



UAW Negotiations Update

September 29, 2023, 1:00 p.m.

CORPORATE PARTICIPANTS

Jim Farley - *President & CEO*

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PRESENTATION

Operator

Good afternoon and welcome to today's Ford Media Conference Call. All participants are in a listen-only mode. Should you need assistance, please signal a Conference Specialist by pressing the star key followed by zero. After today's remarks, there will be an opportunity to ask questions. To ask a question, you may press star and then 1 on your telephone keypads. To withdraw your questions, you may press star and 2. Please also note, today's event is being recorded.

At this time, I'd like to turn the conference over to Mark Truby, Ford's Chief Communications Officer. Please go ahead.

Mark Truby

Okay. Thank you, Jamie, and thanks to all who are joining us today. We've obviously reached an important moment in our negotiations with the UAW so we want to take a moment to share our perspective and also take your questions. Today's briefing is on the record. The materials will be available for download and a recording will be posted online.

In a moment Jim Farley will share some brief remarks then, as I mentioned, we'll have time for questions with Jim and some other Ford leaders who are closely involved in the talks. That includes our Chief Financial Officer, John Lawler; Ford Blue President, Kumar Galhotra; Vice President of Americas Manufacturing & Labor Affairs for Ford Blue, that's Bryce Currie; and, our Chief Supply Chain Officer, Liz Door is also going to be dialing in and can talk to you about the supply impact.

So with that, I'm going to turn it over to Jim Farley. Jim, go ahead.



Jim Farley

Hi, everyone. We are now two weeks into the first UAW strike at Ford in nearly 50 years. We have stayed quiet and worked around the clock in an effort to reach a deal, but with today's strike expansion by the UAW, I think it's time to share some facts and provide an update on the talks.

Before we get into the details, I want to stress the importance of safety in this situation where emotions are running really high. We can all treat each other with respect, even in tough times.

Here is the bottom line from Ford's perspective. First, Ford has offered an incredible contract that would change the lives of our 57,000 workers for the better. Second, we believe the UAW is holding up the deal over battery plants that won't come online for another two to three years. And finally, we still have time to reach an agreement and avert a real disaster, but not much more time given the fragility of the supply base.

Of all the companies, Ford has been the most supportive of the UAW and manufacturing in America. We employ 57,000 UAW members, that's about 40% of the union's Big Three membership. This adds significant cost, we think about \$1 billion a year to our business. We do it anyway because of our values. Ford built the middle class in this country.

Our cross-town rivals have moved work south, even full-size trucks, to take advantage of lower-cost labor rates in Mexico. Please look at this chart. And our non-union transplants and startups have fought tooth and nail to prevent the UAW from organizing their employees. Ford alone has been the only one who added UAW jobs since the Great Recession.

To take a step back. In 2019, we bargained a new four-year agreement with the UAW. Our UAW workers ratified that agreement and Ford lived up to every single aspect of that contract. In fact, we went well beyond our commitments in the last three contracts, as you can see here.

But a lot has changed since 2019, and this is very important to understand. The pandemic happened. Our UAW workers built vehicles in masks and shields, and they helped this company, and our country, and this industry stay alive. They didn't work from home like most of us. And right after that, inflation hit. And this affected our workers' standard of living, even with strong profit-sharing checks coming in every year.

We recognized this a long time ago this is a big issue. That's why we didn't wait for this contract talks. We moved 14,000 temporary employees to permanent positions and moved thousands more to the top pay rate ahead of schedule. Today, 97% of our UAW workforce our permanent Ford employees. From the very start of these negotiations, we committed to making things right.

Before the strike, on September 12, Bill Ford and I made an offer that would have boosted UAW wages more than 20%, restored traditional Cost of Living Allowances, provided health care coverage that puts our workforce, our team in the top 1% for all Americans for healthcare. We made it so the average new employee, fresh from high school or the military or a service-sector job, will earn six figures within four years, plus great benefits.

Our offer would also eliminate all the wage tiers, boost strong retirement contributions, grant more time off. We made product commitments for every single UAW plant in America and we offered



layoff protections for all permanent employees. The deal we offered would put our UAW workers among the best paid hourly manufacturing jobs in the world and in the top 30% of all full-time workers in America, of any industry, hourly or salaried. And the benefits are absolutely top tier, as you can see.

Since the 12th of September, we have continued to negotiate and improve our offer. In the fog of all the rhetoric, I think people are missing that Ford has stepped up with a historic offer. And bottom line, someone needs to tell the truth about what's really going on and what's at stake here. It might as well be us at Ford.

The union asked for historic gains for our workers. No problem. We didn't even wait for the contract for that. Record contract? No problem. Mortgaging our future? That's a big problem. We will never do it.

The billions in costs the UAW leadership is demanding, beyond the billions we have already offered them, would have had devastating impacts for our business and therefore our workforce. The industry expands -- well, look at the experts and what they've said about this, like President Obama's car czar, Steve Rattner, they can see all this as plain as day.

We have pretty much lost domestic production in our country for small cars. It's gone forever. A bad deal would threaten now mid-size or expensive, larger vehicles like Escape and Explorer. We would have to choose to cut future investments in those products, restructure, and reduce our headcounts throughout the company, including UAW workers.

What's really frustrating is that I believe we could've reached a compromise on pay and benefits, but so far, the UAW is holding the deal hostage over battery plants. Keep in mind, these battery plants don't exist yet. They're mostly joint ventures. They have not been organized by the UAW yet because the workers haven't been hired and won't be for many years to come. They won't scale until the next contract.

And I need to be clear about one thing because the UAW is scaring our workers by repeating something that just is factually not true. None of our workers today are going to lose their jobs due to our battery plants during this contract period or even beyond the contract. In fact, for the foreseeable future, we will have to hire more workers as some workers retire, in order to keep up with the demand of our incredible new vehicles.

We are open to work with the union on a fair deal for battery plants, but these are multi-billion dollar investments, and the future of our industry is in the balance, and they have to make good business sense.

Now the good news is we still have time to reach a deal and avoid a serious and lasting blow to our region and this industry. The supply base is on a knife's edge already. Look at Michigan Assembly where we make the Bronco. Suppliers there employ 125,000 hourly workers. In the plant we employ about 5,000. All those 125,000 hourly jobs are at risk as the strike moves on.

If the UAW's goal is a record contract, they've already achieved that.



I read where they privately described their strategy -- it's actually not so private now, you can read it on the internet -- is to keep us wounded for months, pit the companies against each other, damage our reputation, and create industrial chaos. That's grossly irresponsible, and in my opinion, to escalate these strikes and hurt thousands of families and suppliers and dealers and customers.

I'm so thankful to the Unifor leadership and the voters in Canada for recognizing that Ford made a great offer there. They understand this is about our mutual success. It must be a partnership. If we're gonna take on the world, we have to do it together.

Shawn has been on TV more than Jake at State Farm at this point. I have heard what he wants, but I have never heard him say once why he believes the UAW can be the competitive advantage to Ford. The UAW is asking for substantially more pay than other auto workers. Okay, fine. But part of the discussion has to be how we work together to improve quality, reduce waste, lower absenteeism, and have greater flexibility. We need to have shared beliefs and a lean and respectful culture on our plant floor. We succeed or we fail together.

Ford's profit margins are thin and not at record levels. But we should all want strong profits because they would lead to record profit sharing and record investment in the future in innovation, growth, and especially, jobs.

And I want to say a few words about EVs. They have become a political football and that's a shame. I drove an F-150 with my son across the western US this summer and I met so many people who love absolutely their EVs, like Lightning. Think about it. Tesla has become the most valuable auto company in the world has ever seen, and they're profitable and they're growing.

Our customers love their EVs. They are new to our brand and they're going to be blown away at our next-generation EVs. We're also working on fantastic internal combustion vehicles, like Broncos and F-150s and F-150 hybrids and Expeditions. The bottom line is, customers are going to decide what kind of vehicle they buy from Ford, as they already do. Not all these people politicizing EVs.

To wrap up, I truly believe that what is at stake here is the future of the domestic auto industry, the future of the industrial Midwest, and the future of good-paying manufacturing jobs. Other industries and other countries have lost their hometown manufacturing base. Starting with auto, it all went away, and it's all preventable. We can't allow that to happen. That is why we are going to keep trying to reach an agreement with the UAW.

As this strike shows, we can't build vehicles in the US without the UAW. And whether Shawn Fain believes it or not, the UAW needs a healthy Ford, General Motors, and Stellantis to have a future. It's going to take compromise; it's going to take leadership to meet this moment. Thank you.

QUESTION AND ANSWER

Mark Truby

Okay. Thanks, Jim. As I mentioned earlier, we have a number of leaders here who can take your questions. In addition to Jim, we have John Lawler, Kumar, Bryce Currie, and Liz Door.



So with that the Operator will begin to -- I'm going to turn it over to the Operator to begin the Q&A.

Operator

And ladies and gentlemen, we will now begin that question and answer session. To ask a question, you may press star and then one on your touchtone phones. If you are using a speakerphone, we do ask that you please pick up your handset prior to pressing the keys to ensure the best sound quality. To withdraw your question, you may press star and two. Once again, that is star and then one to join the question queue. We'll pause momentarily to assemble the roster.

And our first question today comes from Joe White from Reuters. Please go ahead with your question.

Joe White

Hi, good afternoon, and thanks for taking the question. Thanks, Jim and all. Let me ask you this. I mean, are you concerned that the UAW at this point is bargaining in bad faith or simply not bargaining? And at what point do you feel like you might need to declare an impasse? Because you have been going at this a while. It doesn't seem like there's been a ton of movement. Yeah, I'm just trying to get a sense of how close you are to sort of a point where the talks break down or you're at an impasse. Thanks.

Jim Farley

(off-mic) want to deal. We've made a great offer. We've been at the negotiating table for the last two weeks, you know, nights, weekends. I think we've worked very creatively. I think the length of time the strike is going to depend on both parties compromising. Have we gone too far? You know, I would say at this point, the battery plant discussion has been very difficult. And, you know, we have felt from the very beginning, between all the lines of our comments, that the original strike was premeditated and that everything is taking way too long. That actually events are predetermined before they happen. It's been very frustrating. But I'm really proud of the team because we never let that happen to stop us from negotiating. I don't think we've reached the point where we think we're at impasse, but that day could come if this continues.

Joe White

Okay, thanks.

Jim Farley

Thanks, Joe.

Operator

Our next question comes from Chris Isidore from CNN. Please go ahead with your question.

Chris Isidore

Yeah. There's been a lot of, you know, talk about what Ford's offer is, what the other OEM's offers are. There's not been a lot on the record about what -- where things stand with what the union's current request and demand is. Can you give us any details on what they're now asking in terms of wages? Are they still asking for a four day week? And is the current state of the offer from them



something that would cause losses at Ford as you were detailing before the strike started with the original offer? Or is it profitable, just not enough to make the investment that you want going forward?

Jim Farley

Good (ph) question. Bryce why don't you take that one?

Bryce Currie

Sure. Thank you. So we've been working, as Jim said, night and day with the union on here. And we are making significant progress on the pay and the benefits side of the offer. I'm not going to share some of the specifics, but we're close on there. The sticking point continues to be on the battery plant. And that's what we're working and trying to come up with ways that makes sense for both sides and that we can still be competitive in the future, you know, competing against Tesla, BYD, and others.

Jim Farley

We'd love to go over the specifics, but we think it's best for the UAW to share those specifics with the members that they represent. We think it'd be a good time to do that given the enhancements we've had to the offer.

Chris Isidore

Are you saying that their current offer now would cause losses at Ford? Or would you at least be profitable if you were answering their current offers?

Jim Farley

It's been very, very important discussion on the economics. As Bryce said, we're really close. And we're confident that with the current offer on the table, we would be able to make the investments we need to, like the \$50 billion in EVs. But in the end of the day, that has to be presented to the employees, and the UAW has to do that.

Operator

Our next question comes from David Welch from Bloomberg News. Please go ahead with your question.

David Welch

Thanks. Jim and to everyone else on the team I guess, what exactly is the union asking for when it comes to battery plants? And then the second one I see as a big issue are defined benefit pensions, something that's still on the table.

Jim Farley

Yeah, I think, Bryce, you're best to comment on the specifics of the battery plan and pensions.

Bryce Currie

Sure. I'll flip over on the pensions to John, but on the battery plants, you know, we're trying to make an agreement where we can be competitive jointly, the union would like to have that from Master Agreement standpoint, and we have to be competitive across all the areas in the US. And so that's where we're working with them on that right now.



John Lawler

Yeah. So when you look at the defined benefit plan they're asking for, you know, that's the plan of the past. Only 12% or so a fortune 500 companies offer that today. What we're offering is a defined contribution plan where we contribute. And let me frame that up for you. The plan that we have on the table and the increase in the offers of our contributions into that plan are significant.

If you joined Ford Motor Company today with that contract, in 30 years, with a reasonable return on those monies in the market and an average contribution by the employee consistent with what our employees are contributing today, after 30 years, your 401k would be worth a millionaire dollars.

And that's \$1 million that the employee owns, it's flexible, it's portable, it's their money. So that's the type of offer that we have on the table, define contributions, significant contributions from Ford, income security and retirement.

Mark Truby

Great. Next question, please.

Operator

Our next question comes from Jordan Grzelewski from The Detroit News. Please go ahead with your question.

Jordan Grzelewski

Hi. Thank you. Just wanted to kind of further clarify the comments about the deal being held up over discussions of the battery plants. Are you referring to all three battery plants that Ford is in some stage of development with, the ones in Kentucky, Tennessee, and Marshall? And can you say whether the discussions at the table had any bearing on the pausing of the Marshall Project?

Jim Farley

Right. It's four battery plants, three BOSK, which are joint ventures with our SK partners, as well as Marshall, so all the battery plants. The Marshall site is the \$3.5 billion dollar investment. We can make Marshall a lot bigger or a lot smaller, and we're pausing to figure out what's the right path forward on Marshall. There's a lot of dependencies in deciding how big or how small that site should be, labor costs, the final language of the IRA. And, of course, whether we can secure a deal that allows us to invest in the products that those batteries are going to go into.

Jordan Grzelewski

And it sounds as if the discussions are hinging on the UAW wanting to get these plants covered by the master agreement. Am I understanding that right?

Jim Farley

Yes. Generally speaking, yes. We won't go into specifics, and you should probably ask them.

Mark Truby

Next question, please.

Jordan Grzelewski

Will do. Thank you.



Operator

Our next question comes from Camila Domonoske from NPR. Please go ahead with your question.

Camila Domonoske

Yeah. Hi, everyone. Thanks so much for doing this. You mentioned being able to hold out for a while, but not forever. You talked about the impact on the supply chain, but I was just wondering if you could provide a little more color from Ford's perspective on the cost that you're bearing from the strike now and what the timeline is for when those will become not sustainable. Thanks.

Jim Farley

Thank you. I'd like to ask Kumar, and then Liz to talk about the sustainability, but I want to make this really clear. It's very tough on the company, but what we really care about right now is the employees in the supply base. They're the ones going through, not the national negotiators, they get full pay, but those that are living off \$500 a week and our suppliers who have no more orders, they're going through a lot right now, and that's what we care about. Kumar?

Kumar Galhotra

I would say the impact on our business is substantial. We already have two plants down. The first plant that's down makes Bronco, which is a very, very successful vehicle for us, and it's down. The other plant that's now down is Chicago assembly, Explorer, also a very important vehicle for us. So with these two, the impact is substantial. I can't get into the specific dollars or millions of dollars that we're losing every week. If this continues, week after week, of course, it will have a substantial impact on our business, but we're ready for it. But as Jim has said multiple times, we want to get a deal and we want to get a fair deal for our employees.

Jim Farley

Hey, Liz, why don't you comment on the supply chain, if you look at the whole North American manufacturing footprint.

Liz Door

Thanks. So our concern really is the resilience of the supply chain, particularly as their healing post-Covid. You heard Jim speak about the fact that the supplier ecosystem from Michigan assembly plant is at risk. We understand to-date there's about 2,400 supplier employees that have been laid off. But as a consequence of the actions today, we see this two-week inflection point. We have roughly 125,000 supplier employees that support our Michigan assembly plant. And if prolonged, this really could have a significant impact as it extends into our other Ford factories. We see anywhere between 325,000 to 500,000 employees that could be laid off.

Mark Truby

Thank you, Liz. Next question, please.

Camila Domonoske

Thank you.

Operator

Our next question comes from Mike Wayland from CNBC. Please go ahead with your question.

Mike Wayland



Hi, guys. Yes, thank you. Just to clarify, I mean, the joint ventures cannot be part of these national negotiations technically, because they are separate companies and they need to be negotiated separately, so could you please just comment on if the union is then bargaining in bad faith regarding these ventures? And what exactly are they asking for with the joint ventures, given they're so far out?

Jim Farley

Yeah. No, battery plants are very much part of our discussion with the UAW. I don't think it's an issue to discuss it. It just takes place at the end of this contract and really doesn't scale until next contract. As far as the specifics, you can imagine who we're competing with. It's Tesla, a lot of international companies, potentially BYD. And we're going to need to have those JVs and all of our battery plants fully competitive, so we can invest in the future and really live up to the facility commitments we have on the final assembly side for the vehicles that batteries go into.

Bryce, do you want to make any comment?

Bryce Currie

No, the only thing I would add on top of that is, again, our focus for this contract and even for the foreseeable future after is our power train workers, which is about 14,000 people, we have jobs all the way through this contract, out, and we're adding more jobs on top of that. So there's a narrative out there about losing jobs and that's not the case. We're adding with both strong ICE business as well as where we're going from an EV.

Mark Truby

Okay. Thanks. Next question, please.

Operator

Our next question comes from Phoebe Howard from the Detroit Free Press/USA Today. Please go ahead with your question.

Phoebe Howard

Thanks, all. These are three short in response to other questions. Number one, you talked about timeframe. GM had a 40 day strike four years ago. What is a specific? Can you guys make it 40 days, or are you looking at half? Second question, how battery plants are even involved in this conversation? Because Ford already said, you would not oppose organizing, and the company doesn't have the authority to allow immediate organizing, so how is that even involved here? And last, is the Marshall pause hurting political supporters now that this has just happened?

So just all in response to other questions. 40 days, can you make it if it goes that long, or how long can you make it? And then how battery, the discussion can even be involved here? It doesn't seem to make sense. And lastly, on Marshall's pause impact on your overall political support for that operation.

Jim Farley

I'll take the last one first and then maybe Bryce, answer the first two. For Marshall, we're not doing the political math. This is really critical technology for the most affordable batteries in the US, and Ford owns the plant, and it's our workers in the plant. So the factors that I mentioned are the key ones, the labor cost, the final language and IRA, and even the sustainability of the products themselves that do get negotiated in the contract, whether we can invest in those locations and



those products so that we can size Marshall appropriately. Politics are not part of that calculus. Bryce?

Bryce Currie

Yep. With respect to the length of the strike, I'd prefer to look at, that we do come to a conclusion and get an agreement. We're close on many different areas, as we said. So it takes two parties to want to compromise and get to the end, and we don't want to endanger our future. And we got to remember, this is impacting people's lives, as Jim said, \$500 a day. So we want to get this done so we can continue to move forward. And then with respect to the batteries, I'll just say, again, Jim said you would have to ask others on there. It is part, as with any negotiation, you have different things to get linked in.

Phoebe Howard

Thank you.

Mark Truby

Okay. Next question.

Operator

And our next question comes from David Shepperdson from Reuters. Please go ahead with your question.

David Shepperdson

Hey. Thank you for doing this call. I just want to follow up on the battery plant issues, just two part question. One, in terms of if the UAW issue got resolved, do you see any other reason you'd have to continue the pause, i.e. IRA, or the ongoing questions about China that Congress has raised? And are you willing to discuss the UAW, sort of the wages for these workers? I mean, even though the plant has not yet--have been opened.

Jim Farley

Okay. Yeah, there are four plants, actually. Three, a part of a joint venture and the fourth we own at Ford. As far as Marshall is concerned, the one that we own, it's a \$3.5 billion investment, thousands of workers, and we have the optionality of making it bigger or smaller. And as I said, the key factors there are, can we confirm that the deal with the UAW in the short-term allows us to invest in the engineering for the future products that we'll have the batteries go into? So that's first thing, is we want to make sure we can secure sustainable product lineup, because the batteries going to products.

The second thing is going to be labor cost as a whole. Of course, the UAW, labor cost for Marshall will be very critical in deciding how big or small the facility is. And then the final language, as you said, IRA. I think those are the key things. On the other battery plants, I'll ask Bryce to comment, the other three.

Bryce Currie

Yeah. I would just say with the others, it's joint venture. So it's through that joint venture, so I'm not gonna go into specifics on that. First, we haven't even built it yet. We don't have the people yet, and it's not represented yet.

David Shepperdson



So Jim, it sounds like you're saying no matter what happens, this pause is going to--you're going to go forward with Marshall, right? You said big or small, is that correct? You're not considering canceling the Marshall plant?

Jim Farley

No, we're taking a pause because the negotiations and all the factors that I mentioned are still in play. And then we'll decide how big or small Marshall should be. We have a lot of optionality on how big or small this can be. This is critical technology and there'll be the most affordable battery chemistry in the United States. At Ford, we democratize transportation. Affordable batteries are mission critical for our company as we make the transition to electrification and offer some our customers those kinds of vehicles.

Mark Truby

Thanks, Dave.

Operator

And our final question today comes from Andrew Hawkins, from verge. Please go ahead with your question.

Andrew Hawkins

Yeah. I had a question about the issue over job losses. You guys are saying that there will not be any job losses, and I just wanted some clarification about whether that you're referring specifically through the length of this particular contract, or even beyond into additional contracts with the UAW. Because you hear from the union, they're concerned about if we transition to EVs, we're not going to need things like spark plugs and oil filters, and all of these things associated with the ICE business. And therefore, people are going to lose their jobs around those particular supplies, that supply chain, and I'm curious as to how you guys would respond to that.

Jim Farley

I think before we go into that, I'll have Bryce kind of cover the job loss thing. It's really important to understand Ford's product strategy. We're going to offer customers choice. And there are a lot of products that people's drive cycle will never go electric anytime soon. If you're pulling a fifth wheel in Montana with a Super Duty, you're not going to be buying an electric car anytime soon. So our power trains, our Broncos, our Super Duties, our F-150s, our hybrid power trains, those vehicles are really popular. And even if we grow the EV, or when we grow the EV business, it's not going to be at the sacrifice of our internal combustion work statements in our powertrain plants.

Bryce Currie

Yeah. And so I would just add, without going into specifics of the offer, so you said the power train continues to move forward so the jobs are strong there. But even within our offer, and it's not just what the headlines of what the global wage increase is, but there's things with respect to security that we've increased to give that safety security blanket over the course of this contract and moving out forward. So there's multiple things that we're doing to try to address that and to make people feel confident. But as Jim said, growth is the one that we see on both sides here.

Andrew Hawkins

This is a quick follow up. I've seen some analysts say that if Ford were to accept you UAW's deal as is, that would mean that consumer prices would go up on EVs, in particular. They're saying up to \$5,000 per unit. Do you guys agree with those analysis? Are you concerned about consumer prices as a result of this contract?



Jim Farley

I think we've always been but Kumar, maybe you want to mention for the Blue business. On the E side, as we make this transition for some customers in the EV space, no doubt price is the major issue for people moving to battery electric. 20%, 30%, 40% of America is interested in EVs, but it has to be at the right kind of price, and we're finding that now. So affordability is always an issue. That's why we launched the maverick on the ICE world, our most affordable vehicle, and that's why we're going to always have affordable EVs, and batteries are the largest component in the EV.

Kumar Galhotra

Yeah, I would say the deal that you're talking about, or the offer you're talking about was the original offer from the UAW. As all of us have said, with a lot of hard work by the team on both sides, but especially the national negotiators on the UAW side, a lot of good work done, and we are much, much closer than we were to the original deal. And the deal that we are very close to is actually a deal that's affordable for us. It allows us to continue investing where we need to invest, and it's a very fair deal for the workers. But that deal is what's not out yet, so the comparison you're making is to the original one.

Operator

And ladies and gentlemen, at this time, we'll be concluding our question and answer session. I'd like to turn the floor back over to Mark Truby for any closing remarks.

Mark Truby

Okay. Thank you very much for joining us today. Just so everybody knows, the materials and the slides that you saw during the presentation, they're available to download, and we'll post a replay online for anybody that wants to rewatch or missed part of it, as soon as possible. As always, our communications team is here. If you have any follow up questions, please call myself, T. R. Reid, or Dan Barbosa. So thanks again for joining and we'll talk to you soon.

Operator

And ladies and gentlemen, the conference has now concluded. We thank you for attending. You may now disconnect your lines.