

NORRHYDRO

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INDERES CORPORATE CUSTOMER

EXTENSIVE REPORT



Light at the end of the cylinder

We see favorable earnings growth prospects for Norrhydro in the coming years in conventional hydraulic cylinders, where the company has gained market share in the long term and is now benefiting from its new modern factory. NorrDigi technologies could enable even stronger and higher-margin growth in the long term, but visibility into successful commercialization is currently uncertain. Earnings-based valuation multiples are still elevated at the current earnings level and the leveraged balance sheet increases the risk profile, but we estimate that both will develop in a more favorable direction, driven by the ongoing earnings turnaround. We reiterate our Accumulate recommendation and EUR 1.60 target price for the company.

Hydraulic cylinders for mobile work machinery

Norrhydro Group is a manufacturer of hydraulic cylinders based in Rovaniemi, Finland, whose customers include global manufacturers of material handling, forestry, excavation and rock drilling machines. The business is based on long-term customer relationships and product development carried out in cooperation with customers. Key customers operate mainly in the Baltic Sea region, but the target market for the new, more advanced NorrDigi cylinders is global. NorrDigi's global commercialization is promoted through OEM and distribution partners, which could help scale the technology with relatively light resources.

The new factory supports market share growth

We estimate the conventional cylinder market to grow by an average of approximately 4% p.a. (until 2030), and Norrhydro has historically gained market share. A new, modern factory with a higher degree of automation was completed in Rovaniemi in 2022, and it will support production efficiency and the company's market position in the future. Although fixed costs have increased with the factory, we estimate that it will enable higher profitability as volumes grow. Market demand was at a historically weak level during 2024, but has recovered significantly during 2025, supported by, for example, the material handling and mining industries, although

demand for construction and forestry machinery is still weak.

Commercialization of NorrDigi technology in its early stages

In recent years, Norrhydro has invested significant resources in new, higher-value NorrDigi cylinder technologies (MCC=multi-chamber cylinder and EMA=electromechanical cylinder). The technological foundation is already complete, and in the coming years, the operational focus will be on advancing commercialization and developing customer applications in cooperation with customers and distributors. Revenue is still small, which is why we estimate NorrDigi to have a negative impact of around 1 MEUR on the Group's EBIT for the time being. In our forecasts, we have assumed NorrDigi's growth to be moderate in the coming years and to accelerate only in the medium term (2028 onwards). Visibility into demand and reaching the mass production phase is still weak.

A turnaround company involves risks, but also opportunities

We estimate Norrhydro to be in the midst of an earnings turnaround, which could help the company reduce the balance sheet risk caused by its high indebtedness (net debt/EBITDA Q3'25: 4.4x). The current year's earnings-based valuation EV/EBIT 17x is still high, but with more demanding forecasts for 2026, the multiple is already a favorable 10x. In Norrhydro's case, it is also worth noting the negative earnings impact of NorrDigi, which is in its early stages, and its later growth potential. Adjusted for NorrDigi's estimated earnings impact, EV/EBIT would be only 10x for 2025e and 8x for 2026e, so we estimate that the current share price could already be justified purely by the results of the conventional business, even if one does not believe in NorrDigi's breakthrough. Although the valuation appears attractive and we estimate the outlook to be on an upward trend, it is good to note the elevated risk level of the share, which is related to, among other things, the cyclicity of the industry, dependence on certain customers, indebtedness, and the difficult predictability of NorrDigi's breakthrough.

Recommendation

Accumulate

(was Accumulate)

Target price:

EUR 1.60

(was EUR 1.60)

Share price:

EUR 1.22

Business risk



Valuation risk



| | 2024 | 2025e | 2026e | 2027e |
|-------------|--------|-------|-------|-------|
| Revenue | 24.2 | 28.9 | 31.6 | 34.9 |
| growth-% | -20% | 19% | 9% | 11% |
| EBIT adj. | 0.0 | 1.4 | 2.1 | 2.7 |
| EBIT-% adj. | -0.1 % | 4.7 % | 6.7 % | 7.6 % |
| Net income | -1.3 | 0.1 | 0.9 | 1.4 |
| EPS (adj.) | -0.11 | 0.02 | 0.08 | 0.13 |
| Dividend | 0.00 | 0.00 | 0.00 | 0.04 |

| | | | | |
|------------------|-------|-------|-------|-------|
| P/E (adj.) | neg. | 71.7 | 14.5 | 9.1 |
| P/B | 2.3 | 1.7 | 1.5 | 1.3 |
| Dividend yield-% | 0.0 % | 0.0 % | 0.0 % | 3.3 % |
| EV/EBIT (adj.) | neg. | 16.7 | 10.4 | 7.7 |
| EV/EBITDA | 21.8 | 8.8 | 6.3 | 4.9 |
| EV/S | 1.1 | 0.8 | 0.7 | 0.6 |

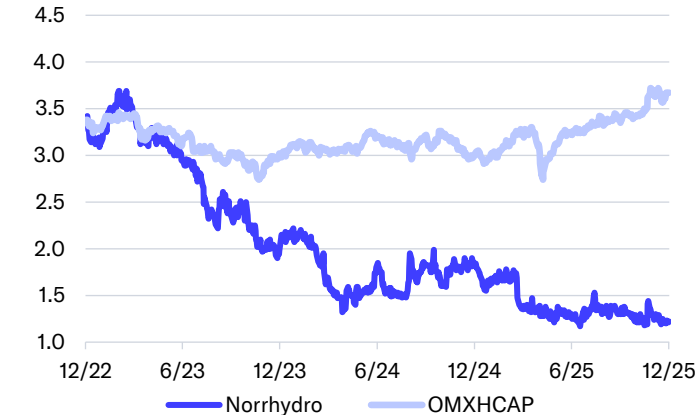
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Guidance

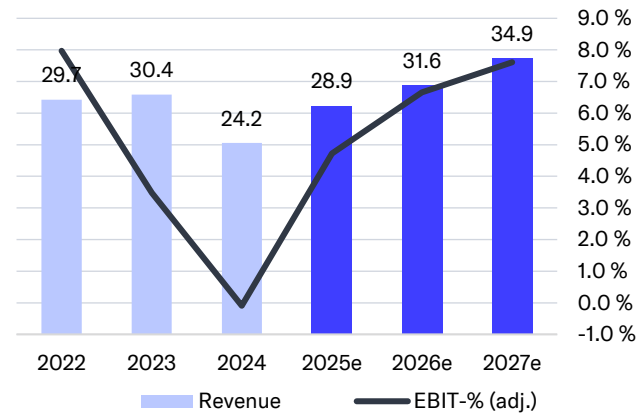
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2025 revenue and EBITDA are expected to increase from 2024 (revenue was 24.2 MEUR and EBITDA was 1.3 MEUR).

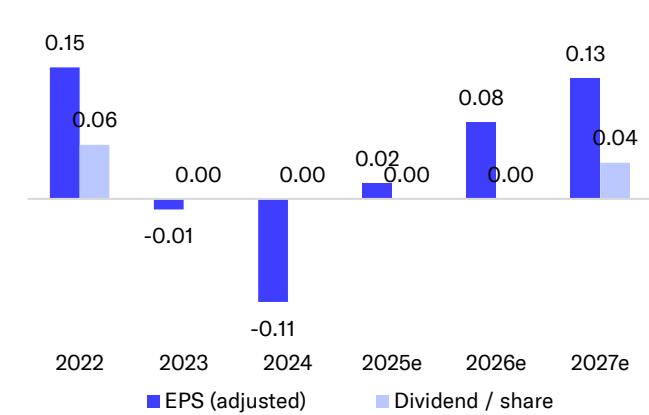
Share price



Revenue and EBIT-% (adj.)



EPS and dividend



Value drivers

- Growth potential in basic cylinders through market recovery and market share gains
- The modern factory's scalability supports profitability
- NorrDigi's growth opportunity in higher technology products
- Impressive customer list and close, long-term customer relationships

Risk factors

- Cyclicalities of key customer industries
- Concentration of customer base
- Failure to commercialize NorrDigi
- The balance sheet is indebted and contains significant capitalized development costs

| Valuation | 2025e | 2026e | 2027e |
|----------------------------|-------|-------|--------|
| Share price | 1.22 | 1.22 | 1.22 |
| Number of shares, millions | 11.0 | 11.0 | 11.0 |
| Market cap | 13 | 13 | 13 |
| EV | 23 | 22 | 21 |
| P/E (adj.) | 71.7 | 14.5 | 9.1 |
| P/E | >100 | 15.8 | 9.6 |
| P/B | 1.7 | 1.5 | 1.3 |
| P/S | 0.5 | 0.4 | 0.4 |
| EV/Sales | 0.8 | 0.7 | 0.6 |
| EV/EBITDA | 8.8 | 6.3 | 4.9 |
| EV/EBIT (adj.) | 16.7 | 10.4 | 7.7 |
| Payout ratio (%) | 0.0 % | 0.0 % | 31.6 % |
| Dividend yield-% | 0.0 % | 0.0 % | 3.3 % |

Source: Inderes

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Norrhydro in brief

Norrhydro designs and manufactures hydraulic and electric cylinders for heavy mobile equipment, such as forest, earthmoving, mining and material handling machines.

1985

Year of establishment

27.6 MEUR

Revenue Q4'24-Q3'25 (LTM)

2.2 MEUR

EBITDA Q4'24-Q3'25 (LTM)

0.9 MEUR

EBIT Q4'24-Q3'25 (LTM)

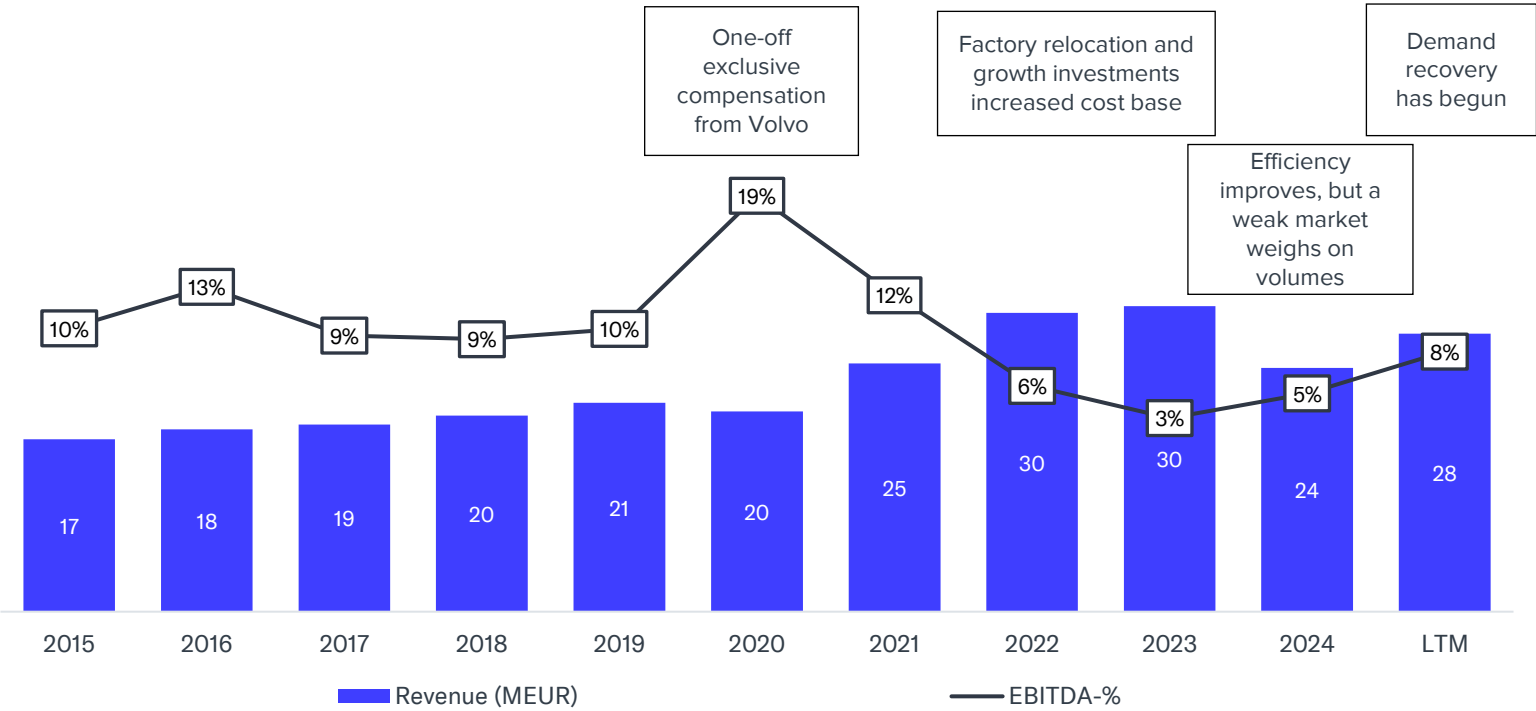
145

Headcount 6/30/2025

Equity 7.9 MEUR

9/30/2025 (EUR 0.72 per share)

- Background**
 - Grown by an average of 5% p.a. (2015-24), slightly faster than the market
 - Long-term customer relationships with international machine manufacturers in the Baltic Sea region
 - Quality, reliability, and R&D cooperation are key selling points
 - The market is competitive and the key competitors are Nordic
- NorrDigi**
 - Newer, more advanced digitally controlled cylinder technologies
 - Commercialization still in its early stages
 - The MCC multi-chamber cylinder was developed in-house, in cooperation with Volvo since 2015
 - NorrDigi EMA electric cylinders were acquired through an acquisition at the end of 2021
- New factory**
 - Higher degree of automation and efficiency
 - Strengthens the manufacturing of both conventional cylinders and NorrDigi
 - Completed in Rovaniemi in 2022
 - A total investment of 17 MEUR



LTM: Q4'24-Q3'25 (LTM)

Company description and business model 1/4

Significant hydraulics supplier for heavy machinery

Norrhydro is a Rovaniemi-based manufacturer of hydraulic and electric cylinders, founded in 1985. The company designs, manufactures and produces hydraulic cylinders for heavy mobile equipment such as forest machines, earthmoving equipment, mining machines, material handling machines and the marine sector. In working machinery, hydraulic cylinders are used for lifting, lowering, pressing, pushing, pulling and locking movements. The basic structure of hydraulic cylinders is simple and can consist of a cylinder liner, a piston and a piston rod. Norrhydro specializes in high-quality, tailored, energy-efficient hydraulic cylinders for mobile machinery operated in demanding conditions.

In addition to conventional hydraulic cylinders, Norrhydro is seeking growth with digital multi-chamber cylinders (NorrDigi MCC) and electromechanical cylinders (NorrDigi EMA). These can be used to partially replace conventional hydraulic cylinders, providing significant cost and other benefits to the customer. Digital cylinders will enable a higher value added for the company in the future, but the commercialization of the solutions is still at a relatively early stage (share of revenue estimated at 1-2% in 2025).

In-house manufacturing focuses on assembly

Norrhydro's hydraulic cylinders are manufactured in the company's new factory in Rovaniemi, Finland, which has a production area of around 7,500 m2 (~80,000 ft2). The factory is set up primarily for final assembly and testing. We estimate that there are currently around 100 people employed in production, a small proportion of whom are contractors. At the Rovaniemi factory, Norrhydro produces prototypes and small series of components in addition to

final assembly. Subcontracting of individual components and small series would be slow and expensive, whereas longer series are cheaper when subcontracted. In total, Norrhydro has between 200 and 300 active - in other words, revenue-generating - titles in production. However, according to the company, 80% of its revenue comes from fewer than 100 titles. The number of active titles has been on an upward trend in the big picture, which we believe is natural given the company's strengthened market share.

Norrhydro's own production steps are 1) pipe cutting and washing and component selection; 2) rough facing; 3) turning of the piston rod and piston thread; 4) welding of the piston rod and cylinder base; 5) assembly (incl. seal installation) and testing; 6) painting and surface treatment; 7) packing and delivery / warehousing. The factory's machinery (e.g., CNC lathes and machine tools, as well as robotic welding and surface treatment lines) is modern, and the company continues to gradually automate work phases.

Automation increased with the new factory

Between 2021 and 2022, Norrhydro built a new factory in Rovaniemi, near the old one. The investment significantly increased the company's production capacity and enables improved production efficiency through a higher degree of automation. According to Norrhydro, the production flow in the new plant is much more efficient and the same production volume can be achieved with significantly fewer people. The decrease in personnel intensity has also started to materialize as the factory's operations have become more efficient after challenging initial years. Lead times have been reduced by 15-20% compared to the old factory.



| Business focus areas | |
|---|--|
| Conventional hydraulic cylinders | NorrDigi |
| <ul style="list-style-type: none">▪ Most of revenue▪ The new factory enables growth and supports efficiency▪ A competitive industry where it is difficult to achieve high profitability and thus a high return on capital | <ul style="list-style-type: none">▪ Newer, smarter technology▪ Commercialization in early stages▪ Potential for higher margins and value creation if commercialization is successful |

Norrhydro locations

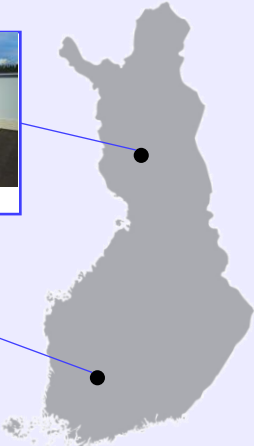
Rovaniemi

- Headquarters
- Production plant
- Product development



Tampere

- NorrDigi product development unit



Company description and business model 2/4

The factory's fixed costs are higher than before due to, for example, increased rent levels, but on the other hand, increasing volumes, if realized, will enable significant operational leverage and earnings growth in the future.

The total investment was around 17 MEUR, of which 11 MEUR was allocated to the building itself (leased) and 6 MEUR to machinery investments. Most of Norrhydro's machinery was transferred to the new factory. The largest new machine investments were a highly automated painting line (1.5 MEUR) and a friction welding machine (1.3 MEUR). Compared to the old factory, the production area increased by about 90%. The factory is on the city's rented land and the building is owned by OP Real Estate Asset Management Ltd. Norrhydro's current lease agreement extends to 2036, and its renewal is not expected to be an issue.

The production capacity of conventional hydraulic cylinders is now about 70,000-75,000 units per year, which is 40-50% more than in the old factory. According to Norrhydro, capacity at the current factory could be increased up to 120,000 units. However, the importance of capacity in terms of units is not very central; the average price of a cylinder also plays a role. More complex cylinders are more expensive and slower to produce, but of course the price is higher. Typical selling prices for conventional hydraulic cylinders are EUR 500-700 per unit. Product quality and production delivery reliability in the new factory have reached a high level after the challenges experienced during the factory ramp-up.

Increased subcontracting rates has improved productivity

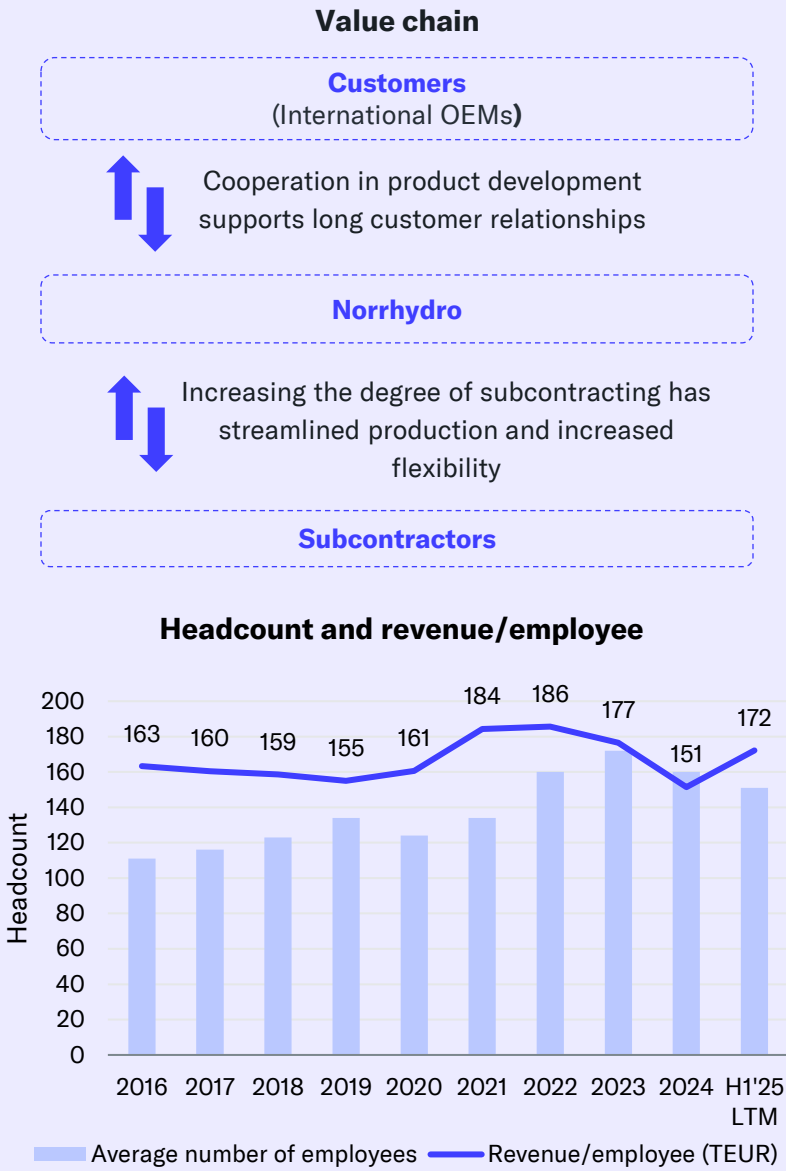
The Rovaniemi factory typically operates in two shifts, five days a week. It is possible and more economical to increase capacity in the future by investing in machinery alone, without increasing the number of shifts.

In recent years, the company has heavily outsourced its component production, which has enabled it to streamline its cost structure and enhance operational efficiency. All components for volume production are outsourced, and small batches of complete cylinders can be outsourced if required. We believe that outsourced component and sub-assembly manufacturing is well over 50%. Norrhydro has not named its main subcontractors, but they are “well-known engineering companies and wholesalers”. In total, there are more than 100 subcontractors and the network is global. The number has decreased in recent years, mainly as a result of the reduction of smaller suppliers, as Norrhydro has concentrated its procurement, especially in the machinery sector.

According to Norrhydro, the availability of subcontracted materials and components has improved since 2023. Efforts have been made to reduce the company's own inventories, which had risen to unnecessarily high levels as a result of the factory relocation. The sensors (MCC) and ball screws (EMA) used in NorrDigi products are currently lower-volume procurement items for the company, and their delivery times have occasionally been extended. If the company moves to larger series and more established volumes for these products in the future, we estimate that reliable and sufficiently fast suppliers will be found for these components.

Integrated supply chain

Norrhydro's customer deliveries are mainly made to strategic partner customers' factories in the Nordic countries. These include, e.g., Ponsse's factory in Vieremä, Sandvik's factory in Tampere, Kongsberg Maritime's factories in Rauma and Kokkola, and HMF's factory in Højbjerg in Denmark.



Company description and business model 3/4

Norrhydro receives up-to-date demand forecasts from these customers to plan its own operations and subcontracting. An integrated supply chain ensures the availability of critical materials and components and helps Norrhydro manage the size and salability of its component inventory.

Finland accounted for 70% of revenue in 2024 (2023: 68%), and the majority of customer shipments were domestic rail and truck transportation. Although the share of exports (2024: 30%) has decreased slightly from 2022 (36%), its share has generally been on the rise (13% in 2019). Normally, customers are responsible for freight costs, so Norrhydro's risk in this respect is low.

Partner customers are served from the product development phase onwards

At the heart of Norrhydro's customer base are the manufacturers of forest machines, excavators, pile-drivers, rock drilling machines and cargo handling machines. The company's main customers are the most significant global companies in their respective industries and in many cases the customer relationship have lasted for many years or decades. Key customers include forest machine manufacturer Ponsse, piling machine manufacturer Junttan, material handling machine manufacturer Mantsinen Group, rock drilling equipment manufacturer Sandvik Mining and Construction, and Danish crane manufacturer HMF Group. Other well-known customer names include Hiab, Kalmar, Metso (aggregates) and Kongsberg Maritime.

Norrhydro has a committing partnership model with its main customers, where it is involved already in the customer's product development phase and the cooperation continues until the end of the product's life cycle. All products supplied by Norrhydro to its customers are tailored. This

raises the threshold for switching suppliers, even though Norrhydro is not normally the customer's only cylinder supplier. In the cooperation Norrhydro's task is product design (where the customer specifies the requirements, materials used and documentation required for the product) and, naturally the product manufacturing. The duration of supply contracts is generally 2-5 years.

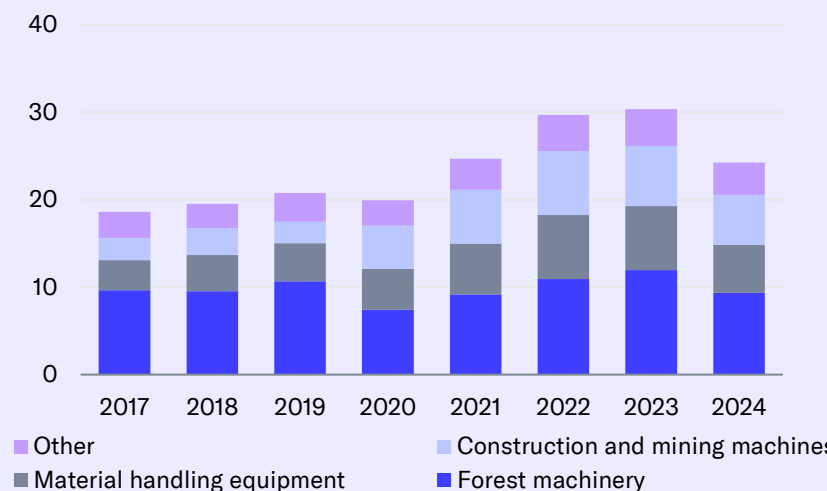
Norrhydro has 10-15 OEM or partner customers for hydraulic cylinders, and the total number of major customers is about 50. Our understanding is that the company has not experienced significant customer losses, but it has directed some smaller and less profitable customer accounts towards other cylinder manufacturers. The company has continued active new customer acquisition, although weak overall market demand and cost control have somewhat limited sales resourcing.

Revenue mix has balanced in recent years

Norrhydro announced the breakdown of its 2020 revenue by customer sector in its 2021 IPO, but no further updates have been provided. The chart below shows the breakdown of revenue by customer industry for various years, based on both published data and our own estimates. In the 2020s, we estimate that the revenue structure has become clearly more balanced among the three key customer industries.

The company has a significant, some 25-30% dependence on Ponsse, measured by its share of revenue. We estimate that Norrhydro has two other customers that represent some 10% of the company's revenue. Overall, Norrhydro's dependence on individual customers remains significant, but the dependence on Ponsse has decreased from nearly 50% in previous years, as revenue from other customers and industries has grown faster than Ponsse.

Hydraulic cylinder revenue by customer group, MEUR



Source: Estimated based on, e.g., the revenue figures of key customers.

Norrhydro's customers



Company description and business model 4/4

Norrhydro's customers' industries are cyclical in nature, which raises Norrhydro's risk profile. On the other hand, there are many customer industries and they partly balance each other's cycles.

Aftermarket operations focus on spare parts

Norrhydro does not have a separate service organization for its aftermarket operations. The service business is at the heart of OEM customers' business and Norrhydro's role is to support this business with reliable spare part deliveries. Spare parts and other aftermarket activities are estimated to account for 10-15% of Norrhydro's revenue, although we do not believe this has a significant impact on Norrhydro's profitability.

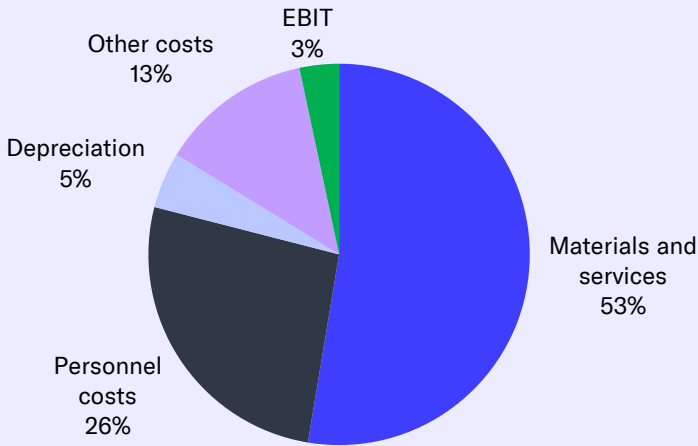
The cost structure provides a significant operating lever

We estimate that the most important driver of profitability in the near future will be the development of factory utilization rates, as the increasing level of automation and higher fixed costs have increased operating leverage. Norrhydro has invested significantly in its production facility in recent years (especially in 2022), which means that the company's production capacity enables substantial volume growth without significant machinery investments. In our view, this supports the company's operating cash flow in relation to EBIT in the coming years. In the long run, the importance of the product mix will be emphasized, as an increase in the share of NorrDigi products in revenue, in particular, could strengthen the company's profitability profile if commercialization efforts are successful.

In Norrhydro's income statement, materials and services constitute the largest cost item (2020-2024 average: ~50%

of revenue). The material margin (just under 50%) is thus, in our view, at a healthy level and could enable even stronger overall profitability than the current level. The second largest cost item is personnel costs (2020-2024: ~28% of revenue). Personnel costs represent a relatively high percentage of revenue, but this share has decreased in recent years due to increased subcontracting and production automation. The historical revenue shares of other operating expenses (2020-24: ~13%) and depreciation (4%) are at a fairly typical level for the industry.

Revenue breakdown into expense items and profit (LTM)



NorrDigi technology 1/4

Digitally controlled solutions offer an opportunity for long-term value creation

In recent years, Norrhydro has invested significant resources, relative to its size, in the development and commercialization of new, higher-value NorrDigi cylinder technologies. Digitally controlled MCC multi-chamber cylinders and EMA electromechanical cylinders offer significant and valuable benefits to end customers, such as users of mobile work machines or industrial systems. These new technologies significantly differentiate from existing competition and could thus enable Norrhydro to achieve high-margin, value-creating revenue growth in the long term. In the short term, the share of new technologies in the company's revenue is still very low, as sales so far consist mainly of prototypes or small series. Norrhydro has recently shifted its focus in NorrDigi from development to sales and is actively seeking suitable partner customers for the commercialization of the technologies. Partners can include manufacturers of off-highway vehicles or industrial systems.

NorrDigi MCC offers significant cost efficiency

Norrhydro has been developing the NorrDigi MCC technology in collaboration with research institutes (especially Tampere University of Technology) and partners (primarily Volvo Construction Equipment) since 2009. The technology is based on a multi MCC-chamber, digitally controlled hydraulic cylinder with 16 area combinations. Unlike conventional double-chamber cylinders, where one chamber pushes and the other pulls, the digitally controlled hydraulic cylinder uses four chambers that can be controlled in 16 area combinations, depending on the load required by the task of the working machinery. According to Norrhydro, the system can be compared to a 16-speed linear automatic transmission.

Multi-chamber cylinders themselves are not new technology, but NorrDigi MCC combines them with measurement sensors and advanced electronic control systems. The algorithms and computational speed of the control software allow immediate response for more accurate power generation in hydraulic systems. At the same time, only a small part of the energy that would be required by a conventional hydraulic system for corresponding machine movement or function is used. NorrDigi MCC is promised to improve the efficiency of the system so much that a large part of the current hydraulic system of the machine can be abandoned or reduced. For example, the machine no longer needs a master valve system (which was the heart of a conventional hydraulic system), large hydraulic pump capacity or cooling of the hydraulic system. In this way, the NorrDigi MCC consumes less energy and allows the size of the machine motor to be reduced. Based on experience, NorrDigi MCC does not differ from conventional hydraulic cylinders in terms of durability and serviceability.

In summary, the advantages of NorrDigi MCC compared to conventional hydraulic cylinders are as follows:

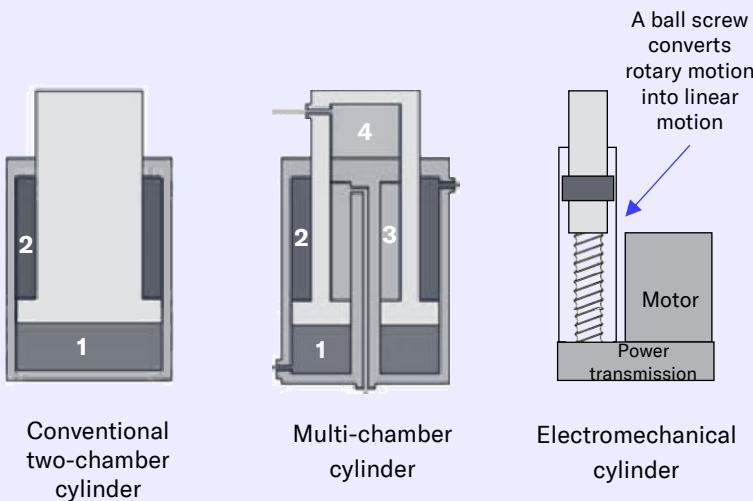
- The 4-chamber hydraulic cylinders allow 16 levels of energy feeding according to the actual demand, compared to the 4 levels of conventional cylinders;
- A motion management system using pressure and position sensors optimizes energy consumption;
- Energy generated during the operation of the work machine is stored in separate accumulators, from which it can be reused;
- Digital control supports the programming of work commands and increasing the level of automation.

NorrDigi technologies

| MCC multi-chamber cylinder | EMA electromechanical cylinder |
|--|--------------------------------|
| Digital control and programmability | |
| Energy efficiency | |
| Precision | |
| Higher price and margin potential ¹ | |

1) in relation to conventional hydraulic cylinders

Comparison of cylinder types



NorrDigi technology 2/4

Concrete evidence of benefits

NorrDigi MCC has achieved 6-12% productivity increase, 50% fuel saving and 50% CO2 emission reduction in Volvo CE's tests conducted in spring 2024 and when using a 30-ton Volvo EC300E excavator. Norrhydro reports on its website that the NorrDigi MCC pressure tanks store 80% of the energy used, which largely explains the savings described above. The NorrDigi MCC has been extensively field-tested during 2024-2025. According to Norrhydro, feedback on the technology has been good, although there is still room for optimization, especially regarding the fine-tuning of the control.

Short payback period for the investment

The price of NorrDigi cylinders is around TEUR 9-10 per cylinder, which means that the price of a normal delivery, i.e., 4 cylinders per machine, is about EUR 36,000-40,000 to the customer. The cost is thus manifold than that of conventional hydraulic cylinders of around EUR 6 per machine (EUR 1,500 per cylinder). The higher investment cost is counterbalanced by large operational savings, as illustrated in the adjacent graph. Based on the illustrative "excavator profit and loss account" presented earlier by Volvo CE, the payback period for the MCC investment was only about one year. However, in the early stages of NorrDigi MCC's commercial launch, its price will be higher due to short production runs, resulting in a slightly longer, but still attractive, payback period. A high utilization rate, such as operating in two shifts, significantly shortens the payback period.

Volvo as a long-term development partner

Volvo CE has been contractually and actively involved in the development of NorrDigi MCC since 2015. Volvo CE

has developed an excavator utilizing the MCC solution alongside Norrhydro and has also paid NorrDigi development fees estimated at 0.85 MEUR in 2017-2019 and 1.5 MEUR in 2020-2022. In addition, Volvo has paid Norrhydro for a fixed-term exclusivity and usage right to the technology to become the first excavator manufacturer to enter the market with NorrDigi technology.

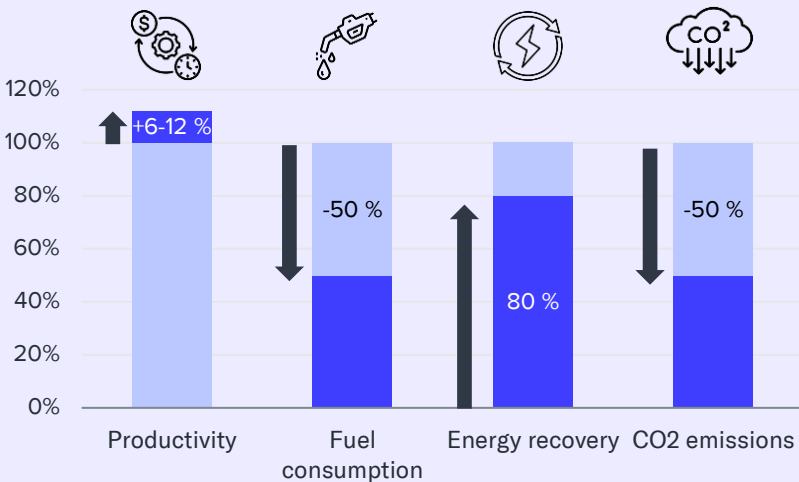
Volvo's exclusive right to the technology in tracked excavators has contractually expired, but the parties have nevertheless continued to advance the project together towards commercialization. In 2024, Volvo transferred the optimization of NorrDigi MCC excavator control movements to Norrhydro. Volvo has not paid product development fees to Norrhydro in recent years, but supports the project by, for example, providing excavators for development and testing.

The goal is to start sales soon

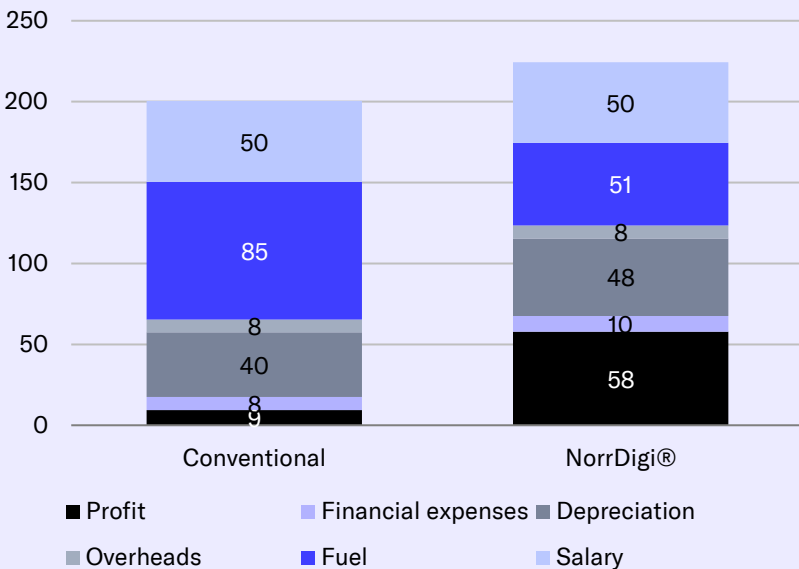
Commercialization of the NorrDigi MCC system will begin with 30-ton Volvo EC300 Hybrid excavators. The commercial launch and marketing of the excavator began in 2024, but the product was not yet fully ready for customer deliveries, for example, regarding the control system. The development of the control system has continued during 2025, while the MCC excavator has been in test use with customers, providing feedback for fine-tuning. Norrhydro's goal is to have the product ready for order soon.

Sales will initially start in Finland and are planned to expand to other markets later. The entire Finnish market for 30-ton excavators is only a few dozen units per year, so achieving greater revenue potential also requires international success.

Impact of NorrDigi MCC on excavator performance



Excavator income statement presented by Volvo



NorrDigi technology 3/4

Volvo manufactures the basic models of these excavators at its factory in South Korea, from where they are shipped to CEES in Sweden. CEES is a Volvo-owned specialty machinery company that will install the NorrDigi MCC hydraulic system on these excavators. NorrDigi MCC will, according to the plan, be optional in all excavators of that model.

Key challenges in the path to MCC commercialization

Norrhydro's original goal at the time of its listing was to start the serial production phase of the NorrDigi MCC solution by 2024, but this schedule has not yet been met. We estimate that the main challenges in the commercialization path relate to, among other things, the aforementioned need for fine-tuning the control of the MCC excavator. Excavator users are accustomed to conventional hydraulic control, and the transition to electric control may take time, although the change is

already underway for competitors' machines as well. Also, the financial benefits offered by an excavator equipped with NorrDigi MCC may be partially unrealized for some users if the excavator's utilization rate deviates from the levels assumed by Norrhydro in its calculations. Weak demand in the construction market has reduced machine utilization rates and has likely temporarily dampened customers' enthusiasm to invest in new technologies and machinery in general. In our view, the delay in the mass production phase is partly due to timing factors, but successful commercialization also requires the company to succeed in product development and in sharpening business benefits.

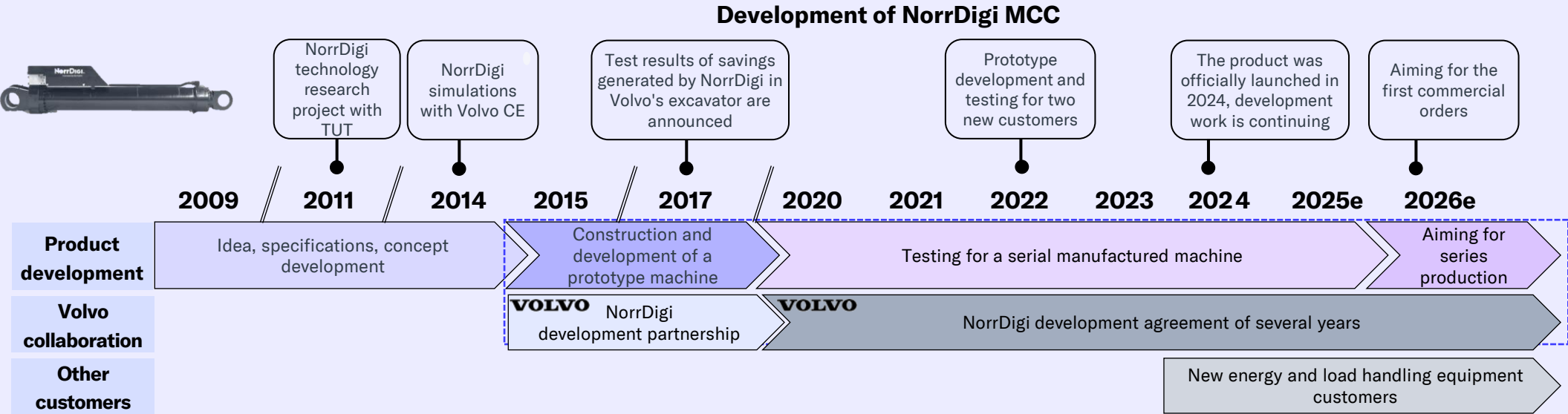
Other applications are also being sought for MCC

We estimate that NorrDigi could find applications in other industries as well. In simple lifting movements, the technical implementation of the solution is clearly simpler

compared to controlling excavator movements, which means there is less need for additional product development and commercialization could occur on a faster schedule compared to a multi-year excavator project.

In October 2024, the company announced that it would bring NorrDigi to the US oil and gas markets with the help of local integrator Aberdeen Dynamics. The integrator actively markets the technology, for example, on its website, and highlights the benefits of the technology related to energy efficiency and emissions reduction. No significant deals have been made yet, partly due to the low oil price, which has drastically cut investments in oil drilling.

The company has an ongoing MCC commercialization project with a global manufacturer of material handling machinery.



NorrDigi technology 4/4

The solution has achieved up to 70% better energy efficiency in tests compared to traditional equipment, allowing the customer to extend the operating time of an electric container forklift with each charge. The customer will internally test the concept device during 2026.

NorrDigi EMA replaces oil-based solutions

Since the acquisition of Motiomax Oy at the end of 2021, Norrhydro has actively invested in the development of electromechanical actuators (branded NorrDigi EMA). Electromechanical actuators can replace mobile cylinders, especially in applications and machines with low power requirements and variable duty cycles. Potential applications include material handling equipment (e.g., forklifts), where the advantages of an electromechanical actuator over a hydraulic cylinder include improved efficiency and the ability to recover energy, precision of motion, oil-free operation, and lower noise levels. The company has found demand for such features, for example, in marine loading solutions, refrigerated food transport equipment, waste management, and the defense industry. The electrification trend in mobile machinery and industrial process equipment also supports the demand.

Commercialization is being worked on with customer partners

Norrhydro has so far announced one commercial customer for its electric cylinders, having agreed in July 2024 to supply the Finnish company Avant Wood with NorrDigi EMA actuators for woodworking equipment (heating and pressing) as part of Avant's TMTM wood processing plant. Other commercialization paths are also underway, but the integration of the solution into customer-developed systems and commercial conceptualization for end-customers may

take a few years before actual commercial deliveries begin.

Competitive advantages in application expertise and control solutions

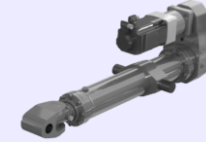
As with multi-chamber cylinders, there are numerous manufacturers of electromechanical actuators. Norrhydro specializes in large cylinders used in heavier processes, which is a less competitive segment and, due to specialized feature requirements and lower volumes, also less attractive to, for example, Asian manufacturers. Design and application expertise, as well as integrated motor and control solutions, are at the core of NorrDigi EMA's competitiveness. Norrhydro sees NorrDigi EMA as competing more with conventional cylinder manufacturers than with other electric cylinder manufacturers.

The unit prices of NorrDigi EMA are in the same range as NorrDigi MCC. The price depends partly on the size of the electric motor and is typically between EUR 4,000 and 20,000 per cylinder. However, for heavier industrial applications, such as the Avant Wood delivery mentioned above, the price is higher.

The NorrDigi technology is highly protected

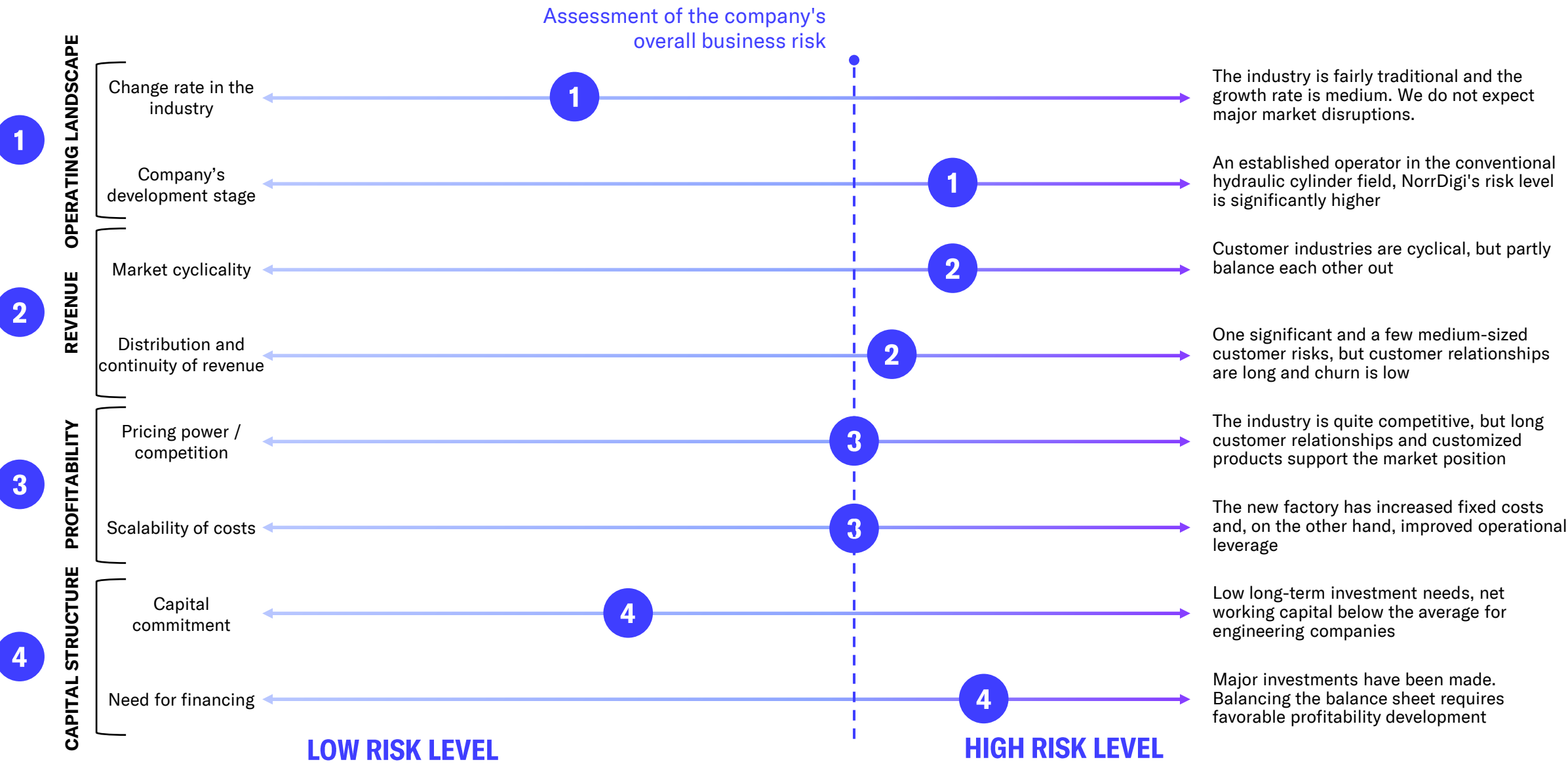
NorrDigi's technology has been patented from the start and first patents related to the MCC system were applied for in 2009. Since then, many additional patents have been issued, notably in 2015, 2017, 2019, 2022 and 2023. The first NorrDigi patents will expire in 2029. A patent was also granted in 2023 for the SSG gearbox related to EMA technology. Overall, we consider NorrDigi's patent protection to be good, which in our view prevents competition based on copying in Western markets.

The benefits of the NorrDigi EMA cylinder for industrial systems and mobile machinery



- + Energy savings
- + Improved operational safety and lower noise levels
- + Easier to control and more accurate movements
- + Improved eco-friendliness and cleanliness
- + Simpler design, easier maintainability and interchangeability
- + Lower life cycle costs
- + Compatibility with electrified systems

Risk profile of the business



Investment profile 1/3

Reasonable earnings growth potential even in the conventional cylinder business

Without the NorrDigi offering, Norrhydro would be a conventional cyclical subcontractor in the mechanical engineering industry, albeit with a modern factory, a stronger growth profile than the industry average, and reasonable profitability. We believe that even conventional cylinders will enable earnings growth for the company as the factory scales up. However, the potential for return on invested capital in a relatively competitive industry is quite limited, although in our view it slightly exceeds the cost of capital. A combination of rising profitability, a leveraged balance sheet, and mitigating financing risks could significantly improve the valuation picture relative to current high multiples.

NorrDigi could raise the value creation profile, but visibility into commercialization is uncertain

Successful commercialization of NorrDigi technologies could significantly raise the company's value creation profile, as the distinctiveness of the new technologies from the competition is clearly better than conventional cylinder manufacturing. The market potential for higher value-added products would also be internationally broader compared to the current business focused on the Baltic Sea region. However, the successful commercialization of NorrDigi technologies is uncertain, as the commercialization of MCC for partner Volvo's excavators has been delayed. Also in electric cylinders, commercialization is still in its early stages, and the timeline for progressing to mass production is difficult to predict.

The risk profile is twofold

The risk profile of Norrhydro's conventional business is reasonable, but there are still significant risks related to the scaling of NorrDigi's sales related to what we described above. Norrhydro's balance sheet was still leveraged at the end of Q3'25 (net debt / EBITDA = 4.4x, equity ratio: 33%), but with major investments behind it and improving earnings, the company's balance sheet could strengthen quite quickly in the coming years. However, the company's earnings-based valuation multiples are still quite high, especially due to NorrDigi's unprofitability, so the stock's value is based on the realization of long-term earnings growth expectations, which increases the valuation risk. In the medium term, investors' returns will mainly come from changes in value, as the indebtedness of the balance sheet still limits dividend-paying capacity.

Potential

In our opinion, Norrhydro's main positive value drivers are:

Growth of NorrDigi. The value brought by NorrDigi technology has shown strong signals in the company's and its customer partners' own tests, but its competitiveness in customer use has yet to be definitively proven. Current customers and distribution partners include Volvo in MCC, an American distributor for the oil and gas sector, and Avant Wood in EMA. At the same time, there are other customers in the prototype phase, through whom the revenue potential of the technologies will become significant on Norrhydro's scale. In addition, the company continues to seek new partners to gain additional resources as a small company for the global

commercialization of new technologies. If commercialization is successful, NorrDigi should in the long term increase Norrhydro's relative profitability and return on capital employed.

Strong technological expertise. In addition to NorrDigi, Norrhydro's expertise is demonstrated by the fact that most of its products are customer-specifically tailored specialty cylinders used in mobile equipment manufactured by demanding customers, often operated under difficult conditions. We believe this increases customers' potential supplier switching costs. Customer-specific customization, on the other hand, keeps the number of product items high, which partly limits scalability.

Impressive customer list and good, long-term customer relationships. Norrhydro's strategic partner customers are global suppliers operating in different customer industries, with whom the company has been working for many years. Close cooperation that starts at the early stages of product development supports customer retention, and partner customers are also a strong reference in new customer acquisition.

A large and modern factory. Norrhydro's key competitors are roughly similar in scale, but Norrhydro invested relatively heavily in its factory only a few years ago. We estimate that the modern and highly automated factory thus provides Norrhydro with a production-related competitive advantage over its smaller competitors. In addition, the factory has further efficiency potential as volumes scale and with selected additional automation investments.

Investment profile 2/3

Risks

We believe Norrhydro's key risks for investors are:

NorrDigi does not meet growth and profitability expectations. Norrhydro's own objectives for NorrDigi's new customer acquisition and progress are ambitious, but there is a risk that the commercialization of the technologies will be delayed or fail. Customers' slow product development cycle and conservatism in technology choices can, for example, hinder NorrDigi's breakthrough. It is also possible that other new technologies are found on the market that meet customer requirements better than NorrDigi. NorrDigi's profitability and return on capital would require sufficient scale, as the operation is loss-making in the initial phase due to fixed costs.

Cyclical demand and large individual customer risks.

We estimate that Norrhydro's largest single customer accounts for approximately 25% of revenue, and the next two largest customers account for approximately 10% each. At least the first-mentioned customer risk is very significant, because even if the customer is not lost, the customer's cyclical fluctuations or other changes in business conditions are also reflected in Norrhydro's own operations. The demand in Norrhydro's key customer industries is tied to global economic growth and industrial investment activity, but there are different demand drivers between industries that partially smooth out cyclical fluctuations.

Risks related to intellectual property rights (IPR).

Norrhydro's most valuable intangible asset, i.e., the NorrDigi technology, is well patented, but in some countries patent rights legislation is insufficient and/or enforcement is weak, which causes the risk of illegal copying of the technology or at least getting stuck in long

lasting patent disputes in various courts.

The balance sheet position remains tight. The balance sheet ratios presented on the previous page are on the weak side and may limit access to normal bank financing. This may lead to expensive financing solutions for shareholders, an example of which is the 1.5 MEUR three-year convertible bond issued at the end of 2023, with a coupon interest rate of 10%. The company's loan covenants have been exceeded in recent years, which increases financing risk, although these breaches have not yet had significant direct effects on the company. Currently, the outlook for the balance sheet development is positive, provided that profitability continues its upward trend as we forecast. Fluctuations in the demand cycle can naturally also be reflected in profitability and thus in the development of the balance sheet position.

Intangible balance sheet items. Norrhydro's balance sheet shows intangible rights of 8.8 MEUR (Q3'25) in non-current assets, the majority of which are development costs (just over 6 MEUR). If developed technologies, such as NorrDigi, were to fail commercially, there could be a write-down risk on the balance sheet. This could also have a negative impact on the company's financial position.

The liquidity of the stock is low. For a listed company, the low market capitalization and the concentration of ownership in a few large owners reduce liquidity, meaning that even a small selling pressure can negatively affect the share price. Weakish liquidity also limits the willingness of larger investors to become owners in the company, as buying and selling significant amounts can be challenging. The repeated share sales by the main owner (CEO) may also weigh on the share price due to low liquidity, even though they increase liquidity in the long run.



Positive value drivers

- Growth faster than the conventional cylinder business market
- A modern factory improves efficiency and offers scalability potential
- Close, permanent relationships with reputable and demanding customers
- Commercialization of NorrDigi's new technologies



Negative value drivers

- Cyclical fluctuations and dependence on individual customers
- The amount of debt on the balance sheet is high
- Failure of new technologies and write-down risks on the balance sheet
- The liquidity of the stock is low

Investment profile 3/3

- 1 Growth faster than the conventional cylinder business market
- 2 Scalable cost structure supported by modern factory investment
- 3 The conventional cylinder market is competitive, which limits value creation
- 4 NorrDigi technologies could improve the value creation profile, but successful commercialization is uncertain
- 5 The balance sheet is indebted and contains significant intangible assets

Potential

- In the conventional business, there is a possibility for a clear earnings improvement with the market recovery, market share gains, and the scaling of the modern factory
- NorrDigi could significantly raise the company's value creation profile
- Global, industry-leading customers with long-standing relationships
- The operating model based on partnerships increases Norrhydro's own expertise and resources while limiting risks

Risks

- The success of NorrDigi's commercialization is uncertain
- Norrhydro's demand is driven by the machinery demand of its customer industries, which is cyclical
- Individual customer risks are still significant
- The balance sheet position is risky

Strategy and financial targets 1/3

Growth with two spearheads

Norrhydro's strategy is growth-oriented, as the company has invested in both its current profitable cylinder business and higher value-added technologies (NorrDigi) that are in the early stages of commercialization. In our view, the profitability of the conventional cylinder business helps finance the commercialization of new technologies, where cash flow is still negative for now. The success of NorrDigi's growth is still uncertain, but at the same time, the largest investments in the conventional cylinder business have already been made, and the revenue growth outlook is favorable even in the short term. The commercialization model in NorrDigi, which relies on distribution partners and OEM manufacturers (especially Volvo), brings agility and limits risk from Norrhydro's perspective, helping the company to make the most of its limited financial resources.

The strategy is based on identified strengths

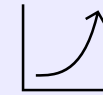
Norrhydro has defined key factors in its strategy, which are listed below (in bold) along with our interpretation:

- **Revenue growth organically and through selected acquisitions.** The new, larger and more efficient production facility in Rovaniemi provides a good foundation for organic growth. In addition, the progress in commercializing new technologies may strengthen the growth foundation in the medium term. In the short term, however, growth is also dependent on the demand situation in customer industries. We do not expect new acquisitions in the near future due to the challenging balance sheet position. The numeric growth targets are discussed below.
- **Expansion into new geographic markets.** International growth is sought especially through the commercialization of NorrDigi solutions in Europe, Asia

and North America. New markets for conventional hydraulic cylinders are also being sought, particularly in Scandinavia and Northern and Central Europe.

- **Expansion of technological know-how and production capacity.** Norrhydro's aim is to modernize the mobile machine and equipment industry with its own innovations and to be a technology leader in its field, whose own patented products and product development bring a decisive competitive advantage. The technology portfolio has been strengthened, e.g., by the Motiomax acquisition, through which an electromechanical cylinder offering (EMA) was brought under NorrDigi. The company also wants to invest in developing its production capacity, which, in our view, could mean further increasing the level of automation at the Rovaniemi production plant.
- **Position higher in the customer's value chain.** Rather than being a component supplier, Norrhydro aims to be a long-term strategic partner to the customer, who 1) develops its solutions together with the customer; 2) provides service throughout the product life cycle; and 3) solves the customer's strategic challenges (e.g., reducing machine emissions with NorrDigi technology). A large portion of the company's revenue comes from long-term customers with whom the company has close relationships.
- **Distribution partnerships in new markets.** Norrhydro aims to grow globally in NorrDigi products. Marketing and implementing customer projects requires local customer support, which is most agile to implement through distribution partners. In addition, distributors bring in specialized expertise from their own industries. Norrhydro announced its first distribution partner focused on NorrDigi commercialization for the US oil and gas market in late 2024.

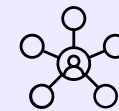
Strategy in a nutshell*



Growth with two spearheads

Conventional cylinders

NorrDigi technologies



Expansion

New technologies at the core

Development of distribution partnerships



Maximizing factory output

The new factory allows for higher efficiency

Increase in the degree of automation



Strengthening the balance sheet

Traditional operations finance new growth technologies

An upward trend in earnings enables a reduction in indebtedness

*Inderes' interpretation of the company's strategy

Strategy and financial targets 2/3

Financial targets

Norrhydro has updated its financial targets twice since its listing. In connection with its 2022 financial statement release, the company changed its revenue growth target to 70 MEUR for 2027 (at IPO: 54 MEUR in 2026). In the 2023 financial statement release, the target year for achieving this revenue was moved forward to 2028.

The growth target is behind schedule, although the direction is good

Norrhydro's revenue target is challenging. Of the targeted minimum revenue of 70 MEUR, 49 MEUR is aimed to come from the conventional cylinder business (Q4'24-Q3'25: ~28 MEUR) and 21 MEUR from digital solutions (NorrDigi revenue: estimated < 1 MEUR).

Despite the COVID pandemic and the loss of the Russian business of Ponsse, an important customer, sales of conventional cylinders grew by +9% p.a. in 2019-2023, and if a similar long-term trend continues, the company could reach close to the targeted level. However, the sharp market-driven decline in 2024 has significantly raised the bar for relative growth, despite a positive turnaround in 2025. Thus, we consider it likely that the revenue from the conventional cylinder business will fall short of the 2028 target.

Forecasting the progress of NorrDigi's commercialization paths is challenging, which is why the outlook for achieving the 21 MEUR revenue target in 2028 is, in our view, very foggy. We estimate that the technologies potentially bring significant added value to customers, and market trends with digitalization and electrification also support NorrDigi's growth. However, the delay in the commercial production

of NorrDigi MCC has weakened predictability, especially regarding the growth timeline. Development partnerships around EMA electric cylinders may partially compensate for the delay in MCC, but even in this sub-segment, investors do not yet have a concrete view of the development of production volumes, against which the ambitious growth target for 2028 is challenging.

We estimate that the company as a whole is behind its growth target, and correcting this would require a strong turnaround in both areas. The conventional cylinder business has seen strong and upward growth during 2025, which, however, in our assessment, is not entirely sufficient to compensate for the sharp decline in 2024. We believe that falling short of growth targets is partly due to the challenging market situation (especially the weakness of the construction and forest segments), which has affected both the demand for conventional cylinders and the R&D budgets of potential customers for the adoption of new technologies.

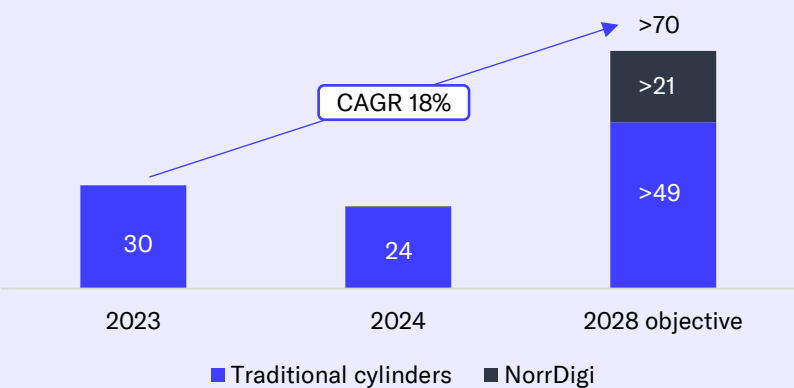
The profitability target would require a growth leap from NorrDigi

Historically, the company's EBITDA % has averaged around 10% (10-year average). The 16% EBITDA margin target would require NorrDigi, with its stronger margin potential, to grow rapidly and its share of revenue to increase significantly. We estimate that NorrDigi's margin level and profitability could be higher than the rest of the business in the long term due to the absence of direct competitors and technology that brings significant added value. However, assessing NorrDigi's profitability potential is still challenging at this point, and high long-term profitability cannot yet be taken for granted.

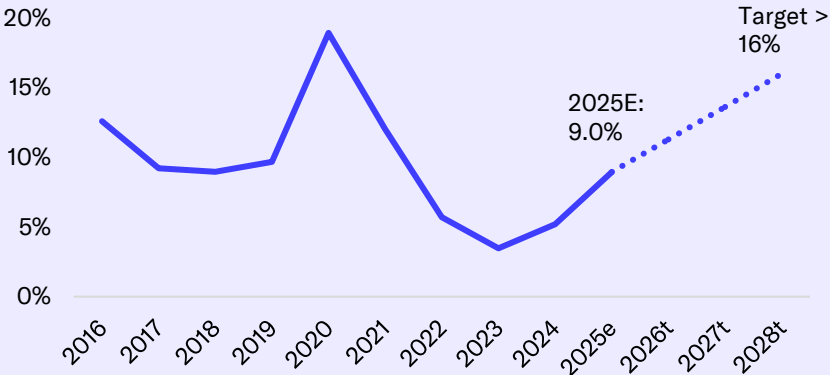
Financial targets for 2028

- Revenue > 70 MEUR
- EBITDA margin > 16%
- Average annual growth in the cylinder business in 2020-2028
- Digital solutions represent over 30% of revenue
- Dividend payout of 20-30% of the profit for the financial year

Revenue growth target (MEUR)



EBITDA-% target*



*2025e is based on Inderes' forecast and 2026-28 on a linear assumption of development in line with the target

Strategy and financial targets 3/3

Even basic cylinders have the potential for increased profitability, as the new factory with a higher degree of automation enables stronger operating leverage as volumes grow. Our profitability forecast for 2025 (EBITDA-%: 9%) is quite close to the company's long-term level, although the margin would be as high as 12% without the growth resources required by NorrDigi, which is in its early stages in terms of revenue. Overall, however, we see the EBITDA target as challenging due to NorrDigi's foggy growth outlook. We will return to this in the Estimates section of the report.

Balance sheet strengthening in focus; dividends a question mark

Norrhydro's target is to distribute 20–30% of the financial year's profit as dividends. The company assesses the prerequisites for profit distribution annually so that the distribution does not jeopardize strategic growth investments or other financial objectives. The company paid dividends in 2020-2022, with a dividend payout ratio (or capital repayment) of 25-41% of adjusted earnings.

We estimate the company will prioritize strengthening its balance sheet and reducing debt in the near future. In our view, this would also be sensible from a capital allocation perspective, as the interest cost on some of the company's loans is high (especially the convertible bond). Also, the possibility of a moderate dividend payment cannot be completely ruled out even in the short term, as evidenced by the 2025 AGM's authorization to the Board for discretionary dividend distribution. A dividend distribution during 2026 would require favorable profitability development and likely approvals from the company's

lenders. From the perspective of balance sheet risk and financing costs, we believe that dividend payment would only become meaningful for investors once the expensive convertible bond has been paid off.

Norrhydro has no official objectives related to the balance sheet structure. The company has financial covenants on its loans linked to equity and net debt to EBITDA ratios, the levels of which have not been disclosed. The balance sheet is currently burdened and the covenant terms were breached at the end of the last financial year.

Industry and competitive field 1/4

Target market: Mobile hydraulic cylinders in the Baltic Sea region

The global hydraulics market is versatile and distributed across a wide range of product types and customer industries. The most important hydraulic products are hydraulic motors, pumps, valves, transmission components, cylinders, accumulators and filters. Norrhydro's products, hydraulic cylinders, are the most important product group in the entire hydraulic components market, accounting for approximately 35% of the total global market. In the conventional cylinder market, Norrhydro focuses on mobile equipment cylinders, which represent 55-60% of the hydraulic cylinder market and thus 20% of the total hydraulic components market. The remaining 40-45% of the hydraulic cylinder market is made up primarily of industrial and power generation cylinders. NorrDigi solutions are commercialized for both mobile equipment and other industrial systems.

The most common estimates for the size of the hydraulic cylinder market (2024) are around 16-17 BUSD¹, and the global mobile hydraulic cylinder market is around 9 BUSD² of this. In the Baltic Sea region, which is regionally central for Norrhydro, the annual value of the mobile hydraulic cylinder market is approximately 300 MEUR³ based on GDP-based assessment.

Several customer industries in hydraulics

Hydraulic components are used in almost all machines that require power transmission enabled by hydraulics, but most in different work equipment. The largest customer industries for Norrhydro's relevant product group, mobile hydraulic cylinders, are material handling equipment, agricultural and forestry machinery, construction and mining machinery, and the automotive industry. The graph below illustrates the distribution.

1) GrandView Research, Mordor Intelligence; 2) Acumen Research and Consulting; 3) Inderes' estimate

The target market is expected to grow by 4-5% annually

Several industry analyses^{1,2} estimate the global hydraulic cylinder market value to grow at an annual rate of 4-5% through the end of the decade, which we believe is a credible figure given Norrhydro's historical development. The growth rate of the mobile cylinder market is estimated to be in line with the rest of the hydraulic cylinder market. We estimate that the growth in end-demand will be strongly concentrated in developing economies, but in our view, this does not make a big difference for Norrhydro, as the company's key customers supply equipment to a globally diversified customer base. Overall, we consider an average annual growth of 4% to be a justified assumption for Norrhydro's target markets.

Segment-specific growth drivers

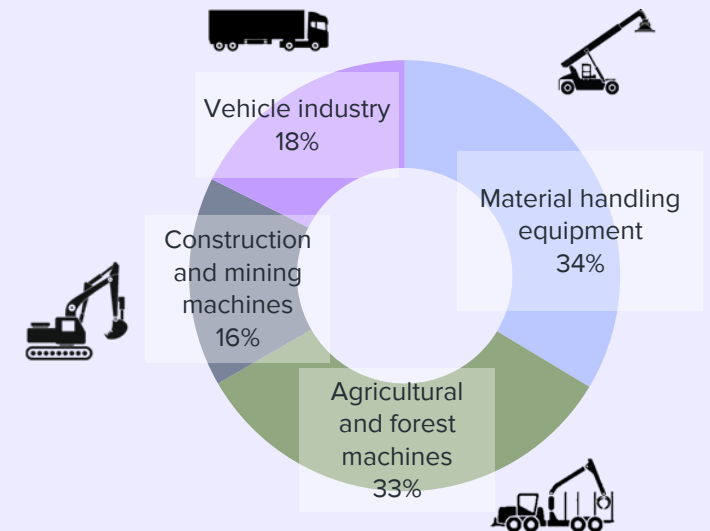
In forestry and agriculture, demand growth is driven mainly by increasing fleet efficiency requirements, and in the forest machine industry that is important for Norrhydro the driver is the global progress in the mechanization of logging and the cut-to-length method becoming more common. In construction, population growth, urbanization and increasing mechanization are driving demand in emerging markets. In developed markets, major infrastructure projects act as the growth driver. In the mining industry, the fundamental drivers of machine demand are the increased demand for battery metals and the declining ore grades, which means increased need for mining per metal ton.

In materials handling, drivers of equipment demand include growth in container traffic, electrification of the equipment fleet, changes in logistics chains due to geopolitics, and labor shortages that are accelerating automation, particularly in developed countries.

Industry and competitive field in a nutshell

- The market is estimated to grow at an annual rate of 4-5%
- Demand in a trough in 2024 and recovery has begun
- The market is relatively competitive
- Norrhydro has gained market share in its core areas
- New technologies enable faster-than-market growth

Mobile hydraulic cylinders market



Industry and competitive field 2/4

New technologies drive growth, especially in the western markets

In developed economies, the mechanization of key industries is already well advanced, with the adoption of new productivity and efficiency-enhancing technologies being emphasized in market growth. In our view, Norrhydro is well-positioned to benefit from the growth trend brought by new technologies, supported by its NorrDigi investments, and thus achieve faster-than-market growth.

Both NorrDigi product areas, MCC and EMA, differ significantly from the target market, and market growth figures for a more specific reference group applicable to them are scarce. MCC is an entirely new type of product, and EMA stands out from the mainstream of the electric cylinder market because Norrhydro emphasizes large-scale solutions designed for challenging conditions in EMA. In a broader picture, global growth forecasts for the electric cylinder market vary between 6-7% (MarketsAndMarkets, Future Market Insights), but we do not see this as providing significant help in forecasting EMA's revenue, which starts from low figures. NorrDigi solutions benefit from the progressing electrification trend of work machines, as battery-powered machines combined with conventional hydraulics would in many cases mean excessive energy consumption, and both MCC and EMA are suitable for solving this problem.

The global market is fragmented and competitive

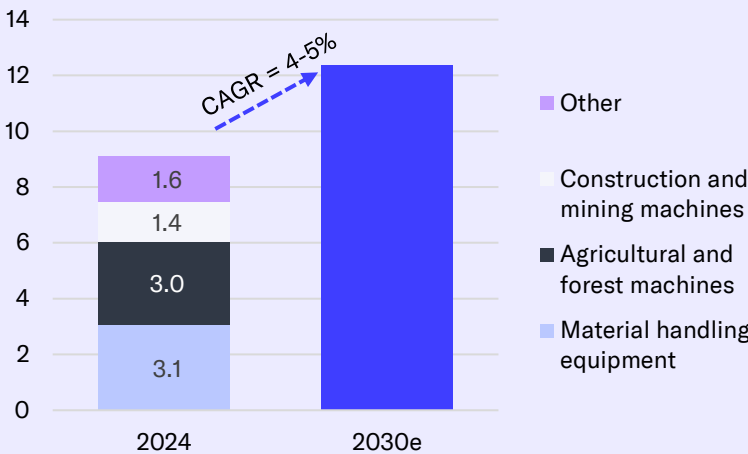
The global hydraulics market is quite fragmented, as although the three largest players control 30-40% of the market, the markets below them are dispersed among numerous different players. The market is dominated by

Bosch Rexroth of Germany (revenue 6.5 BEUR), Danfoss of Denmark (4.1 BEUR), and Parker Hannifin of the United States (3.1 BEUR). All large operators have a wide product selection (engines, pumps, valves, transmission components, cylinders, accumulators, and filters) and operate globally. Therefore, a comparison with Norrhydro is not very meaningful. Due to the large number of companies active in the sector and the relatively simple technology of basic cylinders, the market is characterized by fierce competition.

In conventional cylinders, competition is regional

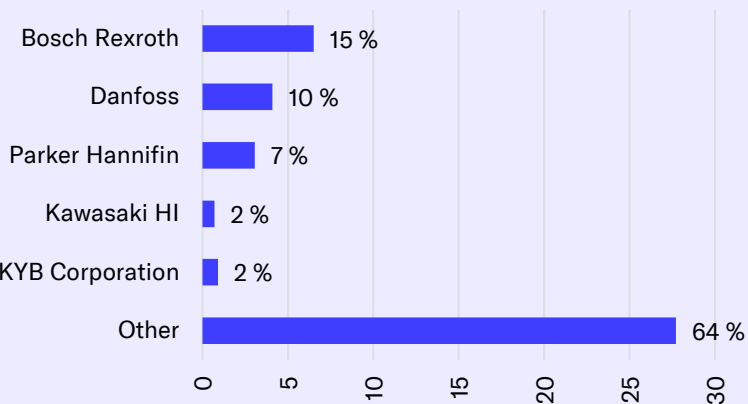
Although the customers of Norrhydro's conventional hydraulic cylinders and their factories in the Nordic countries supply their machines globally, competition in hydraulic cylinders is regional by nature. This is due to: 1) the cooperation between the hydraulic cylinder supplier and the machine manufacturer is already close at the product development stage, so the location of the companies close to each other greatly facilitates the interaction; 2) the location close to the customer enables urgent deliveries and quick response to the customer's changing needs, while keeping buffer inventories low; 3) longer delivery distances would make the logistics costs a significant part of the total cost of the cylinder. Thus, the natural market for Norrhydro's conventional hydraulic cylinders in is the Baltic coastal states and competition should be examined from this perspective.

Market for mobile hydraulic cylinders 2024-2030e, BNUSD



Source: Interact Analysis, GrandView Research, Inderes

Revenue (BEUR) and market share (%) of leading hydraulics suppliers, 2024



Industry and competitive field 3/4

The closest competitors for Norrhydro's conventional cylinder business are Finnish and Swedish. The most important are Hydroline Oy, Wipro Infrastructure Engineering Oy (part of the global Wipro Group), Hydoring Oy, and Arcos Hydraulik AB and Stacke Hydraulik AB, both operating in Sweden. The top-lines of the mentioned companies are quite comparable to Norrhydro, with the exception of Wipro. Of Wipro's revenue in Finland (2023: 60 MEUR), an estimated half is hydraulic cylinders, with the remainder mainly consisting of tipping cylinders and tipping hydraulic components.

Norrhydro has grown faster than competitors

All peer companies (for which data is available) saw their revenue decline during 2024 amid weak demand. Revenue levels have shown clear annual fluctuations also in the longer term. Norrhydro's revenue growth has been among the best in its peer group, as revenue grew by an average of 3% per year in 2019-2024 despite the weak market in 2024 (the best in the group was 5% p.a., the weakest -13% p.a.). In absolute terms, Norrhydro's revenue in 2024 was around the median of its peer group. In our view, defining precise market shares is not very meaningful due to the imprecise nature of the target market in terms of both product areas and geographical distribution of sales.

The company-specific EBITDA margins for the industry group varied between 7-13% in 2021-24. Norrhydro's average profitability (EBITDA-%) was the weakest in the group, which is at least partly due to the unfinished factory project and investments in new technologies. In the long term, however, the company's EBITDA margin has been almost 10% and the outlook for 2025 is upward, so we

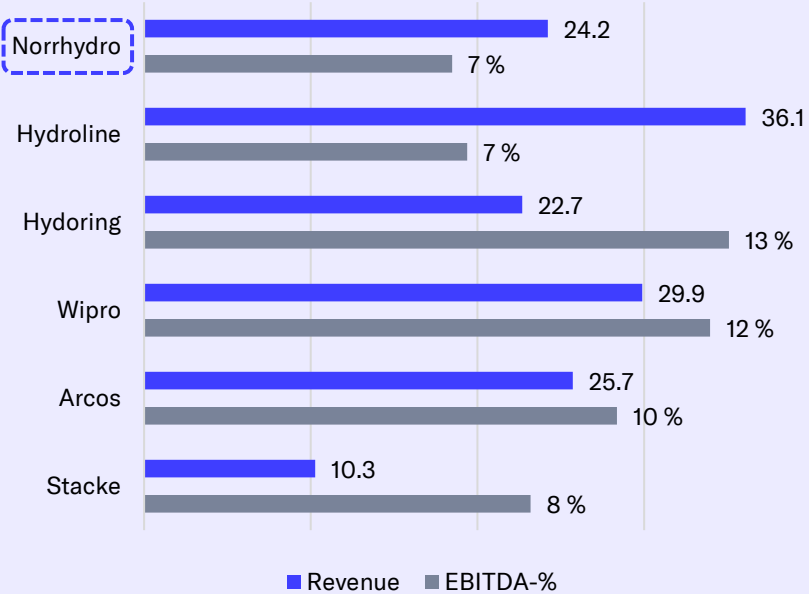
believe the company's comparable profitability level will be at least around the group average in the long term.

Competitive factors include quality, know-how and efficiency

We estimate that Norrhydro has gained market share relative to its local competitors over the past five years, and we believe this trend continued in 2025. In our view, key competitive factors are 1) expertise and product development in cooperation with customers, 2) quality and security of supply, and 3) cost-effectiveness. We assess that all three of these areas are at a good level for Norrhydro, influenced by long-term customer partnerships and a new modern factory that supports both quality and cost-effectiveness of production.

We believe the dynamics of local competition have developed quite steadily in recent years, without major changes in the competitive landscape. Nor do we see reasons for the situation to change significantly in the future. There has also been no major M&A activity, with Wipro's acquisitions (Columbus Hydraulics and Mailhot Industries) focused on North America.

Revenue of local competitors (2024) and EBITDA % (2021-24 average)¹



¹) Some information is missing. As a result, Wipro's revenue is for 2023.

Source: Financial statements, Inderes

Industry and competitive field 4/4

The market for EMA equipment manufacturers is fragmented

The electromechanical actuator (EMA) market is dominated by the conventional players in the hydraulics sector (Bosch Rexroth, Parker Hannifin), for whom this segment is only a small part of the total. The market also includes medium-sized companies specializing in linear actuators (Moog, Ewellix) and small specialized companies such as Norrhydro, Cascade Drives of Sweden and Creative Motion Control of the US. In addition, small-sized, high-volume cylinders are imported from Asia to Europe, although these do not directly compete with Norrhydro, as Norrhydro focuses on large cylinders used in challenging conditions, which are manufactured individually according to customer needs. However, Norrhydro is in a challenger position in the electromechanical cylinder market, as the business is only in the early stages of commercialization.

NorrDigi is more ambitious than competing solutions, which makes a breakthrough more difficult but supports its potential

The poor energy efficiency of conventional hydraulic cylinders has led several manufacturers of work machines and industrial systems to seek new, more energy-efficient solutions. Competing technologies with NorrDigi MCC are 1) electro-hydraulic actuators; 2) electro-mechanical actuators; and 3) independent metering valves (IMVT). Electromechanical systems are not capable of providing the same power density and required maneuverability for heavy machines. Electro-hydraulic systems, on the other hand, help save energy and reduce fuel consumption, but not to the same degree as NorrDigi. IMVTs can also be

used to recycle energy, but not in the same quantities as NorrDigi, at a higher lifecycle costs to the end user.

NorrDigi MCC's closest competitors are Bosch-Rexroth, Parker Hannifin, Moog, Nabtesco, KYB and Husco. However, according to Norrhydro, their products do not achieve the same performance, cost effectiveness and/or energy efficiency as the NorrDigi MCC.

We see NorrDigi MCC as a rather ambitious solution in the market context, which recycles more energy than competing technologies. The ambitious energy recycling target of the MCC and the associated technical complexity may slow down its commercial deployment if adapting to the new technology requires lengthy development work in applicable work machines (e.g. refining the control system in a Volvo excavator). On the other hand, a successful commercial breakthrough could turn the technical challenges into a competitive moat for the company. Although NorrDigi MCC is economically attractive according to calculations presented by Norrhydro and Volvo, commercial evidence is still limited. NorrDigi MCC is thus still in a challenger position relative to lighter hybrid solutions already in mass production, which recycle less energy than NorrDigi.

Historical development and financial position 1/3

Revenue clearly growing in the long term

Norrhydro Group's revenue grew at an average annual rate of 5% over the last decade (2015-2024). The significant revenue decrease in 2024 (-20% y/y) is broadly an exception compared to an otherwise clearly upward trend. Considering the upward trend in January-September 2025, the long-term average growth has been 6%. Given the conventionally strong cyclical nature of the customer industry (engineering companies) and especially of the subcontractors in the sector, Norrhydro's growth has been surprisingly stable and strong in the past, which in our view indicates market share gains. The weak performance in 2024 was precisely due to the exceptionally weak demand situation in the industry, from which a clear growth trajectory has been re-established during 2025.

Exports are a major driver for Norrhydro's growth

Exports have contributed significantly to Norrhydro's growth. The share of direct export sales in Norrhydro's revenue used to be quite small (14% in 2016-2019), but increased significantly in 2020-22 (2022: 36%) and stabilized at 30% in 2024. Exports are mainly directed to other EU countries, as the share of the rest of the world has remained relatively stable at around 2-3%. In addition, the sales of Norrhydro's customers in Finland are strongly export-oriented, so overall exports account for a very significant share of Norrhydro's revenue.

Underlying business profitability at a reasonable level

Norrhydro's EBIT margin in 2015-2024 has averaged 5.7% and its EBITDA margin 9.6%. Basic profitability has developed quite steadily historically, but the NorrDigi development project and the commissioning of the new factory have caused significant fluctuations in profitability

since 2019. The average return on investment (ROI) for 2015-2018 was approximately 9%, which we believe would roughly correspond to a fair weighted average cost of capital (WACC) for the conventional cylinder business, if the level of indebtedness and the risk associated with NorrDigi were not considered in setting the required return.

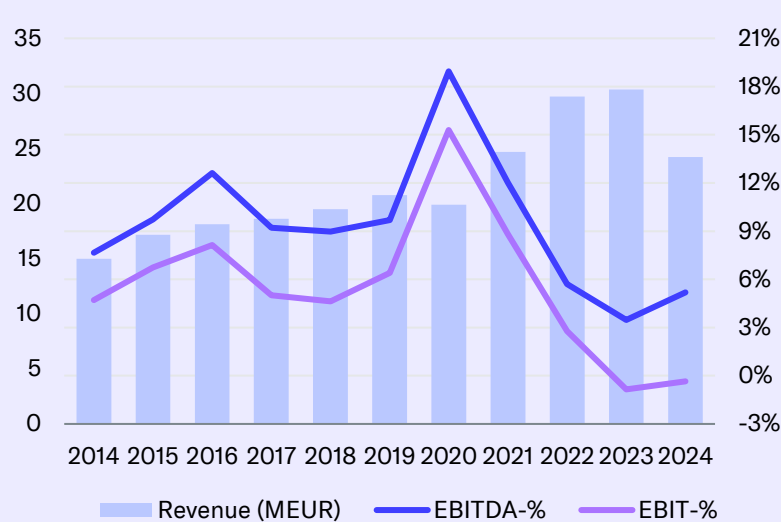
The NorrDigi project has caused variation in profit development

NorrDigi has been under development since 2017, and in the initial phase of development (2017-2019), Volvo paid Norrhydro R&D fees, which partly compensated for the costs incurred from the development work. In addition, Volvo paid a one-off compensation in 2020 for the exclusive rights and usage rights of the technology, which was reflected as a positive deviation in profitability. The amounts received from Volvo have been recorded in revenue, but their magnitude could not be disclosed due to contractual reasons. In addition, Norrhydro has received EU product development grants of 0.2-1.0 MEUR in 2018-2023, which have been recorded in other operating income. In the recent past, costs related to the commercialization of NorrDigi have clearly exceeded the development grants received, which has partly weighed on profitability. NorrDigi's EBIT impact in 2024 was an estimated -1 MEUR.

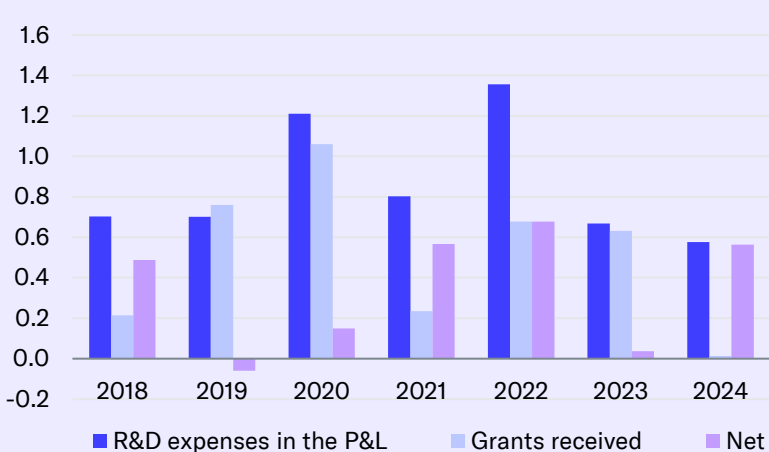
Higher operating leverage in the new factory

The new Rovaniemi factory, commissioned in 2022, and related investments have affected the company's cost structure. Between 2022 and 2023, adapting to the new factory caused additional costs, but by 2024, efficiency had already improved. In addition, fixed costs have permanently increased due to, for example, the depreciation effect caused by equipment investments and a higher rent level.

Revenue and profitability 2014-2024



R&D expenses, MEUR



Historical development and financial position 2/3

The new factory requires higher production volumes to achieve similar profitability to the old factory. On the other hand, the new factory's higher degree of automation also enables significant operating leverage, i.e., higher profitability potential as volumes continue to grow.

Rapid inflation has caused temporary profitability pressures in the recent past

The margin after materials and services was over 50% before the COVID-19 pandemic, but has fallen to approximately 46% in 2022-2023 due to, among other things, the rapid increase in costs caused by inflation and, on the other hand, a change in the product mix. However, the cost environment has stabilized during 2024, and the margin level has again developed favorably (January-September 2025: 48.5%).

The company's own customer pricing is largely indexed to raw material and component prices, with revisions made twice a year. When component prices rise rapidly, this creates a temporary profitability risk, after which the situation corrects itself. When prices fall, the effect is naturally the opposite.

Indebtedness at a high level

At the end of September 2025, Norrhydro Group had net debt of 9.8 MEUR, which corresponded to 4.4 times the EBITDA of the previous 12 months. The net gearing ratio was 125% and the equity ratio was 33%.

The company's increased indebtedness is due to both growth-oriented investments and an unexpected weakening of the earnings level, partly due to temporary factors. The debt level increased significantly in 2022, when the company invested heavily in the new Rovaniemi

factory (equipment investments totaling 6 MEUR in 2021-22). The amount of net debt has remained stable in recent years (2024-H1 2025), albeit at a high level. Relative to EBITDA, indebtedness has decreased due to the recovery of the company's earnings level, but the recovered earnings level has not yet enabled a significant reduction in the net debt burden.

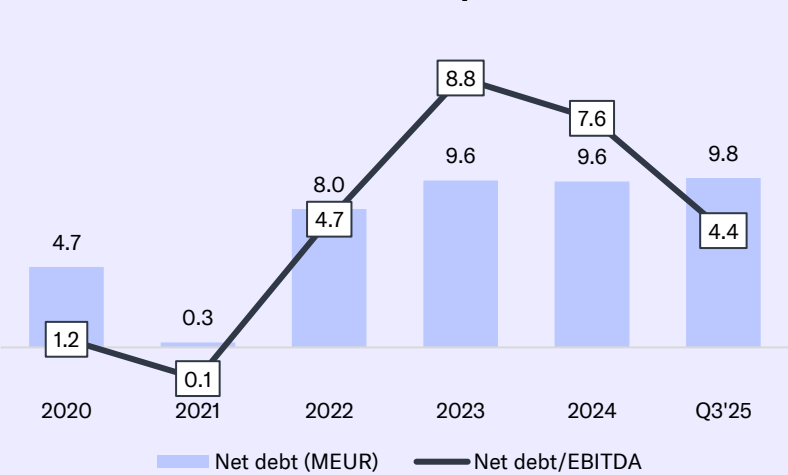
Norrhydro Group's loans include covenants, some of which have been breached since the end of 2022. However, the financiers have not started to reclaim the loans prematurely but have granted the company waivers related to the breach of covenants. In practice, this has only resulted in minimal additional costs for the company.

Of the company's interest-bearing debt in Q3'25, 2.4 MEUR is short-term debt, 6.0 MEUR is long-term debt, and 1.5 MEUR is a convertible bond maturing at the end of 2026. Some of the short-term liabilities are credit limits, which we estimate do not need to be urgently amortized. Non-current liabilities include some 2.5 MEUR in product development loans, which have very long maturities and the possibility of converting the loans into grants if the related projects fail.

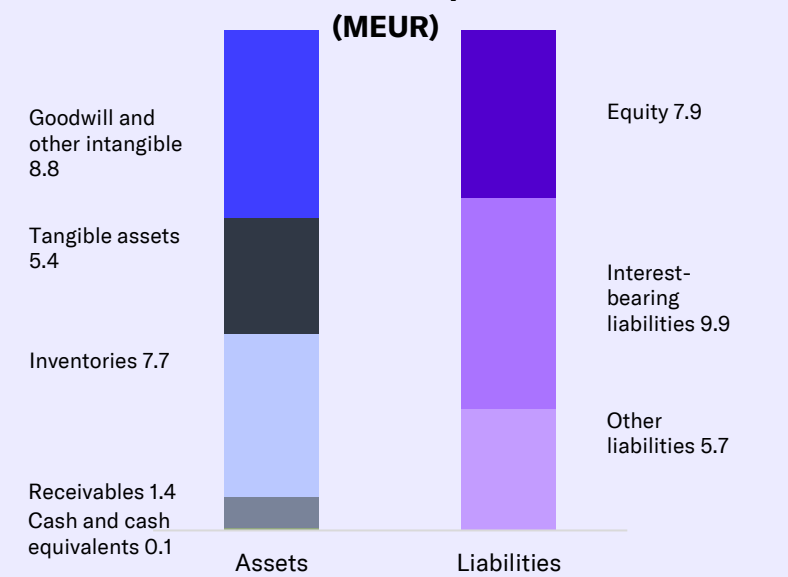
Distribution of funds to owners put on hold until further notice

The 2021 IPO significantly strengthened equity (by 7.2 MEUR), but since then, equity has been declining (2021: 11.3 MEUR, Q3'25: 7.9 MEUR). This has been influenced by both the weakening earnings level and the distribution of funds to investors. The company distributed a dividend and capital repayment of EUR 0.06 per share per year for 2021-2022, totaling 1.3 MEUR. However, no funds were distributed for 2023 due to the weakened balance sheet and financial performance.

Net debt development



Balance sheet structure September 30, 2025



Historical development and financial position 3/3

The 2025 AGM authorized the Board of Directors to pay a dividend (EUR 0.04 per share, or 0.44 MEUR in total). We estimate that the capital return will depend on the company's financial performance, but we generally see the conditions as challenging, as we believe that debt reduction and balance sheet balancing are high priorities in capital allocation. In our view, a dividend payment is not sensible from an investor's perspective until the balance sheet has been sufficiently strengthened and the expensive convertible bond can be paid off.

Significant intangible assets on the balance sheet

Norrhydro's balance sheet shows intangible assets of 8.8 MEUR and tangible assets of 5.4 MEUR (Q3'25). Tangible assets consist mainly of production equipment. The leased factory building is not on the company's balance sheet, as FAS accounting does not include lease liabilities on the balance sheet. The amount of intangible rights on the balance sheet is significant and consists particularly of capitalized development costs (2024: 6.2 MEUR), which have been clearly growing recently as the company has invested in, among other things, the development of NorrDigi technologies. However, there is relatively little goodwill on the balance sheet (2024: 0.7 MEUR).

The company does not report separately how much of the development costs are related to NorrDigi technologies. Valuing NorrDigi-related balance sheet items is challenging because the commercialization of the technologies is still in its early stages. If the technologies related to the balance sheet items could not be commercialized or if the company, for example, decided to abandon the commercialization of a technology, there could be a write-down risk for the

intangible balance sheet items, which in turn would have a negative impact on the company's equity.

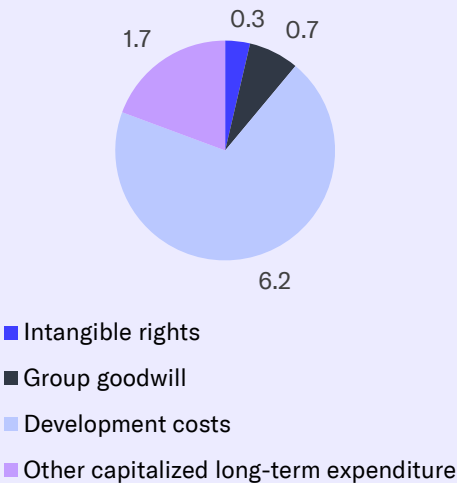
Investment needs have decreased

The business has seen significant investments in recent years, particularly in connection with the construction of a new factory (2022) and for the development of NorrDigi technologies (over several years). Currently, the need for investment is lower than in previous years, as there is no need for significant production investments, and at the same time, the company has reduced its NorrDigi product development efforts and shifted resources to sales. In 2023-24, the company will still capitalize development costs of 0.7-0.9 MEUR, but based on H1, the figure is decreasing. In H1/2025, the total cash flow from investments was only -0.3 MEUR, which supports free cash flow along with improving profitability.

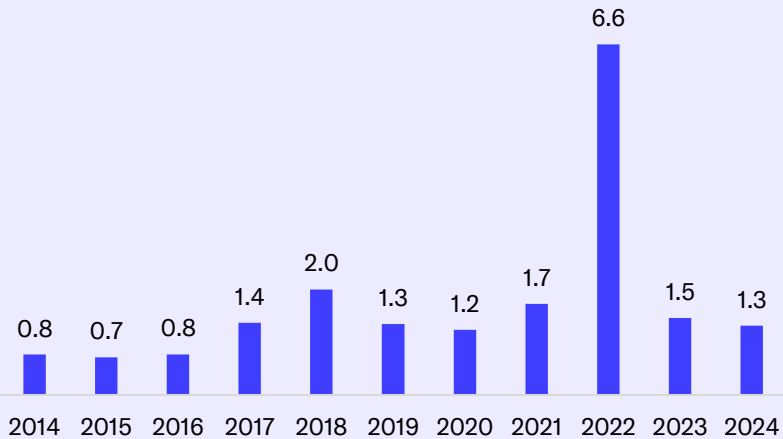
Growth ties up some working capital

Norrhydro's business ties up working capital in the form of inventories, as the value of inventories on the balance sheet has historically represented roughly a quarter of the NTM revenue. The ratio of net working capital to revenue has varied between 8-13% over the last 5 years and has averaged 11%. An additional 0.5 MEUR of working capital has been tied up in inventories in January-September 2025, which we estimate is related to the expected growth in delivery volumes.

Intangible rights 2024 (MEUR)



Investments (MEUR)



Estimates 1/4

Background assumptions for revenue estimates

We have divided our revenue forecast into the conventional cylinder business and new technologies (NorrDigi MCC and EMA). Overall, we expect Norrhydro Group's revenue to grow by 19% in 2025, driven particularly by the recovery of the conventional cylinder market. In the forecasts, conventional cylinders account for the majority of revenue growth until 2027, after which NorrDigi's importance in growth becomes central. Revenue growth is estimated at 9-11% in 2026-2027 and 13-14% in 2028-2030, with NorrDigi supporting the growth profile. However, forecasting NorrDigi's growth involves significant uncertainty as commercialization is still in its early stages.

Conventional cylinders have a good short-term growth outlook

The sharp decline in market activity in 2024 has turned into a clear market recovery during 2025, although it is not yet a true peak cycle. In 2025, demand has been strong particularly in the mining and material handling sectors, whereas in construction and forest machines, demand has remained clearly weaker than usual. We forecast Norrhydro's conventional cylinder revenue to grow by 19% in 2025, although revenue will still be lower than in 2023. The growth is partly due to gaining market share. We estimate that the market recovery will continue in 2026 (forecast growth of 7%), at which point the cylinder business revenue would already reach 2023 levels. For 2027-28, we anticipate 5-6% growth, and in the long term (2029-), an annual growth of 3%.

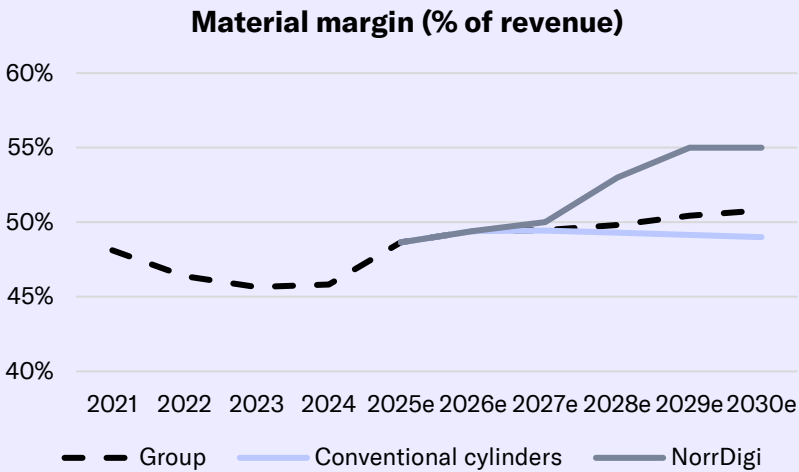
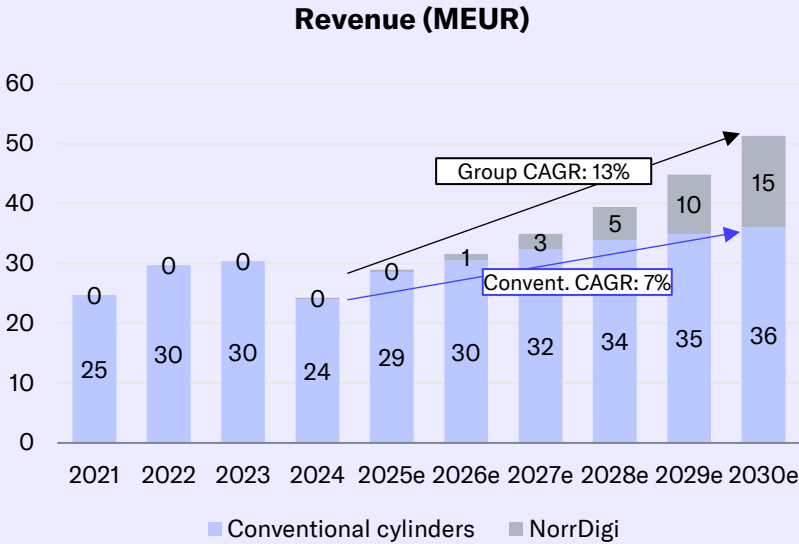
Our forecasted revenue growth in the medium term is faster than market growth, which is influenced by Norrhydro's ability to gain market share (a trend also seen

in previous years). This is supported by the company's partnership-based customer acquisition and a new factory, which, in our assessment, has strengthened the company's cost competitiveness and production quality.

Our growth forecast for the conventional cylinder business remains below the company's target. The company aims for 10% annual growth in cylinders between 2020-28, while our forecast corresponds to 7% annual growth. In our forecasts, relative growth slows down slightly at the end of the strategy period (2026-2028e average growth: 6% vs. 2020-2025e: 8%), but growth in euros remains stable in the big picture.

Our forecasts see significant growth for NorrDigi; visibility is still uncertain

NorrDigi technologies, MCC and EMA, are, in our view, ready for commercialization from a product development perspective, which has led the company to shift NorrDigi's focus increasingly towards sales and the development of customer-specific applications. The development and commercialization of applications take time, and there is no clear certainty yet of achieving mass volumes. Uncertainty about commercial breakthroughs explains our rather low forecasts for the coming years and, on the other hand, increases the uncertainty related to long-term forecasts, which include significant growth. NorrDigi's revenue in 2025 is estimated at 0.3 MEUR, but is expected to grow to 1.1-2.6 MEUR in our forecasts for 2026-2027. Revenue is expected to grow more strongly in absolute terms in 2028-2030 (revenue: 5.5-15.3 MEUR), which would require a significant commercial breakthrough in at least one of the two technologies.



Estimates 2/4

The share of digitally controlled solutions in revenue will increase to 14-30% by 2028-30, meaning that the company's targeted 30% share will be achieved in our forecasts 2 years later than the company's target (2028).

NorrDigi MCC's biggest growth opportunity to date is related to Volvo's excavator project, where development work is in its final stages and customer orders could be received as early as 2026. Commercialization has been slightly delayed, and Norrhydro has continued to fine-tune the control based on customer feedback during 2025. The value of an MCC delivery is around 40 TEUR/machine, which would result in a revenue potential of some 1 MEUR/year from the sale of a few dozen excavators in Finland. Our forecasts include the assumption that NorrDigi MCC technology will become widespread in Volvo excavators by the end of the decade in a market area significantly wider than Finland. For example, a 10% penetration in Volvo's EC-series hybrid excavators (160 units) would correspond to roughly 6.4 MEUR in revenue, according to our estimate. In addition, NorrDigi sales may well be supported by other applications. For example, in the USA, the distributor is actively marketing the solution to the oil and gas industry, although the weak investment cycle in that sector reduces growth opportunities in the short term.

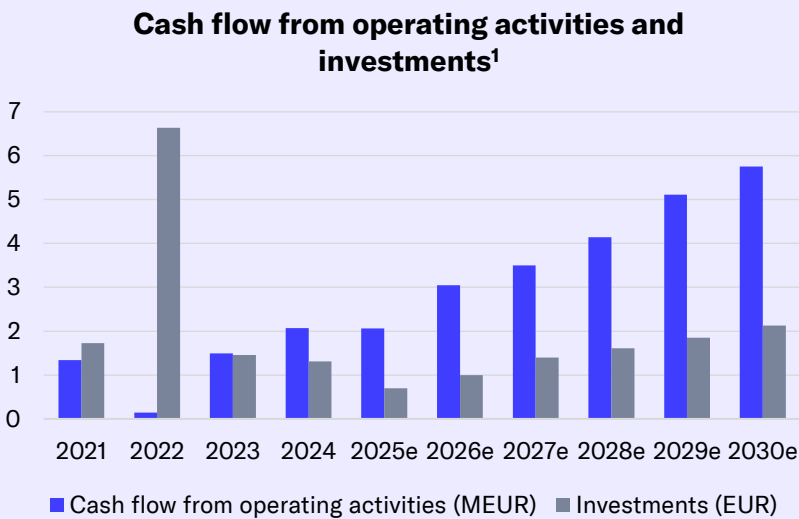
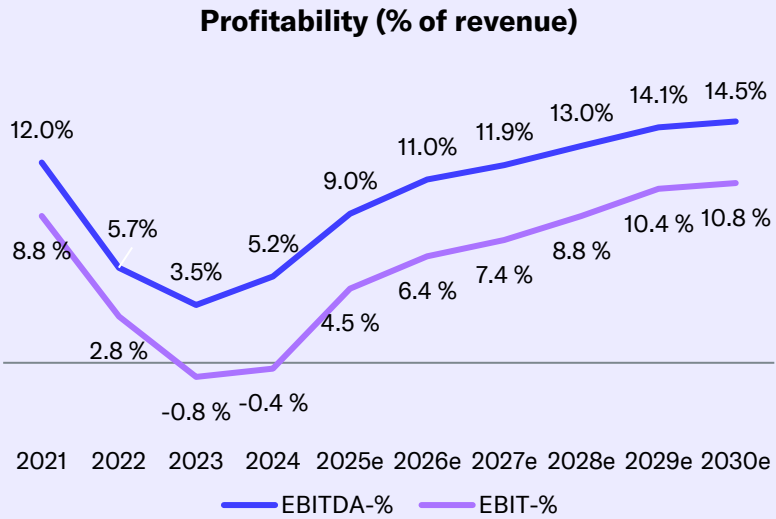
NorrDigi EMA currently has one clear customer, Avant Wood, whose annual revenue contribution is, however, clearly below 1 MEUR, according to our estimate. In addition, several product development pipelines are being worked on for NorrDigi technology together with customers, which could lead to significant production volumes within a few years. Our understanding is that these customers include equipment manufacturers operating in areas such as ship loading solutions, cold transport

equipment for foodstuffs, and waste management.

Profitability is clearly improving as volumes of basic cylinders recover

Norrhydro succeeded in improving profitability through efficiency measures in 2024, and we estimate that this upward trend will even strengthen during 2025, mainly supported by a recovery in volumes. We estimate that the company's EBITDA margin will improve to 9.0-11.9% and its EBIT margin to 4.5-7.4% in 2025-2027, which is a moderate improvement compared to the company's historical profitability level (EBIT % 2015-24: average 5.7% EBITDA-%: 9.6%). The improved profitability is mainly due to volume growth and the operating leverage provided by the new, more automated factory.

NorrDigi's impact on profitability forecasts for the coming years is still moderate, influenced by both low initial revenue and a lower margin level before actual mass production. NorrDigi's positive impact on profitability will become apparent in 2028-2030, when we forecast the EBIT margin to improve to 8.8-10.8%, clearly above the company's historical average. This long-term projected profitability level is subject to considerable uncertainty regarding both the growth outlook and the profitability potential of the NorrDigi business. We estimate gross margins for specialized technology solutions to be higher compared to the competitive basic cylinder segment (55% vs. ~49%). The margins of basic cylinders were at a low point in 2022-2024 due to, among other things, inflation, weakened demand, and production challenges related to the ramp-up of the new factory, but we expect the margin level seen in 2025 to continue to rise sustainably in the coming years.



¹⁾ Cash flow from operating activities does not include financing costs
Source: Inderes

Estimates 3/4

Slight upward pressure on opex

We estimate operating expenses (personnel and other costs) to grow significantly in 2025 (17%), driven primarily by the need for additional workforce due to volume growth and the company's higher rent levels in 2025-2026. We estimate that the opex growth will continue at a more moderate pace in 2026-27 (6-8%), partly due to a decrease in rent levels in 2027. The projected growth in fixed costs is almost on par with the projected growth of the basic cylinder business. NorrDigi has a fixed cost base of around 1 MEUR, which we estimate will enable the company to grow its revenue to the tune of 1-2 MEUR in the coming years. After this, we assume that growth will require moderate additional investments in sales and/or product development. For 2028-2030, the projected growth in fixed costs is almost in line with the growth in total revenue (cost growth 13% p.a., revenue growth 14% p.a.). Our forecasts no longer include product development grants recognized in other operating income, which were last paid in significant amounts in 2022-2023.

The factory can be scaled up; investment needs are low in the short term

Depreciation as a percentage of revenue is expected to decrease to 4.5% in 2027 and further to 3.7% in 2030. Historically, depreciation has averaged 3.9% of revenue. We estimate the company will be able to scale its business in the coming years with low investments, building on the significant factory project of previous years. We forecast that from 2027 onwards, capex investments would be increased to strengthen capacity and efficiency. Investments are largely discretionary and also depend on

the realization of volume growth. We estimate that the company is planning further investments to increase the degree of automation, which could positively impact long-term profitability and competitiveness.

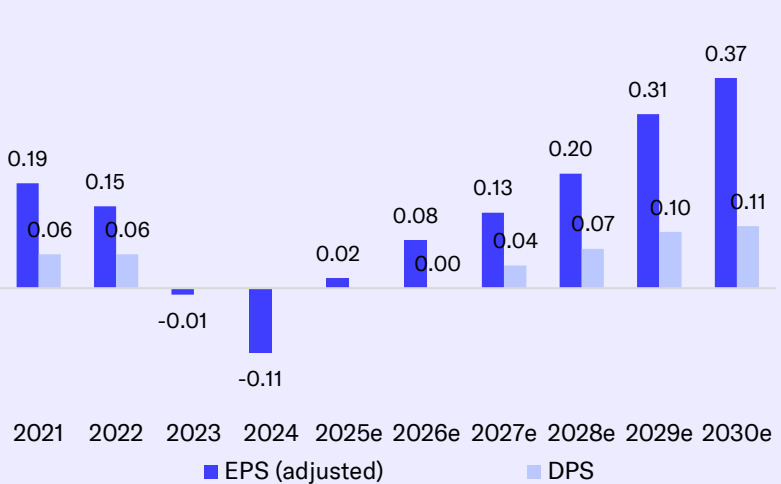
A decrease in financing costs could support net profit

We expect Norrhydro's net profit to improve in the medium term through both an operational turnaround and a reduction in financing costs. The 2025 result is likely to remain low, but in 2026-28, EPS is forecast to rise to EUR 0.08-0.20.

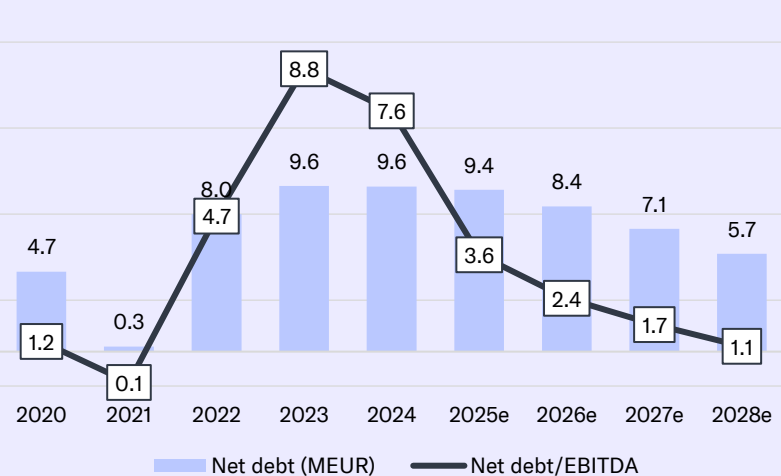
Norrhydro's net financing costs in 2025 are estimated to be 1.2 MEUR, of which almost half (an estimated 0.5 MEUR) arises from the use of factoring, i.e., the sale of trade receivables. The convertible bond on the balance sheet also keeps the cost of debt financing high. On the other hand, about a quarter of the interest-bearing debt consists of very favorable, mainly long-term product development loans from Business Finland, which lowers the average cost of debt. Excluding factoring, we estimate financing costs to average around 7% of debt in 2025-2026 and gradually decrease to 5-6% in 2027-2028 as the strengthening balance sheet positively impacts the company's financing terms. In addition, we estimate that the use of factoring will continue in the coming years and the cost in euros will remain stable.

We estimate that Norrhydro will be able to utilize accumulated losses in the short term to reduce tax expenses. In the medium term, we expect the effective tax rate to rise to 19%, close to the Finnish corporate tax rate (18% from 2027 onwards).

EPS and dividend (EUR)



Net debt development



Estimates 4/4

Debt turning to decline, convertible bond a question mark

Net debt on the company's balance sheet has remained fairly unchanged at a high level in recent years, but with the profitability turnaround in 2025 and lower investment needs, indebtedness appears to be turning downwards. We estimate net debt at the end of 2025 to be 9.4 MEUR, and at the end of 2026-2027 to be 8.4 and 7.1 MEUR, respectively. It would likely be in the company's interest to pay off the 1.5 MEUR convertible bond, which has a high interest expense (10% p.a.), but loan repayments may require prioritizing bank loans and other creditors with higher seniority. We therefore consider it possible that the company will negotiate an extension for the convertible bond during 2026 (the loan matures at the end of the year).

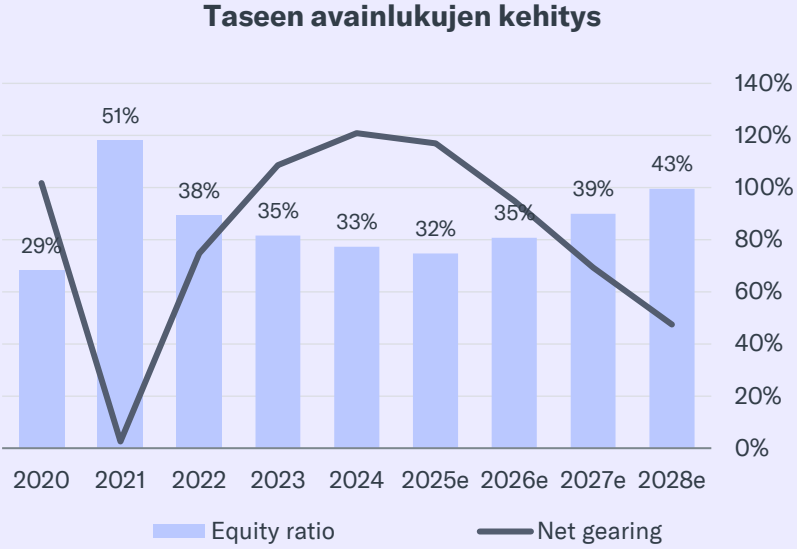
Although the amount of debt will not decrease significantly in 2025 according to our forecast, the net debt to EBITDA ratio will decrease considerably due to the company's profitability turnaround. As the profitability turnaround continues, the amount of debt will also start to decrease, which will strengthen the balance sheet more permanently. At the end of 2026, indebtedness is still elevated according to our forecast, but by the end of 2027, the situation is clearly better and, in our view, at a sustainable level.

Good prospects for a dividend in a few years

In our forecasts, Norrhydro will resume dividend payments in spring 2028, when the company would pay EUR 0.04 per share based on 2027 earnings. We expect the dividend to rise rapidly thereafter (EUR 0.07-0.10 for 2028-29), and in principle, once the balance sheet has recovered, the

company could afford a payout ratio significantly higher than its dividend policy (20-30%). Our forecasts correspond to a payout ratio of 32-36% for 2027-29.

Even earlier dividend payments could be possible (in 2026-27) if the company's main owners wanted to prioritize the distribution of funds. However, early dividend payment could slow down the reduction of financing costs from the current high level and maintain balance sheet risk, which is why it might not be optimal from a capital allocation perspective. We estimate that the company's short-term priority is to strengthen the balance sheet and reduce debt. However, we believe the company has an interest in returning to being a dividend or capital repayment paying company in the coming years. The company's Board of Directors has had the authorization from the Annual General Meeting this year to pay a capital repayment at its discretion, although this has not yet been paid.



Income statement

| Income statement | 2022 | 2023 | H1'24 | H2'24 | 2024 | H1'25 | H2'25e | 2025e | 2026e | 2027e | 2028e |
|---------------------|------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|
| Revenue | 29.7 | 30.4 | 13.1 | 11.1 | 24.2 | 14.9 | 14.1 | 28.9 | 31.6 | 34.9 | 39.4 |
| EBITDA | 1.7 | 1.1 | 0.77 | 0.49 | 1.26 | 1.23 | 1.36 | 2.59 | 3.47 | 4.19 | 5.18 |
| Depreciation | -0.9 | -1.4 | -0.67 | -0.68 | -1.34 | -0.65 | -0.65 | -1.30 | -1.45 | -1.61 | -1.70 |
| EBIT (excl. NRI) | 2.4 | 1.1 | 0.13 | -0.15 | -0.02 | 0.61 | 0.75 | 1.37 | 2.10 | 2.66 | 3.56 |
| EBIT | 0.8 | -0.3 | 0.11 | -0.19 | -0.08 | 0.57 | 0.71 | 1.29 | 2.02 | 2.58 | 3.48 |
| Net financial items | -0.6 | -1.2 | -0.55 | -0.69 | -1.24 | -0.57 | -0.62 | -1.18 | -1.13 | -0.93 | -0.80 |
| PTP | 0.2 | -1.4 | -0.44 | -0.88 | -1.32 | 0.01 | 0.10 | 0.11 | 0.90 | 1.64 | 2.67 |
| Taxes | -0.2 | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.04 | -0.25 | -0.51 |
| Net earnings | 0.0 | -1.4 | -0.44 | -0.88 | -1.32 | 0.01 | 0.10 | 0.11 | 0.85 | 1.40 | 2.17 |
| EPS (adj.) | 0.15 | -0.01 | -0.04 | -0.08 | -0.11 | 0.00 | 0.01 | 0.02 | 0.08 | 0.13 | 0.20 |
| EPS (rep.) | 0.00 | -0.13 | -0.04 | -0.08 | -0.12 | 0.00 | 0.01 | 0.01 | 0.08 | 0.13 | 0.20 |

| Key figures | 2022 | 2023 | H1'24 | H2'24 | 2024 | H1'25 | H2'25e | 2025e | 2026e | 2027e | 2028e |
|------------------------|--------|--------|---------|--------|---------|--------|--------|--------|--------|--------|--------|
| Revenue growth-% | 20.3 % | 2.2 % | -28.4 % | -7.7 % | -20.2 % | 13.5 % | 26.4 % | 19.4 % | 9.1 % | 10.6 % | 12.9 % |
| Adjusted EBIT growth-% | | | | | | | | | 53.6 % | 26.5 % | 33.8 % |
| EBITDA-% | 5.7 % | 3.6 % | 5.9 % | 4.4 % | 5.2 % | 8.2 % | 9.7 % | 9.0 % | 11.0 % | 12.0 % | 13.1 % |
| Adjusted EBIT-% | 8.0 % | 3.5 % | 1.0 % | -1.3 % | -0.1 % | 4.1 % | 5.4 % | 4.7 % | 6.7 % | 7.6 % | 9.0 % |
| Net earnings-% | 0.1 % | -4.8 % | -3.4 % | -7.9 % | -5.5 % | 0.1 % | 0.7 % | 0.4 % | 2.7 % | 4.0 % | 5.5 % |

Source: Inderes

Valuation 1/4

Two different areas to consider in valuation

Norrhydro's equity story consists of two very different elements. Forecasting the long-term earnings level of the conventional cylinder business is relatively straightforward and reliable due to its long history and mature industry. On the other hand, there is not yet a strong understanding of the earnings potential of the new NorrDigi technologies, and NorrDigi's operations are currently unprofitable due to a lack of significant revenue. If successful however, NorrDigi could offer potential to strengthen the profitability and value creation profile of the whole company.

In our opinion, the valuation of the share should be approached from several different angles, after which investors can assess which scenario or approach to emphasize when making an investment decision. We also consider it likely that market emphasis between different scenarios will probably evolve with, for example, news flow related to NorrDigi.

There is upside in conventional cylinders, we see NorrDigi as an uncertain option

In our recommendation, we emphasize both Group-level valuation multiples and sum-of-the-parts thinking, especially concerning conventional cylinders. Norrhydro's share is currently priced with an expensive earnings-based EV/EBIT multiple of 17x based on current year estimates. The multiple could become more favorable (2026e: 10x) if market demand remains strong and the earnings growth forecasts materialize. From a sum-of-the-parts perspective, the current share price is below the "base value" offered by conventional cylinders (EUR 1.3 with 2025 estimates), which in our opinion supports a positive recommendation for the stock, even though NorrDigi's earnings impact is negative in the short term. Further upside could arise from the

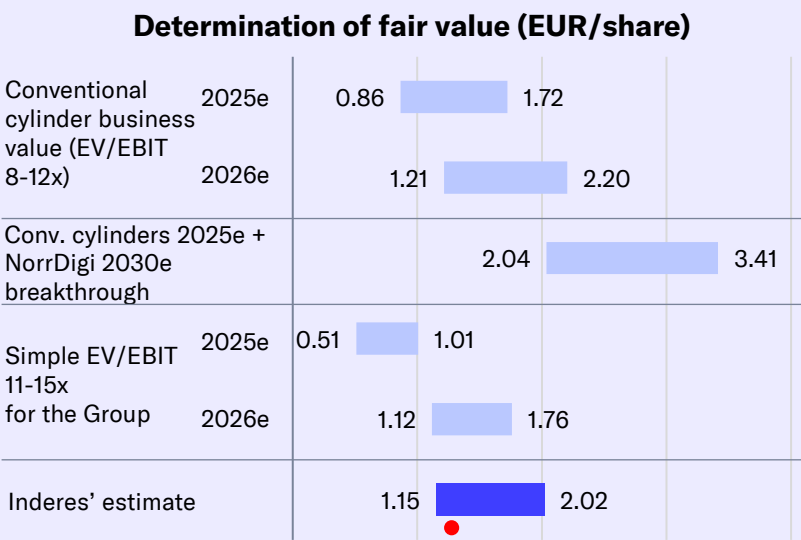
projected earnings growth of conventional cylinders for 2026 (fair value EUR 1.7 / share if forecasts materialize) and, in the longer term, from the progress of NorrDigi's commercialization. In a breakthrough scenario, NorrDigi's value would rise to EUR 1.4 per share based on 2030 forecasts, taking into account a 15x EV/EBIT multiple, which is more suitable for a growth business, and a strong discount with an annual required return of 15%. This, combined with the value of the conventional cylinder business (EUR 1.3 based on 2025 estimates), would mean a total current value of around EUR 2.6 per share, representing strong upside potential from the current share price. However, NorrDigi's breakthrough involves significant uncertainty, which is why we see the earnings development of conventional cylinders in the next 12 months as a key share price driver, unless significant news emerges from NorrDigi's sales front. Concrete additional evidence of NorrDigi's commercialization progress could warrant increasing the weight of the breakthrough scenario in the valuation.

NorrDigi is currently reflected negatively in the figures

We have also examined the company's value through a simple Group-level earnings-based valuation. By applying a fair EV/EBIT multiple of 13x for the entire Group, the share value would be EUR 0.8 based on 2025 estimates and EUR 1.4 based on higher-risk 2026 estimates. This approach does not give a very favorable picture of the share's value, as it implicitly assumes a negative value for NorrDigi, in line with its loss-making impact on earnings. We do not want to particularly emphasize this valuation method, but it provides yet another perspective on how some investors might view the stock. The chosen valuation multiple (EV/EBIT 13x) balances the company's growth-seeking nature with its historically moderate return on capital and small size.

| Valuation | 2025e | 2026e | 2027e |
|----------------------------|-------|-------|--------|
| Share price | 1.22 | 1.22 | 1.22 |
| Number of shares, millions | 11.0 | 11.0 | 11.0 |
| Market cap | 13 | 13 | 13 |
| EV | 23 | 22 | 21 |
| P/E (adj.) | 71.7 | 14.5 | 9.1 |
| P/E | >100 | 15.8 | 9.6 |
| P/B | 1.7 | 1.5 | 1.3 |
| P/S | 0.5 | 0.4 | 0.4 |
| EV/Sales | 0.8 | 0.7 | 0.6 |
| EV/EBITDA | 8.8 | 6.3 | 4.9 |
| EV/EBIT (adj.) | 16.7 | 10.4 | 7.7 |
| Payout ratio (%) | 0.0 % | 0.0 % | 31.6 % |
| Dividend yield-% | 0.0 % | 0.0 % | 3.3 % |

Source: Inderes



The current price of EUR 1.22 is near the lower end of the fair value range

Source: Inderes

Valuation 2/4

Valuation of conventional cylinder business

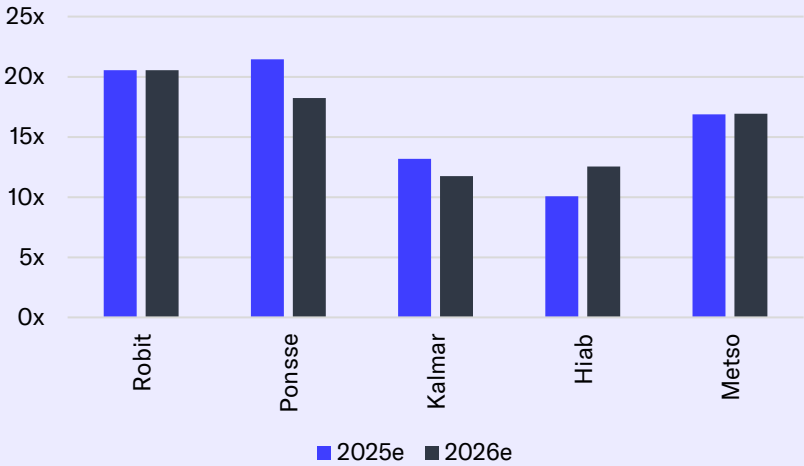
We approach the valuation of the business based on the manufacturing of conventional hydraulic cylinders primarily using earnings-based valuation multiples. The business is relatively stable, which makes valuation quite straightforward. The key variables are the selection of an appropriate valuation multiple and the determination of the so-called normalized earnings level.

We have set the valuation multiple at 10x EV/EBIT, which we believe is a fairly typical normalized level for stable and moderately profitable engineering workshops. We believe Norrhydro has good opportunities to continue gaining market share due to its new modern factory and long-standing, close customer relationships, which supports the valuation. On the other hand, customer concentration and industry cyclicalities limit a fair earnings-based valuation level. The peer group's valuation multiples are on average higher (~15x), which is partly due to the peers' larger average size and stronger position in the global value chain, as well as, for example, Robit's and Ponsse's short-term earnings challenges due to, e.g., weak demand in the construction and forestry sectors.

Determining a normalized profitability level requires taking a view, as the company's earnings, which developed quite steadily in previous years, have fluctuated volatily in recent years with the ramp-up of the new factory. In addition, the company does not report the results of conventional cylinders and the impact of NorrDigi's results separately. We have therefore decided to use the estimated 2025 earnings level as the basis for the valuation, which is clearly better in terms of relative

profitability compared to the earnings level of the last 3 years, but only slightly higher in relation to the long-term earnings level. A 2025 EV/EBIT of 10x would correspond to an enterprise value of around 24 MEUR for conventional cylinders (EUR 2.2 per share, from which, after net debt, the EV would be 14 MEUR [EUR 1.3 per share] without NorrDigi). If profitability were to continue its upward trend in the coming years, for example, through the scaling of the modern factory, there could be clear upside potential in the valuation (EV/EBIT 10x 2026e: EUR 1.7 per share after net debt). However, we are not prepared to rely on forecasts for the coming years with full weight in light of the challenges of recent years. The 2026 earnings forecast for conventional cylinders is already clearly higher than the company's historical earnings level, which increases the forecast risk.

Valuation multiples for Finnish peers (EV/EBIT)



Valuation 3/4

NorrDigi valuation

Valuing NorrDigi technologies is very difficult because revenue is currently low and visibility into the commercialization of the technologies is limited. We estimate that the technologies could bring significant added value to the company's customers and differentiate it from the competition, which could enable higher margins and long-term profitability than conventional business. This would, however, require achieving sufficient volume growth, which would likely necessitate one or more successful OEM collaborations where the technology would be scaled for global markets through an OEM partner's distribution network. Such potential partnerships include, e.g. the excavator project being developed with Volvo CE (with NorrDigi MCC technology) and the development of port cargo handling equipment with an unnamed customer. Collaboration with Volvo has been ongoing for a long time, but the realization of the project into sales volumes has been delayed and remains uncertain. New commercial development paths, in turn, take time and are also difficult to predict.

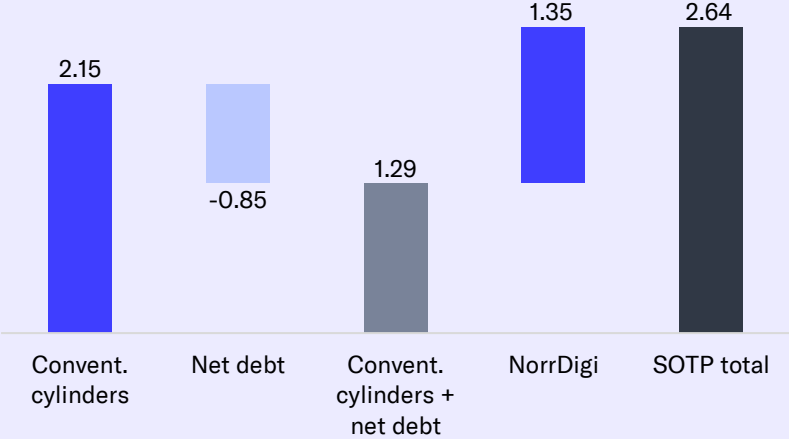
In NorrDigi's valuation, the highest estimates are achieved through future-oriented earnings-based valuation. The calculation assumes that volumes will indeed grow significantly and operations will become profitable (2030e revenue: 15 MEUR, EBIT: 2.0 MEUR). We calculate the valuation from the 2030 earnings using an EV/EBIT multiple of 15x and discount the value to the present day with a high 15% required return. This approach would indicate a value of EUR 1.35 per share for NorrDigi. This is not an absolute maximum, but on the other hand, NorrDigi's breakthrough is highly uncertain. We do not expect the market to price the scenario into the share without significant concrete additional evidence of commercialization progress.

NorrDigi's valuation could also be related to **the amount of money spent on its development**. At the end of 2024, capitalized product development costs in the balance sheet were over 6 MEUR, although this sum also includes development costs not directly related to NorrDigi. 0.8 MEUR was paid for the Motiomax acquisition, which was key to acquiring EMA cylinders. When other expenses used for the administration and marketing of the growth business are also taken into account, we estimate the total sunk costs to be close to 10 MEUR. However, NorrDigi's value cannot be justified by its sunk costs, given the slower-than-expected progress so far. If the business were to fail permanently, there could be a risk of write-downs on development expenses, which in turn would increase balance sheet risk.

Balance sheet-based valuation

The market value of NorrDigi's share capital is 1.7 times the estimated balance sheet value of equity at the end of 2025 (P/B). In recent years, returns on equity and invested capital have fallen short of the required return (2021-2024 ROE: -6%, ROI: 4.5%), partly due to temporary factors such as the ramp-up of the new factory and NorrDigi's development costs. For this reason, we find it more fruitful to examine the estimated capital return figures for 2025-26. According to our forecasts, the company's ROI would reach 7% this year and 11% in 2026. Return on equity suffers somewhat from the company's expensive financing solutions (ROE 2025-26e: 1-10%). Overall, it can be stated that the returns on capital will not exceed the required return in the coming years, on the basis of which the company appears quite expensive on the P/B. On the other hand, if the company could turn NorrDigi into a profitable business in the long term, capital returns would rise clearly above the return requirement and even balance sheet-based valuation would be inexpensive.

Sum of the parts in NorrDigi's breakthrough scenario (EUR/share)



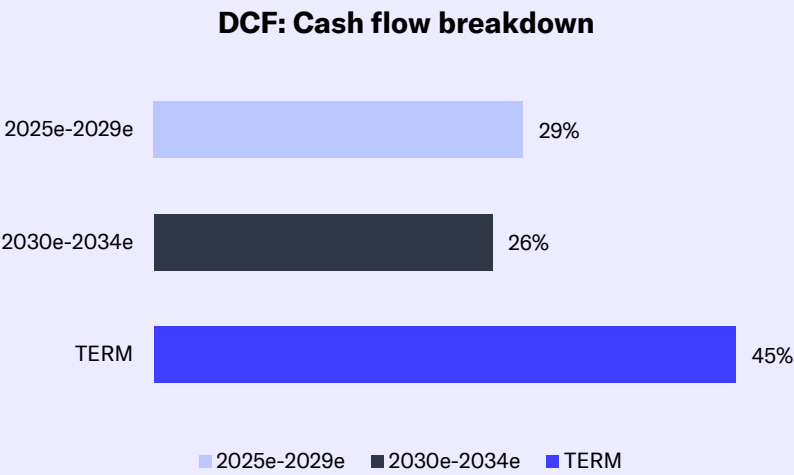
Valuation 4/4

DCF is poorly suited for valuation due to binary NorrDigi

We believe the DCF method is poorly suited for Norrhydro Group's valuation due to the very unclear visibility into NorrDigi's earnings development. We have included quite favorable assumptions in our forecasts, according to which NorrDigi would achieve a commercial breakthrough by 2030 and the technology would be sold globally through OEM partners. The forecasts therefore contain a high degree of uncertainty.

In our forecast model, the company's revenue will grow by an average of 12.4% per year between 2025 and 2033. Our terminal growth assumption is 2.5%. In terms of profitability, we have assumed that the EBIT margin will rise to 10.2% by 2030 and decrease to 8.0% in the terminal period, somewhat closer to the long-term historical level (2015-24: 5.7%). In the cash flow model, the average cost of capital (WACC) used is 12.6% and the cost of capital is 14.9%. In our model, the high cost of capital reflects the company's high risk profile, for example, due to a highly leveraged balance sheet.

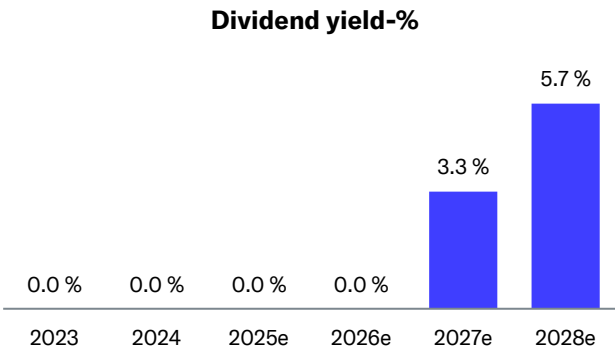
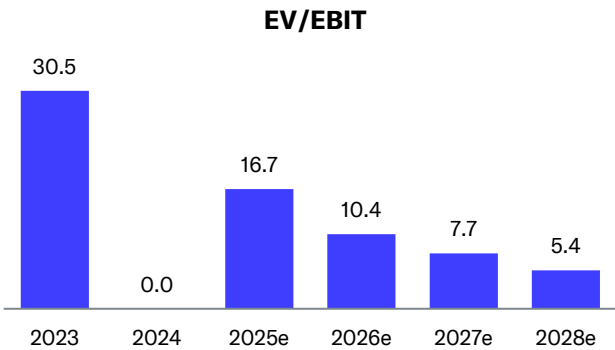
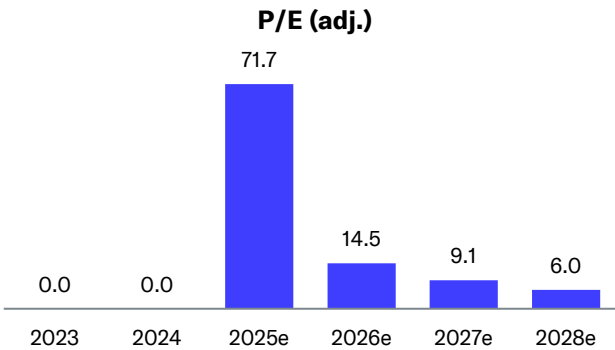
The DCF model yields an enterprise value of 29 MEUR and an equity value of 20 MEUR, resulting in a share value of EUR 1.79. In the model, the weight of the terminal period is 45%, which is not particularly high, and we see the risks in the DCF being particularly weighted towards the medium term around the turn of 2030, when NorrDigi's assumed profitable growth would bring significant cash flow to the company. If the high uncertainty related to NorrDigi's success were removed, there would be significant upside in the valuation through a decrease in the required return and an increase in the terminal profitability assumption.



Valuation table

| Valuation | 2020 | 2021 | 2022 | 2023 | 2024 | 2025e | 2026e | 2027e | 2028e |
|----------------------------|--------|---------|----------|-------|-------|-------|-------|--------|--------|
| Share price | | 4.32 | 3.13 | 2.07 | 1.62 | 1.22 | 1.22 | 1.22 | 1.22 |
| Number of shares, millions | 8.24 | 8.46 | 10.9 | 10.9 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| Market cap | | 47 | 34 | 23 | 18 | 13 | 13 | 13 | 13 |
| EV | 4.7 | 47 | 42 | 32 | 27 | 23 | 22 | 21 | 19 |
| P/E (adj.) | 0.0 | 23.2 | 21.5 | neg. | neg. | 71.7 | 14.5 | 9.1 | 6.0 |
| P/E | 0.0 | >100 | >100 | neg. | neg. | >100 | 15.8 | 9.6 | 6.2 |
| P/B | 0.0 | 4.2 | 3.2 | 2.5 | 2.3 | 1.7 | 1.5 | 1.3 | 1.1 |
| P/S | 0.0 | 1.9 | 1.1 | 0.7 | 0.7 | 0.5 | 0.4 | 0.4 | 0.3 |
| EV/Sales | 0.2 | 1.9 | 1.4 | 1.1 | 1.1 | 0.8 | 0.7 | 0.6 | 0.5 |
| EV/EBITDA | 1.2 | 15.9 | 19.7 | 29.4 | 21.8 | 8.8 | 6.3 | 4.9 | 3.7 |
| EV/EBIT (adj.) | 1.5 | 21.8 | 17.8 | 30.5 | neg. | 16.7 | 10.4 | 7.7 | 5.4 |
| Payout ratio (%) | 25.1 % | 185.1 % | 1521.2 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 31.6 % | 35.6 % |
| Dividend yield-% | | 1.4 % | 1.9 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 3.3 % | 5.7 % |

Source: Inderes



The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

Peer group valuation

| Peer group valuation | Market cap | EV | EV/EBIT | | EV/EBITDA | | EV/S | | P/E | | Dividend yield-% | | P/B |
|----------------------------|------------|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|--------------|-------------|
| Company | MEUR | MEUR | 2025e | 2026e | 2025e | 2026e | 2025e | 2026e | 2025e | 2026e | 2025e | 2026e | 2025e |
| Kesla Oyj | 9 | 20 | 10.1 | | 6.7 | | 0.5 | 0.6 | 7.5 | | 4.7 | | 0.7 |
| Robit Plc | 23 | 41 | 20.5 | 20.5 | 6.8 | 6.8 | 0.5 | 0.5 | | | 4.5 | | 0.5 |
| Ponsse Oyj | 697 | 728 | 20.7 | 17.5 | 10.4 | 9.5 | 1.0 | 1.0 | 75.5 | 22.1 | 1.9 | 2.7 | 2.1 |
| Kalmar | 2443 | 2609 | 13.3 | 11.8 | 9.7 | 9.4 | 1.5 | 1.5 | 16.3 | 15.1 | 2.8 | 2.9 | 3.4 |
| Hiab | 3206 | 2900 | 10.5 | 13.1 | 8.5 | 11.1 | 1.2 | 1.9 | 14.9 | 19.4 | 3.4 | 2.6 | 2.7 |
| Metso Corp | 11863 | 12978 | 17.2 | 17.2 | 14.3 | 14.1 | 2.7 | 2.5 | 23.1 | 23.4 | 2.5 | 2.6 | 4.6 |
| Sandvik AB | 32782 | 36674 | 19.4 | 18.9 | 14.3 | 14.1 | 3.3 | 3.3 | 25.3 | 23.0 | 2.0 | 2.1 | 3.9 |
| Kongsberg Gruppen ASA | 17736 | 16721 | 30.3 | 24.0 | 24.2 | 19.6 | 4.1 | 3.4 | 40.5 | 30.4 | 1.2 | 2.6 | 11.1 |
| Enerpac Tool Group Corp | 1696 | 1729 | 15.8 | 15.0 | 13.4 | 13.1 | 3.4 | 3.3 | 21.3 | 20.7 | | | 4.0 |
| Interpump Group SpA | 4795 | 5124 | 14.3 | 14.9 | 10.8 | 10.9 | 2.5 | 2.5 | 20.1 | 20.3 | 0.8 | 0.8 | 2.5 |
| Parker-Hannifin Corp | 92892 | 101378 | 28.1 | 25.4 | 24.1 | 22.8 | 6.0 | 6.0 | 34.5 | 32.0 | 0.7 | 0.8 | 9.1 |
| Donaldson Company Inc | 8771 | 9190 | 19.6 | 18.2 | 16.4 | 15.5 | 3.0 | 2.9 | 26.1 | 24.0 | 1.2 | 1.3 | 6.6 |
| SMC Corp | 19684 | 15809 | 11.7 | 10.0 | 11.8 | 12.3 | 3.7 | 3.6 | 20.3 | 22.8 | 1.6 | 1.8 | 2.0 |
| Norrhydro (Inderes) | 13 | 23 | 16.7 | 10.4 | 8.8 | 6.3 | 0.8 | 0.7 | 71.7 | 14.5 | 0.0 | 0.0 | 1.7 |
| Average | | | 17.4 | 16.7 | 13.1 | 13.2 | 2.6 | 2.6 | 26.6 | 23.0 | 2.2 | 2.0 | 3.9 |
| Median | | | 16.5 | 17.2 | 11.8 | 12.3 | 2.8 | 2.7 | 21.3 | 22.8 | 1.9 | 2.1 | 3.0 |
| Diff-% to median | | | 1% | -39% | -25% | -49% | -72% | -75% | 237% | -37% | -100% | -100% | -45% |

Source: Refinitiv / Inderes

Income statement

| Income statement | 2022 | 2023 | H1'24 | H2'24 | 2024 | H1'25 | H2'25e | 2025e | 2026e | 2027e | 2028e |
|---------------------|------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|
| Revenue | 29.7 | 30.4 | 13.1 | 11.1 | 24.2 | 14.9 | 14.1 | 28.9 | 31.6 | 34.9 | 39.4 |
| EBITDA | 1.7 | 1.1 | 0.77 | 0.49 | 1.26 | 1.23 | 1.36 | 2.59 | 3.47 | 4.19 | 5.18 |
| Depreciation | -0.9 | -1.4 | -0.67 | -0.68 | -1.34 | -0.65 | -0.65 | -1.30 | -1.45 | -1.61 | -1.70 |
| EBIT (excl. NRI) | 2.4 | 1.1 | 0.13 | -0.15 | -0.02 | 0.61 | 0.75 | 1.37 | 2.10 | 2.66 | 3.56 |
| EBIT | 0.8 | -0.3 | 0.11 | -0.19 | -0.08 | 0.57 | 0.71 | 1.29 | 2.02 | 2.58 | 3.48 |
| Net financial items | -0.6 | -1.2 | -0.55 | -0.69 | -1.24 | -0.57 | -0.62 | -1.18 | -1.13 | -0.93 | -0.80 |
| PTP | 0.2 | -1.4 | -0.44 | -0.88 | -1.32 | 0.01 | 0.10 | 0.11 | 0.90 | 1.64 | 2.67 |
| Taxes | -0.2 | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.04 | -0.25 | -0.51 |
| Net earnings | 0.0 | -1.4 | -0.44 | -0.88 | -1.32 | 0.01 | 0.10 | 0.11 | 0.85 | 1.40 | 2.17 |
| EPS (adj.) | 0.15 | -0.01 | -0.04 | -0.08 | -0.11 | 0.00 | 0.01 | 0.02 | 0.08 | 0.13 | 0.20 |
| EPS (rep.) | 0.00 | -0.13 | -0.04 | -0.08 | -0.12 | 0.00 | 0.01 | 0.01 | 0.08 | 0.13 | 0.20 |

| Key figures | 2022 | 2023 | H1'24 | H2'24 | 2024 | H1'25 | H2'25e | 2025e | 2026e | 2027e | 2028e |
|------------------------|--------|--------|---------|--------|---------|--------|--------|--------|--------|--------|--------|
| Revenue growth-% | 20.3 % | 2.2 % | -28.4 % | -7.7 % | -20.2 % | 13.5 % | 26.4 % | 19.4 % | 9.1 % | 10.6 % | 12.9 % |
| Adjusted EBIT growth-% | | | | | | | | | 53.6 % | 26.5 % | 33.8 % |
| EBITDA-% | 5.7 % | 3.6 % | 5.9 % | 4.4 % | 5.2 % | 8.2 % | 9.7 % | 9.0 % | 11.0 % | 12.0 % | 13.1 % |
| Adjusted EBIT-% | 8.0 % | 3.5 % | 1.0 % | -1.3 % | -0.1 % | 4.1 % | 5.4 % | 4.7 % | 6.7 % | 7.6 % | 9.0 % |
| Net earnings-% | 0.1 % | -4.8 % | -3.4 % | -7.9 % | -5.5 % | 0.1 % | 0.7 % | 0.4 % | 2.7 % | 4.0 % | 5.5 % |

Source: Inderes

Balance sheet

| Assets | 2024 | 2025e | 2026e | 2027e | 2028e |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Non-current assets | 14.8 | 14.2 | 13.8 | 13.6 | 13.5 |
| Goodwill | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Intangible assets | 8.6 | 8.6 | 8.7 | 8.6 | 8.6 |
| Tangible assets | 5.9 | 5.3 | 4.7 | 4.6 | 4.5 |
| Other investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Deferred tax assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current assets | 9.1 | 10.9 | 11.9 | 13.1 | 14.7 |
| Inventories | 7.4 | 8.8 | 9.7 | 10.6 | 11.9 |
| Other current assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Receivables | 1.2 | 1.4 | 1.5 | 1.7 | 1.9 |
| Cash and equivalents | 0.6 | 0.7 | 0.7 | 0.8 | 0.9 |
| Balance sheet total | 24.0 | 25.1 | 25.7 | 26.7 | 28.2 |

Source: Inderes

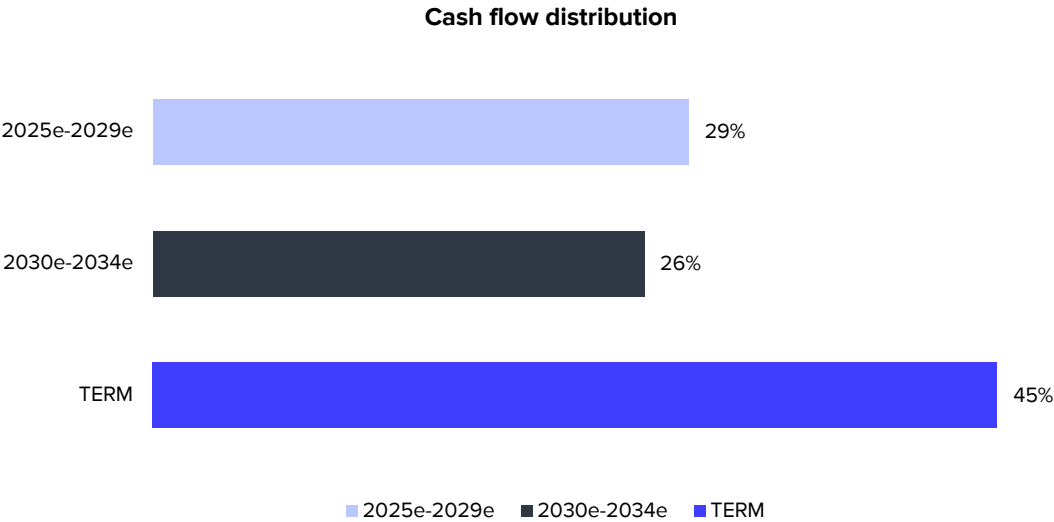
| Liabilities & equity | 2024 | 2025e | 2026e | 2027e | 2028e |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Equity | 7.9 | 8.0 | 8.9 | 10.3 | 12.0 |
| Share capital | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 |
| Retained earnings | -6.7 | -6.6 | -5.7 | -4.3 | -2.6 |
| Hybrid bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other equity | 10.4 | 10.4 | 10.4 | 10.4 | 10.4 |
| Non-current liabilities | 7.6 | 6.5 | 5.0 | 5.0 | 5.0 |
| Deferred tax liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest bearing debt | 6.1 | 5.0 | 5.0 | 5.0 | 5.0 |
| Convertibles | 1.5 | 1.5 | 0.0 | 0.0 | 0.0 |
| Other long term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current liabilities | 8.4 | 10.6 | 11.8 | 11.4 | 11.1 |
| Interest bearing debt | 2.5 | 3.6 | 4.2 | 3.0 | 1.6 |
| Payables | 5.9 | 7.0 | 7.6 | 8.4 | 9.5 |
| Other current liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Balance sheet total | 24.0 | 25.1 | 25.7 | 26.7 | 28.2 |

DCF calculation

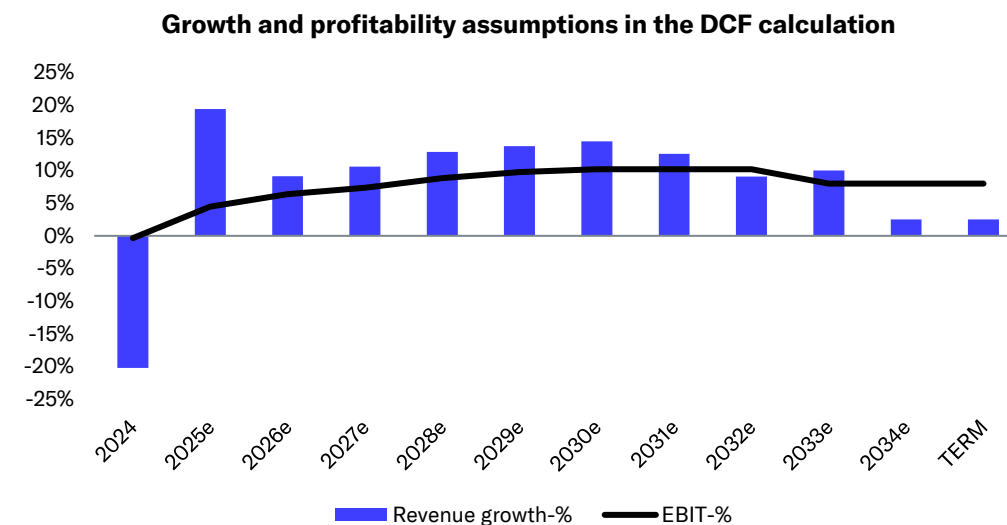
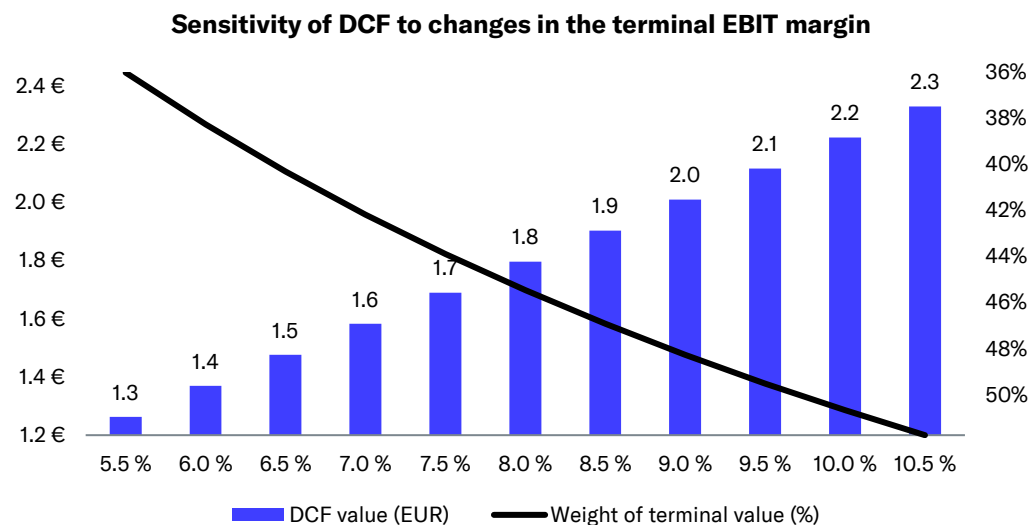
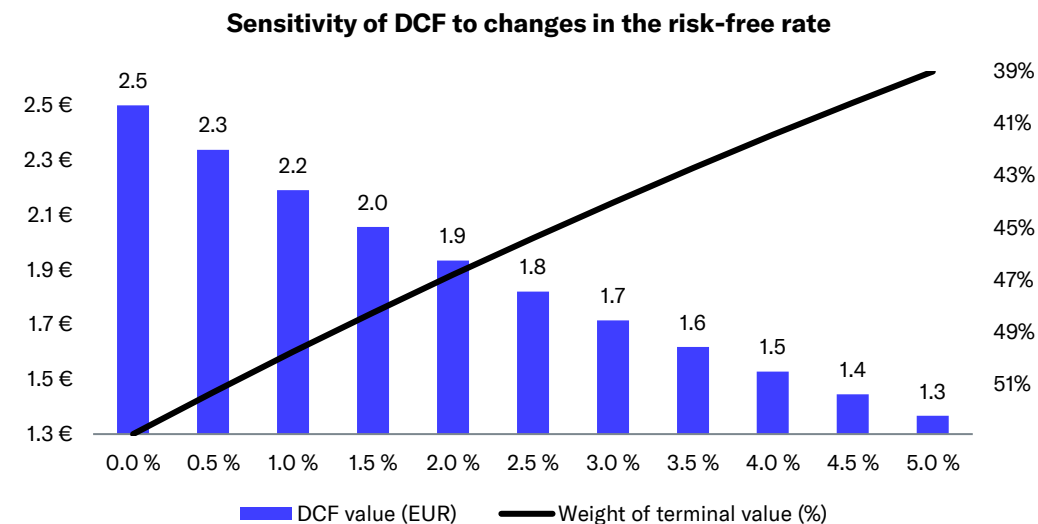
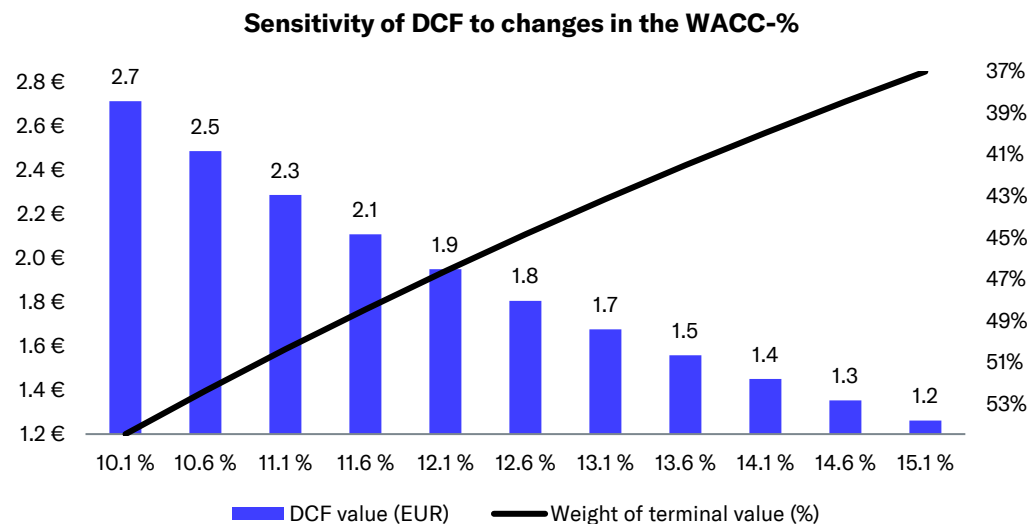
| DCF model | 2024 | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | 2032e | 2033e | 2034e | TERM |
|-----------------------------|---------|--------|-------|--------|--------|--------|--------|--------|--------|--------|-------|-------|
| Revenue growth-% | -20.2 % | 19.4 % | 9.1 % | 10.6 % | 12.9 % | 13.7 % | 14.5 % | 12.5 % | 9.1 % | 10.0 % | 2.5 % | 2.5 % |
| EBIT-% | -0.3 % | 4.5 % | 6.4 % | 7.4 % | 8.8 % | 9.7 % | 10.2 % | 10.2 % | 10.2 % | 8.0 % | 8.0 % | 8.0 % |
| EBIT (operating profit) | -0.1 | 1.3 | 2.0 | 2.6 | 3.5 | 4.4 | 5.2 | 5.9 | 6.4 | 5.5 | 5.7 | |
| + Depreciation | 1.3 | 1.3 | 1.5 | 1.6 | 1.7 | 1.7 | 1.7 | 1.8 | 1.9 | 2.1 | 2.1 | |
| - Paid taxes | 0.0 | 0.0 | 0.0 | -0.2 | -0.5 | -0.7 | -0.9 | -1.0 | -1.1 | -1.1 | -1.1 | |
| - Tax, financial expenses | 0.0 | 0.0 | -0.1 | -0.1 | -0.2 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | |
| - Change in working capital | 0.9 | -0.5 | -0.3 | -0.3 | -0.4 | -0.4 | -0.5 | -0.6 | -0.5 | -0.6 | -0.2 | |
| Operating cash flow | 2.2 | 2.1 | 3.0 | 3.5 | 4.1 | 4.9 | 5.5 | 5.9 | 6.6 | 5.9 | 6.5 | |
| - Gross CAPEX | -1.3 | -0.7 | -1.0 | -1.4 | -1.6 | -1.9 | -2.1 | -2.4 | -2.8 | -2.6 | -2.6 | |
| Free operating cash flow | 0.9 | 1.4 | 2.0 | 2.1 | 2.5 | 3.0 | 3.4 | 3.5 | 3.8 | 3.2 | 3.9 | |
| FCFF | 0.9 | 1.4 | 2.0 | 2.1 | 2.5 | 3.0 | 3.4 | 3.5 | 3.8 | 3.2 | 3.9 | 39.0 |
| Discounted FCFF | | 1.4 | 1.8 | 1.6 | 1.8 | 1.8 | 1.8 | 1.7 | 1.6 | 1.2 | 1.3 | 13.2 |
| Sum of FCFF present value | | 29.3 | 28.0 | 26.2 | 24.5 | 22.8 | 20.9 | 19.1 | 17.4 | 15.8 | 14.5 | 13.2 |
| Enterprise value DCF | | 29.3 | | | | | | | | | | |
| - Interest bearing debt | | -10.2 | | | | | | | | | | |
| + Cash and cash equivalents | | 0.6 | | | | | | | | | | |
| -Dividend/capital return | | 0.0 | | | | | | | | | | |
| Equity value DCF | | 19.7 | | | | | | | | | | |
| Equity value DCF per share | | 1.79 | | | | | | | | | | |

| | |
|---|--------|
| WACC | |
| Tax-% (WACC) | 20.0 % |
| Target debt ratio (D/(D+E)) | 20.0 % |
| Cost of debt | 4.4 % |
| Equity Beta | 2.30 |
| Market risk premium | 4.75% |
| Liquidity premium | 1.50% |
| Risk free interest rate | 2.5 % |
| Cost of equity | 14.9 % |
| Weighted average cost of capital (WACC) | 12.6 % |

Source: Inderes



DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

| Income statement | 2022 | 2023 | 2024 | 2025e | 2026e | Per share data | 2022 | 2023 | 2024 | 2025e | 2026e |
|---------------------------|------|-------|-------|-------|-------|--------------------------|--------|---------|---------|---------|--------|
| Revenue | 29.7 | 30.4 | 24.2 | 28.9 | 31.6 | EPS (reported) | 0.00 | -0.13 | -0.12 | 0.01 | 0.08 |
| EBITDA | 1.7 | 1.1 | 1.3 | 2.6 | 3.5 | EPS (adj.) | 0.15 | -0.01 | -0.11 | 0.02 | 0.08 |
| EBIT | 0.8 | -0.3 | -0.1 | 1.3 | 2.0 | OCF / share | 0.01 | 0.13 | 0.20 | 0.19 | 0.28 |
| PTP | 0.2 | -1.4 | -1.3 | 0.1 | 0.9 | OFCF / share | -0.60 | -0.01 | 0.08 | 0.12 | 0.19 |
| Net Income | 0.0 | -1.4 | -1.3 | 0.1 | 0.9 | Book value / share | 0.98 | 0.81 | 0.72 | 0.73 | 0.81 |
| Extraordinary items | -1.5 | -1.3 | -0.1 | -0.1 | -0.1 | Dividend / share | 0.06 | 0.00 | 0.00 | 0.00 | 0.00 |
| Balance sheet | 2022 | 2023 | 2024 | 2025e | 2026e | Growth and profitability | 2022 | 2023 | 2024 | 2025e | 2026e |
| Balance sheet total | 27.9 | 25.4 | 24.0 | 25.1 | 25.7 | Revenue growth-% | 20% | 2% | -20% | 19% | 9% |
| Equity capital | 10.7 | 8.9 | 7.9 | 8.0 | 8.9 | EBITDA growth-% | -43% | -35% | 15% | 106% | 34% |
| Goodwill | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | EBIT (adj.) growth-% | 9% | -55% | -102% | -6095% | 54% |
| Net debt | 8.0 | 9.6 | 9.6 | 9.4 | 8.4 | EPS (adj.) growth-% | -22% | -108% | 874% | -115% | 396% |
| Cash flow | 2022 | 2023 | 2024 | 2025e | 2026e | EBITDA-% | 5.7 % | 3.6 % | 5.2 % | 9.0 % | 11.0 % |
| EBITDA | 1.7 | 1.1 | 1.3 | 2.6 | 3.5 | EBIT (adj.)-% | 8.0 % | 3.5 % | -0.1 % | 4.7 % | 6.7 % |
| Change in working capital | -1.3 | 0.3 | 0.9 | -0.5 | -0.3 | EBIT-% | 2.8 % | -0.8 % | -0.3 % | 4.5 % | 6.4 % |
| Operating cash flow | 0.1 | 1.4 | 2.2 | 2.1 | 3.0 | ROE-% | 0.4 % | -14.8 % | -15.7 % | 1.3 % | 10.0 % |
| CAPEX | -6.6 | -1.5 | -1.3 | -0.7 | -1.0 | ROI-% | 4.8 % | -1.2 % | -0.3 % | 7.2 % | 11.2 % |
| Free cash flow | -6.5 | -0.1 | 0.9 | 1.4 | 2.0 | Equity ratio | 38.3 % | 35.0 % | 33.1 % | 32.0 % | 34.6 % |
| Valuation multiples | 2022 | 2023 | 2024 | 2025e | 2026e | Gearing | 74.7 % | 108.6 % | 120.9 % | 117.0 % | 94.8 % |
| EV/S | | 1.1 | 1.1 | 0.8 | 0.7 | | | | | | |
| EV/EBITDA | | 29.4 | 21.8 | 8.8 | 6.3 | | | | | | |
| EV/EBIT (adj.) | | 30.5 | neg. | 16.7 | 10.4 | | | | | | |
| P/E (adj.) | | neg. | neg. | 71.7 | 14.5 | | | | | | |
| P/B | 3.2 | 2.5 | 2.3 | 1.7 | 1.5 | | | | | | |
| Dividend-% | | 0.0 % | 0.0 % | 0.0 % | 0.0 % | | | | | | |

Source: Inderes

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| | |
|------------|--|
| Buy | The 12-month risk-adjusted expected shareholder return of the share is very attractive |
| Accumulate | The 12-month risk-adjusted expected shareholder return of the share is attractive |
| Reduce | The 12-month risk-adjusted expected shareholder return of the share is weak |
| Sell | The 12-month risk-adjusted expected shareholder return of the share is very weak |

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Recommendation history (>12 mo)

| Date | Recommendation | Target | Share price |
|------------|----------------|--------|-------------|
| 12/2/2021 | Sell | 3.60 € | 4.14 € |
| 12/16/2021 | Reduce | 3.60 € | 3.58 € |
| 12/23/2021 | Reduce | 3.85 € | 4.20 € |
| 2/14/2022 | Reduce | 4.00 € | 3.76 € |
| 4/21/2022 | Reduce | 4.10 € | 3.77 € |
| 8/19/2022 | Reduce | 4.10 € | 3.85 € |
| 11/14/2022 | Accumulate | 3.70 € | 3.19 € |
| 2/20/2022 | Accumulate | 3.90 € | 3.49 € |
| 5/31/2023 | Reduce | 3.20 € | 3.02 € |
| 8/8/2023 | Accumulate | 2.60 € | 2.22 € |
| 8/14/2023 | Accumulate | 2.80 € | 2.53 € |
| 1/10/2024 | Accumulate | 2.50 € | 2.20 € |
| 2/25/2024 | Reduce | 1.80 € | 1.75 € |
| 7/30/2024 | Reduce | 1.60 € | 1.55 € |
| 8/2/2024 | Accumulate | 2.10 € | 1.80 € |
| 10/18/2024 | Accumulate | 2.10 € | 1.74 € |
| 2/20/2025 | Reduce | 1.50 € | 1.48 € |
| 6/18/2025 | Accumulate | 1.40 € | 1.17 € |
| 7/15/2025 | Reduce | 1.40 € | 1.53 € |
| 10/24/2025 | Accumulate | 1.60 € | 1.41 € |
| 12/2/2025 | Accumulate | 1.60 € | 1.22 € |



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