

## Focus on production in Finland

Endomines is ramping up production at Pampalo, while the Friday operations remain uncertain. Recent macroeconomic development is causing some potential headwind.

### Building up production volumes at Pampalo

Endomines has seen continued two-fold progress during H1 so far, with ramp-up of operations at Pampalo progressing quite as planned while the mining operations at the Friday mine appear to be halted for a prolonged period of time. At Pampalo, Endomines produced 1259oz of gold during Q1. Focus has been on achieving a state of steady gold production at the processing plant. Endomines also announced plans to open the East open pit at Pampalo, which according to the company would increase gold production volumes with 10-20%. Operations at the open pit are expected to continue for approx. two years. At Friday, Endomines has carried out an underground diamond drilling campaign, with promising results. Further drilling is however still required and will be considered in late 2022.

### Investigating potential in Finland amid macro uncertainty

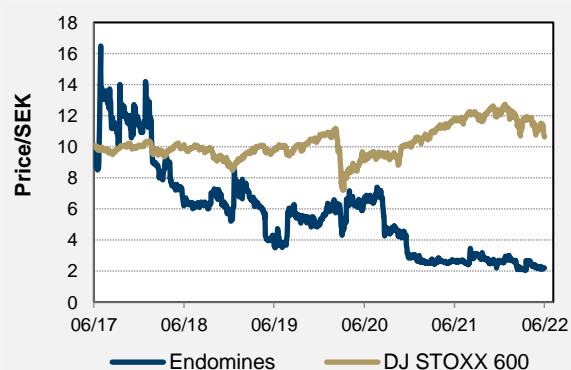
Our estimates for Friday now assume production to be restarted during H1/2023 (earlier assumption mid-2022). The company noted that it is investigating partnership options, which could be beneficial given the company's current lack of cash flows and continued need for additional financing. Production ramp-up at Pampalo and the assumed start-up of the East open pit this year provides some additional leeway but further financing will in our view be needed to further increase production. Endomines has also investigated possibilities to develop known deposits within the Karelian Gold Line. Gold is still enjoying rather favourable price levels, but precious metals have as safe haven assets been under pressure due to a stronger dollar and anticipated interest rate hikes. Any gold price deterioration would in our view clearly limit the economic feasibility of the other assets in Finland.

### HOLD with a target price of SEK 2.2 (2.3)

With estimates revisions both operatively and due to completed and anticipated financing arrangements along with gold price uncertainty we adjust our TP to SEK 2.2 (2.3), HOLD-rating intact.

Rating

■ HOLD



Share price, SEK (Last trading day's closing price) 2.20

Target price, SEK 2.2

Latest change in recommendation	11-Nov-21
Latest report on company	28-Feb-22
Research paid by issuer:	YES
No. of shares outstanding, '000's	263,698
No. of shares fully diluted, '000's	266,843
Market cap, SEKm	580
Free float, %	0.0
Exchange rate EUR/SEK	10.150
Reuters code	ENDO.ST
Bloomberg code	ENDO SS
Average daily volume, SEKm	0.2
Next interim report	18-Aug-22
Web site	endomines.com/investors

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■ BUY ■ HOLD ■ SELL

## KEY FIGURES

	Sales SEKm	EBIT SEKm	EBIT %	FCF SEKm	EPS SEK	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS SEK
2020	13.1	-184.7	-1,410.0%	-103.5	-1.50	-1.9	38.8	-2.8	-28.2	0.00
2021	5.0	-255.1	-5,102.0%	-236.4	-1.20	-2.1	144.4	-2.8	-41.2	0.00
2022E	154.9	-135.4	-87.4%	-326.6	-0.58	-3.8	6.3	-7.2	-56.3	0.00
2023E	360.7	-82.8	-23.0%	-252.2	-0.45	-4.9	3.4	-14.8	-43.5	0.00
2024E	461.9	-0.5	-0.1%	-13.9	-0.17	-13.0	2.7	-2,673.1	-2.4	0.00
Market cap, SEKm		580	Gearing 2022E, %			165.1	CAGR EPS 2021-24, %			-47.9
Net debt 2022E, SEKm		393	Price/book 2022E			2.4	CAGR sales 2021-24, %			352.0
Enterprise value, SEKm		973	Dividend yield 2022E, %			0.0	ROE 2022E, %			-56.2
Total assets 2022E, SEKm		749	Tax rate 2022E, %			-0.1	ROCE 2022E, %			-24.1
Goodwill 2022E, SEKm		0	Equity ratio 2022E, %			31.8	PEG, P/E 22/CAGR			0.0

All the important disclosures can be found on the last pages of this report.

Endomines (SEKm)	2020	H1/'21	H2/'21	2021	H1/'22E	H2/'22E	2022E	2023E	2024E
Net sales	13.1	0.1	4.9	6.7	60.4	94.5	154.9	360.7	461.9
sales growth %	>100%	-10.4%	88.5%	-48.9%	>100%	>100%	>100%	>100%	28 %
EBITDA	-108.0	-40.3	-77.9	-118.2	-36.6	-8.9	-45.4	70.9	156.8
EBIT	-184.7	-95.5	-159.8	-255.1	-73.6	-61.9	-135.4	-82.8	-0.5
EBIT margin	<-100%	<-100%	<-100%	<-100%	<-100%	<-100%	-87.4%	-23.0%	-0.1%
Gold production (Oz)	538	0	460	460	3,622	5,671	9,293	20,782	26,611
Finland	2020	H1/'21	H2/'21	2021	H1/'22E	H2/'22E	2022E	2023E	2024E
Net sales*	5.5	0.0	0.0	0.0	60.4	94.5	154.9	202.5	126.6
Gold production (Oz)	0	0	0	0	3,622	5,671	9293	11667	7292
United States	2020	H1/'21	H2/'21	2021	H1/'22E	H2/'22E	2022E	2023E	2024E
Net sales*	7.6	0.0	4.9	6.7	0.0	0.0	0.0	158.2	335.3
Gold production (Oz)	538	0	460	460	0	0	0	9115	19319
Assumptions	2020	H1/'21	H2/'21	2021	H1/'22E	H2/'22E	2022E	2023E	2024E
Gold price USD/Oz	1769	1805	1792	1799	1873	1824	1848	1900	1900
Gold price EUR/Oz	1552	1499	1543	1521	1727	1737	1732	1810	1810
USD/SEK	9.20	8.41	8.76	8.89	9.68	10.01	10.01	10.01	10.01
EUR/SEK	10.49	10.14	10.16	10.13	10.51	10.54	10.54	10.54	10.54
EUR/USD	1.14	1.20	1.16	1.14	1.09	1.05	1.05	1.05	1.05

\*Net sales split Evli estimate (not reported)

Source: Endomines, Evli Research

Valuation	Evli est. MSEK	Spot MSEK	Estimate basis
Friday	183	160	LOM 7 years, avg. CC 830 USD/oz, ~70,000oz concentrate produced
Other assets (US)	545	521	
Pampalo	83	79	DCF LOM 2y, ~28,000oz concentrate produced + other assets
Karelia other	80	76	In-situ value for assets. Exploration ~200USD/m
Corporate/other	-209	-209	DCF estimate assuming active operations until 2030
Net cash (debt)	-69	-69	Q4/2021 + known Q1-Q2/2022 transactions
Total	613	558	
Per share	2.3	2.1	
Long-term gold price (USD/Oz)	1900		Evli
Spot price (USD/Oz)		1824	
Shares (m)	266.8	266.8	Q4/2021 + known Q1-Q2/2022 transactions

## INTERIM FIGURES

EVLI ESTIMATES, SEKm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1E	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	0.0	0.1	0.0	4.9	5.0	0.0	60.4	0.0	94.5	154.9	360.7	461.9
EBITDA	0.0	-40.3	0.0	-77.8	-118.1	0.0	-36.6	0.0	-8.9	-45.4	76.6	159.9
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>-40,707.1</i>	<i>0.0</i>	<i>-1,588.1</i>	<i>-2,362.0</i>	<i>0.0</i>	<i>-60.5</i>	<i>0.0</i>	<i>-9.4</i>	<i>-29.3</i>	<i>21.2</i>	<i>34.6</i>
EBIT	0.0	-95.5	0.0	-159.6	-255.1	0.0	-73.6	0.0	-61.9	-135.4	-82.8	-0.5
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>-96,464.6</i>	<i>0.0</i>	<i>-3,257.8</i>	<i>-5,102.0</i>	<i>0.0</i>	<i>-121.7</i>	<i>0.0</i>	<i>-65.5</i>	<i>-87.4</i>	<i>-23.0</i>	<i>-0.1</i>
Net financial items	0.0	-25.4	0.0	9.4	-16.0	0.0	-8.6	0.0	-10.0	-18.6	-35.4	-44.3
Pre-tax profit	0.0	-120.9	0.0	-150.2	-271.1	0.0	-82.2	0.0	-71.9	-154.0	-118.2	-44.7
Tax	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
<i>Tax rate (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-0.1</i>	<i>-0.1</i>	<i>-0.1</i>
Net profit	0.0	-120.9	0.0	-150.3	-271.2	0.0	-82.2	0.0	-71.9	-154.1	-118.2	-44.7
EPS	0.00	-0.54	0.00	-0.67	-1.20	0.00	-0.31	0.00	-0.27	-0.58	-0.45	-0.17
EPS adjusted (diluted no. of shares)	0.00	-0.54	0.00	-0.67	-1.20	0.00	-0.31	0.00	-0.27	-0.58	-0.45	-0.17
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>SALES, SEKm</b>												
Endomines	0.0	0.1	0.0	4.9	5.0	0.0	60.4	0.0	94.5	154.9	360.7	461.9
Total	0.0	0.1	0.0	4.9	5.0	0.0	60.4	0.0	94.5	154.9	360.7	461.9
<b>SALES GROWTH, Y/Y %</b>												
Endomines	-100.0	-98.7	-100.0	600.0	-61.8	0.0	60,397.3	0.0	1,828.5	2,998.6	132.8	28.1
Total	-100.0	-98.7	-99.9	599.9	-61.8	0.0	60,947.3	0.0	1,828.9	2,998.6	132.8	28.1
<b>EBIT, SEKm</b>												
Endomines	0.0	-95.5	0.0	-159.6	-255.1	0.0	-73.6	0.0	-61.9	-135.4	-82.8	-0.5
Total	0.0	-95.5	0.0	-159.6	-255.1	0.0	-73.6	0.0	-61.9	-135.4	-82.8	-0.5
<b>EBIT margin, %</b>												
Endomines	0.0	-95,595.6	0.0	-3,257.2	-5,102.0	0.0	-121.7	0.0	-65.5	-87.4	-23.0	-0.1
Total	0.0	-96,464.6	0.0	-3,257.8	-5,102.0	0.0	-121.7	0.0	-65.5	-87.4	-23.0	-0.1

INCOME STATEMENT, SEKm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	122.2	104.0	5.8	13.1	5.0	154.9	360.7	461.9
<i>Sales growth (%)</i>	<i>21.0</i>	<i>-14.9</i>	<i>-94.4</i>	<i>125.9</i>	<i>-61.8</i>	<i>2,998.6</i>	<i>132.8</i>	<i>28.1</i>
EBITDA	-5.7	-5.5	-48.8	-108.0	-118.1	-45.4	76.6	159.9
<i>EBITDA margin (%)</i>	<i>-4.7</i>	<i>-5.3</i>	<i>-841.1</i>	<i>-824.5</i>	<i>-2,362.0</i>	<i>-29.3</i>	<i>21.2</i>	<i>34.6</i>
Depreciation	-59.1	-43.0	-3.6	-76.7	-137.0	-90.0	-159.4	-160.3
EBITA	-64.8	-48.5	-52.4	-184.7	-255.1	-135.4	-82.8	-0.5
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-64.8	-48.5	-52.4	-184.7	-255.1	-135.4	-82.8	-0.5
<i>EBIT margin (%)</i>	<i>-53.0</i>	<i>-46.6</i>	<i>-903.4</i>	<i>-1,410.0</i>	<i>-5,102.0</i>	<i>-87.4</i>	<i>-23.0</i>	<i>-0.1</i>
Reported EBIT	-64.8	-48.5	-52.4	-184.7	-255.1	-135.4	-82.8	-0.5
<i>EBIT margin (reported) (%)</i>	<i>-53.0</i>	<i>-46.6</i>	<i>-903.4</i>	<i>-1,410.0</i>	<i>-5,102.0</i>	<i>-87.4</i>	<i>-23.0</i>	<i>-0.1</i>
Net financials	-4.5	11.0	-7.7	-12.3	-16.0	-18.6	-35.4	-44.3
Pre-tax profit	-69.3	-37.5	-60.1	-197.0	-271.1	-154.0	-118.2	-44.7
Taxes	0.0	0.1	0.0	0.1	-0.1	-0.1	-0.1	0.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-69.3	-37.4	-60.1	-196.9	-271.2	-154.1	-118.2	-44.7
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET, SEKm</b>								
<b>Assets</b>								
Fixed assets	130	476	573	568	527	664	716	644
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	2	2	0	2	8	31	72	92
Receivables	12	4	1	3	18	31	72	92
Liquid funds	16	19	16	11	12	23	36	32
Total assets	161	501	590	585	566	749	896	861
<b>Liabilities</b>								
Shareholder's equity	45	252	336	331	310	238	120	75
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	169	175	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	84	44	46	154	161	416	681	691
Non-interest bearing current liabilities	0	0	0	0	0	0	0	0
Other interest-free debt	32	36	32	100	95	95	95	95
Total liabilities	161	501	590	585	566	749	896	861
<b>CASH FLOW, SEKm</b>								
+ EBITDA	-6	-5	-49	-108	-118	-45	77	160
- Net financial items	-4	11	-8	-12	-16	-19	-35	-44
- Taxes	0	0	0	0	0	0	0	0
- Increase in Net Working Capital	9	8	-5	4	-6	-36	-82	-40
+/- Other	2	-22	-17	40	0	0	0	0
= Cash flow from operations	1	-8	-79	-77	-140	-100	-41	75
- Capex	-14	-100	-82	-27	-96	-227	-211	-89
- Acquisitions	0	-59	0	0	0	0	0	0
+ Divestments	0	0	2	0	0	0	0	0
= Free cash flow	-13	-167	-159	-103	-236	-327	-252	-14
+/- New issues/buybacks	0	244	144	192	250	82	0	0
- Paid dividend	0	0	0	0	0	0	0	0
+/- Other	-1	-74	12	-93	-13	256	265	10
Change in cash	-14	3	-3	-4	1	11	13	-4

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	211	448	366	574	580	580	580
Net debt (excl. convertibles)	25	30	143	148	393	645	659
Enterprise value	405	654	509	722	973	1,225	1,239
Sales	104	6	13	5	155	361	462
EBITDA	-5	-49	-108	-118	-45	77	160
EBIT	-48	-52	-185	-255	-135	-83	0
Pre-tax	-37	-60	-197	-271	-154	-118	-45
Earnings	-37	-60	-197	-271	-154	-118	-45
Equity book value (excl. minorities)	252	336	331	310	238	120	75
<b>Valuation multiples</b>							
EV/sales	3.9	112.7	38.8	144.4	6.3	3.4	2.7
EV/EBITDA	-73.7	-13.4	-4.7	-6.1	-21.4	16.0	7.8
EV/EBITA	-8.4	-12.5	-2.8	-2.8	-7.2	-14.8	-2,673.1
EV/EBIT	-8.4	-12.5	-2.8	-2.8	-7.2	-14.8	-2,673.1
EV/OCF	-53.2	-8.3	-6.6	-5.1	-9.8	-29.8	16.5
EV/FCFF	-2.3	-4.3	-5.6	-3.0	-3.2	-5.7	40.8
P/FCFE	-1.3	-2.8	-3.5	-2.4	-1.8	-2.3	-41.8
P/E	-5.6	-7.5	-1.9	-2.1	-3.8	-4.9	-13.0
P/B	0.8	1.3	1.1	1.8	2.4	4.8	7.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	-21.4	16.0	7.8
Target EV/EBIT	0.0	0.0	0.0	0.0	-7.2	-14.8	-2,673.1
Target EV/FCF	0.0	0.0	0.0	0.0	-3.0	-4.9	-89.3
Target P/B	0.0	0.0	0.0	0.0	2.4	4.8	7.7
Target P/E	0.0	0.0	0.0	0.0	-3.8	-4.9	-13.0
<b>Per share measures</b>							
Number of shares	35,148	79,957	131,305	225,794	263,698	263,698	263,698
Number of shares (diluted)	35,148	79,957	131,305	225,794	266,843	263,698	263,698
EPS	-1.06	-0.75	-1.50	-1.20	-0.58	-0.45	-0.17
Operating cash flow per share	-0.22	-0.99	-0.59	-0.62	-0.38	-0.16	0.28
Free cash flow per share	-4.74	-1.99	-0.79	-1.05	-1.24	-0.96	-0.05
Book value per share	7.16	4.20	2.52	1.37	0.90	0.45	0.28
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF yield, %	-79.0	-35.6	-28.2	-41.2	-56.3	-43.5	-2.4
<b>Efficiency measures</b>							
ROE	-25.2	-20.5	-59.1	-84.6	-56.2	-66.1	-45.9
ROCE	-9.9	-10.3	-35.5	-53.4	-24.1	-11.4	-0.1
<b>Financial ratios</b>							
Inventories as % of sales	1.7	0.6	18.8	163.9	20.0	20.0	20.0
Receivables as % of sales	3.6	22.8	25.4	365.3	20.0	20.0	20.0
Non-interest bearing liabilities as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NWC/sales, %	-20.8	-310.5	-456.7	-1,075.6	-11.8	17.8	22.6
Operative CAPEX/sales, %	95.9	1,414.7	202.8	1,924.4	146.5	58.5	19.3
CAPEX/sales (incl. acquisitions), %	39.0	1,414.7	202.8	1,924.4	146.5	58.5	19.3
FCFF/EBITDA	32.3	3.1	0.8	2.0	6.8	-2.8	0.2
Net debt/EBITDA, book-weighted	-4.6	-0.6	-1.3	-1.3	-8.7	8.4	4.1
Debt/equity, market-weighted	0.2	0.1	0.4	0.3	0.7	1.2	1.2
Equity ratio, book-weighted	84.0	86.7	56.5	54.8	31.8	13.4	8.7
Gearing, %	6.0	6.0	43.1	47.9	165.1	538.7	878.5

**COMPANY DESCRIPTION:** Endomines engages in exploration, mining, and extraction of gold deposits. Its sites are found in Eastern Finland along the Karelian Gold line and in Idaho, USA. The company was founded in 2005 and is headquartered in Stockholm, Sweden. Endomines focuses its operations to assets in stable jurisdictions that can be brought to production rapidly and with limited investment.

**INVESTMENT CASE:** The ramp-up of operations at the Friday-mine has been burdened by challenges and mining operations were recently halted due to ore irregularities and a need to conduct underground drilling for mine planning purposes. The company has proceeded with reinitiating production at its Pampalo site, with good progress having been made during H1/22. Supportive development in gold prices offer additional potential for increased revenue.

OWNERSHIP STRUCTURE	SHARES	SEKm	%
Joensuun Kauppa ja Kone	32,484,393	71.466	12.3%
Clearstream Banking S.A.	31,459,741	69.211	11.9%
Northern Trust Global Services	29,387,519	64.653	11.1%
Nordea Bank Abp (Publ)	16,423,415	36.132	6.2%
Skandinaviska Enskilda Banken	13,732,627	30.212	5.2%
Evli Plc	11,217,814	24.679	4.3%
Mariatorp Oy	8,000,000	17.600	3.0%
Wipunen Varainhallinta Oy	8,000,000	17.600	3.0%
K22 Finance Oy	5,103,669	11.228	1.9%
Aktia Bank Abp	4,130,050	9.086	1.6%
Ten largest	159,939,228	351.866	61%
Residual	103,759,150	228.270	39%
Total	263,698,378	580.136	100%

**EARNINGS CALENDAR**

August 18, 2022

Q2 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

CEO: Kari Vyhtinen

Ahventie 4 A, FI-02170 Espoo

CFO: Mikko Sopanen

Tel:

IR:

## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

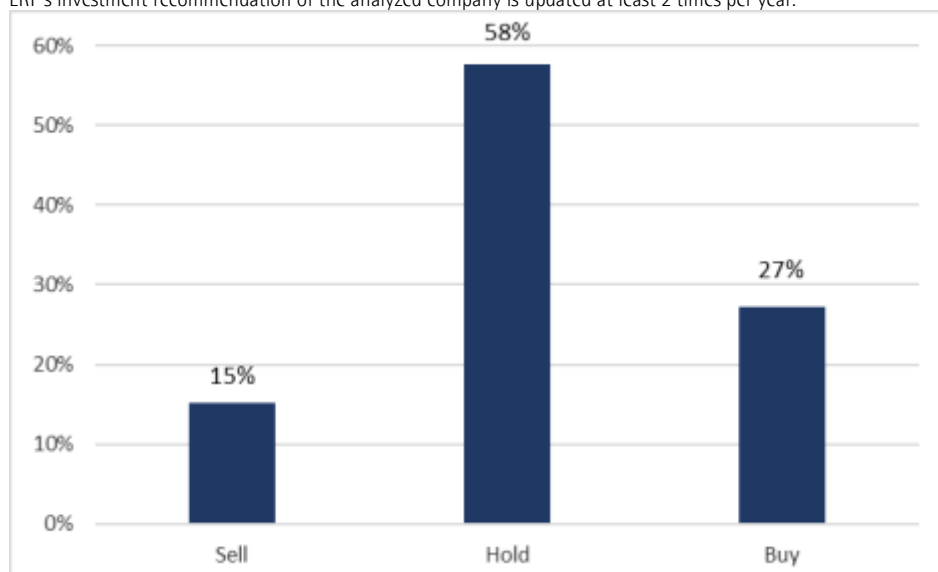
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Salokivi

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