

Enapter AG

Germany / Cleantech
 Primary exchange: Frankfurt
 Bloomberg: H2O GR
 ISIN: DE000A255G02

H1/22 report

RATING **BUY**
PRICE TARGET **€ 26.00**
 Return Potential 70.5%
 Risk Rating High

BUILD-UP OF MASS PRODUCTION IS MAKING GOOD PROGRESS

Enapter has confirmed its recently adjusted guidance for 2022 (revenue: €15.6m, EBITDA: €10.5m, EBIT: €-12.5m). This is based on the certification of the new AEM EL 4.0 electrolyser in September and the subsequent ramp-up of production in Pisa. In H1, Enapter posted revenues of €3.3m and a net loss of €-7.7m. Critical to Enapter's success next year is the timely start-up of its new mass production facility in Saerbeck, Germany. We maintain our forecasts, but lower the price target to €26 (previously: €28), due to the higher interest rate level. We confirm our Buy recommendation.

Sales up 64% in H1 Enapter increased sales by 64% y/y to €3.3m (FBe: €4.0m) and shipped 302 electrolysers to 38 customers in 21 countries. Total output, which includes the change in inventories of finished and unfinished goods, increased by 66% to €5.3m. In particular, significantly higher material costs (€5.3m vs. €2.7m in H1/21) and higher personnel costs (€7.1m vs. €30m) resulted in much lower EBITDA (€-7.0m vs. €-3.6m in the prior year period). Depreciation and amortisation of €0.6m resulted in EBIT of €-7.6m (H1/21: €-3.9m, FBe: €-6.7m). Net profit was €-7.7m compared to €-4.0m in the previous period (see figure 1 overleaf).

Steady progress in construction of the mass production facility At the end of the first half of the year, the plant under construction and the property were valued at €48.7m, compared with €17.5m at the end of the year. The cash flow statement shows payments for tangible assets amounting to €33.1m, mainly related to Saerbeck. These figures mean that Enapter has invested heavily in its new mass production facility and has made good progress with construction. We expect the production and R&D buildings to be ready for occupation before the end of October.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022E	2023E	2024E
Revenue (€m)	0.93	2.07	8.44	15.60	115.20	193.54
Y-o-y growth	30.9%	122.7%	307.8%	84.8%	638.5%	68.0%
EBIT (€m)	-1.50	-3.54	-8.62	-13.28	-0.43	9.45
EBIT margin	-161.5%	-171.2%	-102.1%	-85.2%	-0.4%	4.9%
Net income (€m)	-1.52	-3.57	-8.70	-14.18	-2.30	7.16
EPS (diluted) (€)	0.00	-0.16	-0.38	-0.55	-0.08	0.26
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-3.36	-6.17	-33.05	-95.79	-20.11	-14.23
Net gearing	-17.1%	-32.2%	-33.8%	17.8%	39.7%	49.9%
Liquid assets (€m)	1.35	4.25	19.60	25.53	19.71	11.68

RISKS

The main risks are: financing risk, technological risk, production risk, increasing competition, innovations.

COMPANY PROFILE

Enapter produces standardised electrolysers, which are scalable to larger units based on a modular approach. Enapter's patent-protected AEM technology offers high cost reduction potential. Enapter has a production site in Pisa, Italy, and ca. 240 employees.

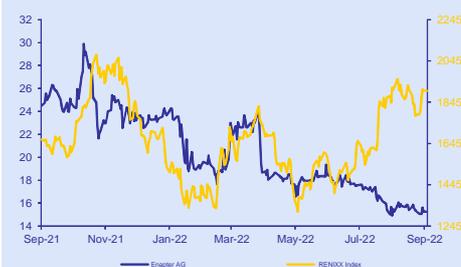
MARKET DATA

As of 12 Sep 2022

Closing Price	€ 15.25
Shares outstanding	27.20m
Market Capitalisation	€ 414.72m
52-week Range	€ 14.90 / 29.88
Avg. Volume (12 Months)	6,580

Multiples	2021	2022E	2023E
P/E	n.a.	n.a.	n.a.
EV/Sales	41.1	22.2	3.0
EV/EBIT	n.a.	n.a.	n.a.
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2022

Liquid Assets	€ 28.17m
Current Assets	€ 44.46m
Intangible Assets	€ 8.58m
Total Assets	€ 111.02m
Current Liabilities	€ 17.31m
Shareholders' Equity	€ 88.67m

SHAREHOLDERS

BluGreen	70.0%
Sergei Storozhenko	4.5%
Johnson Matthey	4.3%
Free Float	21.2%

**Figure 1: Reported figures versus forecasts**

All figures in €m	H1-22A	H1-22E	Delta	H1-21A	Delta
Sales	3.3	4.0	-18%	2.0	64%
EBIT	-7.6	-6.7	-	-3.9	-
margin	-230.3%	-79.0%		-195.9%	
Net income	-7.7	-7.0	-	-4.0	-
margin	-232.5%	-82.9%		-197.6%	
EPS (diluted)	-0.31	-0.29	-	-0.18	-

Source: First Berlin Equity Research, Enapter AG

Balance sheet significantly strengthened by capital increase In addition to gross proceeds of €49.4m from the capital increase in the first half of the year, Enapter received €3.6m after the completion of the rights offering in July. In total, the company has thus received approximately €53m. At the end of H1/22, equity amounted to €89m and the equity ratio increased by 5 PP to a high 80%. Cash and cash equivalents of €28m and low financial debt including leasing resulted in a net cash position of €24m. Investments in the mass production facility in Saerbeck, Germany and in the production site in Pisa, Italy caused tangible assets to increase by 137% to €57m (see figure 2).

Figure 2: Selected balance sheet positions

in €m	H1-22A	2021A	Delta
Intangible goods & goodwill	8.6	7.1	21%
Property, plant & equipment	56.8	24.0	137%
Non-current assets, total	66.6	32.2	107%
Inventories	8.9	3.6	148%
Receivables	1.7	2.6	-37%
Cash and cash equivalents	28.2	19.6	44%
Current assets, total	44.5	29.9	49%
Equity	88.7	46.5	91%
Equity ratio	79.9%	74.9%	+5 PP
Financial debt	3.2	3.9	-18%
Lease liabilities	0.6	0.7	-16%
Net debt	-24.4	-15.0	n.a.
Payables	13.7	6.4	114%
Balance sheet total	111.0	62.1	79%

Source: First Berlin Equity Research, Enapter AG

Cash flow characterised by high capital expenditure and associated financing Capital expenditures of almost €35m were financed by the capital increase (€49m). In total, cash inflow was almost €20m (see figure 3 overleaf).

**Figure 3: Cash flow statement**

in €m	H1-22A	H1-21A
Operating cash flow	-4.2	-4.8
CAPEX	-34.8	-4.1
Free cash flow	-39.0	-8.9
Cash flow from investing	-34.9	-4.1
Cash flow from financing	47.7	19.6
Net cash flow	19.6	10.7

Source: First Berlin Equity Research, Enapter AG

Production start for EL 4.0 to take place in September We expect that the certification of the new EL 4.0 single-core electrolyser by TÜV will take place in September, followed by a scaling up of production. The EL 4.0 is significantly more compact and lighter than its predecessor and, thanks to easy installation, can be used in a variety of ways. Enapter already has 1,500 orders for the EL 4.0.

Lower order intake but higher order backlog Order intake in H1/22 was around €4.4m compared to €6.3m in H1/21. However, order intake in the same period last year was particularly high due to the receipt of a framework agreement. The order backlog for the second half of 2022 is around €9m, compared to €6.1m in the previous period. The sales pipeline is well filled with expressions of interest from potential customers; the current customer enquiries add up to around €342m. The majority of the enquiries (€234m or 68%) concern the AEM Multicore, the megawatt electrolyser. The high demand for large MW-class electrolysers makes it likely that the mass production facility in Saerbeck will be geared more towards the production of AEM multicores in addition to automated stack production.

Estimates remain unchanged We believe the 2022 sales target of €15.6m is well within reach, provided production in Pisa ramps up in September as planned. Due to the progress in Saerbeck we stick to our forecasts for 2023.

Buy confirmed at slightly lowered price target We have taken the increased interest rate level into account in our DCF model, which yields a slightly lower price target of €26 (previously: €28). We confirm our Buy recommendation.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net sales	15,600	115,200	193,536	541,901	613,417	760,637	943,190	1,136,973
NOPLAT	-13,284	-431	9,078	51,899	51,088	57,681	73,655	91,187
+ depreciation & amortisation	2,664	7,754	8,157	8,892	10,060	11,260	12,694	14,399
Net operating cash flow	-10,620	7,323	17,235	60,791	61,148	68,941	86,349	105,586
- total investments (CAPEX, WC, Other)	-72,379	-23,268	-27,354	-70,915	-32,689	-47,193	-56,633	-62,323
<i>Capital expenditures</i>	-81,997	-10,598	-23,224	-21,134	-22,696	-26,622	-31,125	-35,246
<i>Working capital</i>	-2,282	-14,969	-6,330	-52,281	-9,993	-20,570	-25,507	-27,076
<i>Other</i>	11,900	2,300	2,200	2,500	0	0	0	0
Free cash flows (FCF)	-82,999	-15,945	-10,120	-10,124	28,459	21,748	29,717	43,263
PV of FCF's	-80,208	-13,735	-7,767	-6,927	17,356	11,822	14,395	18,680

All figures in thousands		
PV of FCFs in explicit period (2022E-2036E)	176,046	
PV of FCFs in terminal period	474,391	
Enterprise value (EV)	650,437	
+ Net cash / - net debt (pro forma)	67,981	
+ Investments / minority interests	2	
Shareholder value	718,420	
Diluted number of shares	27,195	
Fair value in EUR	26.42	
		Terminal growth 4.0%
		Terminal EBIT margin 13.2%

WACC		WACC	Terminal growth rate						
			2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%
Cost of equity	12.7%	9.2%	44.77	47.04	49.72	52.90	56.77	61.57	67.66
Pre-tax cost of debt	3.5%	10.2%	35.85	37.31	38.99	40.94	43.23	45.97	49.29
Tax rate	30.0%	11.2%	29.23	30.20	31.30	32.55	34.00	35.67	37.64
After-tax cost of debt	2.5%	12.2%	24.17	24.84	25.58	26.42	27.36	28.44	29.68
Share of equity capital	95.0%	13.2%	20.21	20.68	21.20	21.78	22.42	23.13	23.95
Share of debt capital	5.0%	14.2%	17.07	17.40	17.77	18.17	18.62	19.11	19.66
Price target	26.00	15.2%	14.53	14.77	15.03	15.32	15.64	15.99	16.37

* for layout purposes the model shows numbers only to 2029, but runs until 2036



INCOME STATEMENT

All figures in EUR '000	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Revenues	929	2,070	8,442	15,600	115,200	193,536	541,901	613,417
Changes in Inventories	107	242	540	0	0	0	0	0
Own Work	1,805	2,208	3,330	3,276	3,456	3,484	3,793	4,127
Cost of goods sold	1,108	2,320	7,874	12,012	81,792	137,411	379,331	429,392
Gross profit (Sales J. COGS)	-179	-250	568	3,588	33,408	56,125	162,570	184,025
Personnel costs	1,827	3,356	7,596	14,843	16,219	24,192	54,190	60,226
Other operating income	73	605	1,367	3,312	1,728	2,516	5,419	6,134
Other operating expenses	1,232	2,369	5,828	5,953	15,050	20,321	54,190	60,784
EBITDA	-1,253	-2,920	-7,619	-10,620	7,323	17,612	63,402	73,275
Depreciation and amortisation	248	625	1,002	2,664	7,754	8,157	8,892	10,060
Operating income (EBIT)	-1,501	-3,544	-8,622	-13,284	-431	9,455	54,510	63,215
Net financial result	-15	-21	-88	-892	-1,868	-1,915	-2,282	-2,580
Non-operating expenses	0	0	0	0	0	0	0	0
Pre-tax income (EBT)	-1,516	-3,565	-8,709	-14,176	-2,299	7,540	52,228	60,635
Income taxes	0	3	-8	0	0	377	2,611	12,127
Minority interests	-2	-1	1	0	0	0	0	0
Net income / loss	-1,518	-3,569	-8,701	-14,176	-2,299	7,163	49,617	48,508
Ratios								
Gross margin on revenues	-19.2%	-12.1%	6.7%	23.0%	29.0%	29.0%	30.0%	30.0%
EBITDA margin on revenues	-134.8%	-141.0%	-90.3%	-68.1%	6.4%	9.1%	11.7%	11.9%
EBIT margin on revenues	-161.5%	-171.2%	-102.1%	-85.2%	-0.4%	4.9%	10.1%	10.3%
Net margin on revenues	-163.4%	-172.4%	-103.1%	-90.9%	-2.0%	3.7%	9.2%	7.9%
Tax rate	0.0%	-0.1%	0.1%	0.0%	0.0%	5.0%	5.0%	20.0%
Expenses as % of revenues								
Personnel costs	196.5%	162.1%	90.0%	95.1%	14.1%	12.5%	10.0%	9.8%
Depreciation and amortisation	26.7%	30.2%	11.9%	17.1%	6.7%	4.2%	1.6%	1.6%
Other operating expenses	132.5%	114.4%	69.0%	38.2%	13.1%	10.5%	10.0%	9.9%
Y-Y Growth								
Revenues	30.9%	122.7%	307.8%	84.8%	638.5%	68.0%	180.0%	13.2%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	476.5%	16.0%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	592.7%	-2.2%



BALANCE SHEET

All figures in EUR '000	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Assets								
Current assets, total	3,530	6,633	29,920	35,027	54,337	54,246	127,240	167,227
Cash and cash equivalents	1,354	4,248	19,604	25,525	19,712	11,678	16,271	42,151
Short-term investments	255	0	0	0	0	0	0	0
Receivables	38	184	2,638	2,137	12,625	15,907	44,540	50,418
Inventories	862	1,300	3,604	3,291	17,927	22,588	62,356	70,585
Other current assets	1,020	901	4,073	4,073	4,073	4,073	4,073	4,073
Non-current assets, total	4,469	7,917	32,221	111,712	114,710	129,918	142,221	154,911
Property, plant & equipment	1,245	2,870	23,985	103,295	103,699	116,520	125,243	134,456
Goodwill & other intangibles	2,071	3,977	7,110	7,291	9,884	12,272	15,850	19,328
Right-of-use assets	1,119	1,033	1,055	1,055	1,055	1,055	1,055	1,055
Other assets	34	72	72	72	72	72	72	72
Total assets	7,999	14,550	62,141	146,739	169,047	184,165	269,461	322,138
Shareholders' equity & debt								
Current liabilities, total	2,742	4,452	10,397	12,115	25,269	20,883	34,002	61,192
Short-term debt	915	1,415	1,186	6,000	9,000	3,000	0	23,075
Leasing liabilities	83	109	155	155	155	155	155	155
Accounts payable	583	947	6,387	3,291	13,445	15,059	31,178	35,292
Current provisions	62	239	516	516	516	516	516	516
Other current liabilities	1,181	1,851	2,309	2,309	2,309	2,309	2,309	2,309
Long-term liabilities, total	1,327	1,353	5,224	49,280	60,733	73,074	95,634	72,613
Long-term debt	21	21	2,708	34,708	43,708	53,708	73,708	50,633
Leasing liabilities	639	568	575	734	886	1,027	1,088	1,142
Other liabilities	165	278	512	12,410	14,710	16,910	19,410	19,410
Deferred revenue	502	486	1,428	1,428	1,428	1,428	1,428	1,428
Minority interests	0	1	2	2	2	2	2	2
Shareholders' equity	3,931	8,744	46,518	85,342	83,043	90,206	139,823	188,331
Share capital	1,238	22,269	24,406	27,195	27,195	27,195	27,195	27,195
Capital reserve	5,854	-6,771	37,615	87,824	87,824	87,824	87,824	87,824
Other reserves	-13	-37	-83	-83	-83	-83	-83	-83
Treasury stock	0	0	0	0	0	0	0	0
Loss carryforward / retained earnings	-3,148	-6,716	-15,418	-29,594	-31,893	-24,730	24,887	73,395
Total consolidated equity and debt	7,999	14,550	62,141	146,739	169,047	184,165	269,461	322,138
Ratios								
Current ratio (x)	1.29	1.49	2.88	2.89	2.15	2.60	3.74	2.73
Quick ratio (x)	0.97	1.20	2.53	2.62	1.44	1.52	1.91	1.58
Net debt	-673	-2,812	-15,711	15,183	32,996	45,030	57,437	31,557
Net gearing	-17.1%	-32.2%	-33.8%	17.8%	39.7%	49.9%	41.1%	16.8%
Return on equity (ROE)	-38.6%	-40.8%	-18.7%	-16.6%	-2.8%	7.9%	35.5%	25.8%
Days of sales outstanding (DSO)	15.1	32.5	114.1	50.0	40.0	30.0	30.0	30.0
Days inventory outstanding	284.1	204.5	167.1	100.0	80.0	60.0	60.0	60.0
Days in payables (DIP)	192.2	149.1	296.1	100.0	60.0	40.0	30.0	30.0



CASH FLOW STATEMENT

All figures in EUR '000	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
EBIT	-1,501	-3,544	-8,622	-13,284	-431	9,455	54,510	63,215
Depreciation and amortisation	248	625	1,002	2,664	7,754	8,157	8,892	10,060
EBITDA	-1,253	-2,920	-7,619	-10,620	7,323	17,612	63,402	73,275
Changes in working capital	89	528	-1,136	-2,282	-14,969	-6,330	-52,281	-9,993
Other adjustments	18	255	758	-892	-1,868	-2,292	-4,894	-14,707
Operating cash flow	-1,146	-2,137	-7,997	-13,794	-9,515	8,990	6,227	48,576
Investments in PP&E	-381	-1,830	-21,570	-80,749	-6,912	-19,354	-15,715	-16,841
Investments in intangibles	-1,829	-2,208	-3,483	-1,248	-3,686	-3,871	-5,419	-5,855
Free cash flow	-3,356	-6,175	-33,050	-95,791	-20,113	-14,234	-14,907	25,880
Acquisitions & disposals, net	0	0	0	0	0	0	0	0
Other investments	-709	250	-11	0	0	0	0	0
Investment cash flow	-2,919	-3,789	-25,064	-81,997	-10,598	-23,224	-21,134	-22,696
Debt financing, net	19	1,240	2,463	36,814	12,000	4,000	17,000	0
Equity financing, net	1,200	6,189	48,304	52,998	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0
Other financing	3,428	1,390	-2,350	11,900	2,300	2,200	2,500	0
Financing cash flow	4,646	8,819	48,417	101,712	14,300	6,200	19,500	0
FOREX & other effects	0	0	0	0	0	0	0	0
Net cash flows	581	2,894	15,356	5,921	-5,813	-8,034	4,593	25,880
Cash, start of the year	773	1,354	4,248	19,604	25,525	19,712	11,678	16,271
Cash, end of the year	1,354	4,248	19,604	25,525	19,712	11,678	16,271	42,151
Y-Y Growth								
Operating cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-30.7%	680.0%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Financial cash flow		89.8%	449.0%	110.1%	-85.9%	-56.6%	214.5%	n.m.

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Anschrift:

First Berlin Equity Research GmbH
Mohrenstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

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First Berlin Equity Research GmbH

Authored by: Dr. Karsten von Blumenthal, Analyst

All publications of the last 12 months were authored by Dr. Karsten von Blumenthal.

Company responsible for preparation: First Berlin Equity Research GmbH, Mohrenstraße 34, 10117 Berlin

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Person responsible for forwarding or distributing this financial analysis: Martin Bailey

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INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	21 September 2020	€6.50	Buy	€8.90
2...1	↓	↓	↓	↓
2	2 February 2021	€35.80	Add	€41.70
3	27 April 2021	€22.30	Add	€26.00
4	12 August 2021	€26.20	Buy	€34.00
5	11 November 2021	€23.00	Buy	€46.00
6	28 January 2022	€19.02	Buy	€24.00
7	6 May 2022	€18.50	Buy	€29.00
8	2 June 2022	€18.30	Buy	€30.00
9	2 August 2022	€16.15	Buy	€28.00
10	Today	€15.25	Buy	€26.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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