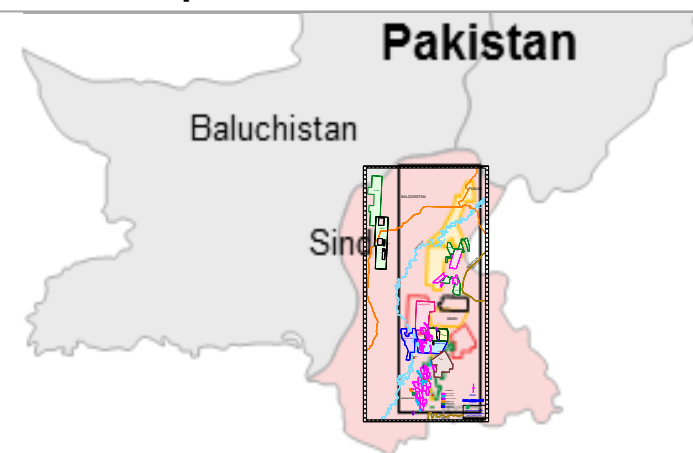
## Overview

- Entered Pakistan in 2011 with USD 775m acquisition of BP's country operations
- Subsequently acquired additional assets from AROL and OMV in 2017 and 2018
- Largest foreign company in Pakistan by remaining commercial reserves and largest foreign investor in E&P sector (USD 3.7bn)
- Average gross production ~97.9 mboe/d in 2019, the largest foreign oil and gas producer in Pakistan
- Low cost structure - 100% local staff, efficient Chinese supply chain
  - Very low lifting costs, ~ USD 0.60/mmtbu (USD 3.5/boe)
- Favourable off-take terms, with gas prices largely de-linked from oil prices
  - All gas production is sold to government controlled entities
  - 90% of payments made in USD to offshore account in Hong Kong
  - Condenstate is exported and currently sold to Trafigura

## Key assets<sup>1)</sup>

| Block               | WI      | WI Reserves (YE-19) |              | WI Production  |
|---------------------|---------|---------------------|--------------|----------------|
|                     |         | 1P                  | 2P           | 2019           |
|                     |         | <i>mmboe</i>        | <i>mmboe</i> | <i>mboe/d</i>  |
| <b>Badin</b>        | 51-100% | 17.6                | 28.5         | ~11,448        |
| <b>MKK</b>          | 75%     | 50.1                | 70.4         | ~46,251        |
| <b>OMV assets</b>   | 18-59%  | 12.2                | 24.8         | ~7,011         |
| <b>Gambat South</b> | 10%     | 5.3                 | 6.9          | ~1,277         |
| <b>Digri</b>        | 75%     | -                   | 0.2          | ~568           |
| <b>Total</b>        |         | <b>95.3</b>         | <b>130.9</b> | <b>~66,555</b> |

## Location map



# MKK blocks overview

**Backbone of Pakistan assets with the majority of gas production**

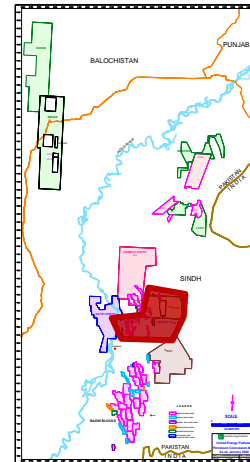
## Asset description

- Previously operated by Orient Petroleum and British Petroleum
- Producing since the early 2000s; BP acquired the asset in 2008-09
- The activities in MKK were fairly limited (compared to Badin) till UEP took over the asset
- UEP started with the largest ever onshore 3D seismic campaign in Pakistan, mapping a number of prospects in MKK, which were subsequently drilled and developed
- As a result the current Gross Production of MKK is over 18 times higher than the last operational day of BP (Sep 15, 2011)
- Average gross Production from MKK in Dec 2019 was ~ 61.3 mboe/d (46 mboe/d WI)



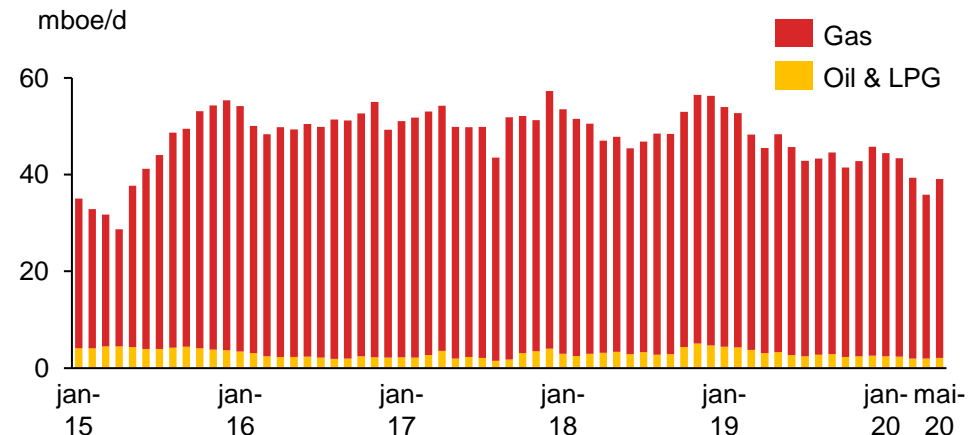
Source: Company information  
Note: 1) Per 31 December 2019

## Field facts



- License: Mirpur Khas, Khirpo
- Partners: Mirpur Khas (GHPL 25%), Khipro (GHPL 25%)
- Discovered: 2002
- Production start: 2003
- Producing wells<sup>1)</sup>: 50
- 1P reserves (WI): 50.1 mmboe
- 2P reserves (WI): 70.4 mmboe
- EUR (WI): 237.2 mmboe

## Field production (WI)



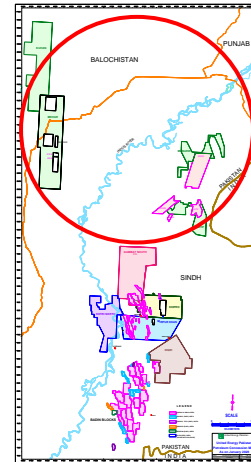


# Ex-OMV assets overview

## Asset description

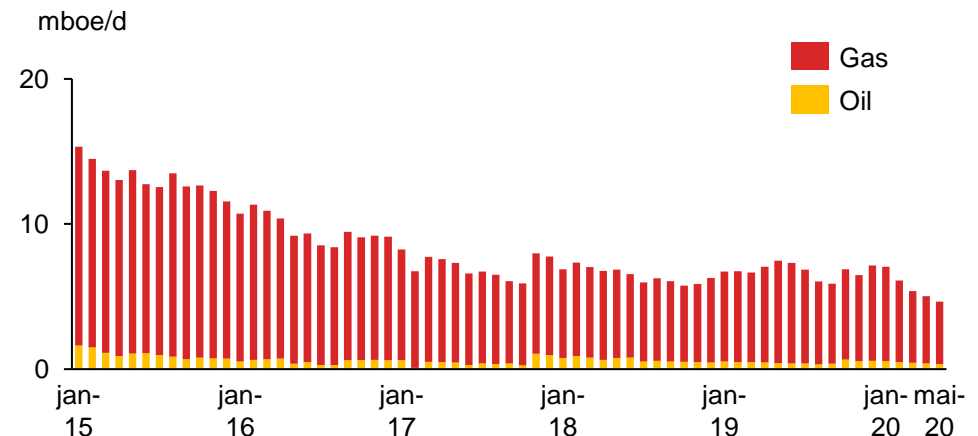
- Assets located in the prolific Middle Indus Basin and Kirthar Fold Belt
  - Three main fields in the Middle Indus Basin including, Miano (discovered in 1993), Sawan (discovered in 1997) and Latif (discovered in 2007)
  - Two fields in Kirthar Fold Belt including Mehar (discovered in 2008) and Sofiya (discovered in 2013)
  - All fields producing. In addition to the above, there are some small satellite fields including Tajjal and Mitha
- Partners include ENI, PPL, OGDCL, GHPL, OPL and ZPCL
- All fields discovered by OMV except for Mehar field. OMV acquired Mehar field and block from Petronas in 2011 and made a discovery Sofiya
- UEP's working interest in the fields ranges from 17.7% (Miano) to 59.2% (Mehar and Sofiya)
- The UEP A&B fields come with operated gas plants with a capacity of over 700 mmscfd whereas the gross gas production is about 130 mmscfd
  - This surplus capacity provides UEP an opportunity to carry out Infrastructure led exploration where even small satellite fields can be easily and economically put on production
- UEP is actively exploring in UEP A&B, especially focused on some high-impact exploration prospects in Kirthar fold belt
- Apart from Exploration, the UEP A&B assets offer significant tight gas resources. Gross Tight Gas Resources (GIIP) in Miano is estimated to be >3.6 TCF, categorized as Miano Hot Sands
  - UEP has plans to exploit Miano hot sands in the near future

## Field facts



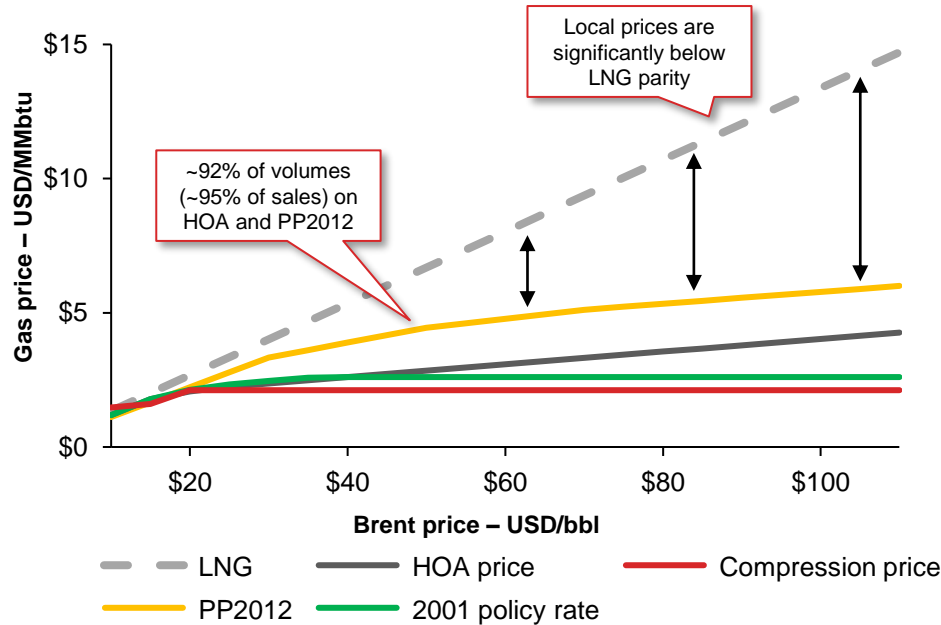
- Producing wells<sup>1)</sup>: 36
- 1P reserves (WI): 12.2 mmboe
- 2P reserves (WI): 24.8 mmboe
- EUR (WI): 125.9 mmboe
- Partners: ENI, PPL, OGDCL, GHPL, OPL and ZPCL

## Field production (WI)

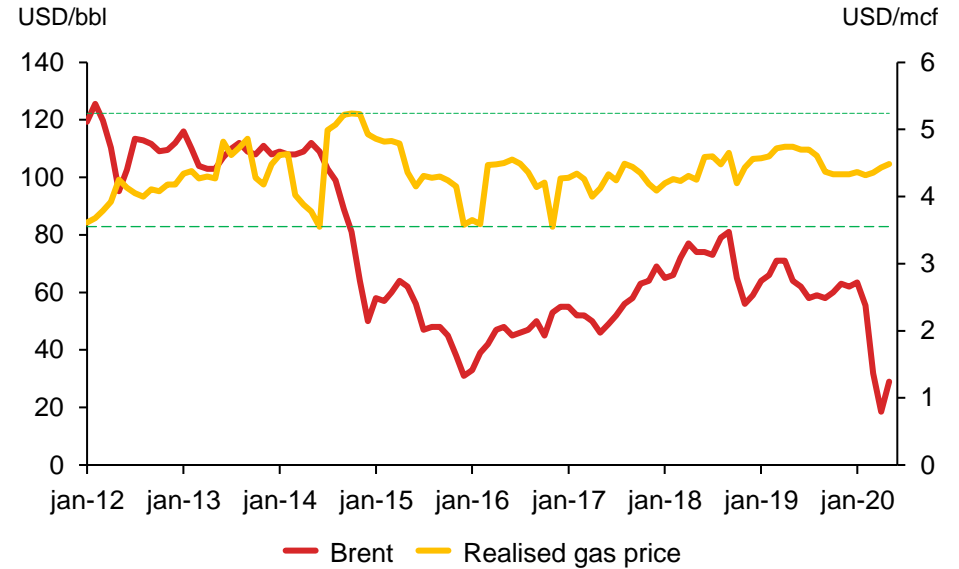


# Pakistan gas off-take structures provide cash flow stability

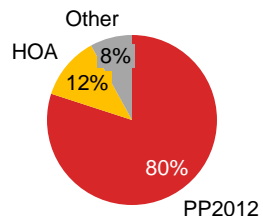
## Pakistan gas price regimes



## Realised price for Pakistan gas sales vs. Brent<sup>1)</sup>



### Net gas volumes by policy price



- MKK Gas Sales Agreement runs through July 2021 and can be extended
- Badin Gas is sold under Badin GSA/Heads of Agreement («HOA»), and is perpetual
- Pricing policies have floors and ceilings, HOA and 2012 pricing policy account for ~95% of UEG Pakistan gas sales (~92% of volume)
- Most important offtaker is Sui Southern Gas Company Ltd. («SSGCL»), the national Gas Distribution Company of Pakistan
  - ~70% owned by the Government of Pakistan
  - Distribution activities cover more than 1,200 towns

Source: Company information

Notes: 1) Between 2012 and May 2020 the Company's volume-weighted realised gas prices were within a pricing band of USD 3.6/mscf and USD 5.2 /mscf, against average lifting costs of USD 0.6/mscf





# Table of contents

## I. Introduction to UEG

## II. Asset overview

- i. Pakistan assets
- ii. *Iraq assets***
- iii. Egypt assets

## III. Financial overview





# Iraq portfolio summary

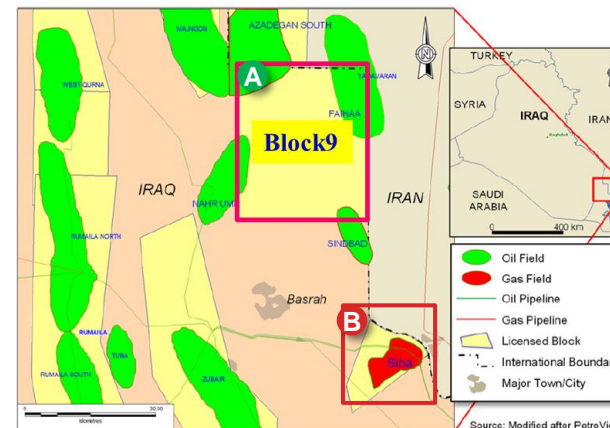
## Country introduction

- Iraq produces ~4.5 mmbbl/d and is the world's 4<sup>th</sup> largest oil producer
  - Just a fraction of Iraq's known fields are in development, and Iraq may be one of the few places left where vast reserves, proven and unknown, have barely been exploited
- Block 9 and Siba located in Basra province in Southern Iraq, awarded in the 2011 and 2012 licensing rounds
- Region proven by large IOCs: BP, ExxonMobil, Eni, Lukoil and Total are all present
  - NOCs also present with CNPC, Sinopec, CNOOC, Petronas, Pertamina, Gazpromneft, TPAO and Sonangol
- Service contracts with state-owned Basra Oil Company (BOC)
  - Cost recovery and Service fee received in barrels and sold to international market, with payments going to offshore USD accounts

## 2P reserves and production (working interest)

| Asset            | WI % | Operator Partners |                         | WI Reserves (YE-19) |            |            | WI Production      |             |
|------------------|------|-------------------|-------------------------|---------------------|------------|------------|--------------------|-------------|
|                  |      |                   |                         | Oil                 | Gas        | Total      | 2019 <sup>1)</sup> |             |
|                  |      |                   |                         | mmbbl               | bscf       | mmboe      | mboed              |             |
| <b>A Block 9</b> | 60.0 | KEC               | Dragon Oil & EGPC       | 1P                  | 446        | 321        | 500                | 9.8         |
|                  |      |                   |                         | 2P                  | 679        | 436        | 752                |             |
| <b>B Siba</b>    | 30.0 | KEC               | TPAO, EGPC & Missan Oil | 1P                  | 8          | 49         | 16                 | 3.5         |
|                  |      |                   |                         | 2P                  | 11         | 67         | 22                 |             |
| <b>Total</b>     |      |                   |                         | 1P                  | <b>454</b> | <b>370</b> | <b>516</b>         | <b>13.3</b> |
|                  |      |                   |                         | 2P                  | <b>690</b> | <b>504</b> | <b>774</b>         |             |

## Location map



# UEG Iraq: Focus and operational strategy

## Ramping up production

- UEG has taken over Block 9 and Siba since March 21, 2019
- Block 9 and Siba are close to the Iran border, approximately 50 km northeast and 30 km southeast of Basra city, respectively
- UEG has total ~460 staff in both Block 9 and Siba; ~180 foreign and ~280 local Iraqi staff
- Service providers include bluechip counterparties such as Schlumberger and Baker Hughes
- Significant growth ahead, with potential for gas development as Iraqi government under pressure to replace current gas from Iran



### **Block 9** (60% working interest, operator) **A**

- Significant discoveries with early production commenced in October 2015
- UEG has submitted the first FDP targeting Yamama reservoir and with a concept plan on Mishrif reservoir
- Pipeline construction has already commenced
- Seven wells have been drilled so far, with five in production, one being prepared for production and one well waiting for operation. The latter two wells are expected to come into production in 2<sup>nd</sup> half of 2020

**Significant growth expected from Block 9 with substantial development programme**

### **Siba** (30% working interest, operator) **B**

- Completed 2018 four wells programme, with first commercial production on April 17, 2019 from 3 wells
- Crude Oil Export Agreement signed on August 27th, 2019 with SOMO
- Additional 3 new wells will form part of the ramp-up of gas capacity of ~60mmscf/d (plus associated condensate) in Q1 2020
- A trunk line is currently being constructed, together with well head, gas gathering station and central processing facility

**Siba expected to be a steady contributor to UEG's production in the years to come**

# Block 9: Substantial development programme expected to increase production significantly

## Development summary

- Two reservoirs, Yamama and Mishrif, are planned to be developed in succession
  - For Yamama reservoir, First Commercial Production (FCP) Rate of 25 mbb/d expected to be achieved around mid-year 2020.
    - In early 2023, Plateau Production Targets (PPT) of 100 mbb/d with 34 development wells in total, and peak production rate of 110 mbb/d expected in 2025
  - The plateau production estimated to extend for 8 years based on natural depletion development
  - For Mishrif reservoir, the expected PPT is 150 mbb/d to be achieved in 2025 with 116 producing wells. The plateau production is expected to be maintained over 7 years, and 324 development wells are considered throughout life time

***PPT of 100 and 150 mbb/d targeted to be achieved in 2023 and 2025 for Yamama and Mishrif, respectively***

## Infrastructure

- Before achieving the PPT, new wells drilled will be tied in with rental equipment for early production
- In order to achieve PPT, a new CPF to be constructed and commissioned in 2022. Gas produced therefrom will be treated by the gas processing plant
- The gas processing facility is planned to have a capacity up to 130 mmscf/d for H<sub>2</sub>S/CO<sub>2</sub> removal, dehydration, dew point control, LPG desulfurization and condensate stabilization
  - Dry gas and LPG therefrom will be transported to BOC's specified destination via new pipelines

***New CPF will be constructed and commissioned in end of 2022 and gas produced will be treated by the gas processing plant***

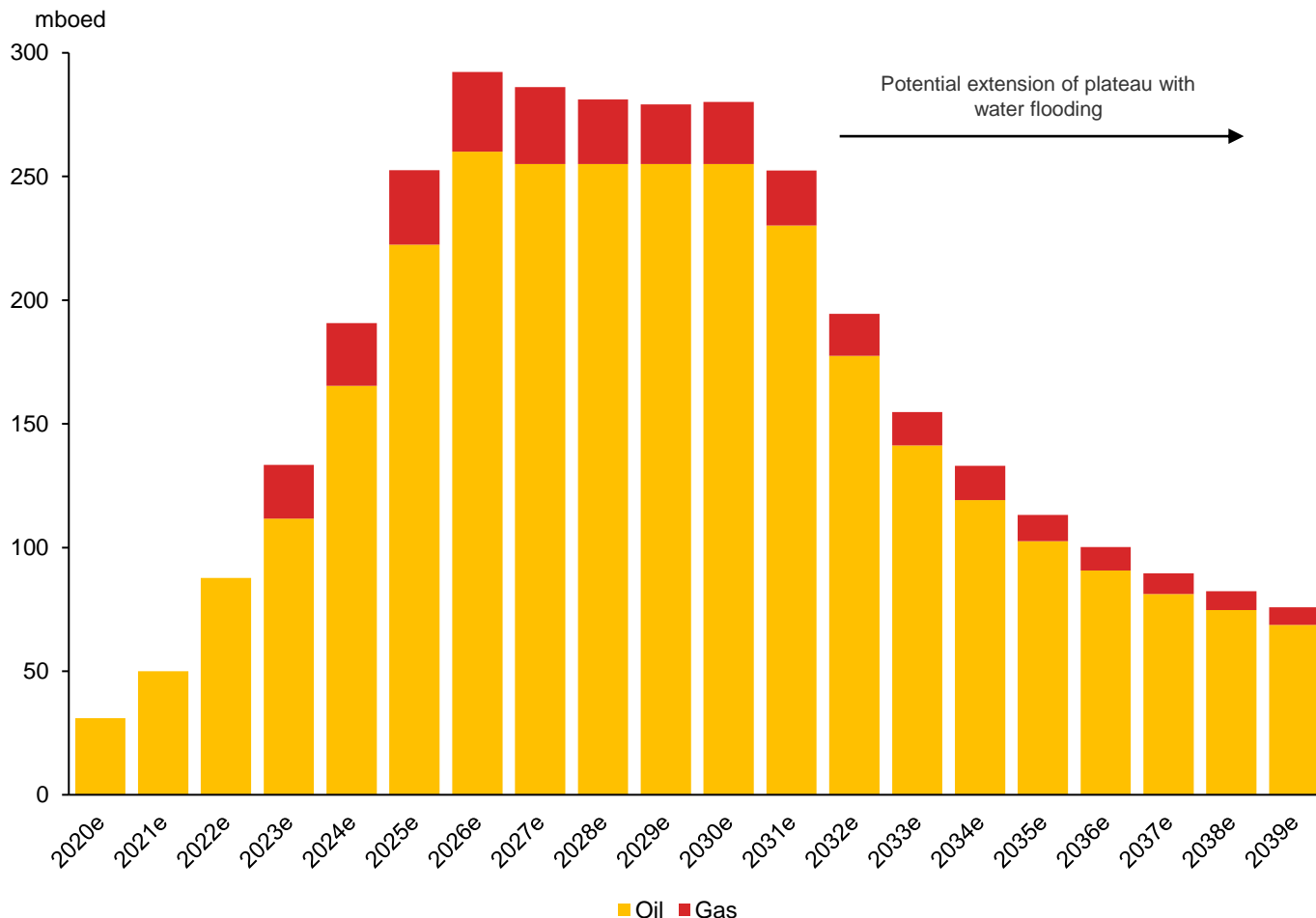
## Water injection provides further upside

- Water injection could provide significant upside by developing the 2C Resources estimated for Block 9
- In the Final Development Plan (FDP) submitted to BOC/MoO, water injection could be applied in both Yamama and Mishrif
  - Referring to successful experience in neighboring fields, water injection could allow reservoir pressure to be kept higher than Pb, extend plateau production and improve Ultimate Recovery Factor (URF)
  - Depending on pilot testing, water injection could commence in Yamama after Y2025 to sustain plateau production for an estimated 12 years
  - In Mishrif, water injection is planned from 2029 to prolong the plateau production for an estimated 10 years

***Water injection to potentially sustain PPT for 12 and 10 years for Yamama and Mishrif, respectively***

# Block 9 development potential

## Faihaa field 2P gross production profile

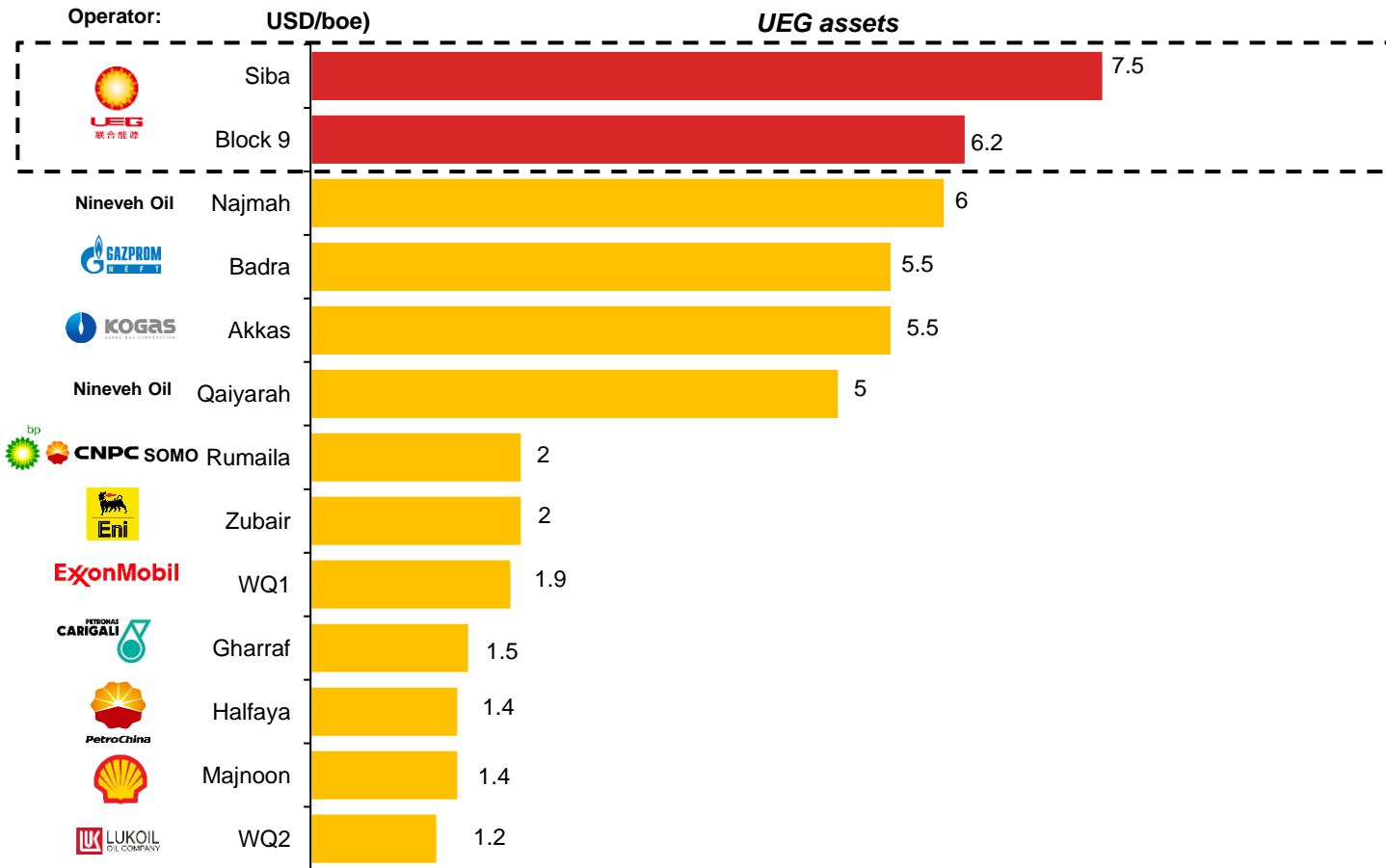


## Comments

- GCA report notes possibility to raise production rate to gross 292 mboed based on 2P Reserves
- FDP for Phase I of Faihaa submitted and endorsed
- High productivity and light oil reservoir is the first priority
- Focus on optimization of operations for cost saving
- Drilling can be extended progressively, artificial lift intended to be adopted to sustain production
- Potential to execute water flooding later to possibly develop 2C Resources to maintain reservoir pressure and productivity

# Highest service fees in Iraq

## Service fee benchmark of selected Iraqi O&G fields



## Fiscal regime snapshot<sup>1)</sup>

- Structured as technical service contract (TSC), with per barrel remuneration fee, but with elements of PSC
- Company can receive cost oil up to 50% of gross revenues (production x brent realised price), with unutilised costs carried forward
- Company then receives per barrel remuneration fee on "profit oil", which is R-factor determined, capped at a maximum of 30% of difference between total energy sales and cost recovery granted during the year
- Tax of 35% on remunerated fees paid to government

Source: Company information

Note: 1) Applies to Block 9





# Table of contents

## I. Introduction to UEG

## II. Asset overview

- i. Pakistan assets
- ii. Iraq assets
- iii. *Egypt assets***

## III. Financial overview

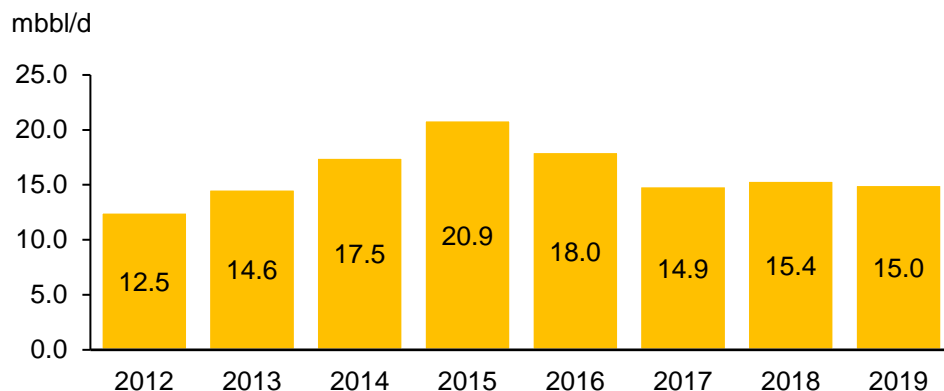


# Egypt portfolio summary

## Introduction

- Egypt is Africa's largest non-OPEC oil producer and its second-largest natural gas producer with the gas production is poised to average 7 Bcf per day in 2019, second to Algeria.
- KEC entered Egypt in 2006 acquiring 30% WI in BEA and built up the portfolio over the following decade
- A total of 137 wells drilled and net ~56 mmboe produced
  - 79 development and 58 exploration wells drilled, with 55% exploration success ratio
- Strategic partnership with Egyptian General Petroleum Corporation
- Won the EGYPS 2019 HSE Excellence in Energy Award

## Historical production (WI)



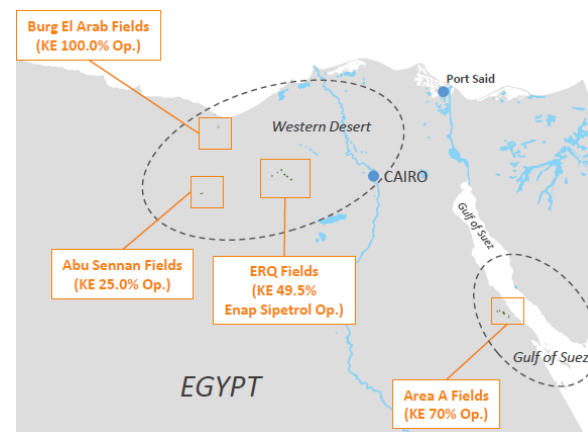
Source: GCA, Company information

Note 1) Asset production split and Total average for full year 2019. Average production as reported in 2019 Annual Report of 14,446 boepd was average since closing of KEC acquisition of 21st March 2019

## 2P reserves and production (working interest)

| Asset      | WI %  | Op.      | Partners                           |    | WI Reserves (YE-19) |      |       | WI Production      |
|------------|-------|----------|------------------------------------|----|---------------------|------|-------|--------------------|
|            |       |          |                                    |    | Oil                 | Gas  | Total | 2019               |
|            |       |          |                                    |    | mmbbl               | bscf | mmboe | Mboed              |
| Abu Sennan | 25.0  | KEE      | Global Connect, Rockhopper & Dover | 1P | 1.0                 | 0.5  | 1.0   | 1.1                |
|            |       |          |                                    | 2P | 2.9                 | 2.5  | 3.4   |                    |
| BEA        | 100.0 | KEE      | EGPC                               | 1P | 0.6                 | 0    | 0.6   | 1.2                |
|            |       |          |                                    | 2P | 5.0                 | 0    | 5.0   |                    |
| Area A     | 70.0  | KEE      | Petrogas                           | 1P | 4.3                 | 0    | 4.3   | 5.6                |
|            |       |          |                                    | 2P | 10.0                | 0    | 10.0  |                    |
| ERQ        | 49.5  | Sipetrol | KEC                                | 1P | 5.7                 | 0    | 5.7   | 7.0                |
|            |       |          |                                    | 2P | 7.8                 | 0    | 7.8   |                    |
| Total      |       |          |                                    | 1P | 11.6                | 0.5  | 11.7  | 15.0 <sup>1)</sup> |
|            |       |          |                                    | 2P | 25.7                | 2.5  | 26.2  |                    |

## Location map

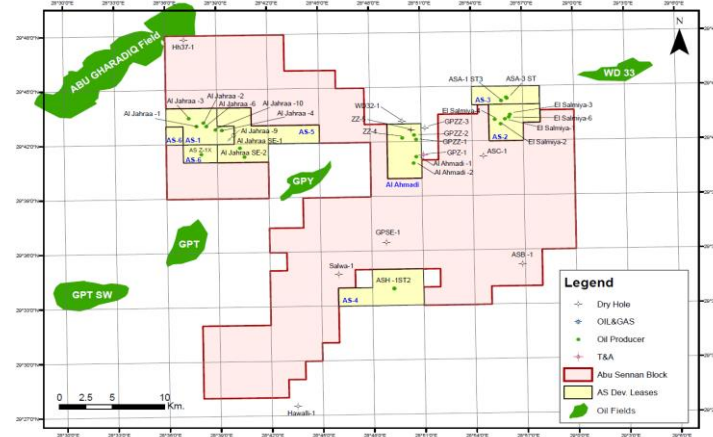


# Abu Sennan: recent success with further potential upside

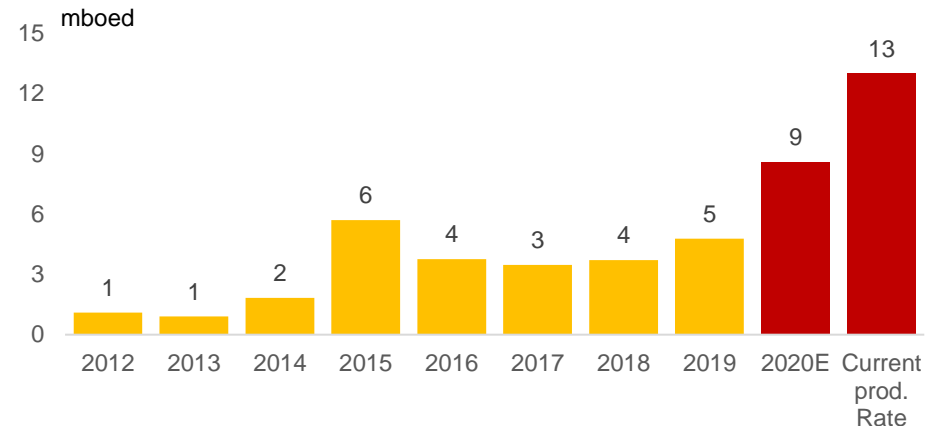
## Field overview

- Seven, 20 years development leases granted to 7 producing fields, expiring between 2032-2039
  - Three years extension of exploration plan with drilling of two commitment wells ending in 2021, one well is drilled and the other is planned in 2021
- KEE has drilled 16 Exploration wells in Abu Sennan with success ratio 62%
  - 2018 - AS-Z discovery was first in the new exploration extension resulting in new cost recovery pool, increased production and enhanced asset economics
  - 2019 - ASH-2 came on production, with new discovery in Alam El Bueib with 1.2 mmbbls reserves and new gas addition from this area 1.6 bscf
  - 2020 - Al Salmiya 5 drilling results lead to production almost tripling to current production rate of ~ 13,000 boepd
- Water Injection project is underway to enhance recovery, with plans for an extension
- The asset has well-structured gas project and permanent facilities. Increase in production is expected after extending the gas pipeline from ASH2 to the main gas facilities

## Location map



## Abu Sennan Gross Production







# Table of contents

**I. Introduction to UEG**

**II. Asset overview**

**III. Financial overview**

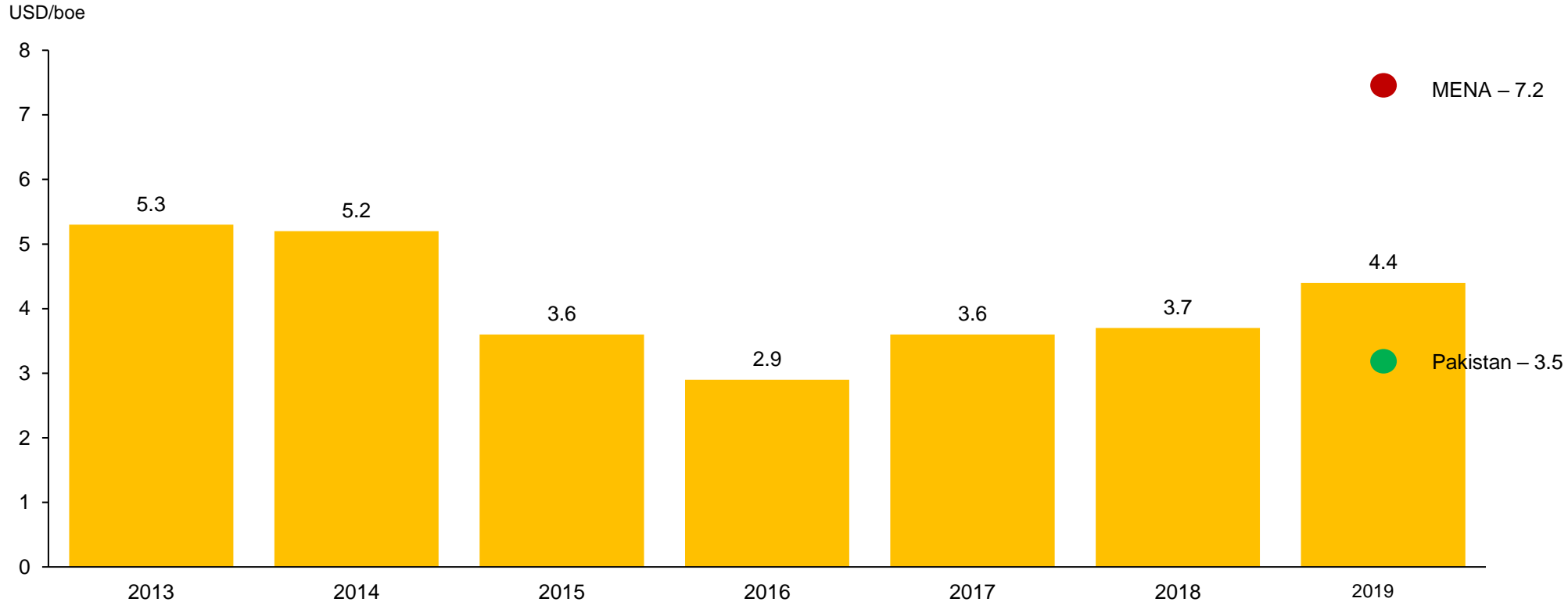


# Financial policies reflect UEG's underlying conservatism

|                              |  |
|------------------------------|--|
| <b>LEVERAGE</b>              | <ul style="list-style-type: none"><li>▪ Committed to maintain low leverage, well below 2.5x net debt/EBITDA</li></ul>  |
| <b>CAPEX</b>                 | <ul style="list-style-type: none"><li>• Highly discretionary and short payback periods</li></ul>   |
| <b>ASSET DIVERSIFICATION</b> | <ul style="list-style-type: none"><li>• Diversified production base supports group's development projects</li></ul>  |
| <b>CURRENCY</b>              | <ul style="list-style-type: none"><li>• Maintain exposure to USD and HKD</li></ul>   |
| <b>OFFSHORE ACCOUNTS</b>     | <ul style="list-style-type: none"><li>• Pakistan: ~90% of revenues paid in USD in offshore accounts</li><li>• Egypt: Revenues paid in combination of local currency and USD</li><li>• Iraq: Revenues based on exports and paid in USD form off-taker</li></ul> |
| <b>FINANCIAL PLANNING</b>    | <ul style="list-style-type: none"><li>• Annual approval of budgets</li><li>• Prudent Capex and AFE control systems</li></ul>   |
| <b>REVENUES</b>              | <ul style="list-style-type: none"><li>• Monitor oil price</li><li>• Balanced portfolio with oil and gas mix</li></ul>  |

# Competitive lifting costs

## Lifting cost / unit production








Low cost operations

Chinese efficiency & mindset

Learnings from Pakistan operations to improve MENA opex

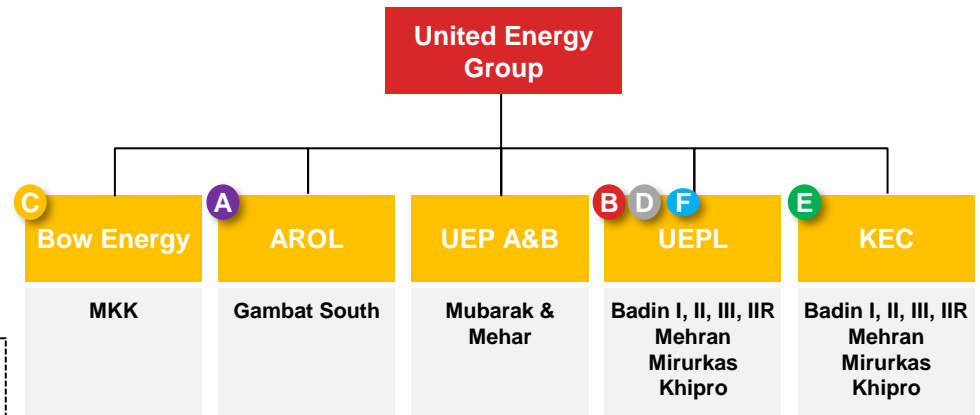
# Diversified funding portfolio

## Facility overview (31 March 2020)

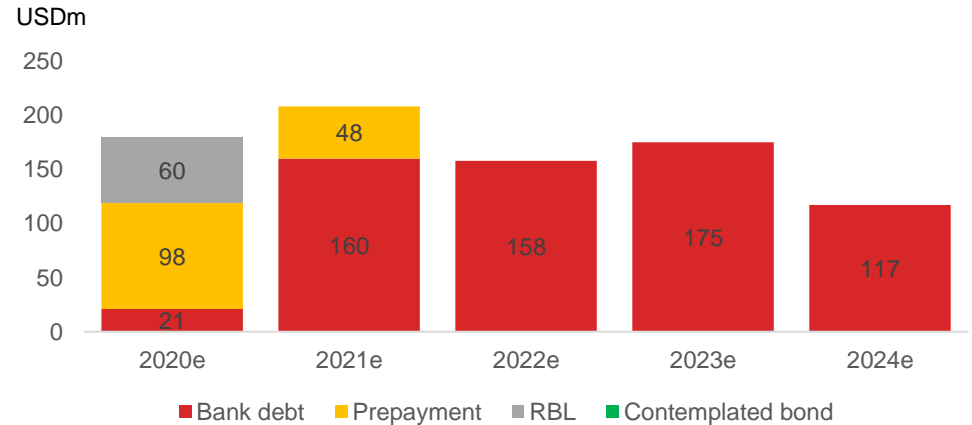
|   | AMOUNT <sup>1)</sup> | SECURITY                    | TERM                                   |
|---|----------------------|-----------------------------|--|
| <b>A</b> AROL<br>                   | 165.2<br>(170)       | AROL + UEP<br>A&B assets    | Mar-24<br>(Quarterly)                  |
| <b>B</b> UEP<br>                    | 385<br>(400)         | UEPL assets                 | Sep-24<br>(Quarterly)                  |
| <b>C</b> BOW<br>                    | 95<br>(95)           | Bow assets                  | Dec-24<br>(Quarterly)                  |
| <b>D</b> PAKISTAN<br>PREPAYMENT<br> | 95.5<br>(175)        | Prepayment<br>facility, PCG | Aug-21<br>(Shipment of<br>products)    |
| <b>E</b> IRAQ<br>PREPAYMENT<br>   | 25<br>(50)           | Prepayment<br>facility, PCG | Revolving<br>(Shipment of<br>products) |
| <b>TOTAL</b>  | 765.7<br>(890)       |                             |  |

YE 2019  
weighted  
average  
borrowing cost  
for Group  
was 6.42%

## Funding structure



## Expected debt maturity schedule



Source: Company information

Note: 1) In million USD, total facility size in brackets





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