

2022

Annual Report

When if is not an option.

Annual review

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Patria in brief

Patria is an international provider of defence, security and aviation life cycle support services, technology solutions as well as pilot training. Patria provides its customers with operational performance, equipment availability as well as selected intelligence, surveillance and management system products and services and their continuous development.

Patria’s mission is to give its customers confidence in all conditions, and the vision is to be the #1 partner for critical operations on land, sea and air. Patria has several locations including Finland, Sweden, Norway, Belgium, Estonia, the Netherlands and Spain. Patria employs over 3,000 professionals. Patria is owned by the State of Finland (50.1%) and Norwegian Kongsberg Defence & Aerospace AS (49.9%). Patria owns 50% of Nammo, and together these three companies form a leading Nordic defence partnership.

www.patriagroup.com

Net sales, EUR million

627.1

Personnel

3,311

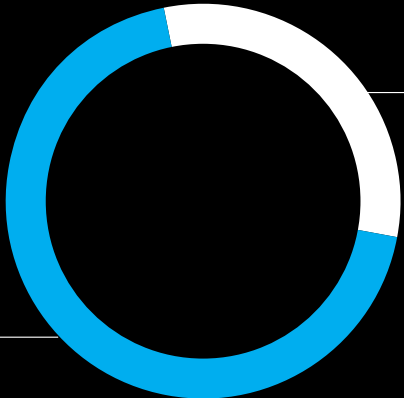
Distribution of net sales

69.0%

Finland

31.0%

Outside Finland



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Our values

WE WANT
TO SUCCEED

We are proud of
our work, and we
want to show it.

Mission:
WE GIVE OUR CUSTOMERS
CONFIDENCE IN ALL CONDITIONS.

OUR OPERATIONS
ARE CUSTOMER-CENTRIC

Cooperation guarantees
the success of all parties.

Customer promise:
WHEN IF IS NOT
AN OPTION.

TOGETHER WE
CREATE SUCCESS

We give constructing
feedback. We enjoy
succeeding together.

Employer promise:
YOU MAKE THE DIFFERENCE.

Vision:
THE #1 PARTNER
FOR CRITICAL OPERATIONS.

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Highlights of 2022

NEW PATRIA

Patria’s new, strong growth strategy and the new operating model are during the first year of implementation shown that the chosen path was correct.

Thanks to the new strategy and operating model, the Group is now an even more tightly-knit whole that brings together all of Patria’s products and services. The strategy revolves around profitable growth, which the company is seeking especially from international markets, such as in the maintenance and upkeep business and equipment deliveries.

PATRIA ESTABLISHED
IN THE NETHERLANDS

Patria acquired NEDAERO, the leading Dutch specialist in aviation components and parts. Its functions were integrated into Patria during the year. Patria Netherlands further bolsters the company’s expertise in equipment and component repairs.

GROWING INTEREST
IN PATRIA’S VEHICLES

Common Armoured Vehicle System (CAVS) programme led by Finland includes Latvia and Sweden. Also, Germany announced its interest to join the programme. New AMV XP order was received from Slovakia and Japan announced its choice, too, in December.

Patria leads an international industrial consortium in the EU-funded FAMOUS programme. The programme received funding for the phase 2 some EUR 100 million. The project develops the technologies and performance of future armoured vehicles to improve the ground combat capabilities of nine EU countries.

PATRIA’S ATTRACTION
AS AN EMPLOYER
PEAKED

In 2022, Patria became an even more attractive employer. According to an employer image survey by Universum, Patria ranked as the fifth most interesting company in Finland among technology professionals. Approximately 90 per cent of Patria employees work in Finland. Patria achieved the highest rise among the top ten Finnish companies. Clear increases were also seen in other occupational groups included in the survey, such as IT and business professionals.

For more information on the survey (in Finnish), see <https://universumglobal.com/fi/ammattilaiset-2022/>

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2022 - A year of determined implementation of the growth strategy

The war in Ukraine that followed on the heels of the global pandemic continued a series of historically extraordinary years. European security policy underwent a fundamental change in February 2022 when Russia invaded Ukraine. So far, Patria’s delivery capability has been good, and production has been prepared and developed specifically to meet the growing demand as well as to always take care of our role in ensuring Finland’s overall security.

Patria has grown and evolved determinedly in line with its growth strategy launched at the start of 2022. Patria’s net sales and profitability are at the planned level, and the development of the order backlog is good. Patria’s success in our 6x6 and 8x8 vehicle projects has continued throughout the year, which supports the development of other operations and the Group’s internationalisation.

The most significant strategy reform in Patria’s history

The new strategy adopted at the beginning of 2022 was the most significant reform in Patria’s history. Patria Group’s operating model and organisation were reformed according to the Horizon 2025 growth strategy. Under the new operating model, Patria seeks to comprehensively harness the expertise of all Patria

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employees. The change resulted in the creation of a unified Patria consisting of strong core functions – Finland, Global, Portfolio and Operations. The development of customer centricity, operational efficiency and new shared ways of working has continued during the year. In addition to the new strategy, organisation and operating model, the company also launched the development of a harmonised organisational culture with an influence on day-to-day behaviour and operations.

Continued success in vehicle projects

There were several significant events related to vehicle projects during the year. In early 2022, the Finnish Defence Forces signed an agreement with Patria on the acquisition of prototype series vehicles related to the joint 6x6 vehicle project between Latvia, Estonia, Finland and Patria. In June, Germany signed a declaration of intent to join the project, while Sweden signed an agreement on the research and development phase of the project. In August, Slovakia signed the final commercial contracts for the delivery project of 76 Patria AMV XP 8x8 vehicles. In late 2022, Patria AMV XP 8x8 was chosen as the new personnel carrier for Japan Ground Self-Defense Force, followed by starting of licence negotiations.

Expansion into the Netherlands

As part of its growth strategy, in March 2022, Patria acquired NEDAERO, the leading Dutch specialist in defence and aerospace components and parts. Patria has a long history and strong expertise in aircraft engine and parts maintenance both in Finland and internationally. The acquisition further strengthened Patria’s capabilities and expanded our international operations to the Netherlands.

Active international development projects

Patria has been closely involved in joint European defence research and development projects. The FAMOUS defence industry consortium led by Patria progressed within the budgetary framework of the European Defence Fund (EDF). In July 2022, the EU decided to grant the consortium nearly €100 million in funding for the development of future ground combat capabilities as part of 2nd phase of the European Defence Industrial Development Programme. Nine countries are participating in the consortium implementing the FAMOUS project. Finland will continue as the lead country and Patria as the industry coordinator.

Management of ESG work as a development target

At Patria, responsibility, reliability and openness are integral aspects of everything we do. A company that is majority-owned by the Finnish state cannot operate without good corporate citizenship. Patria also plays an important role in security of supply, both in Finland and other countries.

Putting corporate responsibility into practice forms part of the work and duties of each Patria employee. Since the start of 2022, Patria’s corporate responsibility has been guided by a new ESG steering group operating under the Group Management Team, with designated working groups specialising in environment, compliance, finance, procurement and wellbeing at work.

Impact of the war in Ukraine and Finland’s NATO membership

As Patria is a key part of Finland’s security of supply, preparing for various crises and ensuring comprehensive security are at the core of Patria’s operations. Due to the

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war in Ukraine, the demand for various defence sector products and services has increased significantly in Europe and the rest of the world. Projects in the industry and their preparation takes year, so there are no sudden rapid growth spurts to be taken. The effects of the war in Ukraine will bring business growth, especially in the medium and long term, as the vast majority of European countries increase defence spending. Patria’s delivery capability has been fairly good so far.

Finland’s future NATO membership will facilitate industrial cooperation in the ecosystem of NATO countries. Patria has long experience in operating in several NATO countries, both with export customers and through its own local Group companies. The strengths of Patria and Finland complement NATO, especially in terms of communication technology and products and services for Arctic conditions.

Patria in the new global era

Patria is in an excellent position to meet the needs of the defence industry in this new era. We are an international defence industry and technology company that has its finger on the pulse and roots in Finland dating back over a hundred years. We have top-notch experts, an overhauled organisation and growth strategy. Thanks to these, and our Through life capability, Protected mobility & defence

systems, and Battlefield & critical systems products and services, we ensure reliable operations for our customers and serve as a partner in critical functions. Our work to increase Patria’s efficiency and profitability continues.

The work of each Patria employee is increasingly important in the new geopolitical situation. On behalf of myself, I want to thank Patria’s employees for their committed work and our customers, owners, partners and other stakeholders for the year 2022.

Esa Rautalinko, President and CEO, Patria Group

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The war in Ukraine upended the security situation in Europe

Russia’s war of aggression against Ukraine highlights the importance of domestic defence industries in maintaining the security of supply of western defence forces. Finland’s NATO membership will open up new opportunities for Finnish players in these growing markets.

Russia’s invasion of Ukraine in February 2022 changed the security situation of Europe – and the rest of the world – with profound and long-lasting consequences. The war has reminded many countries of the importance of national defence, military deterrence and alliances. European countries are now investing substantially in the development of the capabilities of their defence forces. Defence budget increases have been widely announced. Many countries are seeking to procure equipment on an accelerated schedule and reinforce their inventories. The defence market has started to see clear growth, particularly in Europe. This has substantially increased interest in Patria’s products and services – in the long term, this will open up excellent opportunities for the company to pursue international growth in line with its strategy. Due to the upheaval in the security situation, western countries have also recognised the broader importance of domestic defence industries in safeguarding the security of supply. It is important to maintain and develop industrial



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capacity that supports the armed forces in terms of both material deliveries and maintenance – even in exceptional circumstances, when necessary. One good example of this is the strategic partnership between Patria and the Finnish Defence Forces, which is based on profound, long-term cooperation.

NATO membership increases interest in Finnish solutions

One of the most significant consequences of the war in Ukraine in terms of security policy is the decision by Finland and Sweden to apply for NATO membership. According to a

study by the Ministry for Foreign Affairs, the NATO process has clarified and enhanced Finland’s brand around the world. Interest in Finland’s security policy decisions has also risen significantly.

NATO membership will open up major opportunities for the Finnish defence industry in the US market and in the other NATO countries.

The US security industry is now highly interested in Finnish technology. Patria has made a concerted long-term effort to pave the way into this market and has engaged in cooperation projects with US operators for many years.

Finland’s decision to replace its Hornet fighters with American Lockheed Martin F-35A fighters has also made the relationship between the two countries closer. As an industrial partner, Patria has been proactively involved in preparatory work on this project by providing support to the defence administration and the HX project.

As the largest NATO country, the United States plays an important role in leading the way and thereby serves as a gateway to the wider NATO country market. NATO membership will make it easier for Finnish defence industry companies to get on board NATO development programmes and standardisation efforts.

Consistency in export licences ensures competitiveness

The growth of the Finnish defence industry in the international market will create jobs and export income in Finland. However, for this to happen, the industry must have the same operational possibilities as competing countries.

Finnish export licence policy concerning defence equipment is largely in good shape, and every export licence is considered separately in accordance with the criteria of the EU Common Position. That said, it is important to Patria that export licences are processed consistently, predictably and logically. This should also be the case for extensions to any previously issued licences for lifecycle services related to defence materiel deliveries. Delivery contracts are typically made for periods of 20–30 years. Patria must be able to fulfil its customer obligations during this period.



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Strategy revolves around the new operating model and profitable growth

During the year, Patria made a concerted effort to mobilise its new strategy in operations. The new organisation was consolidated, and the operating model was developed to best meet customers’ needs.

In 2022, the focus was on the implementation of Patria’s new strategy – to this end, a major change was carried out in the company’s structure and operating model, effective from the beginning of the year. The earlier business structure (excl. Millog) was dismantled. Patria is now a unified whole consisting of strong core functions – Finland, Global, Portfolio, Operations and Group Functions.

Thanks to the new strategy and operating model, the Group is now an even more tightly-knit whole that brings together all of Patria’s products and services. The strategy revolves around profitable growth, which the company is seeking especially from international markets, such as in the maintenance and upkeep business and equipment deliveries.

Patria’s security-critical customers in Finland also benefit from this. Safeguarding and developing their performance and security of supply will be Patria’s core mission going forward, too.

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Patria has kept its promises to customers during the change

Carrying out a large-scale strategy reform has been a demanding task. In spite of this, operations under the new organisational structure have got off to a good start. The long-term efforts to transform the corporate culture support the overhaul of the strategy and operational structure.

Even while the internal transformation process has been under way, the most important aim has been to ensure the continuity of business operations and fulfil the commitments made to customers. In 2022, Patria succeeded well in this effort: Patria was able to maintain its production and earnings performance at the planned level and stay on budget.

Strategy implementation is proceeding as planned

In practice, the mobilisation of the new strategy has been divided into three major focus areas. The first of these consists of six must win themes defined by Patria’s Group Management Team - these are divided into three to five programmes and then into development projects in support of them. Uniform criteria have been set for the projects to make it possible to measure strategy implementation.

Another focus area in strategy implementation consists of the strategic capabilities map, which defines Patria’s current strategic capabilities, critical competence areas and related development needs. During the year, Patria kicked off numerous development projects to move ahead with the strategy, while also identifying longer-term development projects. The company will implement these projects in the years ahead within the scope of its resources.



A Group-wide steering model for development projects facilitates the prioritisation of new projects and their monitoring with a consistent set of indicators.

The third focus area in strategy implementation involved in-depth interviews with Patria’s key employees at the end of the year. These interviews provide an overview of how the implementation of the strategy and new operating model proceeded and what kinds of development needs have come to light, such as in management structures. The operating model will be finetuned in 2023.

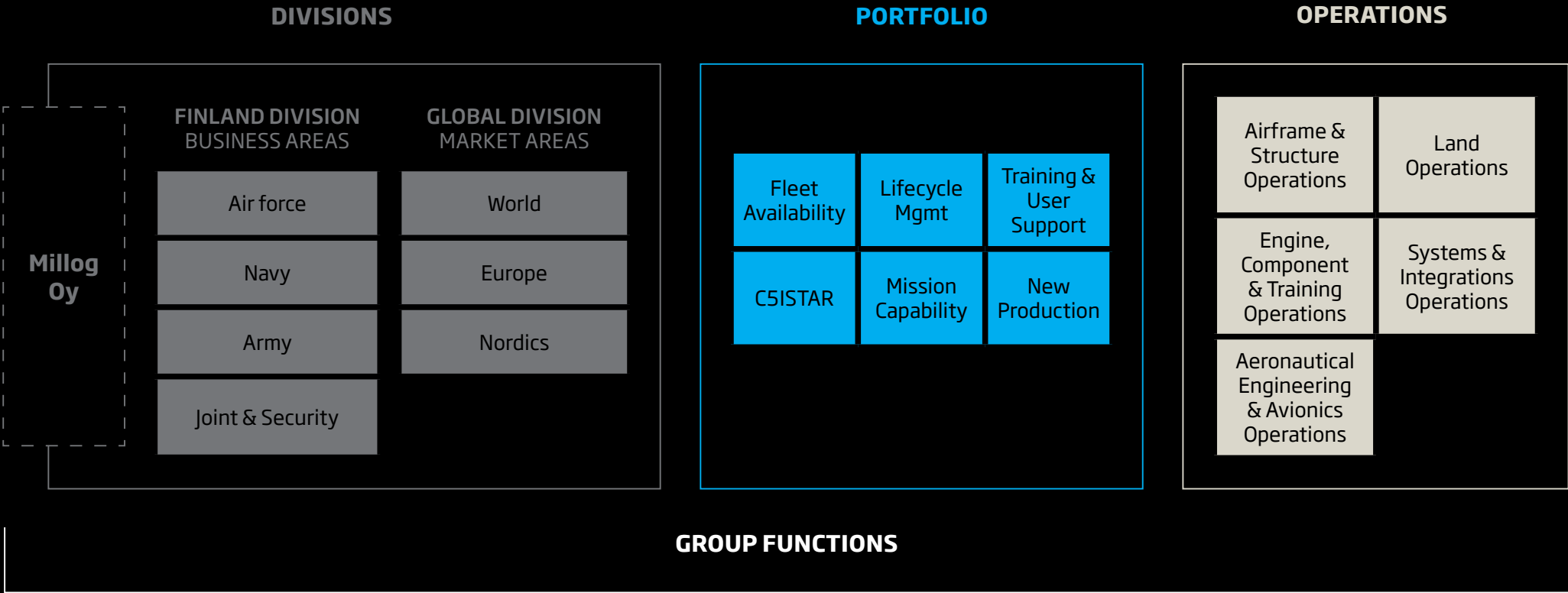
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Patria’s operating model



Patria is owned by the State of Finland (50.1%) and Norwegian Kongsberg Defence & Aerospace AS (49.9%). Patria owns 50% of Nammo, and together these three companies form a leading Nordic defence partnership.

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**414 employees
changed their
positions internally
in 2022**

**Patria’s renewed
strategy and new
operating model affect
all employees**

**The major changes to Patria’s operating model
and new ways of working affect each and every
Patria employee in one way or another. Patria also
launched its new cultural transformation in 2022.**

Patria’s new organisation and operating model came into force at the beginning of 2022. This is the biggest internal transformation in the company’s history – business units were dissolved, and the company shifted over to a function-specific matrix organisation.

Consequently, around 300 positions – entirely new or partly changed – were announced open for internal applications. This affected the work of every Patria employee in the form of new teams, supervisors, cooperation networks or ways of working, for instance.

These changes had the greatest impact on roles related to sales and marketing, product and service development as well as design and support functions. They had the least impact on production operations.

Personnel surveys conducted during the year indicate that Patria employees have a good understanding of their own role in the organisation and why these changes were necessary. In addition, they have welcomed the opportunities ushered in by the new strategy.

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In addition to the new organisation and internal transfers, the implementation of the growth strategy calls for new recruitments and competences. During the year, the Group hired 490 (177 by Millog) new people of which 76 were trainees. The total personnel headcount grew to 3,311.

Cooperation, employee wellbeing and strong internal communications at the core of the change

Numerous internal surveys were conducted to monitor the effects of the change. Surveys about the strategy and its implementation continued in 2022. In addition, a quarterly Pulse survey was launched – these compact surveys shed light on the development of the personnel experience at different stages of the change, providing information at a faster cycle than ordinary personnel surveys.

According to the surveys, the greatest challenges were related to the identification and development of new processes and operating methods. Patria provided strong support for the change with a variety of training sessions and events – held online, as the coronavirus pandemic still had some impact – and other internal communications tools, such as quarterly news videos and monthly newsletters. Change influencers were chosen amongst personnel and honoured with awards during the year. Online training was provided to all employees to help them grasp the new operating model.

Line managers played a particularly important role in the change. During the year, all 200-plus of the company's line managers participated in training concerning the impacts of the change.

Towards year's end, the Group's management toured the operating locations to discuss the strategy, the functionality of the new operating model and the company's culture.

During the year, Patria made outlays especially on the mental well-being of personnel due to the effects of both the pandemic and the ongoing changes. In addition to occupational healthcare services, Patria introduced an online low-threshold mental wellbeing service. It is suitable for all those who feel they need support to cope with stress, lost motivation and self-management.

A consistent operating culture across the Group

Patria's shared corporate culture is to support success. Discussions about the culture were launched at the strategy day organised in February 2022. Work on Patria's new culture was officially kicked off in October 2022 with the launch of cultural attributes that support and guide the company's customer-centric culture: Impactful, Dynamic, Ambitious and Together.

Discussions about the desired, common culture will continue in 2023, as a shared culture will play a major role in the implementation of Patria's strategy and the employee experience in the years ahead.

In 2022, Patria became an even more attractive employer. According to an employer image survey conducted by Universum, Patria ranked as the fifth most interesting company in Finland among technology professionals. Approximately 90 per cent of Patria employees work in Finland. Patria achieved the highest rise among the top ten Finnish companies. Clear increases were also seen in other occupational groups included in the survey, such as IT and business professionals.



For more information on the survey (in Finnish), see <https://universumglobal.com/fi/ammattilaiset-2022/>

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Patria is increasingly attractive as an employer

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International growth
is on track

The Global Division, responsible for international customer accounts, got off to a good start in line with the growth strategy. There is particular interest in Patria vehicles. Interest in other products and services also saw significant growth in 2022.

In line with its new strategy, Patria is pursuing growth in the international market. The Global Division is responsible for Patria’s customer accounts and corporate cooperation abroad. The Division has three geographical market areas: Nordics, Europe and World.

Due to changes in the security situation, the defence market has started to grow, especially in Europe. Many countries have announced that they are bolstering their defence capabilities and seek to procure equipment on an accelerated schedule. There is now particular interest in Patria vehicles and NEMO mortar systems. Inroads have also been made in other product groups, such as the delivery of acoustic minesweeping systems to the navies of Norway, Belgium and the Netherlands.

Patria consolidates its position in its markets

The operating model hinges on establishing the company’s position in major markets by finding partners or acquiring local companies, either with a local partner or as fully-owned subsidiaries. KAMS (Kongsberg Aviation Maintenance Services)

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– owned by Patria and Kongsberg Defence & Aerospace AS
– operates in Norway. It is responsible for the maintenance, upkeep and modernisation of the Norwegian Air Force’s helicopters and other aircraft. Patria’s helicopter unit in Sweden has been a key player in helicopter maintenance since 1947. In Estonia, Patria’s subsidiary Milworks maintains and repairs armoured vehicles and weapons systems belonging to the Estonian Defence Forces. In Belgium, Patria Belgium Engine Center (PBEC) is responsible for the maintenance, repair and overhaul of F-16 and F-15 fighter engines worldwide, serving the air forces of 15 countries. Long cooperation with the Belgian Defence Forces has deepened further. In April, Patria acquired NEDAERO, a Dutch specialist in aviation components and parts. Patria Netherlands was integrated into the Group in 2022.



Good momentum in vehicle projects in the Nordic and Baltic countries

The Nordics market area covers not only the Nordic countries, but also the Baltic countries. During the year, Nordics focused especially on Latvia, where the Common Armoured Vehicle System (CAVS) programme has progressed as planned under Finnish leadership. In this programme, Patria is supplying the 6x6 vehicle chassis and is responsible for vehicle system development. Vehicle production in Latvia has already progressed to the series production phase in association with local partners.

Sweden has also joined the CAVS programme – Patria sees plenty of opportunities in the overhaul of the vehicle fleet of the Swedish Armed Forces. In addition to new vehicles, this includes lifecycle services. One example of this is the lifecycle upgrade of XA armoured wheeled vehicles that Sweden ordered in May. The work began immediately, and deliveries will continue until the end of 2025.

Growing interest in Patria products in Europe

The Europe market area covers the rest of Europe, where Patria is seeking to establish a local presence through deep, long-lasting relationships with customers and other parties. A major order for Patria’s 8x8 armoured wheeled vehicles was received from Slovakia – in the tender for the project, the country’s Ministry of Defence selected the Patria AMV XP 8x8. The agreement covers the purchase of 76 vehicles. These vehicles will be manufactured in Slovakia in association with local Patria partners.

At the same time, a long-term solution will be built to provide Slovakia with the opportunity to continuously procure vehicles and associated lifecycle services.

Germany also signed a declaration of intent to join the CAVS programme.

Worldwide interest in Patria products

The World market area covers markets outside of Europe, where interest in Patria products has also grown. Outside Europe, many of the delivery projects that Patria carries out have involved vehicle sales. In addition to export deliveries, customer relationships may lead to the establishment of a local presence, such as to provide equipment lifecycle services.

The Japanese Ministry of Defence chose the Patria AMV XP 8x8 as the next armoured vehicle for the WAPC (Wheeled Armoured Personnel Carrier) programme of the Japanese Ground Self-Defence Force. The vehicles will be manufactured under licence in Japan. This supports the local economy and technological development, as well as ensures both the local maintenance and operational reliability of the vehicles.

In addition, Patria and Qatar Airways have agreed to cooperate in co-pilot training. These 18-month courses will be implemented in accordance with the Multi-Crew Pilot License (MPL) programme. The students represent ten nationalities and will be given flight training in both Pirkkala and Patria’s base in Córdoba, Spain.

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Patria’s products and services safeguard critical security of supply in Finland

Patria’s lifecycle support services and state-of-the-art products ensure that the Finnish Defence Forces’ equipment performs as intended. Reliable and cost-effective services are guaranteed in all conditions.

The Finland Division is responsible for sales, marketing and customer accounts of Patria products and services in Finland. The main customer is the Finnish Defence Forces, but it also serves other security-critical authorities.

The Finland Division consists of four units: Air Force, Army, Navy and Joint & Security. This structure clarifies responsibilities and communications with the customer. In line with the new strategy, operations increasingly seek to employ a customer-focused approach to need fulfilment.

Patria’s deep and wide-ranging strategic partnership with the Finnish Defence Forces is a cost-effective operating model – Patria performs its role as a partner to all the branches of defence on a systematic and long-term basis, providing savings for customers. The key benefit is security of supply. Customers can count on Patria’s support even in exceptional circumstances.

Patria continuously invests in the development of its partnership with the Finnish Defence Forces. As in earlier years, deliveries in 2022 were carried out as agreed.

The products and services that Patria provides to the Finnish Defence Forces also serve as an important reference to customers in international markets, where

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Patria is seeking substantial growth in the years ahead with domestic support. Extensive and seamless R&D with the Finnish Defence Forces in turn helps Patria to develop competitive new products. One good example of the mutual benefits of R&D is the EU-funded FAMOUS programme, which develops technologies and performance for future mobile armoured systems. The programme includes nine EU countries – in Finland, it focuses on developing the Arctic mobility of the Finnish Army.

Strong partnership with the Air Force continues

Patria’s largest customer in Finland is the Finnish Air Force. This partnership covers the heavy maintenance of aircraft and their engines, along with repairs, upgrades, structural modifications and system development. In addition, Patria is responsible for elementary and basic pilot training for the Air Force, Army and Border Guard.

In 2022, Patria responded to the growing lifecycle service needs of the Air Force by stepping up its own capacity and performance, such as by recruiting new employees.

Major deliveries to the Finnish Army

Patria’s partnership with the Finnish Army is based above all on Patria’s own product and service offering as well as robust expertise in integration projects involving the installation of systems made by different manufacturers, such as in vehicles.

In June, Patria supplied the Army with a prototype series of 6x6 armoured vehicles under the letter of intent for the delivery of a total of 160 vehicles in the years ahead that Patria had signed with the Finnish Ministry of Defence. The order is part of the 6x6 armoured vehicle system R&D



programme (CAVS project). In addition to Patria, this project involves Finland, Latvia and Sweden.

In November, Patria finalised the lifecycle upgrade project of the XA-180 armoured personnel carriers and handed over the last of the vehicles to the Army. The modernisation of the XA series has been an important project for Patria – it will ensure the lifecycle and usability of the vehicles until the 2040s.

Fast attack craft for the Finnish Navy

Patria’s cooperation with the Finnish Navy encompasses, for instance, demanding vessel integration projects, deliveries of underwater systems and diesel engine maintenance.

In September, Patria handed over the last lifecycle-upgraded Hamina Class fast attack craft to the Navy. A total of four fast attack craft underwent a large-scale overhaul and lifecycle upgrade in 2018-2022 to ensure their future performance.

Patria held overall responsibility for the lifecycle upgrade and was the main integrator, supplier and designer. This

project is a great example of Patria’s strong expertise in system integration.

Security-critical system and equipment deliveries

Patria makes complex system and equipment deliveries to other Finnish security authorities as well. Its areas of special expertise are reconnaissance, surveillance and command systems, as well as their integration and lifecycle support.

For example, in a joint project of the security authorities, Patria supplied an advanced field management system that provides authorities participating in an operation with a real-time situational picture and enables seamless cooperation.

Security-critical systems are now more dependent on software and other digital solutions, and this will open up additional opportunities for Patria to partner up and develop new systems for the authorities.



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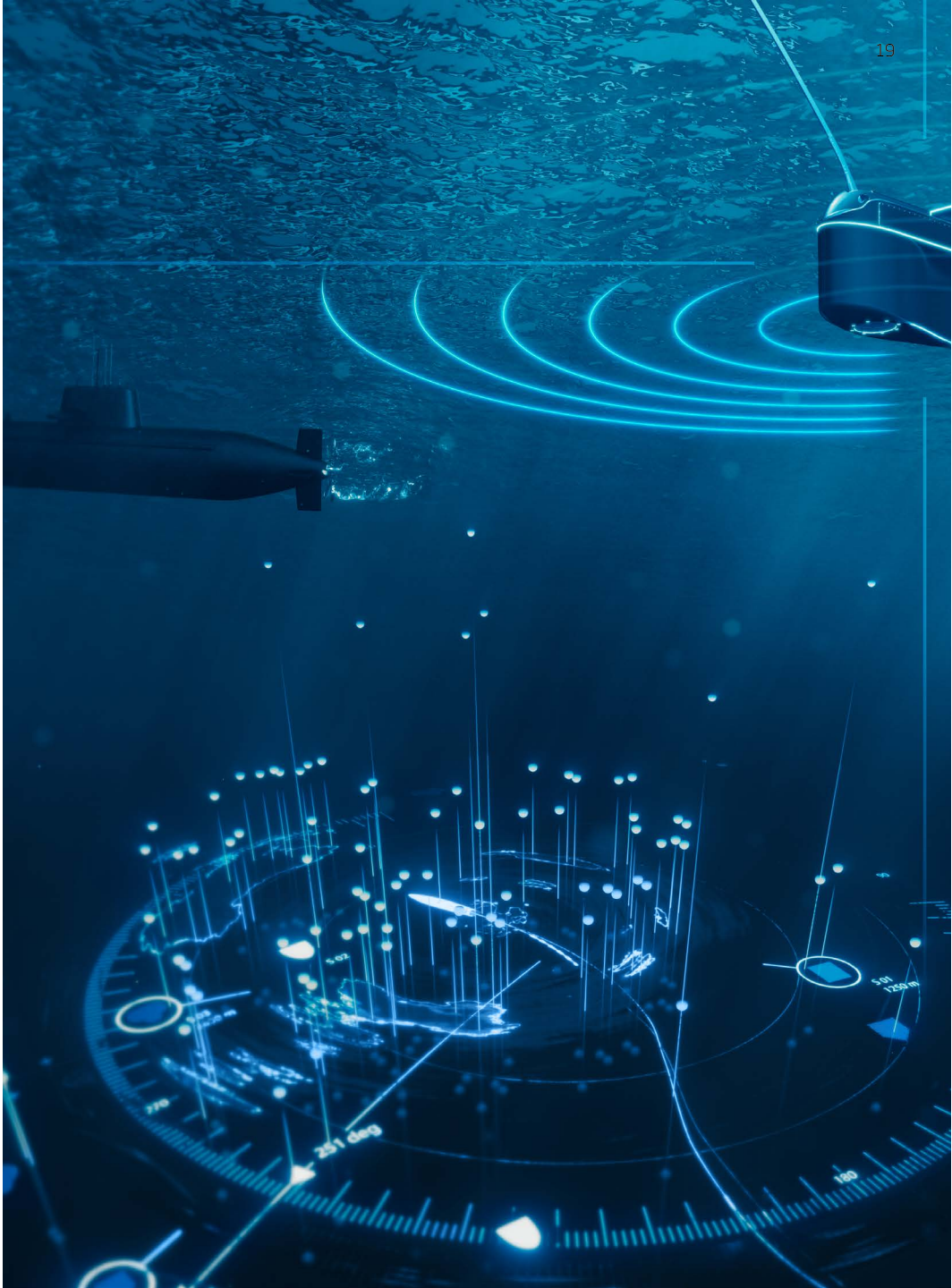
Competitive offering
- now and in the future

Patria developed and overhauled its offering to meet customer needs and promote the company’s growth strategy. Patria’s key objective is to provide customers with innovative solutions and systems that ensure reliable survivability in all conditions.

Patria has launched a new function, Portfolio, which holds end-to-end responsibility for the company’s products and services as well as their development. Thereby, it provides effective support to the Finland and Global divisions, which are responsible for customer accounts, and the Operations function, which focuses on production.

Portfolio is divided into six product and service lines: Fleet Availability, Lifecycle Management, Training & User Support, C5ISTAR, Mission Capability, and New Production.

Patria has a wide range of products and services. To streamline the offerings, the company grouped them into three main areas last year – Through Life Capability, centred on equipment maintenance, repair, upkeep, modification, integration and training services. The second main area is Protected Mobility and Defence Systems – consisting of vehicle systems, weapons systems and unmanned systems. The third comprises Battlefield and Critical Systems – Patria’s command, surveillance and intelligence systems (C5ISTAR).



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The entire offering is built on Patria’s profound technological expertise and the digital solutions based on it. Now, the offering has been divided into the main areas on the basis of Patria’s strengths – these are easier to understand from the customer perspective.

Product and service offering aligned with market needs

The Portfolio function has taken over tasks that were previously scattered across Patria. The new organisation model has made it possible to unify operating models and practices for product management and the management of product development.

In 2022, Portfolio’s primary task was to initiate the renewal of the product and service offering so that it meets the current and future needs of the market even better. This entails, for instance, the development of the portfolio strategy and the product and service roadmaps. Patria has responded to current market needs by providing technical and commercial support for the very successful Patria 6x6, Patria AMV and Patria NEMO sales projects, for instance. In addition, Portfolio has supported the divisions responsible for customer accounts in the C5ISTAR sales programmes and the implementation of the growth strategy for lifecycle services.

Another of Portfolio’s primary tasks was to accelerate Patria’s growth and profitability by service productising and scaling the service offering. The year’s successes included the development of 6x6 vehicle versions in the international CAVS (Common Armoured Vehicle System) programme, the upgrading of the technical capabilities of C5ISTAR products, and the productization and branding of Patria’s lifecycle services.



New Extreme Survivability offering

- Through Life Capability
- Protected Mobility & Defence Systems
- Battlefield & Critical Systems

Developing competitive new products and services

The third focus of Portfolio has been the promotion of Patria’s R&D and innovation culture. Patria has had around 40 R&D programmes and they have proceeded as planned. To support in-house innovations, Patria has developed a shared tool for R&D project steering. The development of data-based digital offerings is at the heart of Patria’s R&D. Furthermore, Patria is one of the leading companies in establishing the new Digital Defence Ecosystem (DDE). Patria is represented on DDE’s Board of Directors and several working groups.

An increasing number of R&D projects are being carried out through European cooperation. The EU-funded

FAMOUS programme has progressed particularly successfully. The project develops the technologies and performance of future armoured vehicles to improve the ground combat capabilities of nine EU countries. Patria leads an international industrial consortium in the FAMOUS programme.

In 2023, Portfolio will continue to develop and productise Patria’s offering to better meet the needs and expectations of customers as well as promote the implementation of the company’s growth strategy by enhancing business scalability. Patria’s rebranded offering will be presented at many events around the world this year.

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Production gets ready for growing demand

The Operations function covers all of Patria’s production. By developing its delivery capabilities and reliability, Patria responds to the growing market demand for products and services.

Following Patria’s reorganisation, the Operations function is responsible for the production of all the company’s products and services, and their associated delivery chains, in all business countries. In addition to its locations in Finland, Patria engages in production in the Netherlands, Belgium, Estonia, Latvia and Sweden.

The function was initially divided into four production units. Airframe and Structure is responsible for the maintenance and new production of helicopters and other aircraft. Engine, Components and Training maintains and repairs diesel and aircraft engines, and is responsible for civilian and military pilot training. Land focuses on the production of vehicles and weapons systems. Systems and Integration in turn is responsible for system development and demanding integration projects.

Focus on ensuring delivery capabilities and reliability

The launch and run-in of the new organisation and operating model were carried out as planned in 2022. During the year, the company assessed the functionality of the operating model and its finetuning requirements. At the beginning of 2023, Operations had five production units as the Aeronautical Engineering & Avionics unit was created.



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In the development of production operations, the focus was on bolstering delivery capabilities and reliability so that production capacity and capabilities can meet the growth targets set for the years ahead in Patria’s strategy.

In practice, this will be achieved by mobilising the operating model of continuous improvement and creating a high-performance approach to operations. A continuous planning and decision-making model ensures that production capacity will meet the growing market demand for Patria’s products and services.

In connection with this, Patria is investing heavily in Lean Six Sigma expertise to support continuous improvement of productivity. Hundreds of Patria employees are taking part in this training, which was launched in 2022.

Vehicle production grew in Finland
-international vehicle projects
often based on local production.

During the year, manufacture of armoured vehicles was ramped up substantially at Patria’s Hämeenlinna location,

where production grew almost tenfold. For this reason, after change negotiations, the welding line of the facility switched over to two shifts.

Most of the manufactured 6x6 wheeled vehicles went to Latvia. In addition, prototype series vehicles were manufactured for the Finnish Defence Forces as part of an order under a letter of intent for 160 vehicles.

Assembly of the 200 vehicles ordered by Latvia will be transferred to that country in 2023 when the production line built for that purpose and supply chains have been finalised. Similar capabilities to engage in local production are being built in association with partners in Slovakia – the country’s Ministry of Defence has ordered 76 AMV XP 8x8 combat vehicles from Patria. At the same time, a long-term solution will be established with local partners to enable the provision of lifecycle services for the fleet.

Patria completed the lifecycle upgrade project of the XA-180 armoured personnel carriers, which had been ongoing since 2013, and handed over the last of the vehicles to the Finnish Army.

Goals reached in maintenance of
helicopters and other aircraft

Helicopter and other aircraft maintenance services were carried out during the year in cooperation with the Finnish Air Force in line with plans. The agreement covers F/A-18 Hornet fighters, Hawk Mk51/66 jet trainers, NH90 helicopters, CASA 295M transport aircraft and Grob G115E trainers.

The targets for NH90 helicopter maintenance were achieved ahead of schedule and fleet usability remained at a high level. Modifications to Grob aircraft – acquired to replace Vinka training planes – also kept Patria busy. The

NH90 helicopter retrofit project in Sweden continued according to plan.

Engine maintenance, component
repairs and training in line with plans

Diesel and aircraft engine maintenance and component repairs were completed as planned and on schedule. During the year, Patria also focused on boosting production efficiency, which improved production volumes, profitability and customer satisfaction.

Elementary and basic military pilot training were carried out as planned. In civilian flight training, the number of students decreased year-on-year, as the start dates of courses were delayed due to customer reasons. In December, Patria and Qatar Airways agreed on Multi-Crew Pilot License (MPL) training for co-pilots, in which the students will be given flight training in Pirkkala and at Patria’s base in Córdoba, Spain.

System and integration
deliveries are on schedule

In Upinniemi, Patria handed over the fourth and last of the lifecycle-upgraded Hamina Class fast attack craft to the Finnish Navy. Patria held overall responsibility for the lifecycle upgrade and was the main supplier, designer and integrator. A total of four fast attack craft underwent a large-scale overhaul and lifecycle upgrade in 2018–2022, providing the Navy with new capabilities.

For example, in a joint project of the security authorities, Patria supplied an advanced field management system that provides authorities participating in an operation with a real-time situational picture and enables seamless cooperation.

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The focus is on
bolstering delivery
capabilities and reli-
ability.

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Bolstering production and preparing for the future

In March 2022, Patria acquired NEDAERO, the leading Dutch specialist in aviation components and parts. Its functions were integrated into Patria during the year. Patria Netherlands further bolsters the company's expertise in equipment and component repairs.

In Finland, Patria has engaged in intensive negotiations and preparatory work for industrial cooperation on the F-35 fighters ordered by Finland. This includes, for instance, the manufacture of certain structural components at Patria plants in the years ahead.

Towards the end of the year, the Japanese Ministry of Defence announced that it had chosen the Patria AMV XP 8x8 as the next armoured vehicle for the Wheeled Armoured Personnel Carrier programme of the Japanese Ground Self-Defence Force. The vehicles will be manufactured under licence in Japan. This supports the local economy and technological development, as well as ensures both the local maintenance and operational reliability of the vehicles.



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MILLOG

MILLOG provides technical equipment and system maintenance, lifecycle management and logistics services to strategic partners such as the Finnish Defence Forces and other security-critical actors.

The company’s responsibilities include the maintenance of vehicles and armoured equipment, weapon and electronic systems, vessels and various other systems; the provision of the material and lifecycle services required by them; and equipment and system installations and modifications.

The Millog companies include its wholly-owned subsidiaries Senop Oy and Millog Marine & Power Oy.

Patria has a 61,8 % holding in Millog.

Millog - a pioneer in national security of supply

Millog is making ever-greater outlays on preparedness and safeguarding national security of supply, and is acquiring new customers. A change in the culture of occupational safety is strongly evident in all of the company’s operations. Boosting operational efficiency in strategic partnerships benefits both parties. M&As clarify the product and service offering.

Due to the upheaval in the global political situation, Millog is stepping up its outlays on preparedness and its promotion as well as ensuring the national security of supply. The special theme of 2022 was continuity planning, which supports the company in serving all customers in both ordinary and exceptional circumstances. The company responds to the increased exercise requirements of the Finnish Defence Forces, and develops both its role and operations as a strategic partner.

Millog has continued to acquire new customers. During the year, HR services met the recruitment needs ushered in by Millog’s growth and personnel retirement by hiring a record 177 new employees.

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Close cooperation between Millog and the Finnish Defence Forces

Shared incentive models aiming at cost-effectiveness benefited both Millog and the Finnish Defence Forces. Millog’s insights have also come in useful for the Finnish Defence Forces – most of these focus on the development of system performance.

Millog received an order for a lifecycle upgrade to the Finnish Army’s CV9030 infantry fighting vehicles, and successfully completed the upgrade of Jurmo Class landing craft. The national modification work on the K9 howitzers the Finnish Defence Forces acquired from South Korea also progressed according to plan.

Millog’s repair patrols participate regularly in peace-keeping and military operations around the world, and Millog runs a repair workshop for the Lebanon crisis management operation. In the autumn, this repair workshop turned 10 years old.

Millog is making ever-greater use of digitalisation in the development of in-house work. To facilitate the production work performed by installation technicians, the company deployed an intuitive UI for the SAP system.

The cultural change in occupational safety is strongly evident in all activities

In 2017, Millog set the goal of developing its occupational safety to rank among the top four best companies in the Finnish industrial sector. Work on occupational safety is making systematic headway and the cultural change is highly visible in all of the company’s operations, quality of operations and number of accidents.

The accident frequency rate (LTIF3) – that is, the number of occupational accidents leading to sick leave of three days

or more, relative to a million hours worked – decreased by 70 per cent year-on-year and amounted to 2.2. Longer-term development of occupational safety reached a major milestone – the number of all occupational accidents has been halved. The number of safety observations submitted by employees is continuing to rise – in 2022, 4,447 observations were made, 4.2 per Millog employee.

A systematic approach to responsibility efforts

Millog is forging ahead with its responsible work as a pioneer in national security of supply – genuine responsibility is strongly evident in day-to-day management and choices. Responsibility efforts will be systematised and made even more visible. Millog gained public recognition for its responsibility when the Finnish Military Sport Federation honoured the company with the 2022 Vaikutusta kenttään (Impact on the Field) award as an organisation that has distinguished itself in improving personnel wellbeing through exercise.

The shipbreaking and recycling of the first vessel under an environmental permit in Upinniemi was completed smoothly – the Navy’s Kampela Class transport ferry was dismantled, its usable parts and materials were recycled, and other materials were handled appropriately.

M&As generate synergy during growth

Millog’s Authorities and Industry business focuses on enabling organic growth through the productisation of services, the development of sales activities and seeking long-term customers among security-critical actors.

Millog’s wholly-owned subsidiaries are developing their operations – corporate arrangements in autumn 2022 yield

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Millog was honoured with the 2022 Impact on the Field award by the Finnish Military Sport Federation.

synergy for the administrative services of the subsidiaries, which now serve customers with a clearer and more well-rounded product and service offering. The creation of a joint ERP system for the subsidiaries was the major IT project of the Millog companies in 2022.

Millog Marine & Power - a unique Finnish maritime actor

Oy Western Shipyard Ltd, Laivakone Oy and Hämeen Diesel Oy merged to form Millog Marine & Power Oy. This new Finnish marine company offers marine and docking services, field maintenance, and engine, machine, electrical and hydraulic work nationwide under a one-stop-shop principle. The company has a uniquely comprehensive product and service offering in Finland. In accordance with its strategy,

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Millog Marine & Power seeks to acquire new customers and is stepping up the scalability of its operations, such as by building its partner network. Cooperation with the parent company got stronger.

Senop continues to grow, stronger than ever

Senop Oy’s net sales saw growth of more than 30 per cent in 2022. Virve Tuotteet ja Palvelut Oy, which specialises in secure official communications, was merged into the company as its own business area, Senop Communications. Senop engages in proactive and effective cooperation with the Finnish Defence Forces. This led to two significant additional orders for equipment to enhance night combat. The company also engages in product development on smart sights for anti-tank weapons in cooperation with Saab.

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Strategic partnership benefits both parties.



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NAMMO

is an international aerospace and defence company that is headquartered in Norway. It employs around 2,700 professionals in some 28 locations in 11 countries. Nammo is one of the world’s leading producers of ammunition, rocket motors and demilitarisation services for both military and civilian customers. Nammo is owned 50-50 by Patria and the State of Norway. Nammo AS publishes its own annual report and corporate responsibility report, available on the company’s website at

www.nammo.com

Nammo had another record-breaking year

Nammo, an international aerospace and defence company that is 50 per cent owned by Patria, increased its net sales by around 7 per cent in 2022.

Nammo AS has seen substantial growth since its founding in 1998 and has steadily bolstered its presence in its main markets in Europe and North America. In spite of the challenges posed by supply-chain issues and the war in Ukraine, the company’s main market areas continued to develop favourably in 2022. Nammo’s sales, profits, and order stock all rose to record high levels during the year, while its market share and role in security of supply have been bolstered in its key markets. The largest driver behind its sales growth in 2022 was the rise in commercial ammunition sales in U.S. market. Also, many military clients also increased their procurements.

Continued close collaboration with the Finnish Defence Forces deepens

Nammo Lapua Oy and Nammo Vihtavuori Oy, part of the Nammo Group, have an established strategic partnership agreement with the Finnish Defence Forces, which started in 2014. The strategic partnership agreement covers all states of preparedness and the production of ammunition and explosives that safeguards the basis of the domestic security of supply in the sector. Nammo also has a security of supply partnership with the Norwegian Armed Forces.

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Investing for the future

In august 2022, Nammo announced a EUR 33 million investment in a new primer factory to be built at the Vihtavuori facility in central Finland. A primer is a component of ammunition used to ignite the propellant that in turn forces the projectile out of a gun barrel. The new primer factory is scheduled for completion in 2025 and will employ an additional 50 people at the site. It will help ensure the security of supply needs for the defense forces in the Nordic region and will bolster the resilience of Nammo’s supply chain.

To support its long-term business prospects, Nammo continued to make major investments in R&D in key technologies and competence that are important for the company’s development. For instance, the company continued to make

significant new advances in ramjet technology that enables increased range and accuracy of artillery shells and missiles.

Focus areas during the year also included strengthening the internal systems and processes. The continuous development of responsibility is also an integral aspect of all operations at Nammo. Ethics, transparency and a strong focus on preventing corruption lie at the heart of business management. In terms of environmental responsibility, Nammo is committed to key UN Sustainable Development Goals. The company works towards their achievement with measures such reducing waste, improving efficiency in the use of energy and materials, and working to improve reducing its carbon footprint. Nammo also seeks to influence customers to be more sustainable, meaning a greater emphasis on sustainable raw materials and recycling products at the end of their life.

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**Nammo focuses
on strengthening
the internal systems
and processes.**





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