

Patria

2022

Annual Report

When if is not an option.



Our new growth strategy drives us towards our vision: Patria is a strategic partner in critical functions.

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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

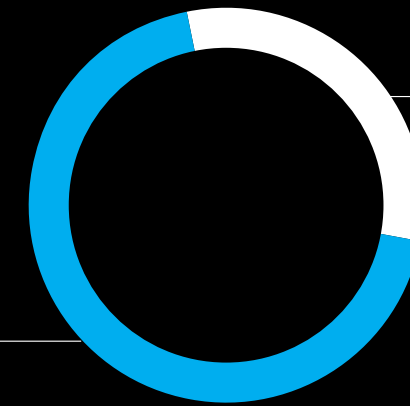
Distribution of net sales

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.

Highlights of 2022

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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/fin/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

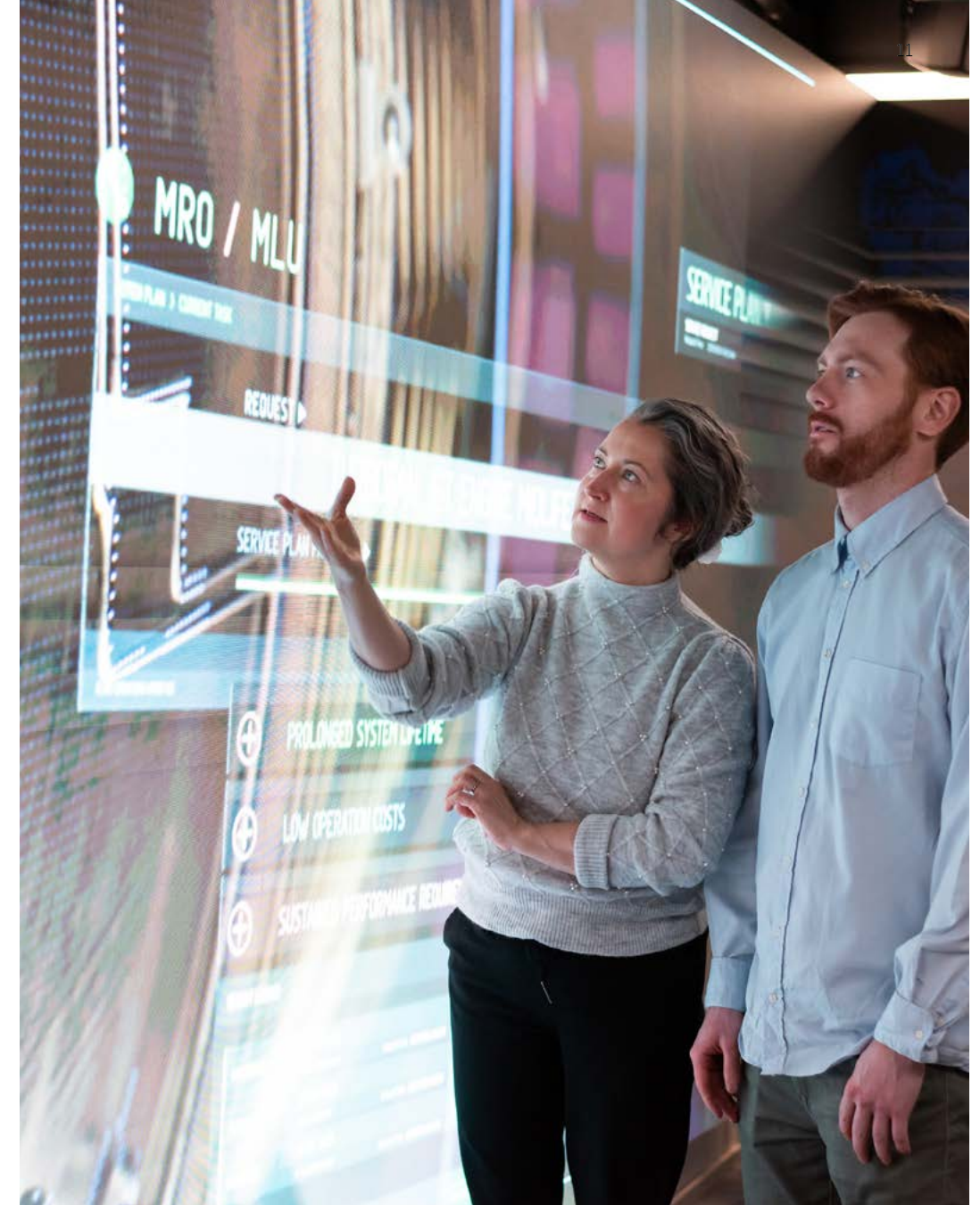
Russia's war of aggression against Ukraine highlights the importance of domestic defence industries in maintaining the security of supply of western defence forces. Finland's NATO membership will open up new opportunities for Finnish players in these growing markets.

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.

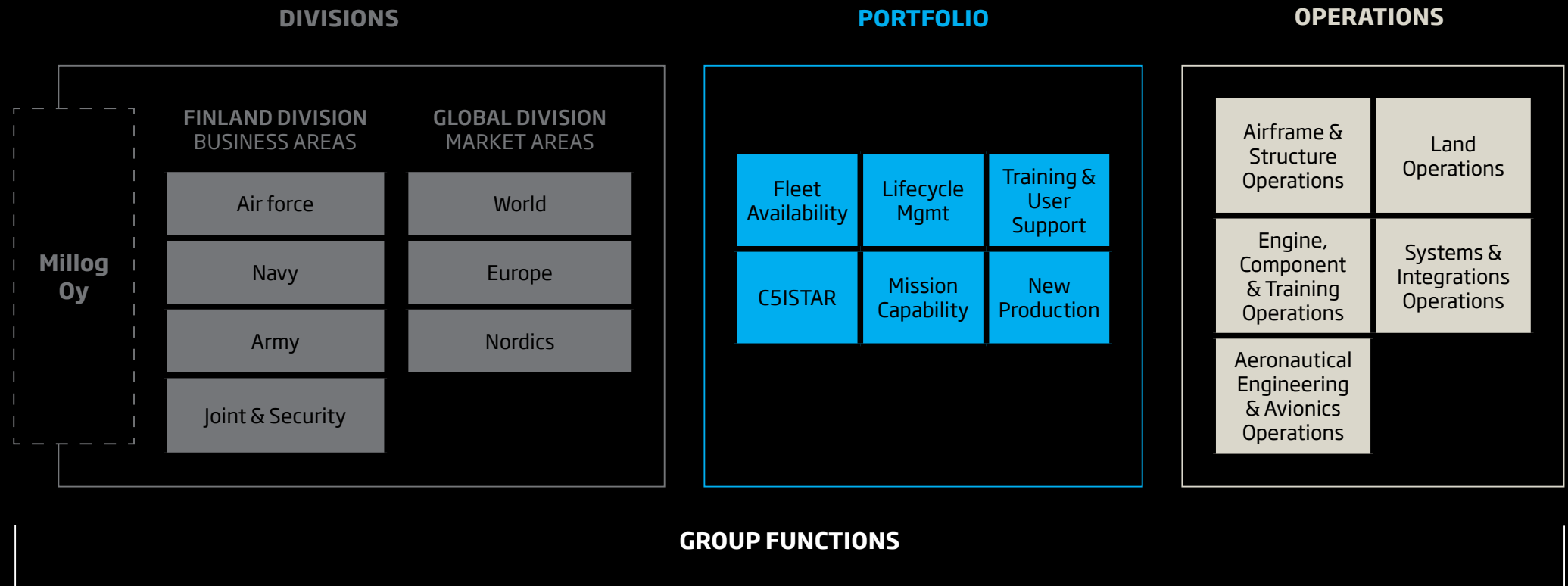
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Patria's operating model



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/>

// **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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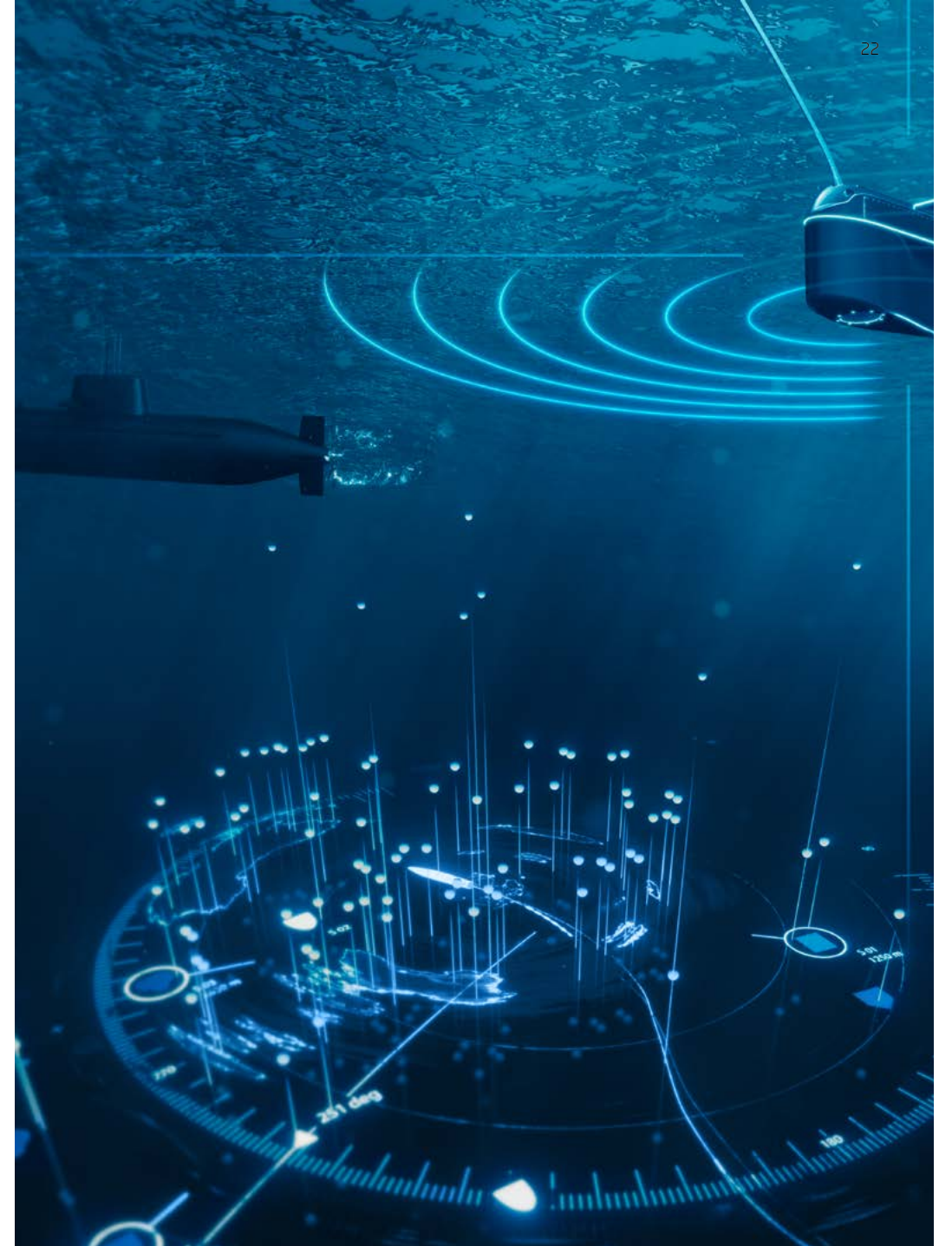
Competitive offering - now and in the future

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 CSISTAR 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 CSISTAR 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 reliability.

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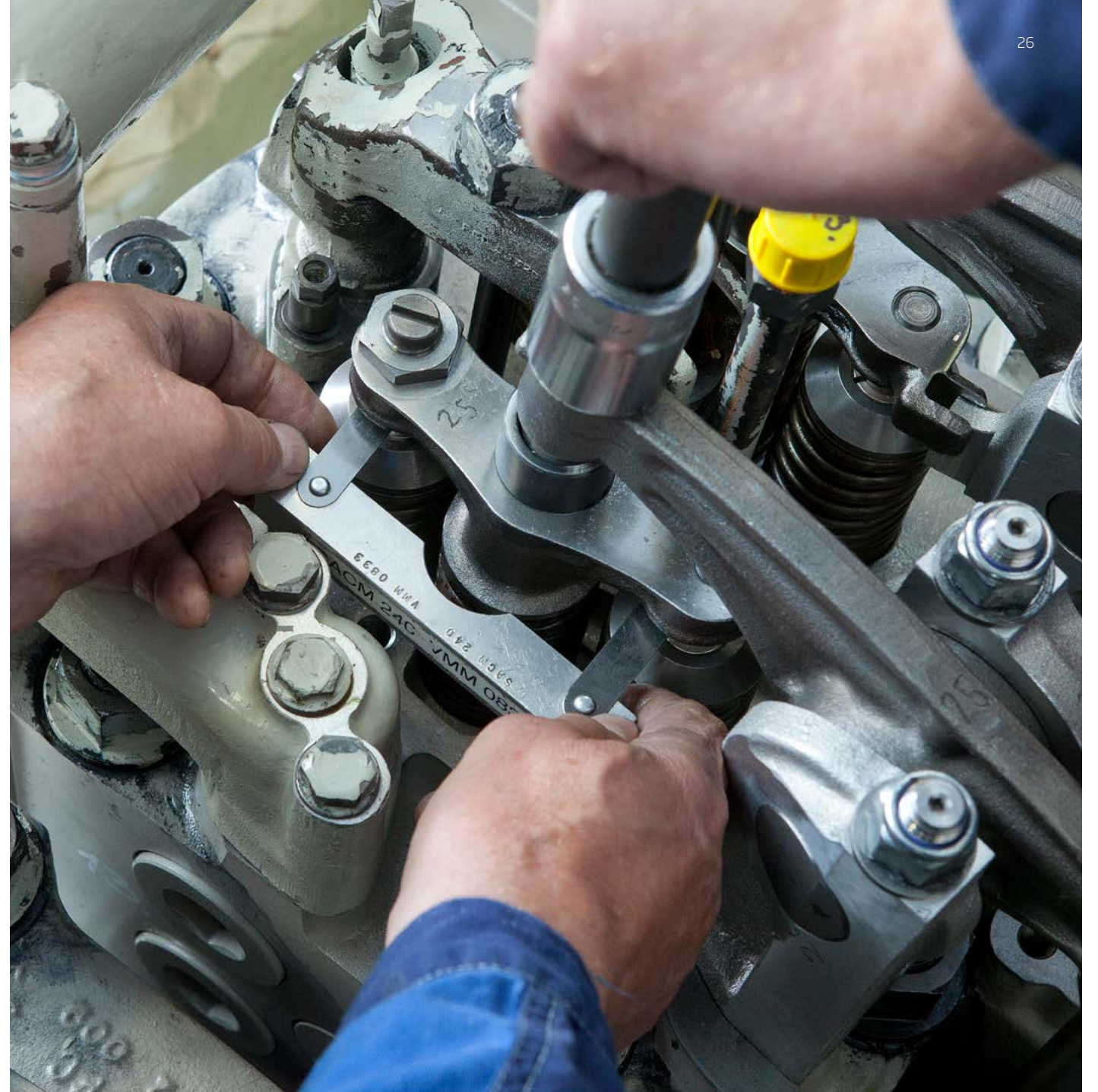
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Bolstering production and preparing for the future

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

// 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.



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 as 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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Patria ESG statement

Patria is committed to building and applying environmental sustainability, social responsibility, and effective and compliant corporate governance into all aspects of its business, operations and people, the best and most appropriate way possible. It reflects our commitment to improving how our business decisions and policies address opportunities for sustainability. The ESG statement guides Patria's internal and external stakeholders.

Environmental sustainability

We are committed to operating environmentally responsibly and reducing our impact on climate change, conserving natural resources and complying with environmental regulations.

Social responsibility

We are committed to a safe, productive, equal, and healthy working environment and conditions, where each individual and team can contribute and succeed in a well-managed organisation. Patria's social responsibility includes the societies where Patria conducts business.

Corporate governance

We are committed to compliant operations and decision making where integrity, high ethical standards of business conduct and responsibility form the basis of Patria business operations. We require our people, customers, suppliers and business partners to commit to the same standards.

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Material themes

The objectives of Patria’s responsibility programme are based on a materiality assessment that has helped us to identify the most relevant responsibility aspects for our stakeholders and business.

Patria’s materiality assessment consisted of an international stakeholder survey and prioritisation carried out by Patria’s management. The stakeholder survey was sent to Patria personnel and the company’s most important external stakeholders with the aim of identifying the most important financial, social and environmental aspects for our stakeholders. Patria’s management then assessed the significance of these themes in relation to the company’s business strategy.

Based on the materiality assessment, Patria’s most significant responsibility aspects were:

- A trusted partner and security of supply
- Ethical conduct, good governance and responsible exports
- Financial performance
- Wellbeing at work
- Environmental actions against climate change

Patria’s latest materiality assessment was carried out in 2020 and will be updated during 2023.



ESG programme 2022-2025

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ESSENTIAL THEMES	Long-term incentives	Long-term indicators	Indicator for 2022	Performance 2022	Actions 2023
 <p>TRUSTED PARTNER AND SECURITY OF SUPPLY</p>	To be a sought-after and trusted partner.	Continuous improvement of the company image.	Overall result of the company image survey level 4 (scale 1-5).	New customer-centric operating model into force 1.1.2022. Overall result of the company image survey 3.92 (2021: 3.82)	Operating according to the new operating model. Indicator: Divisions' customer satisfaction surveys.
 <p>ETHICAL CONDUCT, GOOD GOVERNANCE AND RESPONSIBLE EXPORT</p>	To be recognised as an ethical operator and a trusted exporter of defence materiel.	Continuous development of ethical conduct.	Ethical trainings including issues related to good governance and responsible export. Company image survey statement "Patria acts ethically and responsibly" level 4 (scale 1-5).	Development of the competencies and guidance. Patria as one of the founding members of the Finnish Sanctions & Export Controls Society. In addition to the common ethical training tailored trainings for special target groups. Company image survey, result of the statement "Patria acts ethically and responsibly" 4.0 (2021: 4.14)	Development activities according to the ethical guidance. Survey about possibility of corruption in Patria.
 <p>FINANCIAL PERFORMANCE</p>	Profitable growth according to the Group strategy.	Strategic development and continuous improvement of efficiency. Net sales some 900 MEUR by 2025.	Achieving the financial targets.	Developing operational efficiency by the Operational Excellence project. Financial targets were achieved.	Organisational culture to support the strategic targets. Operational Excellence project to continue. Continuous development of the operating model.
 <p>OCCUPATIONAL WELLBEING</p>	To offer safe and inspiring work environment for all employees. Successful transformation according to the strategy.	Results of the employee satisfaction survey. Target in to achieve the average level of the benchmark companies.	A successful transformation and maintaining sickness absence level under 3.5%.	Focus on change management and special investments in coping at work and supporting the mental wellbeing. Sickness absence 3.2% (2021: 3.3%)	Continued investments in coping at work and mental wellbeing. Actions according to the Patria People personnel survey in February 2023.
 <p>ENVIRONMENTAL ACTIONS AGAINST CLIMATE CHANGE</p>	Reducing emissions.	To achieve the Science Based Target initiative (SBTi) targets.	Joining SBTi and defining the targets. Energy saving investment plan for 2023-2030 presentation to the Board of Directors.	Investment plan kept updated. Commitment to SBTi. Carbon footprint counted also for Scope 3.	SBTi targets' setting and monitoring. Activities reducing carbon footprint. Follow Down to degree program and Patria energy saving instructions. Solar panel installation to Belgium.

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Corporate responsibility management

At Patria, corporate responsibility management is based on corporate governance, compliance with applicable legislation, ethical principles, and other internal guidelines that ensure integrity, transparency and ethical conduct in our business.

High ethical standards and the continuous development of related practices are particularly important in the defence sector. 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.

Patria complies with the Limited Liability Companies Act, Auditing Act, Accounting Act and any other binding legislation. As a state majority-owned company, Patria's operations are also governed by the Government Resolution on State-Ownership Policy, the latest version of which was published in April 2020.

Putting corporate responsibility into practice forms part of the work and duties of each Patria employee. In accordance with the Limited Liability Companies Act, the General Meeting is the highest decision-making body in matters concerning responsibility. The Board of Directors is in charge of organising corporate responsibility and integrating it into the company's business strategy. The Board of Directors confirms the Group's ethical practices and monitors their implementation. In 2022, the Board enhanced its responsibility-related competence through a variety of mandatory and voluntary training. The topics covered in these training sessions included security perspectives in supplier networks. The Board of Directors and all personnel receive mandatory ethical training at two-year intervals.

Under the guidance of the CEO, the Management Team prepares both Patria's strategy and the integration of corporate responsibility into the strategy. The Management Team approves the materiality themes and objectives for corporate responsibility, and regularly monitors their implementation both separately and as part of other activities. The focal points of Patria's sustainability action are defined in the responsibility programme, whose targets have been included in the remuneration programmes for management and personnel.

Since the beginning of 2022, Patria's corporate responsibility has been steered by the ESG Steering Group, which operates under the direction of the Management

Team and is coordinated by the General Counsel. In addition to the General Counsel, the Group includes the CHRO, CFO, VP/Group Communications and VP/QEHS. Patria also has five ESG working groups specialising in the environment, compliance, finance, procurement and wellbeing at work.

Responsibility for environmental management is divided between the Group's functions. Patria's Environmental Work Group is tasked with furthering collaboration, sharing best practices between business areas, and planning and reporting on the Patria Group's environmental responsibility.

In 2022, Patria appointed a Head of Compliance, who reports to the General Counsel and is responsible for matters related to compliance and ethics (including anti-corruption work). Patria's compliance and ethics action plan was approved by the Board of Directors. Responsibility for the supervision of matters related to ethics and compliance rests with the Audit Committee, which is appointed by the Board of Directors. This duty is listed in the Audit Committee's standing orders

Our operations also comply with the standards applicable to each activity, such as ISO standards for quality assurance, AQAP and STANAG standards for defence equipment, and EN/AS91X0 standards for aviation.

Read more about Patria's ESG governance: www.patriagroup.com/governance and www.patriagroup.com/responsibility/management-objectives-and-indicators

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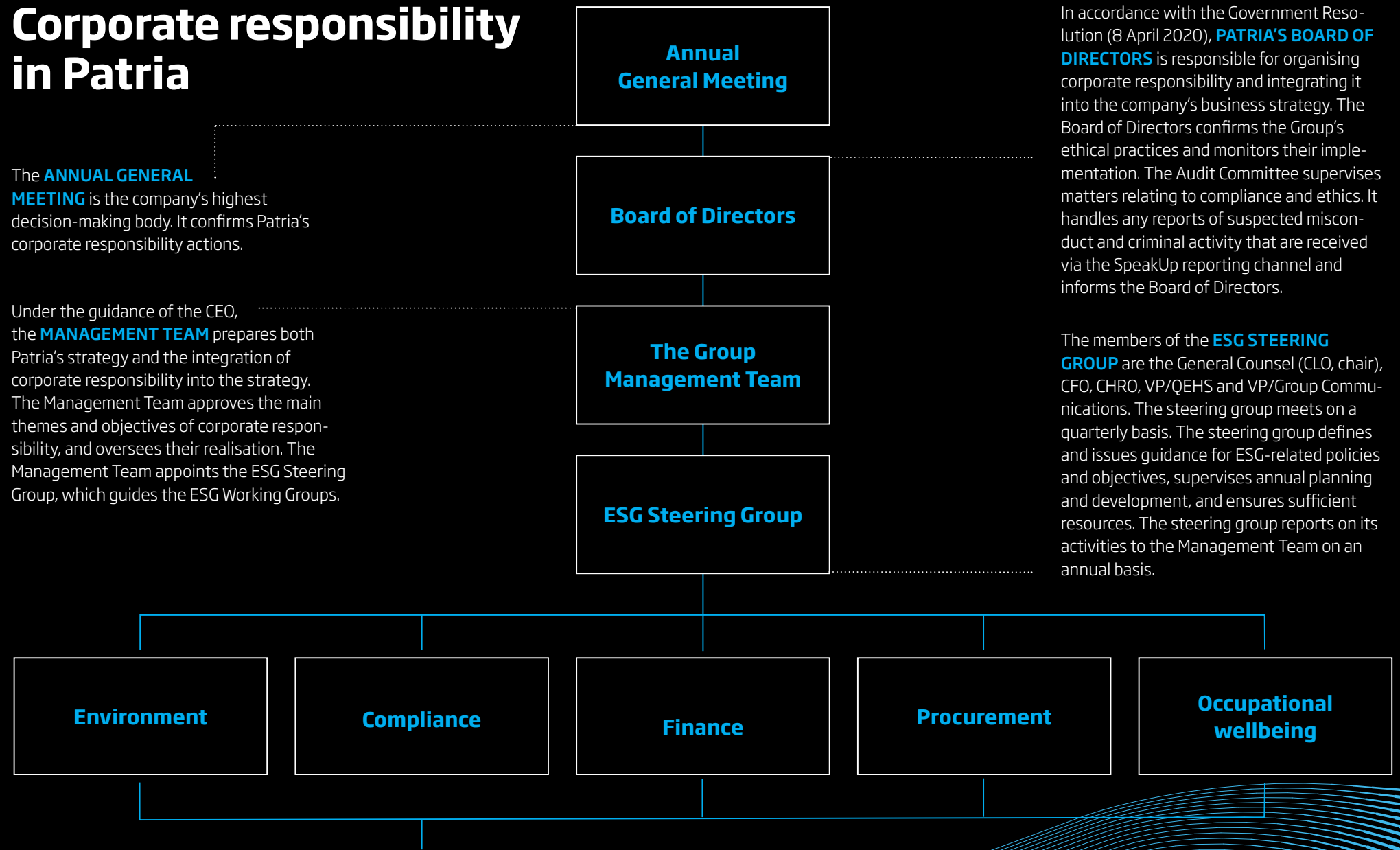
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Corporate responsibility in Patria

The **ANNUAL GENERAL MEETING** is the company's highest decision-making body. It confirms Patria's corporate responsibility actions.

Under the guidance of the CEO, the **MANAGEMENT TEAM** prepares both Patria's strategy and the integration of corporate responsibility into the strategy. The Management Team approves the main themes and objectives of corporate responsibility, and oversees their realisation. The Management Team appoints the ESG Steering Group, which guides the ESG Working Groups.



Patria has five ESG Working Groups, which represent different functions. These working groups are responsible for the preparation and maintenance of the Group-level ESG programme, the roadmap, and reporting to the ESG Steering Group. The working groups are responsible for the coordination of annual ESG reports.

In accordance with the Government Resolution (8 April 2020), **PATRIA'S BOARD OF DIRECTORS** is responsible for organising corporate responsibility and integrating it into the company's business strategy. The Board of Directors confirms the Group's ethical practices and monitors their implementation. The Audit Committee supervises matters relating to compliance and ethics. It handles any reports of suspected misconduct and criminal activity that are received via the SpeakUp reporting channel and informs the Board of Directors.

The members of the **ESG STEERING GROUP** are the General Counsel (CLO, chair), CFO, CHRO, VP/QEHS and VP/Group Communications. The steering group meets on a quarterly basis. The steering group defines and issues guidance for ESG-related policies and objectives, supervises annual planning and development, and ensures sufficient resources. The steering group reports on its activities to the Management Team on an annual basis.

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Strong Commitment to Responsibility

Patria's ethical means of operating is described in Patria's Ethical Code of Conduct, which forms the basis of all its operations. The Ethical Code of Conduct is supplemented by other detailed guidelines and processes, as part of its Compliance Management System, which was further developed in 2022 to match the new organisational setting in Patria.

Patria's compliance processes include:

Ensuring Ethical Conduct:

- Patria's Ethical Code of Conduct
- Recognising, Reporting and Investigating serious cases
- Reporting Alleged Misconduct / SpeakUp
- Whistleblower Management Process
- Patria Supplier Code of Conduct

Ensuring Anti-Bribery and Anti-Corruption Compliance

- Patria Anti-Bribery Policy
- Business Partner Selection Process
- Gifts and Hospitality Policy

Ensuring Compliance with Trade Compliance and Sanctions

- Trade Compliance Manual
- Trade Compliance and Sanctions Policy
- Sanctions Screening at Patria
- Patria Country Risk Matrix

Ensuring Compliance with Data Protection and Privacy

- Data Protection Policy

Handling Conflicts of Interest

- Guideline on Related Parties

These are communicated to personnel through adequate general and specific trainings, as well as through regular communication and cooperation with relevant departments, which have included compliance touchpoints as part of their own processes.

Practical implementation of such policies and requirements is verified through internal audit activities, which also allow effective oversight, continuous risk assessments, verification of implementation of eventual corrective actions, and assessment of adequate allocation of resources and priorities.

Patria operates responsibly and expects the same from both its existing and future partners. Therefore, Patria has introduced a clear process for selecting suppliers and business partners, which entails extensive due diligence and the direct involvement of senior management in the analysis of specific cases.

Patria requires suppliers and business partners to commit to the level of ethics and responsibility expressed in the Code of Conduct and the Supplier Code of Conduct.

Patria has integrity at its heart. While supervisors, the legal department and the Human Resources department are always reachable to express concerns, there may be instances where it may be desirable to allow anonymous reporting. For those instances, we make available a specific tool, SpeakUp, which is also accessible by third parties.

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During 2022, Patria launched development work to capture new and enhanced requirements in compliance with the EU Whistleblower directive implementation in the countries in which it operates, with the objective of finding ways to ensure timely investigation of cases and adequate whistleblower protection.

Patria is particularly committed to anti-bribery and corruption, an engagement which is embedded within the company's values and is both endorsed and reinforced by the company's leadership's message that bribery and corruption will not be tolerated in any form. Patria has a clear anti-bribery and anti-corruption programme that clearly applies to anyone and everyone acting on behalf of the company, including all employees, board members and employees of controlled subsidiaries. As an expression of its engagement, Patria decided to join the TRACE Compliance Community, a global network of companies committed to the highest standards of anti-bribery compliance.

In 2022, Patria continued its successful cooperation with Kongsberg through the Trade Compliance Project. The annual event, organised during the month of November, gathered high-level speakers, including the US Department of State, DDTC, Licensing Director, Finnish MoD Licensing Authority Senior Advisors and DG Trade Policy Officers, as well as experts from both Industry and specialised law firms and advisories. The two-day event attracted numerous participants both in Helsinki and through its live streaming.

Ethical training

Ethical training is carried out according to two levels, tailored to employees' exposure and on the basis of risk: a basic training section plus a more demanding section for selected groups. Topics include issues such as

anti-corruption, gifts and hospitality, conflicts of interest, data protection and security, and harassment in the workplace. Training is mandatory for everyone and was carried out during 2022. Classroom and Teams sessions on specific issues are arranged as specific questions arise.

Every two years, Patria measures its personnel's views on serious misconduct and other unethical conduct with the aid of an anonymous survey (the survey on the potential for serious misconduct at Patria). This survey is sent to senior management, middle management and other randomly selected employees equating to 10 per cent of all Group personnel. The next survey will be conducted at the beginning of 2023.

Reporting on misconduct

Any actions that violate Patria's Ethical Code of Conduct - even if those actions were made in good faith - can cause significant long-term damage to Patria's reputation and may even lead to legal proceedings against the company and its personnel. Every employee who acts in contravention of the code will be subject to corrective measures that, when necessary, may mean termination of their employment contract.

The Ethical Code of Conduct and other guidelines are aimed at employees and stakeholders for the purpose of instructing them in their actions, but the guidelines cannot cover every single situation that may be encountered in Patria's complex operating environment. Patria employees are always encouraged to discuss issues with their closest supervisor or HR specialist or contact the company's Compliance Department for advice when questions arise. All personnel must report any concerns or suspected violations of the code to their closest supervisor, the Compliance

Department or through the tools made available for reporting purposes.

The following reporting channels can be used:

- questions can be addressed to the Compliance Department, or

- anonymous reports can be raised via SpeakUp, either online or by phone.
- external stakeholders can also make reports through SpeakUp.

The rights and privacy of both the whistleblower and the concerned persons will be protected under all circumstances. A person reporting suspected misconduct in good faith may not be subjected to any negative measures or penalties relating to their employment contract. Any acts of penalty against a bona fide whistleblower will be investigated as breaches of non-retaliation and will result in severe consequences.

In total, five reports were made via the SpeakUp reporting channel in 2022, all via the internet. All the cases were investigated.

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Stakeholder collaboration

Patria engages in close, goal-oriented collaboration with stakeholders both in Finland and internationally. Stakeholder relations are always handled professionally, reliably and openly.

Patria's key stakeholders are its owners, personnel, customers and suppliers; authorities and agencies; trade and industry organisations; NGOs; certain educational establishments and their students; and the media. In addition, each business area defines the key stakeholders for success on a project-by-project basis. Read more about Patria's key stakeholders: [Stakeholder relations](#)

Cooperating and doing business with stakeholders requires high ethical standards, reliability and transparency from both Patria's management and all personnel. Patria does not accept any kind of deviation from its standards of honesty, transparency, ethical conduct and compliance.

In many cases, cooperation with stakeholders is subject to strict anti-corruption and anti-bribery regulations. Patria's operations are also subject to a variety of requirements in terms of procurement, advocacy, sponsorship, conflicts of

interest, gifts and benefits. Patria has clear guidelines and practices in these areas. Read more at: [Ethical conduct](#)

Patria has drawn up a plan for implementing stakeholder interaction on the basis of a stakeholder analysis. The aim is to engage in open communication about Patria's business, to pay even better attention to stakeholders' needs, and to ensure that Patria's activities are acceptable to our various stakeholders. Patria's Global and Finland divisions conduct regular customer satisfaction surveys, most recently at the end of 2022. According to a company image survey conducted in January 2023, the best scores were given to the professionalism, reliability, long-term view, ethicality and responsibility of Patria's business operations (more than 4 on a scale of 1-5). Stakeholders agreed that Patria has profound specialist expertise along with challenging and growing tasks, and is an international and evolving company. Read more at: [Stakeholder collaboration](#)

A customer-oriented approach and long-term partnerships form the core of our strategy

Patria's key stakeholder collaboration involves a variety of partnerships, such as the strategic partnership between Patria and the Finnish Defence Forces, and the extended partnership agreement between Patria's subsidiary Millog and the Finnish Defence Forces.

The new organisation introduced at the beginning of 2022 constituted a significant change from the perspective of both customers and personnel. Patria's operating model supports its growth strategy. It aims to take an even more customer-oriented approach, and to strengthen operational efficiency and financial performance by fully utilising the expertise of all Patria employees. In order to achieve this goal, the structure of the company's business was reorganised to create a more unified Patria consisting of strong core functions.

Close cooperation to develop the defence sector

Patria is a member of the Association of Finnish Defence and Aerospace Industries (AFDA). In 2022, Patria's CEO Esa Rautalinko continued to serve as the chairman of AFDA's Board of Directors. Since 2020, Patria has also been a member of the AFDA's international umbrella organisation, the Aerospace and Defence Industries Association of Europe (ASD). Direct membership of the ASD is the best way to promote Patria's interests through dialogue with EU bodies and other stakeholders. It is also in Patria's interest to be involved in shaping policies and legislation, both in Europe and globally.

Patria and Tampere University of Technology (TUT) have a ten-year cooperation agreement (signed in 2018) through which Patria has provided significant financial support to

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TUT, including in 2022. This agreement seeks to ensure the continued availability of top aviation technology expertise in Finland, and to bolster research in the field.

Patria continued to provide voluntary support for the UN Global Compact in 2022. Patria is also a member of the Global Compact Finland network, the Finnish Corporate Responsibility Network FIBS, the AmCham Finland business network, and the Helsinki Region Chamber of Commerce.

In 2021 Patria joined TRACE, an international corporate network that is helping Patria to strengthen its ethical practices. Responsible operations are the basis for growth in the international market.

In 2022, Patria and Kongsberg continued to work together on Trade Compliance – a joint project that seeks to promote business compliance.

Patria is also committed to the [Science Based Target](#) initiative, and takes concrete action to promote sustainable development in its business. Read more at:

[Climate and environment](#)

Sponsorship and donations

Patria sponsors through selective criteria in the international, national and its business locations' targets. The aim is to cooperate with the goal of contributing to the parties' own activities. Patria does not support political or religious activity. Sponsorship agreements are always made in writing. The key criteria for choosing a partner is compatibility with Patria's values and ethical guidelines. In 2022 Patria sponsored the Finnish Biathlon Association and the Finnish Military Sports Federation.

Patria, Millog and Insta delivered first aid and hospital supplies to the Ukrainian cooperation partner with a joint procurement valued at around EUR 100,000. Charitable donations were addressed to different youth associations in Patria's operational locations as well as to children in Ukraine.

//
Patria's key stakeholder collaboration involves a variety of partnerships.

Stakeholder-specific financial capital flows (financial cash flows for stakeholders)

Direct economic value, EUR million			2022	2021	2020	2019	2018
		Consolidated net sales	627.1	547.7	534.1	507.5	476.1
		Other operating income	4.3	4.8	11.4	3.6	4.8
		Share of joint ventures result	32.0	41.4	27.0	14.4	12.9
Customers	Sales	Income, total	663.4	593.9	572.5	525.5	493.8
Suppliers	Goods, materials and services	Operating costs excluding depreciation and personnel expenses	360.1	299.9	308.0	305.2	274.3
Personnel	Wages, salaries and fees	Personnel expenses	222.4	205.4	194.7	186.8	171.1
Public sector	Taxes	Payments to government (taxes)	7.1	6.3	3.6	0.2	7.3
Non-profit foundations	Support and donations	Donations and other charitable payments	0.2	0.1	0.1	0.1	0.0
		Payments made to shareholders and loan providers					
Shareholders	Dividends	Dividends (paid to equity shareholders)	25.1	16.7	13.9	13.9	16.7
Investors	Financial costs	Interest and other financial income and expenses	4.2	4.6	3.6	3.9	2.2
	Expenses	Distributed, total	623.6	537.0	526.9	513.1	475.9
Investments		Investments in tangible and intangible assets as well as acquisitions	17.2	11.8	15.2	34.6	7.3

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NEW ESG STEERING MODEL

Since the beginning of 2022, Patria's corporate responsibility has been steered by the ESG Steering Group, which operates under the direction of the Management Team and is coordinated by the General Counsel.

In addition to the General Counsel, the Group includes the CHRO, CFO, VP/Group Communications and VP/QEHS. Patria also has five ESG working groups specialising in the environment, compliance, finance, procurement and wellbeing at work.

DEVELOPMENT OF WHISTLEBLOWING CHANNEL

During 2022, Patria launched development work to capture new and enhanced requirements in compliance with the EU Whistleblower directive implementation in the countries in which it operates, with the objective of finding ways to ensure timely investigation of cases and adequate whistleblower protection.

In 2022 anonymous reports could be raised via SpeakUp, either online or by phone.

PATRIA'S COMPLIANCE PROCESSES

- Ensuring Ethical Conduct
- Ensuring Anti-Bribery and Anti-Corruption Compliance
- Ensuring Compliance with Trade Compliance and Sanctions
- Ensuring Compliance with Data Protection and Privacy
- Handling Conflicts of Interest

THE FINNISH SANCTIONS AND EXPORT CONTROL SOCIETY

Patria took a leading role in the creation of the Finnish Sanctions and Export Control Society ("SPVY"), of which it is a member of the Board. The SPVY's goal is to strengthen Finland's economic and national security resilience by establishing a platform to provide risk, threat, and legally based approaches to global trade compliance, and by serving as a vehicle to develop a strong and lasting export controls and sanctions compliance ecosystem in Finland.

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Ensuring security in all conditions

Security of supply and ensuring a secure future are the cornerstones of Patria's operation. A secure future is founded on a country's autonomy, that is, the ability of its parliamentary machinery to make independent decisions about its affairs. This calls for a credible military defence capability, which in turn requires sound security of supply. Security of supply comes from reliable technology and engineering expertise - and this is what Patria provides. In order to ensure a secure future, Patria must have the ability to perform its duties in the spheres of maintenance and servicing, security of supply as well as manufacture and crisis preparedness, both in Finland and in other countries where the company has public-sector customers. In addition to the security component, Patria is a significant and responsible employer and taxpayer that pays dividends to its owners.

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Comprehensive continuity management

At Patria, security of operations covers the comprehensive management of corporate security and the development of related competence. Security and data protection are highly important factors in critical projects. In the defence sector, corporate security plays a central role in ensuring uninterrupted operations.

The purpose of Patria's corporate security is

- to enable Patria to conduct business within its sector with regard to its various areas of responsibility
- to promote and ensure the attainment of Patria's business objectives by maintaining and developing security
- to safeguard business continuity during various disturbances and exceptional circumstances by ensuring that Patria has prepared for them in advance
- to ensure Patria's reliability as a partner to its customers, the authorities and other stakeholders
- to maintain a level of security that ensures the protection of customers', other stakeholders' and Patria's own information and material.

Primary responsibility for corporate security lies with Patria's business units and group functions, which each take responsibility for matters related to their operations. Patria's corporate security division provides business units and support functions with a variety of corporate security services. The corporate security unit also steers, develops and monitors the comprehensive management of corporate security, and maintains and develops the related competencies within Patria.

Corporate security is divided into: production security, rescue safety, preparedness and crisis management, facility security, management of misuses and non-conformities, information security, and personnel security. Patria has

been granted national Facility Security Clearance. The designated national security authorities (DSA and NCSA) regularly audit Patria's level of corporate security.

Information security

Patria systematically seeks to maintain a good and sufficient level of information security through management, development, communications, training, continuous improvement, and cooperation with a variety of stakeholders. When developing its information security, Patria follows generally approved best practices and operating models, taking into account any country- and customer-specific requirements arising in different business areas, and especially the requirements of the sector.

The aim is to take a variety of measures in different areas of information security to protect Patria's personnel, customer data, property, reputation and trade secrets. These measures include risk management, security processes, information security architecture, guidelines, audits, personnel onboarding, and improving information security awareness. An important aspect of these objectives is to safeguard business continuity, assurance processes, safety, access control, reporting and the monitoring of information security incidents. All Patria personnel, its management and Board of Directors are committed to following security-related operating procedures, processes and guidelines.

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In 2022, Patria continued to increase information security awareness among its personnel and stakeholders through online training, webinars and new forms of internal communication. In conjunction with its organisational restructuring, the company began developing new operating models and control activities for the renewed and internationalising Patria, which is now subject to an increasing number of new requirements. The most significant technical projects of the year were the launch and mobilising of user management and situational awareness development projects. The management and analysis of cyber risks is based on an accurate and up-to-date situational picture, and well-functioning background processes.

Uncertainty and instability in Europe have also increased the challenges pertaining to information security. A general increase in cyberattacks, the growing demand for experts in the sector, an increase in digitalisation and new technology, and an increase in new risks and threats are all phenomena in whose management Patria is investing.

Data protection

Patria's Legal and Compliance function provides support for data protection and prepares Group-wide policies and guidelines for processing personal data. This function also develops and maintains the data protection management model and supports others in the use of data protection processes, such as impact assessments and data processing agreements.

As per Patria's policy and guidelines, everyone who processes personal data at Patria must do so in accordance with data protection legislation and comply with good data processing and management practices. This means that personal data is processed legally, fairly and transparently



In conjunction with its organisational restructuring, Patria began developing new operating models and control activities.

with regard to the data subject, and only for the intended purpose. The amount of data stored is kept to a minimum, and its accuracy, integrity and confidentiality are taken into account. In 2022, Patria continued to train personnel and mobilise its management model and data protection processes within the organisation.

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Quality control

In its 2022 organisational reform, Patria started to standardise quality management and lay the foundation for improving quality. Quality management focuses especially on the customer and internal organisation of operations.

Patria's new organisation model supports the standardisation of quality management. Quality management has been centralised and steps to build shared operating methods have been initiated. Organisation-wide system changes are a large and time-consuming aspect of transforming operating methods. Quality management will continue to be developed in a goal-oriented manner in the years ahead.

Quality management emphasises delivery reliability and customer service

Patria is a customer-focused organisation - and its main task is to deliver performance to the customer. Delivery reliability is increasingly important to Patria's customers and thus the company is prioritising its improvement. Russia's invasion of Ukraine caused challenges in supply chains that impacted on delivery reliability in 2022.

Quality management measures concern the schedule and content of customer deliveries. The aim is to standardise the customer experience throughout the organisation and provide an end-to-end service. High-quality and consistent customer service make it easier to use our services. In 2022, we carried out a customer satisfaction survey covering our entire international organisation.

Standardisation of quality management improves efficiency throughout the organisation

We also started the harmonisation of quality assessment in 2022. Thanks to standardised monitoring of quality and deviations, quality performance across the entire organisation can be reviewed with comparable indicators.

The Operations function made substantial investments in the Lean Six Sigma programme with a view to continuously improving the operations of the organisation. At the same time, expertise has been developed throughout the organisation.

With the development of quality management, we have also come up with new means of tackling quality deviations. Quality management enhances system operation and the performance provided to customers. By developing its systems, Patria is building permanent new operating models.

Delivery reliability is measured in several units

Patria improves quality management in order to meet the expectations of its customers, employees and owners even more effectively. Patria's quality system will be standardised in line with the ISO 9001 standard and ISO 14001 environmental system standard in 2024. Operations will be consistent with the ISO 45001 occupational health and safety standard in 2025. In addition, Patria complies with the relevant official regulations and the AQAP and Stanag standards required by NATO.

Patria has an audit programme in place. Audits are carried out by customers, the authorities, the in-house audit team and an external certification partner. Certificates make life easier for both Patria and its customers - that said, quality efforts revolve around Patria's drive to meet the expectations of its customers, employees and owners.

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Harmonisation of supply chain practices is well under way

Patria’s new operating model also covers supply chains. The standardisation of the procurement practices of Operations units and Group functions has been kicked off by overhauling processes and guidelines. During the review period, procurement practices were also impacted by the coronavirus pandemic, the global shortage of components and Russia’s invasion of Ukraine in February 2022.

The Patria Operations units Airframe & Structure Operations, Engine, Component & Training Operations, Land Operations and Systems & Integrations Operations as well as Group functions hold independent responsibility for their procurements. The deployment of the uniform new operating model has been initiated by combining procurement organisations, identifying best practices and harmonising processes and guidelines. During the review period, the operating environment was significantly impacted by the coronavirus pandemic, the global shortage of components and the war in Ukraine.

Responsible operations are reflected in supply chains

Responsibility is realised in Patria’s supply chains by taking social, ethical and environmental guidelines and perspectives into account in invitations to tender and competitive procedures. Patria requires suppliers in its supply chain to not only comply with their national legislation, but also commit to compliance with Patria’s Code of Conduct, which covers matters such as human rights, the environment, health and security.

In 2022, the procurement volumes of the Land unit grew many times over and its operations expanded to countries such as Latvia and Slovakia. In Airframe & Structure Operations and Engine, Component & Training Operations,

the impacts of the coronavirus pandemic and the war in Ukraine caused delivery problems. When the war broke out, sanctions reviews of Patria’s supply chains were stepped up and the company focused on identifying country-related risks. In this connection, active and new suppliers were reviewed in terms of sanctions and reputational risks. Patria emphasises security of supply in the planning of procurements.

In total, Patria’s operations in Finland involved around 3,500 active suppliers. EUR 210 million was spent on procurements. The largest subcategory of procurements in Operations, as measured in terms of spend value, was standard components, and the most significant procurement category in Group functions was insurance.

The suppliers in Patria’s supply chains are largely European – in the case of Land Operations, the figure is as high as 93%. Finnish suppliers account for 66% of the procurements of Land Operations, 43% of Airframe & Structure Operations and 60% of Systems & Integrations Operations. In Group functions, 90% of the suppliers are Finnish.

Operations units classify 10–20% of their suppliers as strategic. This classification is based on scoring, on the basis of which the company defines its supplier management principles. The classification of the suppliers of Group functions will begin in early 2023. From strategic suppliers,

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Patria typically purchases complete systems, raw materials, components, equipment, software, expert services and subcontracted manufacturing.

Greater environmental awareness among suppliers

Patria has reviewed about 50 of its new suppliers in accordance with environmental and social criteria. Environmental awareness is widespread among suppliers, and many of them monitor their carbon footprint, for instance. Most of Patria's suppliers are located in developed countries where basic labour rights and human rights are supervised by the authorities.

The adverse effects of surface treatment have been identified as one of the environmental impacts of the supply chain. Steps are being taken to reduce them by assessing the environmental risks of subcontractors. In addition, the carbon footprint caused by subcontracted manufacturing and logistics has been identified. Patria carries out supplier reviews of direct suppliers that the company is responsible for approving, taking environmental and social criteria into consideration.



// **Patria carries out supplier reviews of direct suppliers that the company is responsible for approving, taking environmental and social criteria into consideration.**

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Responsible export and active participation in international markets

For Patria to succeed and maintain its licence to operate, compliance with all export control laws and regulations applicable to Patria’s transactions is a must.

Patria is committed to compliance with all trade control and sanctions laws and regulations, and strives to continuously improve its internal processes and practices in accordance with its internal Compliance Management System. Patria’s senior management plays a key, direct role in country risk determination and red flag analysis, considering among others, the company’s values, human rights and the risk of diversion.

Compliance with trade compliance and sanctions, and country risk analysis, are performed in accordance with the following policies:

- Trade Compliance Manual
- Trade Compliance and Sanctions Policy
- Sanctions Screening at Patria
- Patria Country Risk Matrix

To respond to the increased needs for sanctions screening and in-depth due diligence, in 2022, Patria decided to acquire a new, more sophisticated tool, and to make it mandatory for use throughout Patria Group operations.

Patria strives to ensure it has the right level of skills and competences in this domain. To this end, it actively engages

in cooperation with other industry peers, to identify, share and implement best practices.

For this purpose, Patria took a leading role in the creation of the Finnish Sanctions and Export Control Society (“SPVY”), of which it is a member of the Board. The SPVY’s goal is to strengthen Finland’s economic and national security resilience by establishing a platform to provide risk, threat, and legally based approaches to global trade compliance, and by serving as a vehicle to develop a strong and lasting export controls and sanctions compliance ecosystem in Finland. SPVY is open to be joined by and benefit from Finnish members of the sanctions and export control communities.

Since 2019, Patria and the Kongsberg Group continue to cooperate through the Trade Compliance Project, which was recognised in 2021 through a World Export Control Review Award and continued to be featured in specialised seminars and publications during 2022.

Patria also actively participates in expert industry groups, and plays an active role through its chairmanship of the ASD Export Control Committee, regularly engaging in dialogue with the European Council’s COARM (Working Party on Conventional Arms Exports) and the European Commission.

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Business in a long-term and responsible manner

Patria enhances and develops its business in a long-term and responsible manner. In its financial reporting, Patria complies with all applicable rules of accounting and financial reporting.

Patria complies with all applicable rules on accounting and financial reporting. Patria's financial reporting is based on IFRS. Under no circumstances will Patria falsify or forge financial or other documents or give misleading information.

Patria promotes fair competition in all markets in which it operates and complies with all applicable competition law and anti-cartel legislation. Patria neither engages in nor accepts any agreements or other arrangements with competitors that would restrict competition. Patria will not exploit a dominant market position and will always obtain the necessary permits for mergers or acquisitions.

Tax footprint

The principle of Patria is to pay in each country the indirect and direct taxes that fall to it in accordance with local laws and regulations. Patria has no functioning corporations in low-tax countries. Patria's tax strategy is to support business solutions and ensure their proper implementation also from a tax point of view. The principle is to comply with local legislation and notification obligations.

The table includes the most significant countries to which the Group pays taxes and other levies in addition to Finland. The Group companies have also paid taxes during the financial year to the following countries: the Netherlands, Spain, Japan, Norway, Poland and Estonia.

2022	Finland	Sweden	Belgium	Latvia	Others, total	Group
Net sales, M€	526.0	22.4	65.2	1.1	12.3	627.1
Income before taxes, M€	35.7	0.8	6.1	-0.2	7.2	49.7
Personnel at the end of the reporting period	3,045	77	117	10	63	3,312
Direct taxes payable for the financial year, M€ (taxes and tax-like charges paid directly by the company)						
Income taxes (business income taxes)	5.4		1.6	0.0	-0.1	7.0
Employer contributions (employer's pension and social security contributions, etc.)	2.4	1.3	2.8	0.1	0.1	6.8
Property taxes	0.3	0.0	0.2		0.0	0.5
Indirect taxes payable for the financial year, M€ (taxes paid by the company as part of the price of the service/product and recognised as expenses)						
Other taxes	0.0					0.0
Taxes to be remitted for the financial year, M€ (taxes that the company collects from its customers or employees which it remits to the tax authorities)						
Wage taxes (withholding, employee social security contributions, etc.)	41.1	1.4		0.1	0.9	43.6
Tax-at-source	0.0		2.0		0.2	2.2
VAT, sales	121.9	6.4	0.1	23.9	2.5	154.8
VAT, procurements	-84.3	-4.0	-0.9	-4.9	-1.0	-94.9

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New strategy, new operating model

At the beginning of 2022, a strategy reform that had been carefully prepared with the personnel came into force at Patria. 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.

Patria employs some 3,300 professionals in Finland and abroad. Approximately 90% of personnel work in Finland. In addition, some 170 people employed by a non-company employer worked in Patria in 2022. 95.5% of employment relationships are permanent. Part-time employment was 5.4%. More detailed personnel information is available at [Personnel figures 2022](#).

The development of HR activity continues

Patria's responsible HR management is steered by the People Policy, which is based on the company's values and was released in 2019. Its overarching principle is to comply with laws, regulations, ethical principles and best practices in all Group companies across borders.

The People Policy is built on five basic principles: equality and non-discrimination, responsible and value-based management, lifelong learning, succeeding together and a safe working environment. The Chief Human Resources Officer is responsible

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// Line managers play an important role in change management.

for annual reviews and updates of the People Policy, and it is approved by the company's CEO.

In connection with the new operating model, the personnel function also changed. Patria's daily personnel support is centralised the Group's PeopleServices, which implements common best practices in all Patria operations. People and Growth experts are responsible for the development of human resources, as well as HR Business Partners who support business functions. Group communication is part of the HR function.

As the new operating model was introduced, Patria employees settled into their new roles. Line managers play a great role in change management. Patria employees in supervisory positions assembled at an event in October to get to grips with the company's objectives, operating methods and culture. Around 80% of Patria line managers participated in the event in person.

In 2022, Patria carried out the most significant strategy reform in its history. The success of the implementation of this reform was monitored with strategy surveys and a quarterly pulse survey. The surveys indicate that the need



for a strategy reform received broad support and approval among employees. The need for internal communications was highlighted during the change.

Culture Compass guides day-to-day operations

In the context of reforming the strategy and operating model of Patria, the need to examine the Group's operating culture was also identified; how we work in a common way.

The reference points of Patria's organisational culture are described in the Culture Compass that was unveiled towards the end of the year. As a customer-focused company, the concepts that set the tone of Patria's day-to-day operations are: Impactful, Dynamic, Ambitious and Together. In November-December, representatives of the company's management visited almost all of its locations in different countries to discuss the strategy and culture with the local personnel.

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Consistent operating methods support the development of occupational well-being

Patria wants to be a safe and inspiring workplace for all its employees. The objectives for occupational well-being and working capacity for 2022 emphasised the requirements and development opportunities of the new strategy and revised job descriptions.

In connection with the reorganisation of the Group's functions, the operating models for occupational safety and well-being were also overhauled. The work is carried out locally in different functions and countries. Occupational safety and its development were transferred from the businesses to a centralised Group-level team, and occupational well-being issues are handled by Group-level HR. The centralisation of functions improves the flow of information and the sharing of best practices. Consistent operating methods facilitate the work of line managers and boost the efficiency of functions, for instance.

Patria seeks to ensure that work does not cause any accidents or occupational diseases, and has zero tolerance for inappropriate behaviour.

In 2022, a total of 36 accidents at work were recorded in Patria's operations in Finland, fewer than in the previous

year. However, the number of days of absence due to accidents grew. The entire Group's accident frequency rate, which describes accidents relative to hours worked, was 2.8 in 2022 (2.0 in 2021).

Safety observations by employees play a key role in improving occupational safety. The reporting of such observations was streamlined from several systems to one, making it easier to track and review them. During the review year, 334 occupational safety observations were submitted for Patria's operations in Finland. The goal is to increase this figure to 1,700 in 2023. Employees are encouraged to report safety observations and carry out corrective actions by means such as joint safety walks - the number of these walks has been increased and unit management is urged to participate. Good results have been achieved at Millog due to long-term work and 4,447 observations were made in 2022.

Patria also started the harmonisation of risk assessment and management processes to prevent accidents at work on the basis of the guidelines of the Ministry of Social Affairs and Health.

Mental strain poses a challenge in occupational well-being

The effects of the reorganisation on occupational well-being were monitored with quarterly pulse surveys. The results were utilised in line manager coaching, for instance.

In addition to the in-house changes, mental strain increased due to the continuation of the coronavirus pandemic and the war in Ukraine, which has a close bearing on the defence and security sector. This was reflected in the increase in sickness absences due to mental health reasons, especially in the first half of the year. This rise in mental health-related absences was halted after the summer by means of an early support model, occupational healthcare assistance and both increasing and proactively communicating about mental well-being services. The Group has defined support practices for solving problems in employment and returning to work.

In addition to mental strain, major reasons for sickness absences in 2022 included coronavirus and respiratory infections, which surged when the waves of flu hit towards the end of the year. For the first time, they caused more days of sickness absences than musculoskeletal disorders, which had previously dominated the statistics. Sickness absences averaged 3.7 per cent in Patria's operations in Finland, as compared with 3.1 per cent in the previous year. The Group average was 3.2 (3.3) per cent.

Greater use of digital appointment services is one of Patria's indicators of occupational health. In 2022, 40 (53) per cent of all appointments were carried out over the phone or virtually.

As part of efforts to maintain working capacity, Patria organised walks to enhance ergonomics, health markets and breaktime exercise opportunities in 2022. Personnel in Finland also have employer-supported culture and exercise vouchers as an employee benefit.

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Line managers as change implementers

Patria’s employer promise is: “A workplace where you make a difference”. This promise emphasises everyone’s ability and duty to influence their own work and our shared success.

In 2022, competence development focused on the restructuring carried out in 2021 and the subsequent changes to job descriptions and operating models.

Organisational changes significantly altered the job descriptions of about 300 employees at the turn of the year, and this was also reflected in the duties of almost all line managers. The support that line managers give to their teams is central to our success and operating culture – as is each team member’s own responsibility for their involvement and personal development.

In early 2022, particular emphasis was placed on supporting line managers’ preparedness to deal with change. This support included monthly training sessions focusing on different themes and was provided as a continuation to the Boosting my Team coaching that was given to all Patria line managers. Line managers were also coached in how to tell their fellow team members about Patria’s strategy.

At the same time, personnel were offered online training in the new operating models. Two key aspects of our new

operating models involve forging closer links between different units and roles, and standardising processes throughout the entire organisation.

Onboarding practices and materials were also updated to meet the needs of our new organisation.

After the summer, all supervisors participated in half-day coaching sessions that focused on supervisors and their role. Additional training was held on topics such as employment law and interaction skills. This coaching was arranged for several reasons: the large number of new supervisors and a need to harmonise expectations and practices relating to supervisory work. In addition, some of the situations that arise during change are always new – even for experienced supervisors. Other coaching sessions held during the year covered presentation skills and customer service, and there was also an alumni meeting for LEAP coaching participants.

Uncertainty decreased over the course of the year

In order for work to be productive and meaningful, everyone – both employees and line managers – need to know what is expected of them.

Quarterly pulse surveys of personnel monitored factors related to work engagement and work meaningfulness in particular. A survey conducted during the first quarter indicated that, as expected, there was quite a lot of variation between units in terms of people’s understanding of what was expected of them after the changes. However,

these differences evened out over the course of the year. We successfully utilised the expertise of occupational healthcare services to deal with stress and feelings of uncertainty arising from change.

A strategy survey was also used to examine how well personnel has internalised Patria’s new operating models and, if applicable, their new job descriptions. This survey indicated that employees have successfully internalised their own role in the new organisation.

Growth strategy requires diverse expertise

Patria’s ambitious growth strategy requires expertise to implement increasingly demanding customer projects, improve productivity, optimise resource usage, and assure quality. In the autumn, we analysed what other new competence needs had arisen from the changes and used this information to plan training for 2023.

As part of the Operational Excellence development programme launched in 2022, line managers learn how to utilise LEAN principles both in performance management and to develop their own work.

Cooperation to ensure essential competence

Patria and Tampere University of Applied Sciences (TAMK) agreed on cooperation to give mechanical engineering and computer science students the opportunity to engage in a new type of learning within the company. Taking the “Patria Path” means that students can be guided towards studies that will provide the competence required at Patria. The module consists of 10-credit courses at Patria, and the option to do 20 credits of working life studies and complete internships at Patria.

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Rewarding shared success

Succeeding together is central to Patria’s operating method and is one of the criteria in the compensation system. About 90 per cent of the targets in the performance-based bonus model are tied to common goals for teams or the company’s business. A small percentage of Patria employees also have performance targets based on personal goals.

The performance-based bonus highlights profitability. The model was revised in 2020, and the bonuses payable in 2021 indicated that, although the updated model was mostly working well, some refinements were required in 2022 to make it even better. The performance-based bonus for most employees is up to 15 per cent of their annual earnings. The performance-based bonuses for 2021 were paid in 2022 and were, on average, about 7.5 per cent of annual earnings.

The performance-based bonus model covers all Patria employees with permanent or fixed-term employment contracts in Finland, most personnel working abroad, and Millog Oy personnel.

Patria has had a compensation fund pursuant to the Act on Personnel Funds since 2015, and Patria personnel can invest their bonuses in this fund.

It is important that everyone understands the significance of their own work

Alongside succeeding together, compensation and performance management help to strengthen each employee’s role in managing their own performance. When setting targets, it is important that everyone understands how they can contribute to the achievement of common goals. Reviewing targets is part of the development discussion that each employee has with their line manager.

In late 2022, a compensation survey was conducted at Patria’s Finnish units to determine what kind of employee benefits and recognition were valued by personnel. On the basis of these results, for example, lunch and recreational benefits were harmonised. Work on other employee benefits and recognitions for years of service will continue in 2023.

The compensation paid to blue and white collars working in Patria’s Finnish operations is determined by Technology Industries of Finland’s collective agreements. The compensation paid to senior white collars is mutually agreed upon, and job evaluation is performed using the International Position Evaluation (IPE) system

Patria is committed to respecting collective agreements and helping its employees to participate in planning and decision-making related to their work and working environments. Local agreements has become an established practice at Patria.

Patria’s overseas locations follow local labour laws and labour market practices.

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Realisation of equality is monitored by personnel surveys

Patria's goal is to create a trusting and respectful working environment that supports and values equality and diversity.

In order to update the equality plan, an equality survey in Patria's Finnish functions conducted in spring 2022.

The survey sought to identify the most significant factors that support equality and cause inequality and ways to improve. At Patria, we do not tolerate any form of harassment, discrimination or other inappropriate behaviour.

The uneven distribution of workloads and factors relating to discrimination, sexual harassment and the use of inappropriate language were identified as key areas for development. A salary analysis was also carried out to determine the effect of gender on salary differences between senior salaried employees.

According to the report, both discrimination and sexual harassment are closely linked to the use of inappropriate language. After the survey, discussions were had with line managers on topics such as identifying and intervening in the use of inappropriate language. Personnel were once again encouraged to report any form of inappropriate behaviour. These reports can also be made anonymously. A

campaign to eradicate inappropriate behaviour is also being planned for 2023.

Workloads are perceived as being unevenly distributed, especially in projects. One factor that could even out workloads was identified: increased communication between project supervisors. Coaching on how to give constructive feedback has been arranged as part of performance management. These issues are also included in the broader Operational Excellence development project that was launched in 2022.

Women make up a relatively low percentage of Patria's personnel, and this has previously been identified as a development target for equality and diversity. The defence, security and aviation sectors are being promoted at educational institutions in order to encourage more women to apply to Patria. There has been a slight rise in the number of women working at Patria, from 16 per cent of personnel in previous years to 17 per cent in 2022.

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Environmental sustainability and decreasing greenhouse gas emissions a top priority in 2022

Patria Group’s environmental responsibility is guided by the company’s environmental policy, environmental legislation, and the international principles and customer requirements related to environmental responsibility to which the company is committed. Regarding the work against climate change, Patria committed to the Science Based Targets (SBTi) initiative in 2022.

The Patria Group is committed to concrete measures promoting sustainable development. The aim is to intensify energy and water consumption and positively impact waste recycling and responsible disposal. During 2022, Patria set targets, including increasing the recycling rate of waste and reducing the amount of waste that needs to be landfilled. The goals are in line with the EU Waste Directive, but Patria aims to achieve them faster than the legislation requires.

In order to achieve emission reductions in accordance with Finland’s carbon neutrality goal and international climate agreements, Patria also planned to switch to the use of biofuels to the extent possible and to the use of renewable energy

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sources in the next few years. The Group has been working long-term to reduce and optimize energy use and will continue to do so actively in the future.

The Environmental Working Group is responsible for developing Patria Group's environmental responsibility. The Group's responsibility is to promote cooperation, share information and experiences between different functions, and plan and report on Patria Group's environmental responsibility.

Patria Group reports environmental indicators for nine locations in Finland (Tampere, Espoo, Helsinki, Hämeenlinna, Halli, Linnavuori, Pirkkala, Tikkakoski, and Utti). Patria's operations were divided into new business units in 2022. Environmental indicators are monitored for the following units: Land; Airframe & Structure (AFS); Engine, Components & Training (ECT); S&I and Group. In addition to the Finnish and Córdoba locations, Patria Group's reporting included the Belgian, Swedish, and

Estonian International Support Partnerships (ISP) business units at the time in 2020. From 2022 onwards, the units are ECT Belgium, AFS Sweden, and Land Estonia. Patria's operations in the Netherlands will be reported from 2023 onwards. The report also presents environmental information on Patria's majority-owned subsidiary, Millog, which operates in dozens of locations throughout Finland.

In addition to environmental indicators, Patria has also calculated its carbon footprint for 2022. During 2022, Patria Group set targets to reduce its carbon footprint and planned measures to achieve these targets as part of its commitment to the SBTi initiative. The Group's long-term goal is to reduce its greenhouse gas emissions below the 1.5-degree warming target required by the Paris Climate Agreement. As part of its climate actions, Patria also calculated its value chain's greenhouse gas emissions (scope 3) during 2022.

Patria sets common environmental goals, which are developed together with various functions and stakeholders.

// Patria committed to the Science Based Targets initiative (SBTi) in 2022.

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Certified environmental systems comply with the latest ISO 14 001:2015 standard

Patria Group's most significant production facilities feature certified environmental systems that comply with the latest ISO 14 001:2015 standard. With the aid of the environmental management system, Patria is improving the management of the environmental impact and the level of environmental protection within the Patria Group. The partly owned subsidiary Millog has certified environmental systems for all of its operations at each of its locations. Millog's operations were recertified in autumn 2022 and the renewed certificate will be valid until 2025.

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Carbon footprint

Patria Group has conducted its carbon footprint calculation according to the standards and guidance described in the GHG protocol since 2018 (version 2004, amendment 2013). For scope 3 emissions, a separate scope 3 emission calculation standard (2011) and a technical guide (2013) that supplement the GHG Protocol were also applied. Patria Group has calculated its direct and energy indirect emissions (scopes 1 and 2) 2018 onwards, whereas emissions from the value chain (scope 3) were calculated in 2021 for the first time. Emissions from the value chain were calculated for the year 2018, so 2018 can be used as a base year for tracking the emissions. In the future, all emissions (scopes 1–3) will be calculated yearly, but for now only scope 1 and 2 emissions are reported with the environmental reporting.

According to GHG Protocol, the GHG accounting and reporting can be based on the equity share and the control approaches. These organizational boundaries define which emissions belong to scopes 1 and 2 and which to scope 3. Patria Group has set the organizational boundaries under the control approach, and therefore accounts for 100 percent of the GHG emissions from operations over which it has control. The calculation concerns operations in Finland, Sweden, Estonia, Belgium, and Spain as well as Millog's emissions.

Patria Group has set the operational boundaries to include scope 1 and scope 2 in the calculation but to exclude scope 3 from the Group's environmental reporting for the time being. As part of Patria Group's environmental reporting, only scope 1 and scope 2 emissions have been taken into account so far. Scope 1 consists of direct greenhouse gas emissions from sources owned or controlled by the company, such as company-owned vehicles, self-produced energy, and potential refrigerant leaks. Scope 2 includes greenhouse gas emissions generated from the production of electricity and heat purchased and consumed by the company. Only emissions

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calculations from 2020 onwards currently cover all Patria Group locations and operations, including the Belgian, Swedish, and Estonian units as well as Millog.

For scope 2, two different emission values were calculated according to the GHG-protocol: market and location-based emissions. The market-based emissions are calculated using emission factors provided by the electricity and heat suppliers. This enables consideration of the impacts specifically from the company's selected method of energy generation as opposed to location-based emission factors which are national averages and as such represent the state of the electricity and heat network on the national level. The national state is considered because fossil-based energy is usually required to ensure electrical security even if a company purchases green energy. Location-based emissions also offer a national benchmark for the environmental friendliness of the energy the company has bought.

Only market-based emissions are taken into Patria Group's carbon footprint and the location-based emissions are reported separately. If Patria Group chose to change the energy it uses to renewable, emission free energy, its market-based emissions would decrease to zero. However, location-based emissions would not change as

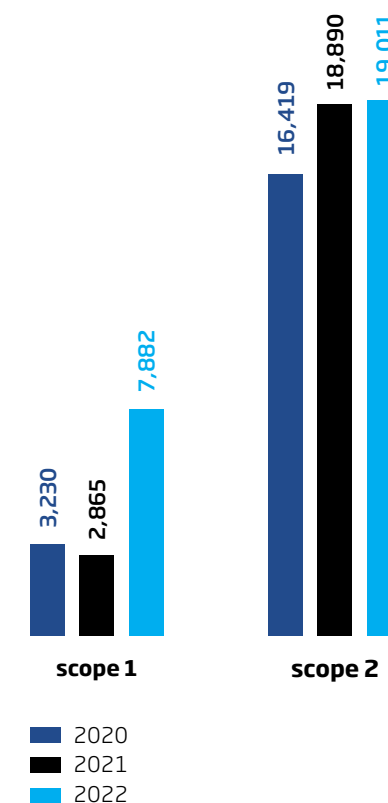
the emission factor used in the calculation represent the national average emissions and it would be required many companies to switch to less emission intensive energy production methods for the emission factor to change.

Patria Group's carbon footprint for all the locations in 2022 was 26,893 tonnes of carbon dioxide equivalent (t CO₂e) (figure 1). Compared to previous year's carbon footprint (21,755 t CO₂e), Patria Group generated 5,138 tonnes more greenhouse gas emissions.

Scope 1 emissions originate mainly from self-produced energy at the Halli site. The power plant at the Halli site was transferred to Patria's ownership at the end of 2021. In addition, Scope 1 emissions are generated from the use of the group's vehicles and machines.

In Belgium, self-produced energy is accounted as a scope 1 emission source, but as the electricity is produced with solar panels, the production does not create any greenhouse gas emission. There were no refrigerant leaks detected in 2022. Altogether, scope 1 emissions accounted for about 29% of all Patria Group's emissions and were 7,882 t CO₂e. Most of the emissions (71%), 19,011 t CO₂e, originated from purchased energy (scope 2), especially heat consumption.

**Patria Group's
scope 1 and 2 emissions
2020-2022**



Patria Group's scope 1 and scope 2 emissions (t CO₂e) in 2020-2022. All the locations are considered.

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Environmental indicators

Three main environmental indicators are followed in Patria Group's environmental reporting: energy use, water consumption and waste. The results are reported on a Group level, but also for Patria and Millog separately, Patria meaning all the Finnish and foreign units together, but excluding Millog.

Energy consumption

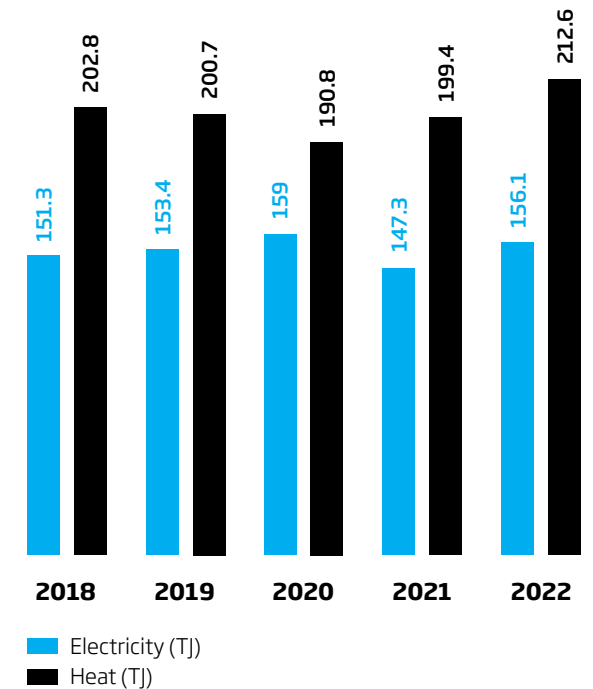
Patria Group's indirect energy consumption consists of electricity and thermal energy consumption, with direct primary energy consumption deriving from fuel consumption by aircraft, vehicles, gas turbines and diesel engines.

Thermal and electrical energy consumption

The weather-normalised thermal energy consumption of properties managed by Patria and Millog increased by 7% in 2022 compared to 2021. The thermal energy consumption of Patria's own operations increased by 0.7% compared to the previous year. Specific heat consumption, which defines energy consumption in proportion to the number of heated building cubic metres, increased in Patria's own operations by 0.7%. Number for Millog could not be calculated as cubic meters in Millog's buildings was not known.

In 2022, Patria and Millog's electricity consumption increased by 6% compared to 2021. Electricity consumption of Patria's own operations fell by 0.1%. Specific electric energy consumption, which defines energy consumption in proportion to the number of electrified building cubic metres, decreased by 0.1% in Patria's own operations. Number for Millog could not be calculated as cubic meters in Millog's buildings was not known.

Heat and electricity consumption (TJ)



Patria and Millog's thermal energy and electricity consumption in terajoules, 2018-2022

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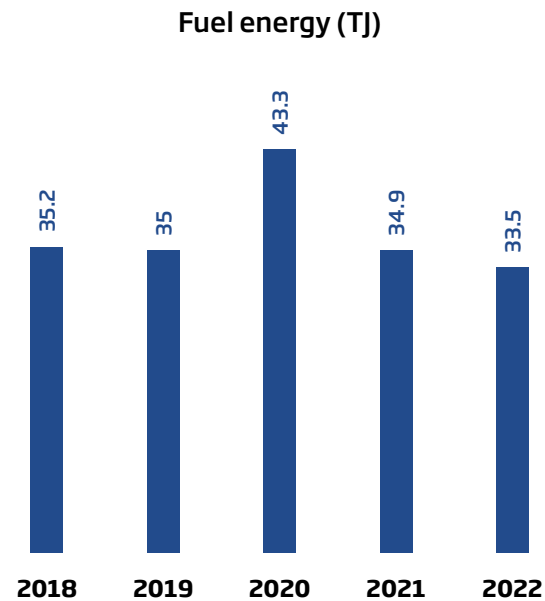
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Fuel consumption

In 2022, Patria and Millog's total fuel consumption decreased by 4% compared to the previous year. Patria's consumption of light fuel oils fell by 12% and Millog's by 59%. Patria and Millog's consumption of motor gasoline increased by 15%. The consumption of diesel decreased by 15%. Jet fuel consumption increased by 6.5% but aviation gasoline consumption rose by 20.5%. Fuel energy consumption in terajoules fell from 34.9 terajoules to 33.5 terajoules (figure 3).



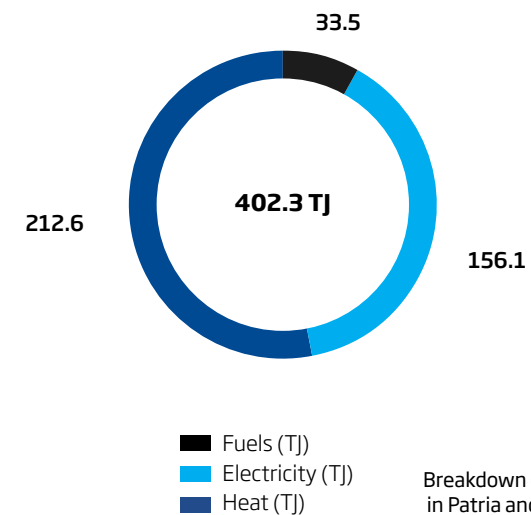
Fuel energy consumption in terajoules in Patria and Millog's operations, 2018-2022. In 2022 less fuels were used than in 2021.

Land Estonia uses natural gas for heat production. The natural gas used for heating is taken into account as part of fuel consumption, as there is no exact information on the amount of heat produced by gas. The use of gas is considered in the scope 1 emissions of the carbon footprint calculation. Also in Sweden, premises are partly heated with light fuel oil, the consumption of which is counted as fuel consumption and the emissions of which are considered as part of scope 1 emissions.

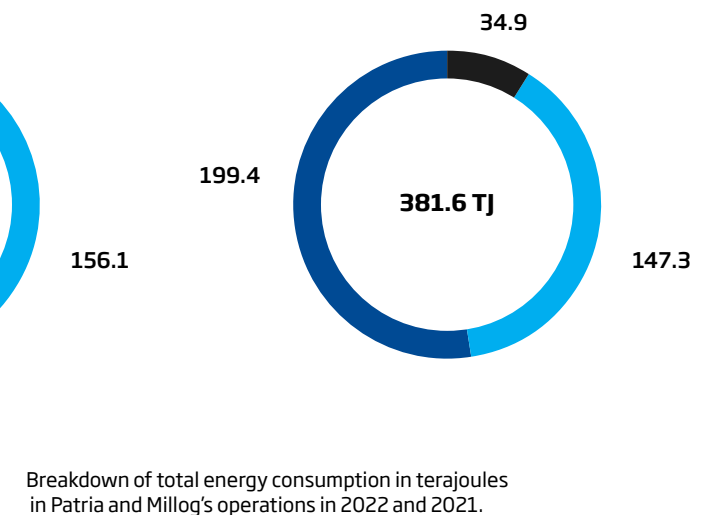
The Finnish Defence Forces are responsible for monitoring the consumption of aviation gasoline and jet fuel used by their aircraft in military flight training and maintenance test flights. The fuel that has been consumed in Millog's maintenance runs is included in Patria's report. Millog's fuel consumption has been reported from 2018 onwards.

Patria's various operations consumed a total of about 402.3 terajoules of energy in 2022. Total energy consumption increased by 5% compared to the previous year.

Energy consumption 2022



Energy consumption 2021



Breakdown of total energy consumption in terajoules in Patria and Millog's operations in 2022 and 2021.

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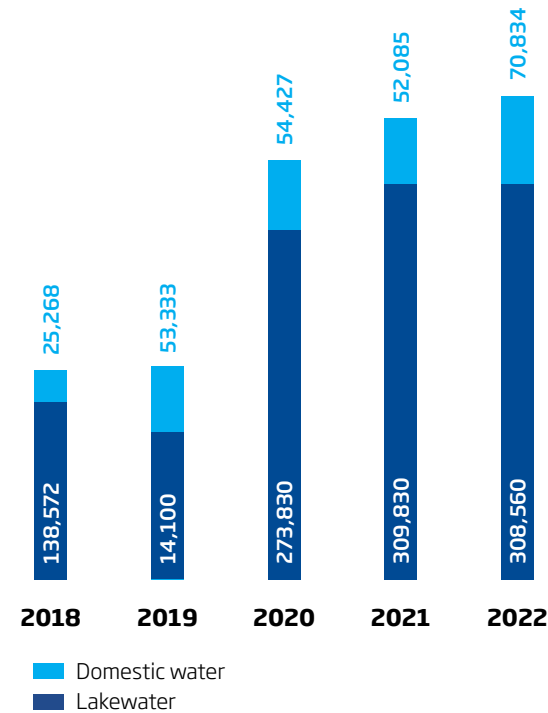
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Water consumption

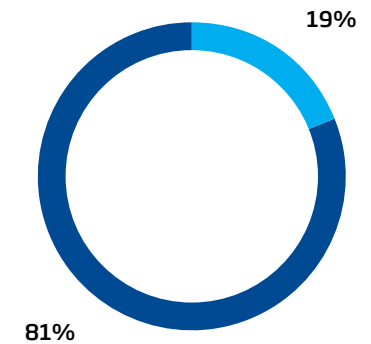
Patria Group's total water consumption (household water and lake water) increased by 5% in 2022 compared to 2021. Domestic water consumption decreased by 36%. The lake water consumption in Linnavuori decreased by 0.4%. In Belgium, rainwater is also used for sanitation and washing, but as collecting rainwater does not affect water reserves, it was excluded from the reporting. Consumption of the lake water in Linnavuori varies from year to year, depending on the number and types of engines being overhauled in different years. At the Linnavuori site, lake water is used to cool engines during test runs and to dry ovens and vacuum furnaces. The used cooling water is fed back into Lake Jokinen. Lake water accounted for 81% of total water consumption in 2022.

**Total water usage (m³)
Patria and Millog**



Patria Group's total water consumption 2018–2022. The use of domestic water increased and the use of lake water decreased.

Patria Group, 2022



Breakdown of domestic and lakewater use in 2022.

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Waste

The Group's operations primarily generate common municipal waste, scrap metal, hazardous waste, and construction and industrial waste.

The total volume of waste generated by Patria in 2022 was approximately 1,030 tonnes. Patria's 2022 recycling ratio was 44% of its total waste volume, compared to 45% in the previous year.

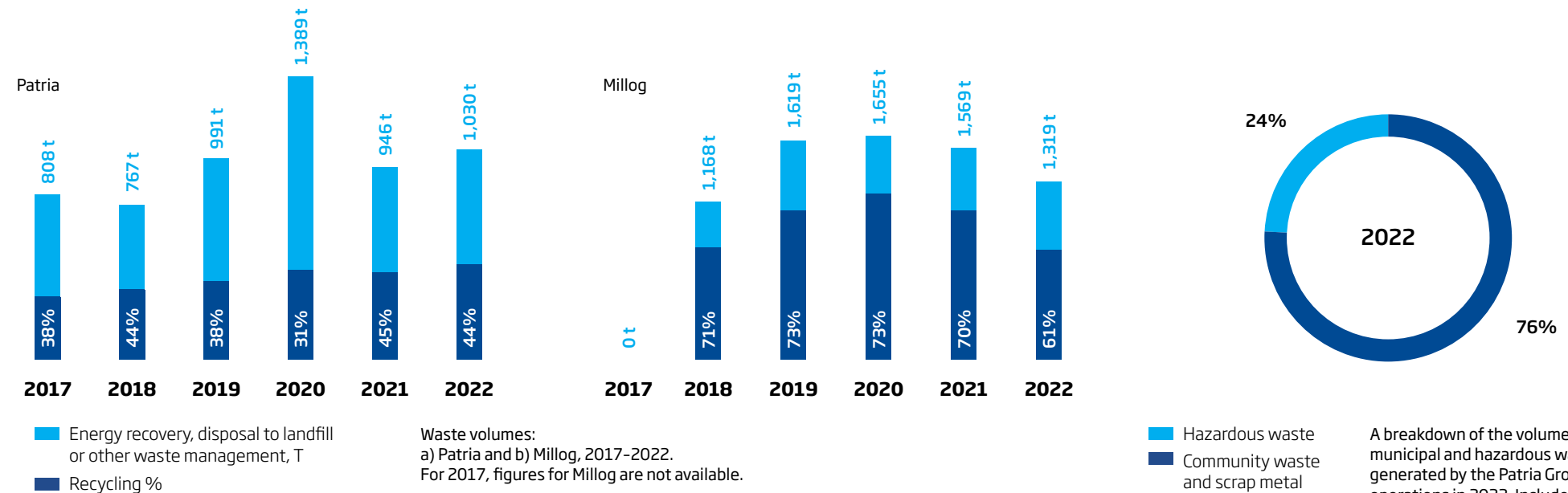
Waste generated by Millog totalled 1,319 tonnes. Millog's recycling rate decreased slightly in 2022 to 61% from 71% in 2021.

64% of Patria's waste consisted of common waste, that is, municipal waste, construction waste and scrap metal (total 659 tonnes). 36% of the waste was hazardous (372 t). Waste amounts have slightly increased compared to 2022. Common waste includes energy waste, unsorted waste, paper, cardboard, sludge, waste wood, organic waste, common electrical and electronics scrap, construction waste, glass, plastic, brick and concrete waste, steel and aluminium scrap, and packaging metal. Hazardous waste principally consists of oily waste, wash water, sediment and other waste classified as hazardous.

Millog's common waste accounted for 85% (1,126 t) of Millog's total waste volume, and only 15% of it was hazardous waste (193 t). Common waste decreased by 19% compared to 2021, but hazardous waste amounts increased by 8%.

The Patria Group's waste volume totalled about 2,349 tonnes, including waste figures for Patria and Millog (figure 8). The total waste volume decreased by 7%.

Waste volumes for Patria and Millog



Waste volumes:
a) Patria and b) Millog, 2017-2022.
For 2017, figures for Millog are not available.

■ Hazardous waste
■ Community waste and scrap metal

A breakdown of the volumes of municipal and hazardous waste generated by the Patria Group's operations in 2022. Includes waste figures for Patria and Millog.

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The Group seeks to raise awareness of waste utilisation and processing methods, and to promote waste recycling.

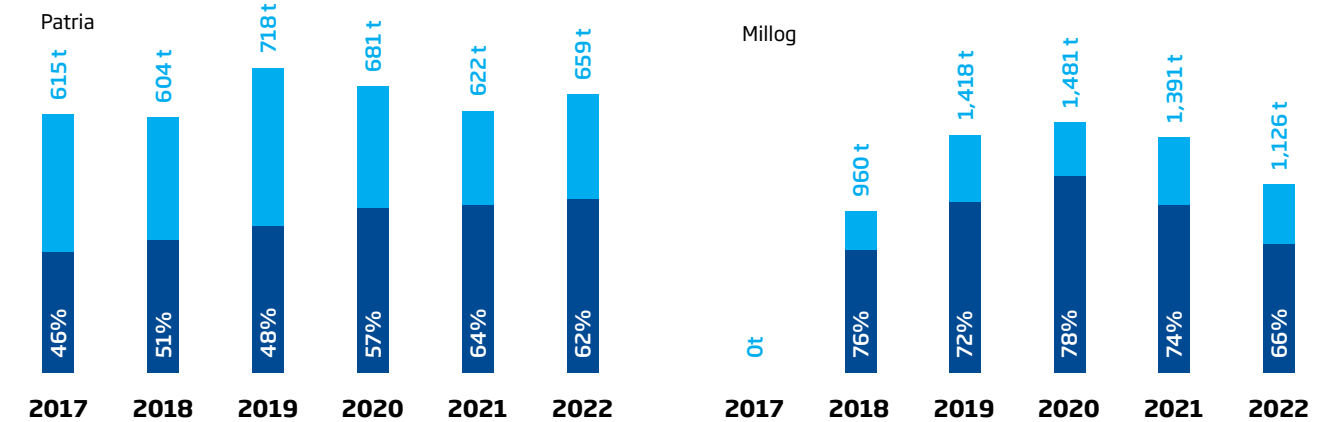
The waste usage rate (treatment methods other than landfill) was about 83% and the recycling rate about 44% for Patria and Millog. Approximately 62% of Patria’s own municipal waste was recycled, constituting a decrease of 2 percentage points compared to 2021 (figure 9 a). The recycling rate for Millog’s municipal waste decreased by 8 percentage points, from 74% in 2021 to 66% in 2022 (figure 9 b). Municipal waste volumes slightly increased in 2022 compared to 2021 in Patria’s operations by 47 tonnes. Millog’s municipal waste volume decreased by 265 tonnes compared to the previous year.

Approximately 20% of Patria Group’s hazardous waste was recycled which is the same amount as in 2021. Patria’s hazardous waste volumes increased slightly compared to the previous year (47 tonnes) and the recycling rate rose by 4 percentage points (figure 10 a). Hazardous waste produced by Millog increased 15 tonnes compared to 2021 and the recycling rate decreased by 7 percentage points.

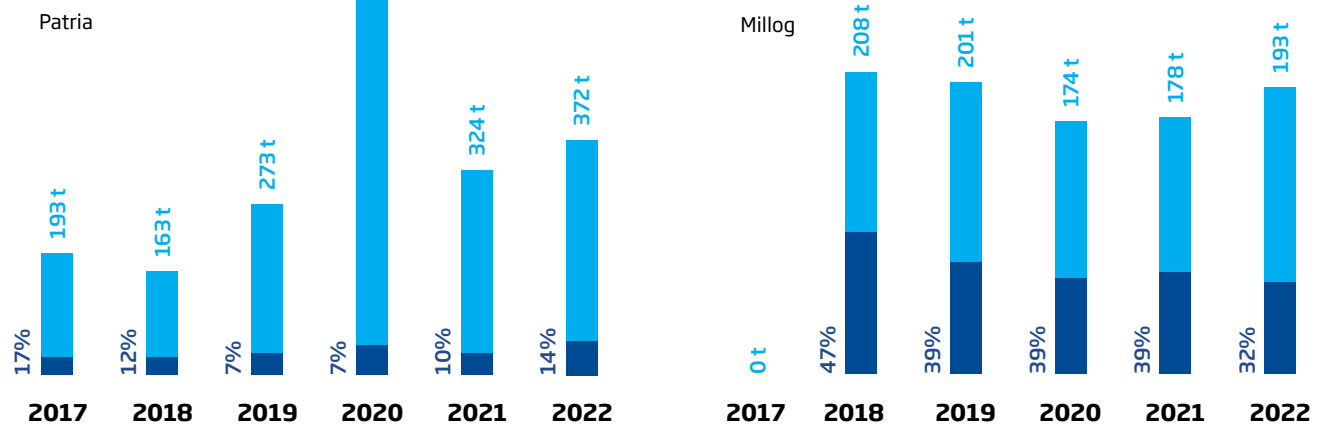
Municipal waste, construction waste and scrap metal recycling percentages for a) Patria and b) Millog, 2017-2022. For 2017, figures for Millog are not available.

Hazardous waste recycling percentages: a) Patria and b) Millog, 2017-2022. For 2017, figures for Millog are not available.

Municipal waste, construction waste and scrap metal recycling



Hazardous waste recycling



■ Energy recovery, disposal to landfill or other waste management, T
 ■ Recycling %

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Reporting principles

Patria's CSR Report describes responsibility, governance and key events for the entire Group in 2022

Patria has reported the information cited in the GRI content index for the period 1 January, 2022 to 31 December, 2022 with reference to the GRI Standards.

The report is published annually, and the previous report was published on 4 April 2022. It will be published in Finnish and English on Patria's website. The CSR Report has not been externally verified.

It contains information about the Patria Group's most material responsibility themes. The report is based on a materiality assessment carried out in 2020 and takes into

account the views of stakeholders and the social impact of Patria's business.

Any changes in calculation or reporting methods will be described separately in future reports. The CSR Report covers all Group companies and subsidiaries that are more than 50 per cent owned by Patria. If a comprehensive figure has not been available, this is mentioned separately either in the section in question or in the GRI index.

More information: info@patriagroup.com

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2-2 Entities included in the organization's sustainability reporting	Reporting principles, p. 67	
2-3 Reporting period, frequency and contact point	Reporting principles, p. 67	
2-4 Restatements of information	Reporting principles, p. 67, GRI content index	No significant changes.
2-5 External assurance	GRI content index	The report has not been assured by a third party.
2-6 Activities, value chain and other business relationships	International Patria, p. 18-19, Patria in Finland, p. 20-21, Offering, p. 22-23	
2-7 Employees	Personnel figures 2022, p. 71	
2-9 Governance structure and composition	Corporate governance, p. 120	
2-10 Nomination and selection of the highest governance body	Corporate governance, p. 120	
2-11 Chair of the highest governance body	Board of directors, p. 126	
2-12 Role of the highest governance body in overseeing the management of impacts	Corporate governance, p. 121	
2-13 Delegation of responsibility for managing impacts	Corporate governance, p. 122	
2-14 Role of the highest governance body in sustainability reporting	Corporate responsibility management, p. 36	
2-15 Conflicts of interest	Ethical conduct, p. 38-39	
2-16 Communication of critical concerns	Ethical conduct, p. 39	
2-19 Remuneration policies	Notes to the consolidated financial statements, p. 95	
2-20 Process to determine remuneration	Notes to the consolidated financial statements, p. 95	
2-22 Statement on sustainable development strategy	Corporate responsibility in Patria, p. 37	
2-23 Policy commitments	Ethical conduct, p. 38-39, Responsible exports, p. 49	
2-24 Embedding policy commitments	Ethical conduct, p. 38-39, Responsible exports, p. 49	
2-25 Processes to remediate negative impacts	Ethical conduct, p. 38-39	
2-26 Mechanisms for seeking advice and raising concerns	Ethical conduct, p. 38-39	
2-27 Compliance with laws and regulations	Ethical conduct, p. 38-39	
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2-29 Approach to stakeholder engagement	Stakeholder collaboration, p. 40-41	
2-30 Collective bargaining agreements	Compensation, p. 55	
GRI 3: Material Topics 2021		
3-1 Process to determine material topics	Material themes, p. 34	
3-2 List of material topics	Material themes, p. 34	
GRI 201: Financial Results 2016		
201-1 Direct economic value generated and distributed	Patria in brief, p. 5, Board of directors' report, p. 73-79	
GRI 205: Anti-corruption activities 2016		
205-2 Communication and training about anti-corruption policies and procedures	Ethical conduct, p. 38-39	
205-3 Confirmed incidents of corruption and actions taken	GRI content index	No confirmed corruption incidents in 2022

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GRI Standard	Location	Comment
GRI 207: Taxes 2019		
207-1 Approach to tax	Responsible finances and tax footprint, p. 50	
207-2 Tax governance, control, and risk management	Responsible finances and tax footprint, p. 50	
207-4 Country-by-country reporting	Responsible finances and tax footprint, p. 50	
GRI 302: Energy 2016		
302-1 Energy consumption within the organization	Environmental indicators, p. 62-63	
302-4 Reduction of energy consumption	Environmental indicators, p. 62-63	
GRI 303: Water 2016		
303-1 Interactions with water as a shared resource	Environmental indicators, p. 64	
303-2 Management of water discharge-related impacts	Environmental indicators, p. 64	
303-5 Water consumption	Environmental indicators, p. 64	
GRI 305: Emissions 2016		
305-1 Direct (Scope 1) GHG emissions	Carbon footprint, p. 60-61	
305-2 Energy indirect (Scope 2) GHG emissions	Carbon footprint, p. 60-61	
GRI 306: Waste 2020		
306-1 Waste generation and significant waste-related impacts	Environmental indicators, p. 65-66	
306-2 Management of significant waste-related impacts	Environmental indicators, p. 65-66	
306-3 Waste generated	Environmental indicators, p. 65-66	
306-4 Waste diverted from disposal	Environmental indicators, p. 65-66	
GRI 401: Employment 2016		
401-1 New employee hires and employee turnover	Personnel figures 2022, p. 71	
GRI 403: Occupational Health and Safety 2018		
403-1 Occupational health and safety management system	Occupational well-being and working capacity, p. 53	
403-2 Hazard identification, risk assessment, and incident investigation	Occupational well-being and working capacity, p. 53	
403-3 Occupational health services	Occupational well-being and working capacity, p. 53, GRI content index	In all countries, local laws and related regulations are followed. In Finland, all employees are generally covered by occupational health services. Finland has a comprehensive occupational healthcare system provided by Mehiläinen, supported by surgical cost coverage and leisure accident insurance.
403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational well-being and working capacity, p. 53	
403-5 Worker training on occupational health and safety	Occupational well-being and working capacity, p. 53	
403-6 Promotion of worker health	Occupational well-being and working capacity, p. 53	
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational well-being and working capacity, p. 53	
403-9 Work-related injuries	Occupational well-being and working capacity, p. 53	
GRI 404: Education 2016		
404-2 Programs for upgrading employee skills and transition assistance programs	Competence development, p. 54	
404-3 Percentage of employees receiving regular performance and career development reviews	Compensation, p. 55	
GRI 406: Non-discrimination 2016		
406-1 Incidents of discrimination and corrective actions taken	Promoting equality and diversity, p. 56	

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GRI Standard	Location	Comment
GRI 415: Public policy 2016		
415-1 Political contributions	GRI content index	Patria does not grant donations, sponsorships or any other financial benefits to political parties or candidates. https://www.patriagroup.com/about-us/ethical-code-of-conduct
GRI 418: Customer privacy 2016		
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI content index	There were no complaints in 2022 regarding breaches of customer privacy and the destruction of customer data.

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	2018	2019	2020	2021	2022
Personnel					
Personnel average	2,816	3,055	2,973	3,097	3,311
Finland	2,643	2,795	2,735	2,861	3,049
Sweden	107	113	104	84	82
Belgium *)		75	98	109	117
Estonia	33	37	33	33	26
The Netherlands					25
Latvia	1	2	2	9	10
Others	32	34	2	2	2
Blue-collar %		43	41	41	40
Blue-collar in Finland %	41	41	41	40	39
White-collar %	43	57	59	59	60
Salaried in Finland %	19	18	18	18	17
Senior salaried in Finland %	40	41	41	42	43
Proportion of women %		16	16	16	17
Proportion of women in Finland %	15	16	16	16	17
Proportion of women in Board	2/8	2/7	2/8	2/8	2/8
Proportion of women in Group Management Team	3/9	3/10	2/10	1/8	1/9
Education in Finland**)					
Doctoral degree %			2	1	1
Higher university degree %			19	19	18
Lower university degree %			22	22	29
University degree %	17	18			
College degree %	30	29			
Vocational/upper secondary school %	51	51	55	56	50
Basic education %	2	2	2	2	2

*) 2019 figure is not year average as Belgium became part of the Group in June/2019.

***) Figures from international units not available. As of 2020 educational information have been available in the global HR system and divided differently as the higher and lower university degrees include former figures of University and College degrees.

****) Calculation formula has been changed since 2019: ((started + terminated permanent employments)/2) / personnel in average.

*****) Figure from 2019 covers the timeframe June 1 - Dec 31, 2019

*****) The method of calculation has changed since 2019, after which only work-related accidents resulting in an absence of at least four days (LT14) have been included.

Figures are group level, unless otherwise stated. If comparison figures for previous years have not been announced, they have not been calculated in previous years.

	2018	2019	2020	2021	2022
Employment					
Average age		45.2	45.3	45.5	45.4
Average age in Finland	45.7	45.5	45.5	45.7	45.5
Average length of service, yrs		13	13.1	14.1	13.2
Average length of service in Finland, yrs	14.7	13.8	13.9	14.6	13.7
Personnel turnover, average turnover % ***)					
Finland	7.7	7.9	6.5	7.3	4.2
Sweden		24.7	26.6	9.0	10.4
Belgium		6.6	15.4	15.8	5.1
Estonia		31.6	14.3	17.9	14.0
Latvia				100	22.7
Personnel turnover, leavers %					
Finland	8.9	6.4	6.1	8.1	4.0
Sweden		23.3	39.1	16.7	15.9
Belgium		5.5	6.2	13.5	8.4
Estonia		26.4	20.0	17.9	27.9
Latvia				15.4	27.3
Permanent employees %					
Permanent employees in Finland %	95.3	94.8	94.6	95.5	96.4
Part-time employees %					
Part-time employees in Finland %	2.2	3.4	5.4	4.5	4.8
Health and safety					
Absenteeism attributable to sickness %					
Finland	3.5	3.6	3.0	3.1	3.7
Sweden		3.6	3.4	3.5	2.9
Belgium		5.1	5.6	4.0	4.6
Estonia *****)		4.5	5.2	5.2	4.8
Latvia				0.6	0.2
Frequency of accidents					
Finland *****)	15	4.1	4.1	3.7	4.9
Sweden			0.0	0	6.5
Belgium			0.0	6.3	5.9
Estonia			14.2	0	0
Latvia				0	0



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New orders and order stock

The value of new orders received during the financial period was EUR 794.8 million (EUR 588.7 million in 2021). Commercial agreement with Slovakia on the delivery project for 76 Patria AMV XP 8x8 vehicles had a significant impact on the value of new orders. Defence material and life cycle support accounted for 92% (93%) and civilian products for 8% (7%) of the new orders. At the end of December, the Group's order stock was EUR 1,751.2 million (EUR 1,550.3 million).

Net sales and profitability

The Group's net sales for the financial period totalled EUR 627.1 million (EUR 547.7 million in 2021 and EUR 534.1 million in 2020). Defence material and life cycle support accounted for 90% (92%) and civilian products for 10% (8%) of the net sales. Sales outside Finland for the financial period accounted for 31% (28%) of the net sales.

The Group's operating profit for the financial period was EUR 53.8 million, representing 8.6% of net sales (2021: EUR 61.2 million, 11.2%; 2020: EUR 40.3 million, 7.5%). The consolidated income before taxes for the financial period amounted to EUR 49.7 million (2021: EUR 56.6 million; 2020: EUR 36.7 million). The Group's return on equity for the financial period was 15.8% (2021: 20.1%; 2020: 13.8%).

Patria Group's net sales and profitability were at a planned level and the development of order stock was solid. Patria Group's profitability for the financial year 2022 was at a strong level for the third consecutive year.

During the financial period Patria grew and evolved determinedly in line with its growth strategy launched in January. To support strategic growth, Patria adopted a

renewed operational structure as of beginning of 2022. The systematic development of customer-centricity, operational efficiency and new ways of working has continued throughout the financial year.

Financing and ownership

The Group's equity ratio at the end of December was 44.1% (2021: 41.3%; 2020: 38.8%) and net gearing 27.3% (2021: 50.2%; 2020: 72.1%).

Consolidated liquid funds at the end of December amounted to EUR 88.6 million (EUR 68.3 million). The Group's interest-bearing liabilities totalled EUR 170.5 million (EUR 211.0 million) at the end of December. The interest-bearing liabilities included lease liabilities of EUR 89.9 million (EUR 100.9 million).

The shareholders of Patria Oyj are the State of Finland with 50.1% stake and Kongsberg Defence & Aerospace AS with 49.9% stake.

The company has one series of shares comprising of a total of 27,841,889 shares.

Capital expenditure and acquisitions

The Group's capital expenditure (excluding leases) for the financial period totalled EUR 6.7 million (EUR 9.2 million). Capital expenditure was mainly related to facilities and equipment, IT and production. In addition, a total of EUR 10.5 million (EUR 2.6 million) was spent on acquisitions.

In January, Millog Oy signed an agreement to acquire the entire share capital of Hämeen Diesel Oy. The ownership was transferred to Millog Oy on 3 January 2022. Hämeen Diesel Oy's business includes the repair of diesel and gasoline engines and heavy-duty machine transmissions, as well as the sale of factory-new and

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completely overhauled engines. The company's total sales in the previous financial year was EUR 2.4 million and the company employed 18 people.

In March Patria agreed to acquire 100% of the shares of Nedaero, a leading Dutch specialist in defence and aerospace components and parts. The company name was changed to Patria Netherlands Group, and it is located in Zevenaar and Alphen aan den Rijn in the Netherlands and the company has about 35 employees. Patria Netherlands Group has several decades of experience in manufacturing and MRO business in both the civil and military aviation industry. The transaction was completed on 1 April 2022.

Patria acquired the whole share capital of Svensk Försvarslogistik AB from the co-owner Volvo Defense AB in May 2022.

At the end of August Millog Oy subsidiaries Oy Western Shipyard Ltd, Laivakone Oy and Hämeen Diesel Oy merged to create Millog Marine & Power Oy. The new company provides docking and project services, engine and transmission repairs, and field service to cater to the needs of the maritime cluster, industries, the energy sector, and heavy machinery. The merger enabled Millog Marine & Power Oy to serve its long-term customers in a wider geographical area. The company's offices are located in Teijo, Vantaa, and Hämeenlinna.

At the end of September Senop Oy, supplier of advanced night vision solutions and demanding system integration services, was merged with Virve Tuotteet ja Palvelut Oy, specialist in secure communications for authorities and industries. A part of the Millog Group, the companies continue to operate under the name Senop Oy.

In September Patria acquired 100% of the shares of Kiinteistö Oy Jämsän Komposiittihalli from the City of Jämsä.

Research and development

The Group's expenditure on research and development for the financial period amounted to EUR 12.3 million (EUR 12.4 million), representing 2.0% (2.3%) of the net sales. The most significant research and development areas included new technologies, materials and systems related to mobility and aviation, as well as technologies related to sensor products and electronic warfare systems.

Personnel

During the financial period the Group employed an average of 3,213 (2021: 3,075; 2020: 3,003) persons. At the end of December, the personnel totalled 3,311 (2021: 3,097; 2020: 2,973) persons.

The salaries and wages of Patria Group's employees are determined on the basis of collective and individual agreements as well as employee performance and job evaluations. Basic salaries and wages are complemented by performance-based compensation systems. All Patria employees are part of a yearly bonus plan. In 2022, the total amount of salaries and wages paid was EUR 182.5 million (2021: EUR 169.0 million; 2020: EUR 162.4 million).

The objective of the personnel strategy is to help the business units to meet their business targets and to ensure future competitiveness by developing personnel and their competences. In Patria, special emphasis is given to employee well-being as well as safe and healthy working environment. Employee well-being is measured against e.g. sickness absence rates (2022: 3.2%; 2021: 3.3%) and frequency of work-related accidents (2022: 3.5; 2021: 2).

In accordance with the new growth strategy Patria's operating model and organisation was renewed in the beginning of 2022. Under the new operating model Patria's target is to utilise and combine all Patria capabilities comprehensively. One of the key changes was dismantlement of the former business units (excluding Millog). In the new model the Group is reorganized into three commercial divisions (Global, Finland and Millog), the Portfolio unit responsible for products and services, and the Operations unit responsible for production as a whole. At the same time, the support functions were centralized on Group level. The goal of the new strategy is, besides profitable growth, to have a solidly managed, unified and strongly customer-oriented Patria. In 2022 Patria's culture was assessed and new desired culture traits were defined, being Dynamic, Ambitious, Impactful and Together.

Introduction of the new operating model at the beginning of 2022 meant a completely new or partially changed role for some 300 Patria employees. In change management, the role of line managers was significant. Training and discussion sessions were held for those working in line manager positions to focus on the company's goals, ways of working and culture. The success of the implementation of the transformation was monitored through strategy surveys and quartal pulse



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surveys. Based on the surveys, the need to implement the strategic reform gained wide support and acceptance among the personnel.

In 2022, the Group-level LEAP management development program was continued in the form of alumni days.

Change negotiations took place in Patria's vehicle manufacturing operations in the Land Operations unit in Hämeenlinna and Tampere, Finland in August. Negotiations were started due to Patria's vehicle projects' success and increased demand. Outcome of the negotiations was that the vehicle manufacturing in Hämeenlinna was changed to two-shift work.

Key events during year 2022

In January the Finnish Defence Forces signed an agreement with Patria to acquire a pre-series of Patria 6x6 vehicles in relation to the joint 6x6 Common Armoured Vehicle System programme (CAVS programme) between Latvia, Finland, Estonia and Patria. In June Germany signed a statement of intent to join the Finnish-led CAVS programme and Sweden a research and development agreement for the research and product development phase for the CAVS programme. The joint 6x6 vehicle programme proceeds on schedule. Patria has already delivered over ten Patria 6x6 armoured wheeled vehicles to Latvia and pre-series vehicles have been delivered to the Finnish Defence Forces.

The Swedish Defence Materiel Administration (FMV) ordered from Patria an upgrade of Patria XA 202/203 (Patgb 202/203) wheeled armoured vehicles. The contract is worth approximately EUR 28 million. In total 168 vehicles will be refurbished at Patria facilities in Hämeenlinna, Finland. The work started immediately with the first deliveries already in 2022, the entire fleet being upgraded by the end of 2025.

In February Patria and Pratt & Whitney signed a Letter of Intent to deepen their ongoing long-term cooperation related to the F100-PW-220/220E and F100-PW-229 military jet engines operational in the F-16 and F-15 combat aircraft. The aim is to maintain and develop the existing relationship in support of maintenance, repair and overhaul logistics for worldwide F100 customers. In addition to this, there is a joint intention to further work toward Patria becoming

a part of Pratt & Whitney's F100 global sustainment network and become the best value logistic support supplier including F100 maintenance, repair and overhaul.

In March Patria Oyj, Millog Oyj and Insta Group Oyj delivered first aid and hospital supplies to the Ukrainian cooperation partner with a joint procurement valued at around EUR 100,000.

Senop Oyj received purchase orders from the Finnish Defence Forces Logistic Command for deliveries of laser sights and image intensifiers in May and December. The order is significant and is a continuation of the procurement contracts made in 2020 and 2021. With this acquisition the Finnish Defence Forces further develops soldiers' capability to fight effectively in demanding environments. The order value is more than EUR 37 million and delivery of the new systems is scheduled for the years 2023 and 2024.

In July Patria and Qatar Airways signed an agreement for the training of Qatar Airways cadet pilots. Patria's training is based on the Multi-Crew Pilot License (MPL) programme with a duration of 18 months. The first intake of cadets arrived in Finland and started their training at Patria's bases in Finland and Spain.

The European Commission approved the FAMOUS consortium's proposal in July 2022 for the second phase of the project. The defence industry consortium led by Patria, FAMOUS (European Future Highly Mobile Augmented Armoured Systems), is making progress within the budget framework of the European Union's (EU) European Defence Fund (EDF). The EU funding for the FAMOUS 2 project is some EUR 95 million. Nine countries are participating in the consortium implementing the FAMOUS project. Finland will continue to act as the lead state and Patria as the industrial coordinator. The consortium includes 18 leading European defence companies. The second phase of the project will continue the ongoing FAMOUS 1 research, in which the vehicles and systems concepts are developed. FAMOUS 2 starts from architectural design, followed by the designing, building and ends up testing of prototypes.

In August Slovakia and Finland with Patria signed a comprehensive government-to-government (G2G) agreement to purchase armored combat vehicles (ACV) from Patria. The Slovakian Ministry of Defence selected Finland and Patria AMV XP 8x8 as BOV 8x8 programme tender winner in March 2022. Patria AMV XP 8x8 came out as



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winners after system tests and feasibility study evaluation. The agreed purchase consists of 76 armored combat vehicles, with three vehicle variants.

In September Patria delivered the fourth and last modernized Hamina-Class missile boat to the Finnish Navy. In total four missile boats were modernized between 2018-2022 as a Mid-Life-Upgrade (MLU) project, providing new capabilities to the Finnish Navy.

In November Patria completed the XA-180 armoured personnel vehicle Mid-Life-Upgrade project as the last vehicles were delivered to the Finnish Army. The agreement of Mid-Life-Upgrade (MLU) of XA-180 armoured personnel carriers was signed by Patria and the Finnish Defence Forces in 2013. During the project all XA-series vehicles were modernized and aligned. The implemented modifications included new electrical systems and communications equipment, as well as an updated crew space with improved seating solutions. Also key components, such as engines, power transmission and axles, were inspected and repaired or replaced, if necessary.

In December the Japan Ministry of Defense announced that Patria AMVXP 8x8 was selected for the Japan Ground Self-Defense Force as their next Wheeled Armored Personnel Carrier 8x8 vehicle under the WAPC programme. The selection includes manufacturing licence of the vehicles in Japan, with a solid contribution to the local economy and technology development securing the supply and service in Japan. The Patria AMVXP 8x8 vehicles will replace the Type-96 8x8 Armored Personnel Carrier vehicles which are currently in service by Japan Ground Self-Defense Force. Patria has worked for the WAPC programme since 2018 and it has also established a local subsidiary, Patria Japan Ltd., to support its activities in Japan.

Administration

In the beginning of the financial period, Panu Routila continued as the Chairman of the Board of Directors of Patria Oyj, and Harald Aarø, Eirik Lie, Päivi Marttila, Jarle Næss, Ari Puheloinen, Gyrid Skalleberg Ingerø and Petri Vihervuori as members of the Board of Directors.

Patria Oyj's Annual General Meeting held in Helsinki on 25 March 2022 adopted the Consolidated Financial Statements for the financial period that ended on 31 December 2021. It was also decided to discharge the members of the Board

of Directors and the President and CEO from liability for the financial period of 2021. Furthermore, the Annual General Meeting decided, according to the Board of Directors' proposal, to distribute a dividend of EUR 0.90 per share, totally EUR 25,057,700.10.

Panu Routila, (PhD, Economics) continued as the Chairman of the Board of Directors of Patria Oyj. Eirik Lie, President, Kongsberg Defence & Aerospace AS; Päivi Marttila, Board Professional; Jarle Næss, Senior Vice President, Business Development, Kongsberg Defence & Aerospace AS; Ari Puheloinen, General (ret.) (until 30.6.2022) and Petri Vihervuori, Senior Financial Adviser, the Ownership Steering Department in the Prime Minister's Office, continued as members of the Board of Directors. Mette Toft Bjørgen, Executive Vice President Finance, Kongsberg Defence & Aerospace AS and Iver Christian Olerud, Group EVP Strategy and Business Development, KONGSBERG Group were elected as the new members of the Board of Directors.

The Extraordinary General Meeting of Shareholders held on 9 June 2022 appointed Jukka Juusti, MSc. (Eng.) as a member of the Patria Board of Directors as of the 1 July 2022. He succeeds General Ari Puheloinen who has been in the Patria Board for the last six years. Jukka Juusti has held the position of Permanent Secretary in the Finnish Ministry of Defence from 2016 being retired in the end of 2021.

Patria Oyj's Board has a Nomination and Compensation Committee and an Audit Committee to assist the Board.

The Nomination and Compensation Committee consisted, during the financial period, of Panu Routila, Chairman, Harald Aarø (until 25.3.2022), Jarle Næss, Ari Puheloinen (until 30.6.2022), Iver Christian Olerud (as of 24.5.2022) and Jukka Juusti (as of 1.7.2022). The Nomination and Compensation Committee prepares the compensation structures of the company management and compensation and benefits programs as well as decides on the most important management nominations.

The Audit Committee consisted, during the financial period, of Päivi Marttila, Chairman, Eirik Lie, Gyrid Skalleberg Ingerø (until 25.3.2022), Mette Toft Bjørgen (as of 24.5.2022) and Petri Vihervuori. The Audit Committee supervises and monitors execution and organisation of internal controls within the Patria Group, risk management and financial reporting as well as preparation of the financial statements. In addition to this the Audit Committee is responsible for supervising and monitoring of



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Compliance and Ethics issues and related activities within Patria. Regarding other duties of the Board, no specific sharing of such duties has been agreed upon by the Board.

Jari Myllykoski, Member of Parliament (Left Alliance), continued as the Chairman of Patria Oyj's Consultative Committee and Janne Sankelo, Member of Parliament (National Coalition Party) as the Vice Chairman. Hannu Hoskonen, Member of Parliament (Center Party); Petri Huru, Member of Parliament (Finns Party); Riitta Mäkinen, Member of Parliament (Social Democratic Party); Petri Peltonen, Under-Secretary of State at the Ministry of Economic Affairs and Employment (until 9.12.2022); Deputy Chief of Staff, Major General Vesa Virtanen, Chief of Defence Command; Jussi Karimäki, Mechanic, Patria; Ilkka Kokko, Specialist, Defence & Security, Patria; Juha Kuusi, System Specialist, Patria; and Gösta Sundström, Mechanic, Patria were elected as members of the Consultative Committee.

The Extraordinary General Meeting of Shareholders held on 9 December 2022 appointed Ilona Lundström, Director General, Ministry of Economic Affairs and Employment as a member of the Patria Oyj's Consultative Committee as of the 9 December 2022. She succeeds Petri Peltonen.

PricewaterhouseCoopers Oy, Authorised Public Accountants continued as Auditor with Jukka Karinen, APA, as the responsible partner.

Internal audit in Patria Group was carried out by KPMG Oy, Authorised Public Accountants.

Esa Rautalinko, Master of Science (Economics) continued as President and CEO of Patria Group.

Risks and uncertainties

Patria has a risk management and internal control policy, approved by the Board of Directors, which specifies the related tasks, objectives, components, responsibilities and authorities. The Board provides the ultimate oversight and direction for risk management and internal control and has allocated main responsibility for these actions to the Audit Committee appointed by the Board. The primary responsibility for risk management and internal control lies with the operational units and Patria's Group functions in their area of responsibility. The President and CEO of Patria is responsible for the proper functioning and monitoring of risk management and

internal control. Patria's Group functions provide guidelines for risk management and internal control and perform monitoring on different levels. Patria's Internal Audit function as well as internal and external auditors evaluate the effectiveness of Patria's risk management and internal control. In addition, Patria's customers perform various audits and control activities to ensure compliance by Patria with the customer requirements.

Risk management activities cover strategic, operational, and compliance risks as well as financial risks and safety, security and hazard risks.

European security policy was changed in February 2022 as Russia attacked Ukraine forcing Finland and Europe to assess the security situation in a common way. Situation was also changed for the defence industry. Due to the war demand of defence materiel has been increased significantly in Europe and in the world. Due to the situation, sanctions and due diligence checks have been a significant part of risk management.

The war in Ukraine will affect business growth, especially in the mid- and long term, as defence expenditures increase in the vast majority of European countries as well as globally. Procurement projects in the defence sector are typically years long, so there will likely be no rapid growth spurts. Patria is a key part of Finland's security of supply and preparing for various crisis situations and ensuring overall safety are Patria's core activities. Patria's supply capability has been good, and the production capacity has been prepared and developed specifically to meet a growing demand, at the same time taking care of the company's role in ensuring Finland's overall safety.

The international defence industry is subject to continuous change. Acquisitions and mergers are taking place, new operators are emerging, the complexity of customer requirements and utilization of new technologies is increasing, and competition is intensifying. Patria responds to the competition by improving the anticipation and understanding of customer needs and their changes, along with developing and commercializing new competitive products, services and solutions.

The export of defence material is subject to an export or transfer license, which in Finland is granted by the Ministry of Defence or, when certain conditions are met, the government. The conditions in the potential destination country may prevent the granting of an export license, or the conditions in a country to which an



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export license has been granted may change in such a way that the license will be cancelled temporarily or permanently.

Due to the nature of certain segments of Patria's business, individual sales and delivery projects can be very large in relation to the Group's annual net sales. They may include product development, require extensive subcontracting and co-operation with third parties, and have durations of several years. Moreover, the contents of deliveries and the forms of industrial co-operation implemented together with partners can be complex in nature. The risks involved in such projects are typically versatile and significant, requiring thorough assessment and management. The management of projects and project risks are constantly being developed and enhanced.

Corporate social responsibility

As from the beginning of 2022, corporate responsibility is directed by an ESG Steering Group, which is coordinated by the Chief Legal Officer and functions based on a revised corporate responsibility management model. Corporate Social Responsibility is the foundation of Patria's profitable and sustainable business and continuance thereof. Patria's operations are based on and governed by laws, regulations, international agreements and Patria's own policies. The corporate social responsibility (CSR) report is an integral part of Patria's Annual Report 2022.

In Patria, Group Management Team is responsible for steering of the activities concerning Company Social Responsibility, and this increases transparency and dialogue within the group. Steering and monitoring of ethics and compliance related matters is clearly specified in the Board of Director's Audit Committee's charter. In 2022 the Board of Directors, the Audit Committee and the Group Management Team received regular reports on activities and issues relating to Corporate Social Responsibility.

Ethical conduct is an implicit foundation for Patria's operations and decision making. It ensures the company's stakeholders' confidence in the company's operations. During the financial period ethical conduct continued to be developed according to plan.

In addition to the CLO, the members of the ESG Steering Group are the heads of HR, finance and QEHS and a communications representative. Patria also has ESG

working groups specialising in the environment, compliance, finance, procurement and well-being at work. As from the beginning of 2022, there is a separate Head of Compliance, who reports to the CLO and is responsible for matters related to compliance and ethics (incl. anti-corruption work).

Two-tier ethical and compliance training is carried out at to two levels, tailored to employees' exposure and on the basis of risk: a basic training section plus a more demanding section for selected groups. Trainings on topics such as NDA and background check system are carried out in classroom and Teams sessions.

Every two years, Patria measures its personnel's views on serious misconduct and other unethical conduct with the aid of an anonymous survey (the survey on the potential for serious misconduct at Patria). The next survey will be conducted at the beginning of 2023.

Trade Compliance Project in co-operation with Kongsberg continued.

Patria offers internal and external whistle-blowing channels enabling also anonymous reporting. A SpeakUp channel enabling anonymous reporting and dialogue was introduced in 2020. All the reports from different channels have been investigated according to the processes. Statistics and nature of issues concerning the reports received via these reporting channels were regularly reported to the Audit Committee. During 2022, Patria launched development work to capture new and enhanced requirements in compliance with the EU Whistleblower directive implementation in the countries in which it operates, with the objective of finding ways to ensure timely investigation of cases and adequate whistleblower protection.

The CSR essential themes will be updated in 2023 based on an international stakeholder survey. In 2022 one of the themes was environmental actions against climate change. In 2022 no changes were made to the themes.

In Patria environmental aspects, impacts and risks are considered in all business planning, operations and management. All Patria's major operational locations are ISO14001 certified. As an environmentally responsible company, Patria is committed to Finland's carbon neutrality goal by 2035. To achieve the set target, various measures have been engaged, including more efficient use of energy, materials and water. In 2022 Patria joined SBTi and environmental targets and measures to reduce the carbon footprint were defined.



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Related to export license practices Patria complies with the national legislation based on international commitments. A decision made by the government officials to grant an export license is made on a case by case basis with the big picture in mind and one of the prerequisites is a reliable end user of the materiel. Granting a license is based on the EU criteria and in consultation with other EU countries. Patria leans on the government officials' capability to evaluate the end user reliability and other export prerequisites when assessing the possibility of export in complex situations and circumstances.

Patria continuously strives to improve its internal processes and practices by ensuring the necessary expertise in the subject area and by actively working with other industry players in identifying and applying best practices in the field. Patria also actively participates in expert industry groups engaged in a dialogue with the European Council's COARM (Working Party on Conventional Arms Exports) and the European Commission. Patria took a leading role in the creation of the Finnish Sanctions and Export Control Society ("SPVY"), of which it is a member of the Board. Patria is a member of the non-profit organization TRACE, Global Compact and its local network Global Compact Finland as well as the Finnish responsibility network FIBS.

Patria continued to provide Tampere University of Technology with financial support for the aviation technology education. During 2022, Patria agreed with Tampere University of Applied Sciences (TAMK) on cooperation called Patria's path regarding the possibility of students completing part of their studies and internships in Patria.

In 2022 Patria donated to the welfare of Ukrainian children and also continued to promote welfare of children and youth with locally selected donations. The group is one of the main sponsors of the Finnish Biathlon Association.

Events after the financial period

Patria management does not have knowledge of any significant events after the balance sheet date, which would have had an impact on the financial statements.

Outlook

Patria continues to strengthen its operational efficiency and seeks profitable growth in line with its new strategy. Patria's reliable and cost-effective lifecycle support services and top-notch products have a key role also in the future in maintaining required performance of customer fleets in all conditions.

Following Finland's decision in December 2021 to acquire F-35 fighter jets, negotiations concerning industrial participation of the selected aircraft took place through 2022 and will continue also in 2023.

The joint programme of the Patria 6x6 vehicle is proceeding as planned. Serial production of Latvian vehicles is ongoing and pre-series deliveries for Finland have been made. The joint programme has raised interest and is open also for other countries to join by mutual consent of the participating countries.

The impact of long-term development of the current geopolitical situation, general economic uncertainty, inflation and increasing costs for the rest of the year are difficult to evaluate reliably. At the same time Patria's delivery capability is expected to stay at a good level. In the mid and long term, Patria and the defence industry in general are likely to see an increase in demand as defence spends are increasing in the majority of European countries.

Board of Directors' proposal for profit distribution

The parent company's non-restricted equity on 31 December 2022 is EUR 186,193,957.35 of which the net profit for the financial period is EUR 4,810,147.58.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.95 per share be paid on the shares owned by the State of Finland and Kongsberg Defence & Aerospace AS. Under the proposal, the total amount of dividends will be EUR 26,449,794.55. The Board of Directors further proposes that the remaining non-restricted equity, EUR 159,744,162.80 be retained and carried forward.

Annual General Meeting 2023

The Annual General Meeting of Patria Oyj will be held on 27 March 2023 in Helsinki, Finland.



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Consolidated Statement of Financial position

MEUR	Note	31/12/2022	31/12/2021
Assets			
Non-current assets			
Intangible assets	11		
Intangible rights		2.4	2.7
Goodwill	8, 11	36.7	28.3
Advance payments		0.0	0.1
Tangible assets	11		
Land and water		3.9	3.9
Buildings and constructions		105.8	117.0
Machinery and equipment		21.5	23.5
Other tangible assets		1.0	0.8
Advance payments and construction in progress		0.6	0.6
Investments in joint ventures	12	234.8	222.2
Other shares	13, 16	0.2	0.2
Deferred tax assets	10	17.3	14.1
Other receivables		10.8	11.6
Total Non-current assets		435.0	424.8
Current assets			
Inventories	14		
Raw materials and supplies		86.3	49.1
Work in progress		49.5	60.2
Finished goods		4.3	2.2
Advance payments		1.9	1.3
Receivables			
Accounts receivable	2	101.5	118.5
Receivables from joint ventures	12	0.1	0.0
Other receivables		3.0	2.0
Prepaid expenses and accrued income	14	34.8	37.5
Derivative financial instruments	2	6.3	0.7
Current tax asset		0.2	0.2
Current investments		14.9	3.5
Cash and cash equivalents		73.7	64.8
Total Current assets		376.5	340.1
Total Assets		811.6	765.0

MEUR	Note	31/12/2022	31/12/2021
Shareholders' equity and liabilities			
Shareholders' equity			
	18		
Share capital		38.0	38.0
Fair value reserve	17	4.0	0.4
Invested non-restricted equity fund		164.1	164.1
Translation differences		-4.3	-1.7
Retained earnings		16.9	-1.3
Net income for the period		46.2	53.6
Equity attributable to shareholders of parent company		265.0	253.1
Non-controlling interests		34.5	31.1
Total Shareholders' equity		299.4	284.2
Non-current liabilities			
Deferred tax liability	10	2.6	1.6
Pension provisions	7	4.1	7.1
Provisions	19	8.1	10.6
Interest bearing liabilities	2	154.9	166.2
Other liabilities		1.5	1.5
Total Non-current liabilities		171.3	187.0
Current liabilities			
Interest bearing liabilities	2	15.6	44.7
Advance payments		146.1	105.8
Accounts payable		70.8	54.0
Other current liabilities		41.4	25.8
Accruals and deferred income	15	66.3	63.3
Derivative financial instruments	2	0.5	0.1
Current tax liability		0.1	0.0
Total Current liabilities		340.8	293.7
Total Shareholders' equity and liabilities		811.6	765.0

The notes are an integral part of these consolidated financial statements.

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Consolidated Income Statement

MEUR	Note	1-12 2022	%	1-12 2021	%
Net sales	4	627.1		547.7	
Other operating income	5	4.3		4.8	
Share of joint ventures result		32.0		41.4	
Change in inventories of finished goods and work in progress		-8.3		18.2	
Production for own use		0.1		0.1	
Raw materials and supplies		-202.4		-156.1	
Change in inventories of raw materials		23.5		-8.6	
Services purchased		-92.0		-82.7	
Employee benefit expenses	7	-222.4		-205.4	
Depreciation, amortization and impairments	8	-27.1		-27.3	
Other operating expenses	5	-81.1		-70.8	
Operating profit		53.8	8.6%	61.2	11.2%
Financial income and expenses	9				
Interest and other financial income		0.8		0.7	
Interest and other financial expenses		-4.5		-4.2	
Exchange gains and losses		-0.5		-1.1	
Income before taxes		49.7	7.9%	56.6	10.3%
Income taxes	10	-3.5		-3.0	
Profit for the period		46.2	7.4%	53.6	9.8%
Net income attributable to non-controlling interests		7.9		8.2	
Net income attributable to equity shareholders		38.3		45.4	
Profit for the period		46.2	7.4%	53.6	9.8%

Consolidated statement of comprehensive income

MEUR	1-12 2022	%	1-12 2021	%
Profit for the period	46.2		53.6	
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods				
Cash flow hedges	3.6		0.1	
Change of translation difference	-2.6		0.1	
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gains/losses on defined benefit plans	2.7		0.1	
Share of comprehensive income in joint ventures	0.1		-1.9	
Total comprehensive income	50.0	8.0%	51.9	9.5%
Total comprehensive income attributable to non-controlling interests	8.5		7.7	
Total comprehensive income attributable to equity shareholders	41.5		44.2	
Total comprehensive income	50.0	8.0%	51.9	9.5%

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Consolidated Cash Flow Statement

MEUR	Note	1-12 2022	1-12 2021
Net income for the period		46.2	53.6
Depreciation, amortization and impairments	8	27.1	27.3
Capital gains/losses		-0.0	-1.1
Other adjustments			
Share of result in joint ventures		-32.0	-41.4
Dividends received from joint ventures		11.0	10.4
Other adjustments		2.9	0.3
Financing items		3.8	3.6
Taxes	10	3.5	3.0
Change in receivables		16.6	18.6
Change in payables		71.5	43.4
Change in inventories		-27.1	-21.6
Cash flow from operations		123.5	96.0
Interest received		0.7	0.6
Interest paid		-3.8	-2.8
Dividends received		0.0	0.0
Other financial items		-0.4	-1.4
Income taxes paid		-7.1	-6.3
Cash flow from operating activities		112.9	86.1
Acquisitions, net of cash		-10.5	-2.3
Other capital expenditures		-6.7	-9.2
Divested business operations		-0.0	0.5
Sale of other fixed assets and other changes		0.1	0.1
Other long-term investment, decrease		0.0	0.4
Cash flow from investing activities		-17.0	-10.4
Borrowings of long-term loans		0.0	50.0
Change in short-term financing		-30.0	-60.0
Change in other loans		-14.7	-14.8
Dividends paid to equity shareholders		-25.1	-16.7
Dividends paid to non-controlling interests		-4.6	-3.9
Change in other loan receivable		0.7	1.0
Other changes		-1.9	-0.5
Cash flow from financing activities		-75.6	-44.9
Change in liquid funds	2	20.3	30.8
Change		20.3	30.8
Liquid funds at the beginning of the period		-68.3	37.5
Liquid funds at the end of the period		88.6	68.3
Exchange rate difference		0.0	0.0

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

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MEUR	Note	Share capital	Invested non-restricted equity fund	Fair value reserve	Translation differences	Retained earnings	Equity attributable to shareholders of parent company	Non-controlling interests	Total Shareholders' equity
Opening balance		38.0	164.1	0.4	-1.7	52.3	253.1	31.1	284.2
Change in share of comprehensive income in joint ventures						-4.9	-4.9		-4.9
1 Jan 2022 restated opening balance		38.0	164.1	0.4	-1.7	47.3	248.1	31.1	279.3
Dividends paid						-25.1	-25.1		-25.1
Other comprehensive income	10								
Cash flow hedges				3.6			3.6		3.6
Change of translation difference					-2.6		-2.6		-2.6
Actuarial gains/losses on defined benefit plans						2.7	2.7		2.7
Share of comprehensive income in joint ventures						0.1	0.1		0.1
Non-controlling interests						-7.9	-7.9	3.3	-4.6
Exchange rate difference						-0.1	-0.1		-0.1
Corrections to previous year's bookings*						0.0	0.0		0.0
Net income for the period						46.2	46.2		46.2
31 Dec 2022		38.0	164.1	4.0	-4.3	63.1	265.0	34.5	299.4

MEUR	Note	Share capital	Invested non-restricted equity fund	Fair value reserve	Translation differences	Retained earnings	Equity attributable to shareholders of parent company	Non-controlling interests	Total Shareholders' equity
Opening balance		38.0	164.1	0.3	-1.7	22.4	223.1	26.8	249.9
Dividends paid						-16.7	-16.7		-16.7
Other comprehensive income	10								
Cash flow hedges				0.1			0.1		0.1
Change of translation difference					0.1		0.1		0.1
Actuarial gains/losses on defined benefit plans						0.1	0.1		0.1
Share of comprehensive income in joint ventures						-1.9	-1.9		-1.9
Non-controlling interests						-8.2	-8.2	4.3	-3.9
Exchange rate difference						3.0	3.0		3.0
Corrections to previous year's bookings*						-0.0	-0.0		-0.0
Net income for the period						53.6	53.6		53.6
31 Dec 2021		38.0	164.1	0.4	-1.7	52.3	253.1	31.1	284.2

* IAS 8 corrections for previous periods.

The notes are an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements

1. Accounting principles for the consolidated financial statements

Description of businesses

Patria is a defence and aerospace group with international operations delivering its customers competitive solutions based on own specialist know-how and partnerships. Patria is owned by the State of Finland 50.1% and Kongsberg Defence & Aerospace AS 49.9%.

The operations of Patria Oyj and its subsidiaries (together "Patria" or the "Group") are organised into business segments Finland, Global and Millog.

Patria Oyj ("the Company") is a Finnish public limited company organised under the laws of the Republic of Finland and with its registered address at Arkadiankatu 2, 00100 Helsinki. Copies of the financial statements are available from Patria Group's headquarters, Arkadiankatu 2, 00100 Helsinki and www.patriagroup.com.

Basis of preparation

The Consolidated Financial Statements of Patria have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union including International Accounting Standards ("IAS") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Use of estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period.

Accounting estimates and judgements are employed in the financial statements to determine reported amounts, including the realizability of certain assets, the useful lives of tangible and intangible assets, income taxes, inventories, provisions, pension obligations and impairment of goodwill and other items. The basis for the

estimates and judgements are described in more detail in these accounting principles and in connection with the relevant disclosure to the financial statements.

Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the parent company Patria Oyj and all subsidiaries in which the parent company directly or indirectly holds more than 50% of the voting rights or in which Patria is otherwise in control on the reporting date. Being in control means the power to govern the financial and operating policies of the company to obtain benefits from its activities.

Acquired and established companies are accounted for using the purchase method of accounting. Accordingly, the purchase price and the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. In the acquisition of additional interest, where the Group already has control, the non-controlling interest is measured either at fair value or at the non-controlling interests' proportionate share of the identifiable net assets. The difference between the purchase price, possible equity belonging to the non-controlling interests and the acquired company's net identifiable assets, liabilities and contingent liabilities measured at fair value is goodwill. Goodwill is tested for impairment at least annually. The purchase price includes the consideration paid, measured at fair value. The consideration does not include transaction costs, which are recognised in the statement of income. The transaction costs are expensed in the same financial period in which they occur, except the costs resulting from issued debt or equity instruments.

Any contingent consideration (additional purchase price) related to the combination of businesses is measured at fair value on the date of acquisition. It is classified either as a liability or equity. Contingent consideration classified as a liability is measured at fair value on the last day of each financial period, and the resulting loss or gain is recognised through profit or loss. Contingent consideration classified as equity is not remeasured.

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For the acquisitions which occurred before 1 January 2010, the accounting principles valid at the time of the acquisition have been applied.

The acquired subsidiaries are included in the consolidated financial statements from the day the Group has control and disposed subsidiaries until the control ends. All intragroup transactions, dividend distributions, receivables and liabilities as well as unrealized margins are eliminated in the consolidated financial statements. In the consolidated statements of income and comprehensive income, non-controlling interests have been separated from the profit and the total comprehensive income for the financial period. In the consolidated statement of financial position, non-controlling interests are shown as a separate item under equity.

Associated companies and joint ventures

Companies, in which the Group has a significant influence are consolidated as associated companies. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net asset of the joint venture. Joint control is established by contractual agreement.

Associated companies and joint ventures are included in the consolidated financial statements using the equity method from the date the Group's significant influence or joint control commences until the date it ceases. The Group's share of the associated company's or joint venture's profit for the financial period are shown as a separate item before the Group's operating profit, on the line Share of joint ventures result. The Group's share of the associated company's or joint venture's changes recorded in other comprehensive income is recorded in the Group's other comprehensive income. Patria's proportion of the associated company's or joint venture's post-acquisition accumulated equity is included in the Group's equity. If the Group's share of the associated company's or joint venture's losses exceeds its interest in the company, the carrying amount is written down to zero. After this, losses are only recognised if the Group has incurred obligations from the associated company or joint venture.

Foreign currency transactions

Foreign currency transactions are translated into Euros using the exchange rates prevailing at the dates of the transactions. Receivables, liabilities and derivative instruments in foreign currencies are translated into Euros at the exchange rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translating are recognised in the income statement. Foreign exchange gains and losses related to business operations are included in the corresponding items above the operating profit line. Foreign exchange gains and losses related to loans and receivables in foreign currencies are included in financial income and expenses.

The income statements of the Group companies domiciled outside the Euro area are converted into Euro using the average exchange rate of the reporting period while the balance sheets are converted using the exchange rate quoted on the date of the Financial Statements. The exchange rate differences resulting from the conversion of the Financial Statements into Euro are recognised in translation differences under consolidated equity. The translation differences resulting from the movements in exchange rates used to translate equity are likewise recognised directly in translation differences under consolidated equity.

The accumulated translation differences related to divested Group companies, recorded under equity, are recognised in the Income Statement as part of the gain or loss on the sale.

Financial instruments

Financial assets are classified into three main categories: to be measured at amortised cost, at fair value through income statement and at fair value through other comprehensive income.

Unless separately stated in the Notes the carrying value is considered to be equal to the fair value.

Category to be measured at amortised cost includes non-current receivables from joint ventures, other receivables, commercial papers, trade receivables, cash and cash equivalents, interest-bearing financial liabilities and trade payables. Financial liabilities are recognised at the settlement date and measured at amortised cost using the effective interest rate method.

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Other investments (securities), interest-bearing investments and derivatives (not under hedge accounting) are measured at fair values through income statement.

Derivatives under hedge accounting are measured at fair value through other comprehensive income. The changes in the fair values of derivatives that are designated as hedging instruments but are not accounted for according to the principles of cash flow hedge accounting are recognized based on their nature either in the operative income or costs, or as financial income or expenses.

All derivatives, including embedded derivatives, are initially recognised at fair value. Determination of fair values is based on quoted market prices and rates, discounting of cash flows and option valuation models.

The Group applies hedge accounting under IFRS 9 while hedging estimated future cash flows with foreign currency derivatives and the loan portfolio with interest rate derivatives (cash flow hedging). Foreign exchange spots are defined as derivatives when those consider cash flow hedging. Interest component of the foreign exchange forward contract is recognised in financial income or expense in the income statement. Fair value (spot-spot) changes of derivatives, which are assigned to hedge forecast transactions (cash flow hedging), are recognised in other comprehensive income to the extent that the hedge is effective. The ineffective portion of the hedging instrument is recognised immediately in the income statement. Such accumulated fair value changes are released from equity to income statement in the period when the hedged cash flow affects income. The main reason for the hedge inefficiency is the timing difference between the derivative maturity date and the expected date of hedged foreign exchange future cash flows. Hedge accounting is not applied to derivatives hedging balance sheet items.

All recognised fair value changes to other comprehensive income are net of tax.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss

event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

Trade receivables and non-current receivables do not have significant risk for credit losses due to the customer base. Mitigation against credit risk is done by including risk reducing terms to sales agreements and requesting guarantees when needed. The group has not recognised material credit losses in the past. The group is continuously evaluating the credit loss risk and the possible changes e.g. in the customer base may result to recognition of the loss allowance provision.

Net sales and revenue recognition

Revenue is presented net of indirect sales taxes, penalties and discounts. Revenue is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The transaction price may include variable considerations, such as penalties or compensations for damages.

Product sales consist of sales of spare parts and standard equipment for which the revenue is recognised at a point in time when the control of the products has transferred to the customer, in general upon delivery of the goods. Product sales also consist of project delivery (armoured wheeled vehicles and mortar systems as well

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as systems and system integration) for which, depending on the contract terms and the duration of the project, the revenue is recognised at a point in time or over time.

Sales of services consist of maintenance, repair, modification and hourly based services. The revenue is recognised over time based on hours performed or costs incurred depending on the contract terms and the duration of the project, or at a point in time, if the duration of the project is short-term and result impact is insignificant.

Revenue recognised over time is measured in accordance with the percentage of completion method based on hours performed or costs incurred when the outcome of the contract can be estimated reliably. When the outcome cannot be reliably determined, the costs arising are expensed in the same financial period in which they occur, but the revenue is recognized only to the extent that the company will receive an amount corresponding to actual costs. Any losses are expensed immediately.

Patria provides its customers standard payment terms. If extended payment terms exceeding one year are offered to customers, the invoiced amount is discounted to its present value and interest income is recognized over the credit term.

Patria does not have significant customer arrangements that do not meet the criteria set out in the IFRS 15 for a contract. Patria typically issues contractual product warranties under which it generally guarantees the functioning of equipment delivered during the agreed warranty period.

Patria receives payments from customers based on invoicing schedules as agreed in the customer contracts. Changes in contract assets and liabilities are due to Patria's performance under the contracts. Amounts due from customers under revenue contracts primarily relate to Patria's right to consideration for work completed but not yet invoiced at the reporting date. These assets are transferred to account receivables when Patria has contractual right to issue an invoice. Significant part of amounts due to customers relate to advance consideration received from customer in long-term contracts for which revenue is recognized over time. These amounts are recognized as revenue as Patria performs under the contracts.

To identify the performance obligations in the contract requires management to make estimates and judgements that may affect the reported revenue amount and timing.

Products and services contracts generally include one performance obligation. Long-term contracts include maintenance contracts for which revenue is in general recognized over time and the contracts generally include one performance obligation per delivery.

Contract assets are included in Prepaid expenses and accrued income in the Balance sheet and Contract liabilities in Advance payments in the Balance sheet (Note 14).

At the end of the financial year, Patria had no costs to obtain or fulfil contracts capitalized under IFRS 15.

Research and development costs

Research and development costs are expensed as they are incurred. Capitalised unaccomplished development costs are subject to regular impairment assessments of recoverability based on anticipated future revenues. Unamortised capitalised development costs determined to be in excess of their recoverable amounts are expensed immediately.

Income taxes

The Group income tax expense includes taxes of the Group companies based on taxable profit for the period, together with tax adjustments for previous periods and the change in deferred income taxes. The income tax effects of items recognised in other comprehensive income are similarly recognised. The share of results in joint ventures is reported in the income statement as calculated from net profit and thus including the income tax charge.

Deferred income taxes are stated using the balance sheet liability method, as measured with enacted tax rates, to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities. The main temporary differences arise from the depreciation difference on property, plant and equipment, fair valuation of net assets in acquired companies, fair valuation of financial assets and derivatives, intra-group inventory profits, pension and other provisions, untaxed reserves and tax losses and credits carried forward. Deductible temporary differences are recognised as a deferred tax asset to the extent that it is



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probable that future taxable profits will be available, against which the deductible temporary difference can be utilised.

Property, plants and equipment

Property, plants and equipment are measured at their historical cost, less depreciation and impairment. The assets are depreciated over their economic life using the straight-line depreciation method. The economic life of assets is reviewed if necessary, adjusting it to correspond to possible changes in the expected economic use.

The assessed economic lives are as follows:

Buildings 10 to 30 years

Machinery and equipment 3 to 15 years

Other tangible assets 3 to 20 years

Land areas are not subject to depreciation. Repair and maintenance costs are recognised as expenses for the financial year in question. Improvement investments are capitalised if they will generate future economic benefits. Capital gains and losses resulting from the sale of tangible assets are recognised in the income statement.

Goodwill and other intangible assets

Goodwill is measured at historical cost, less impairment. The Group assesses the carrying value of goodwill annually or, more frequently, if events or changes in circumstances indicate that such carrying value may not be recoverable. Impairment losses are recognised immediately in the profit and loss account.

Intangible assets include, capitalised development cost, trademarks, patents, software licences as well as product and marketing rights. Intangible assets originating through development are recognised in the Balance Sheet only if the criteria of the IAS 38 standard are met.

Acquired intangible assets are measured at their historical cost, less depreciation. With the exception of goodwill, the assets are depreciated over their economic life, normally three to twenty years, using the straight-line depreciation method.

Grants received

Government or other grants are recognised as income on a systematic basis over the periods necessary to match them with the related costs, which they are intended to compensate. Grants related to the acquisition of tangible or intangible assets are recognised as decreases of their acquisition costs.

Impairments

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill is in all cases tested annually. For the purposes of assessing impairment, assets are grouped at the lowest cash generating unit level. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted value is higher than the carrying amount that would have been determined if no impairment loss had been recognised in prior years. Impairment losses recognised for goodwill are not reversed.

Leases

The group as lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Impact to profit and loss statement arises from depreciation of right-of-use assets and interest on lease liability.

Patria applies optional exemptions for short-term and low-value leases. Expenses related to these contracts will be recognized on a straight-line basis over the lease term.

Employee benefits

Group companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The contributions to defined contribution plans



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are charged to the income statement in the year to which they relate. The present value of the obligation under defined benefit plans is recorded in the balance sheet at fair value on the balance sheet date. Disability and retirement components of the Finnish Statutory Employment Pension Scheme (TyEL) have been accounted for as a defined contribution plans and unemployment component as a defined benefit plans.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method or weighted average cost that is sufficiently close to the factual cost calculated on FIFO basis.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads.

Accounts receivable

Accounts receivable are carried at their anticipated realizable value, which is the original invoice amount less an estimated impairment of these receivables. An impairment of accounts receivable is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Liquid Funds

Liquid Funds comprise current investments as well as cash and cash equivalents including cash in hand and bank deposits. Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions arise from restructuring plans, onerous contracts, guarantee and claim works.

Dividends

The dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the Annual General Meeting of Shareholders.

Segment reporting

The Group has decided not to apply the voluntary IFRS 8 standard and will not disclose financial information by segment in the financial statements.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. These right-of-use assets are depreciated over the contract period or over the useful life of the asset, which is the shorter. Interest cost of leases are presented in financing expenses. There are optional exemptions for short-term leases and leases of low value items which Patria has selected to utilize and the lease expense on these is recognized on a straight-line basis over the contract period as permitted by IFRS 16.

The group did not have sale and leaseback transactions during the financial year.

Application of new and amended IFRS standards and IFRIC interpretations

Patria has adopted the new standards and interpretations that took effect during the financial period and are relevant to its operations. The IFRS standards, IFRIC interpretations and amendments that took effect during the financial year did not have a material impact on the result or the financial position of the Group or on the presentation of the financial statements. Certain standards, amendments and interpretations have been published but have not taken effect. These are not expected to have a material impact on the result or the financial position of the Group or on the presentation of the financial statements.



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Corrections relating to previous financial years

Relating to defined benefit pension plans of associated companies the opening balance sheet as 1 January 2022 has been restated by EUR 4,946 thousand, thus information for the comparative period has not been restated.

2. Financial risk management

Main principals of financial risk management

The Board of Directors of Patria has approved the Treasury Management Policy, according to which treasury management and management of financial risks of the parent company and the subsidiaries are conducted.

The key tasks of the Group Treasury Function are the following: securing sufficient funding at all times for the parent company and the subsidiaries, arranging funding and credit lines, liquidity management, optimising net financial costs, organising and implementing management of financial risks, offering and providing subsidiaries with financial services and informing the Group management about the Group's financial position and risks.

Financial risks are later divided into currency risk, interest rate risk, liquidity and refinancing risk, credit and counterparty risk and operational risk. Subsidiaries and business units are responsible for hedging their financial risks according to Group guidelines and instructions given by Group Treasury.

Patria uses derivative financial instruments to hedge the Group's exposure to foreign exchange rate and interest rate risks arising from operational, investment and financing activities in accordance with Patria's treasury policy.

Currency risks

The objective of currency risk management is to hedge against exchange rate fluctuations affecting the future cash flow, result and balance sheet. Foreign currency exposures, which include binding sales, purchase and finance contracts (transaction position), are fully hedged by project or transaction by using foreign exchange derivatives. The subsidiaries are responsible for determining and hedging their exposures against Patria Oyj, which makes the necessary hedging transactions with banks.

Patria applies hedge accounting according to IFRS 9 while hedging estimated future cash flows with foreign currency derivatives (cash flow hedging). Fair value changes of derivatives, which are assigned to hedge forecast transactions, are recognised in other comprehensive income (fair value reserve) to the extent that the hedge is effective. The ineffective portion of the hedging instrument is recognised immediately into financial items in the income statement. Such accumulated fair value changes are released into income statement in the period when the hedged cash flow affects income. The main source of ineffectiveness is the difference in the maturities of the hedged item and the hedging instrument. Hedge accounting is not applied to derivatives hedging balance sheet items.

Hedged item and hedging instrument are considered to have economic relationship if critical terms of hedging instrument and hedged item match. If economic relationship exists, it is expected that changes in fair value or cash flows of the hedging instrument offset changes in fair value or cash flows from the hedged item. The same currency is used for the hedging instrument as the hedged item has, therefore they have an economic relationship.

A sensitivity analysis, in accordance with IFRS 7 shown later, aims to demonstrate the sensitivity of the consolidated income before taxes and equity to foreign exchange rate fluctuations. Net exposures include foreign currency denominated financial assets and liabilities in the balance sheets of the companies and the derivatives used to hedge these as well as derivatives for which hedge accounting is not applied. The change in fair value of these items is recognised in the income statement.

The change in fair value of derivatives to which hedge accounting is applied is recorded directly in the fair value reserve in equity. The change in fair value is expected to be offset by time as the opposite changes in the values of highly probable future forecasted cash flows materialise.

The next table presents the net exposures as well as the effects based on the sensitivity analysis on result before the taxes and shareholders' equity, assuming that euro would have strengthened or weakened against the currency in question on the balance sheet date. The sensitivity is calculated for a five percent exchange rate change.

The most significant currency exposures (net sales, purchases and loans) on 31 December 2022 were in the Swedish krona (SEK), and United States dollar (USD).

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IFRS 7 Sensitivity analysis - sensitivity to exchange rate fluctuations 2022

1,000 EUR	SEK	USD
Net exposure - Balance sheet items	3,151	-3,925
Euro strengthens / weakens 5% - Effect on income before taxes	-150 / 166	187 / -207
Net exposure - Derivatives under hedge accounting	2,464	-3,524
Euro strengthens / weakens 5% - Effect on equity	-116 / 131	168 / -185

IFRS 7 Sensitivity analysis - sensitivity to exchange rate fluctuations 2021

1,000 EUR	SEK	USD
Net exposure - Balance sheet items	674	-7,027
Euro strengthens / weakens 5% - Effect on income before taxes	-32 / 35	335 / -370
Net exposure - Derivatives under hedge accounting	1,621	-1,784
Euro strengthens / weakens 5% - Effect on equity	-77 / 85	135 / -149

Consolidating the Group's subsidiaries and joint venture companies domiciled in non-euro-countries results in translation differences, which are recorded in shareholders' equity (translation risk). Patria's policy is not to hedge translation risks.

Effects of hedge accounting on the Group's financial position concerning the most significant currencies is presented in the following table.

Effects of hedge accounting on the financial position 2022

Forward foreign exchange contracts - EURUSD, MEUR	31/12/2022
Fair Value	-0.2
Nominal Value	20.3
Expected time for the impact on P&L	January 2023 - March 2024
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	-0.2
Change in value of hedged item used to determine hedge effectiveness	0.2
Weighted average hedged rate (including forward points)	1.0620

Forward foreign exchange contracts - EURSEK, MEUR	31/12/2022
Fair Value	-0.0
Nominal Value	2.5
Expected time for the impact on P&L	March 2023 - June 2023
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	-0.0
Change in value of hedged item used to determine hedge effectiveness	0.0
Weighted average hedged rate (including forward points)	11.0684

Forward foreign exchange contracts designated as cash flow hedges, MEUR	31/12/2022
Derivative financial assets	0.2
Derivative financial liabilities	-0.5

Effects of hedge accounting on the financial position 2021

Forward foreign exchange contracts - EURUSD, MEUR	31/12/2021
Fair Value	0.1
Nominal Value	9.5
Expected time for the impact on P&L	January 2022 - June 2023
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	0.1
Change in value of hedged item used to determine hedge effectiveness	-0.1
Weighted average hedged rate (including forward points)	1.1577

Forward foreign exchange contracts - EURSEK, MEUR	31/12/2021
Fair Value	0.0
Nominal Value	-1.6
Expected time for the impact on P&L	January 2022 - December 2022
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	0.0
Change in value of hedged item used to determine hedge effectiveness	-0.0
Weighted average hedged rate (including forward points)	10.2812

Forward foreign exchange contracts designated as cash flow hedges, MEUR	31/12/2021
Derivative financial assets	0.2
Derivative financial liabilities	-0.1

Derivative instruments

2022, MEUR	Nominal value	Positive fair values	Negative fair values	Net fair value
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts	28.0	0.2	-0.5	-0.3
Buy	13.7	0.1	-0.5	-0.4
Sell	14.4	0.2	-0.1	0.1
Interest rate swap	50.0	5.5		5.5
Cash flow hedge	78.0	5.8	-0.5	5.2
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	33.1	0.6	-0.0	0.6
Buy	4.2	0.0	-0.0	-0.0
Sell	28.9	0.6	-0.0	0.6
Non-hedging	33.1	0.6	-0.0	0.6
Total	111.1	6.3	-0.5	5.8
MEUR	2023	2024	2025	2026 -
Derivative financial assets	0.7	0.1	0.0	5.5
Derivative financial liabilities	-0.5	0.0	0.0	0.0

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2021, MEUR	Nominal value	Positive fair values	Negative fair values	Net fair value
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts	17.4	0.2	-0.1	0.1
Buy	7.7	0.2	-0.0	0.2
Sell	9.7	0.0	-0.1	-0.0
Interest rate swap	50.0	0.3		0.3
Cash flow hedge	67.4	0.6	-0.1	0.5
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	33.7	0.2	-0.0	0.1
Buy	1.1	0.0	0.0	0.0
Sell	32.6	0.1	-0.0	0.1
Non-hedging	33.7	0.2	-0.0	0.1
Total	101.1	0.7	-0.1	0.6
MEUR	2022	2023	2024	2025-
Derivative financial assets	0.4	0.0	0.0	0.3
Derivative financial liabilities	-0.1	0.0	0.0	0.0

Offsetting of financial instruments

2022, MEUR	Gross amounts in balance sheet	Financial instruments - Related amounts not set off in the balance sheet	Net amount
Derivative financial assets	6.3	-0.5	5.8
Derivative financial liabilities	0.5	-0.5	0.0

2021, MEUR	Gross amounts in balance sheet	Financial instruments - Related amounts not set off in the balance sheet	Net amount
Derivative financial assets	0.7	-0.1	0.6
Derivative financial liabilities	0.1	-0.1	0.0

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows each party to have the option to settle the relevant financial assets and liabilities on a net basis in the event of default of the other party.

Interest rate risk

Fluctuations in interest rates have an effect on Group's interest expenses and income as well as fair value of interest-bearing liabilities and receivables and derivatives. The objective of interest rate risk management is to hedge against interest rate fluctuations affecting the future cash flow, result and balance sheet. Interest rate risk is managed by monitoring the average interest fixing term (duration) of receivables and liabilities as well as by using derivatives, if needed. The Group has designated all open interest rate swaps as hedging instruments. Interest arising from interest rate swaps is reported under Financial income and expenses concurrently with interest expense arising from hedged floating rate loans from financial institutions.

On 31 December 2022, the average interest fixing term of the liabilities was 3.3 years (3.6) and that of the receivables 9.18 days (4.18 days).

Interest fixing periods

MEUR	0-6 mths	6-12 mths	12-24 mths	24-36 mths	Later	Total
Lease liabilities	0.1	0.6	1.2	2.9	85.1	89.9
Loans from financial institutions	30.0			50.0		80.0
Other interest-bearing liabilities	0.0	0.1			0.5	0.5
Interest-bearing receivables	-88.6					-88.6
Total 2022	-58.5	0.7	1.2	52.9	85.6	81.9

MEUR	0-6 mths	6-12 mths	12-24 mths	24-36 mths	Later	Total
Lease liabilities	0.4	0.3	2.1	0.6	97.6	100.9
Loans from financial institutions	60.0				50.0	110.0
Other interest-bearing liabilities		0.0	0.0			0.0
Interest-bearing receivables	-68.3					-68.3
Total 2021	-8.0	0.3	2.1	0.6	147.6	142.6

On 31 December 2022, Group's interest-bearing liabilities totaled EUR 170.5 million (211.0) out of which EUR 140.5 million (150.7) was fixed rate and EUR 30.0 million (60.3) was floating rate. Interest-bearing receivables were EUR 88.6 million (68.3) out of which EUR 73.7 million (64.8) was floating rate and EUR 14.9 million (3.5) was fixed rate. The Group has open interest derivatives EUR 50.0 million (50.0) on 31 December 2022.

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A sensitivity analysis in accordance with IFRS 7 and assuming a one percentage point increase in interest rates and the interest-bearing liabilities and receivables in the balance sheet as of 31 December 2022, would lead to a decrease in annual net interest expenses of EUR 437 thousand. In the previous year the annual net interest expenses would have increased by 45 thousand euro. A corresponding decrease in interest rates would result in an equal effect of opposite sign.

Liquidity and refinancing risks

Liquidity risk is minimised by maintaining sufficient liquidity reserves, so as to secure the operational liquidity requirements at all times.

Refinancing risk is defined as a risk of a high proportion of loans or credit facilities maturing at a time when refinancing may be difficult, or its terms are unattractive.

The risk is minimised by balancing the maturities of loans and credit facilities.

On 31 December 2022 the average maturity of the Group's interest-bearing liabilities was 3.6 years (3.9). The values on the following maturity distribution table are undiscounted.

Maturity distribution of financial instruments

MEUR	2023	2024	2025	2026	2027	2028-	Total
Lease liabilities	15.4	14.9	14.3	12.2	10.8	22.2	89.9
Loans from financial institutions	0.0	80.0	0.0	0.0	0.0	0.0	80.0
Other interest-bearing liabilities	0.2	0.0	0.0	0.0	0.4	0.0	0.5
Derivative financial liabilities	0.5	0.0	0.0	0.0	0.0	0.0	0.5
Derivative financial assets	-0.7	-0.1	0.0	-5.5	0.0	0.0	-6.3
Interest payments	0.4	0.0	0.0	0.0	0.0	0.0	0.4
Total 2022	15.8	94.9	14.3	6.7	11.2	22.2	165.1

MEUR	2022	2023	2024	2025	2026	2027-	Total
Lease liabilities	14.7	14.6	13.9	13.7	12.0	32.2	100.9
Loans from financial institutions	30.0	0.0	80.0	0.0	0.0	0.0	110.0
Other interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial liabilities	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Derivative financial assets	-0.4	-0.0	0.0	0.0	-0.3	0.0	-0.7
Interest payments	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Total 2021	44.6	14.5	93.9	13.7	11.6	32.2	210.5

As a part of its liquidity reserves on 31 December 2022, Patria had the following unused financial reserves: committed credit and overdraft facilities totaling EUR 65.5 million (45.5) and commercial paper program totaling EUR 100.0 million (100.0).

Net debt

MEUR	2022	2021
Loans from financial institutions	80.0	80.0
Other interest bearing loans	0.4	0.0
Lease liabilities	74.5	86.2
Non-current interest-bearing liabilities	154.9	166.2
Loans from financial institutions	0.0	30.0
Other interest bearing loans	0.2	0.0
Lease liabilities	15.4	14.7
Current interest-bearing liabilities	15.6	44.7
Interest-bearing liabilities total	170.5	211.0
Liquid funds	88.6	68.3
Net debt	81.9	142.6

Change in net debt

MEUR	Loans from financial institutions	Commercial papers	Other interest bearing loans	Lease liabilities	Liquid funds	Total
Carrying value, at 1 January 2022	-110.0	0.0	-0.0	-100.9	68.3	-142.6
Change in net debt, cash:						
Change in current liabilities	30.0		-0.0			30.0
Change in liquid funds					20.3	20.3
Cash flows total	30.0	0.0	-0.0	0.0	20.3	50.3
Change in net debt, non-cash:						
Increases of lease liabilities				-6.5		-6.5
Repayments of lease liabilities				17.5		17.5
Business combinations			-0.5	-0.1		-0.6
Foreign exchange adjustments				-0.0	-0.0	-0.0
Non-cash movements, total	0.0	0.0	-0.5	11.0	-0.0	10.5
Carrying value, at 31 December 2022	-80.0	0.0	-0.5	-89.9	88.6	-81.9

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MEUR	Loans from financial institutions	Commercial papers	Other interest bearing loans	Lease liabilities	Liquid funds	Total
Carrying value, at 1 January 2021	-110.0	-10.0	0.0	-97.7	37.5	-180.2
Change in net debt, cash:						
Change in non-current loans	-50.0		-0.0			-50.0
Change in current liabilities	50.0	10.0				60.0
Change in liquid funds					30.8	30.8
Cash flows total	0.0	10.0	-0.0	0.0	30.8	40.8
Change in net debt, non-cash:						
Increases of lease liabilities				-18.0		-18.0
Repayments of lease liabilities				14.8		14.8
Business combinations	-0.0					-0.0
Foreign exchange adjustments				0.0	-0.0	0.0
Non-cash movements, total	-0.0	0.0	0.0	-3.2	-0.0	-3.2
Carrying value, at 31 December 2021	-110.0	0.0	-0.0	-100.9	68.3	-142.6

Related to Lease liabilities Patria has recharge contracts regarding the next 6 years and EUR 5.6 million (6.5) is booked in Other receivables.

Credit and counterparty risks

Patria is not exposed to significant credit risk due to the structure of customer base. Credit risks are mainly managed by agreeing in sales contracts on terms and conditions, which reduce these risks. Credit insurance may be used on a case-by-case basis. The group is continuously evaluating the credit loss risk and the possible changes e.g. in the customer base may result to recognition of the loss allowance provision.

Credit risk related to investing liquid funds is managed by defining the acceptable counterparties with good credit rating as well as the maximum allowed exposure by

counterparty. The Group does not have material loan receivables. The maximum risk of sales receivables and investments is the full nominal value of those contracts.

Credit risks related to derivative contracts are managed by using multiple counterparties that are well-defined and have a good credit rating. There are netting agreements valid with the counterparties.

Accounts receivable by age

MEUR	2022	2021
Undue accounts receivables	75.9	97.3
Accounts receivables 1-30 days overdue	8.6	1.6
Accounts receivables 31-60 days overdue	1.2	2.1
Accounts receivables more than 60 days overdue	15.7	17.5
Total	101.5	118.5

Operational risks of the treasury functions

The management of operational risks aims to eliminate losses or increased risk levels due to errors in procedures or insufficient monitoring. The risks are minimised by implementing efficient processes and other procedures with related controls, maintaining a high level of proficiency, defining and documenting routine procedures and properly organising the work. Risks relating to transactions are minimised by monitoring trading limits and trade confirmations and conducting regular general assessments.

Other market risks

In addition to financial risks, Patria is exposed to price risks related to raw materials and components. The Business Units are responsible for identifying and hedging of these risks. Hedging takes primarily place by applying relevant terms and conditions to sales and purchase contracts. Patria does not use derivatives to hedge these risks. For the parent company and its subsidiaries in Finland Patria has also done hedging against increase in electricity prices by having fixed-price purchase agreements for electricity. Hedging is done in accordance with the Treasury's risk policy using external dealers authorized by Patria to manage the electricity purchases.

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Capital management

The Group's capital management objectives are to secure the ability to continue as going concern, maintain a healthy balance sheet structure, maintain adequate financial reserves at all times, manage the maturity structure and other terms of interest-bearing debt and credit lines and, at the same time, to optimize the cost of capital in order to enhance value to shareholders. The exact target for the capital structure of Patria has not been specifically defined, but the target is to ensure good credit rating and thus adequate financing possibilities to support the growth strategy of the Group. Some of the Group's financial contracts include an equity ratio covenant.

Insurances

Patria has sought to prepare for the materialisation of risks by continuously improving its preparedness to deal with various potential crisis situations and through various insurance programs. Property damage, business interruption and aviation liability are the most important insurance lines, which account for a major part of the insurance premiums for all non-statutory insurances.

3. Acquisitions and divestments

In January, Millog Oy signed an agreement to acquire the entire share capital of Hämeen Diesel Oy. The ownership was transferred to Millog Oy on 3 January 2022. Hämeen Diesel Oy's business includes the repair of diesel and gasoline engines and heavy-duty machine transmissions, as well as the sale of factory-new and completely overhauled engines. The company's total sales in the previous financial year was EUR 2.4 million and the company employed 18 people.

In March Patria agreed to acquire 100% of the shares of Nedaero, a leading Dutch specialist in defence and aerospace components and parts. The company name was changed to Patria Netherlands Group, and it is located in Zevenaar and Alphen aan den Rijn in the Netherlands and the company has about 35 employees. Patria Netherlands Group has several decades of experience in manufacturing and MRO business in both the civil and military aviation industry. The transaction was completed on 1 April 2022.

Patria acquired the whole share capital of Svensk Försvarslogistik AB from the co-owner Volvo Defense AB in May 2022.

In September Patria acquired 100% of the shares of Kiinteistö Oy Jämsän Komposiitti-halli from the City of Jämsä.

In October Millog Oy acquired 100% of the shares of Laivakone Oy. Ownership was transferred to Millog on 1 October 2021. Laivakone's business consists of maintenance services for ships, power plants, and industrial machinery and equipment. Its net sales in the previous financial period was EUR 1.5 million and it has 13 employees.

In February Patria established a subsidiary, called Patria Japan Ltd., in Japan.

The following table summarise the amounts for the acquisition cost paid, the cash flow from the acquisition and the amounts of the acquired assets and liabilities recognised at the acquisition date. Goodwill related to the acquisition of Hämeen Diesel Oy ja Patria Netherlands Group includes new market share, business and technical expertise as well as expected synergies.

Assets and liabilities

MEUR	2022	2021
Acquisition cost transferred	16.6	2.6
Acquisition cost	18.1	2.6
Cash flow from the acquisitions		
Acquisition cost paid in cash	16.6	2.6
Liquid funds of the acquired companies	-6.1	-0.3
Cash flow from the acquisitions	10.5	2.3

MEUR	2022	2021
Assets and liabilities of the acquired businesses		
Intangible assets	0.0	0.0
Tangible assets	3.4	0.1
Other non-current assets	0.0	0.0
Inventories	2.8	0.1
Accounts receivables and other assets	2.6	0.4
Liquid funds	6.1	0.3
Total assets	14.9	0.9

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MEUR	2022	2021
Interest-bearing loans	0.1	0.0
Other liabilities	5.2	0.1
Total liabilities	5.3	0.2
Net assets	9.6	0.7
Patria's share of net assets	9.6	0.7
Goodwill	8.4	1.9

4. Disaggregation of revenue

MEUR	2022	2021
Products	172.8	136.1
Services	454.3	411.5
Total	627.1	547.7

MEUR	2022	2021
Performance obligation satisfied at a point in time	478.4	420.1
Performance obligation satisfied over time	148.7	127.5
Total	627.1	547.7

5. Other operating income and expenses

Other operating income

MEUR	2022	2021
Rental income	1.8	1.6
Capital gain on sale of fixed assets	0.1	0.2
Other operating income	1.6	2.7
Grants received	1.0	0.4
Total	4.3	4.8

Other operating expenses

MEUR	2022	2021
Research and development	-0.4	-0.3
Rents	-16.1	-14.8
Losses on sale of fixed assets	-0.0	-0.0
Travel expenses	-8.7	-4.8
Real estate expenses	-22.3	-19.1
Other operating expenses	-33.5	-31.8
Total	-81.1	-70.8

Principal independent auditor's fees and services

MEUR	2022	2021
Audit fees	-0.5	-0.3
Other audit related fees	-0.0	-0.0
Other services	-0.5	-2.8
Total	-1.0	-3.2

6. Research and development expenses

MEUR	2022	2021
Research and development expenses, total	-12.3	-12.4
Research and development costs expensed during financial period	-6.9	-5.5

7. Employee benefit expenses

MEUR	2022	2021
Salaries and fees paid to Members of Board, Consultative Committee and President and CEO	-1.1	-1.0
Other wages and salaries	-181.4	-168.2
Pension and pension insurance expenses	-29.0	-26.2
Other employer costs	-10.9	-10.0
Total	-222.4	-205.4

Compensation to Board of Directors and attendance at meetings

1,000 EUR	2022	Attendance at meetings		
		Board	Audit Committee	Nomination and Compensation Committee
Board members 1 Jan - 31 Dec 2022				
Panu Routila, Chairman	43	12/12		4/4
Mette Toft Bjørgen ¹⁾	0	9/9	3/3	
Aarø Harald ²⁾	0	3/3		1/1
Gyrid Skalleberg Ingerø ³⁾	0	3/3	1/1	
Jukka Juusti ⁴⁾	14	6/6		3/3
Eirik Lie	0	11/12	4/4	
Päivi Marttila	28	12/12	4/4	
Jarle Næss	27	11/12		4/4
Iver Christian Olerud ⁵⁾	0	9/9		3/3
Ari Puheloinen ⁶⁾	13	6/6		1/1
Petri Vihervuori	28	12/12	4/4	
Total	152			

¹⁾ Starting 25 March 2022, ²⁾ Until 25 March 2022, ³⁾ Until 25 March 2022, ⁴⁾ Starting 1 July 2022,

⁵⁾ Starting 25 March 2022, ⁶⁾ Until 1 July 2022

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1,000 EUR	Attendance at meetings			Nomination and Compensation Committee
	2021	Board	Audit Committee	
Board members 1 Jan – 31 Dec 2021				
Panu Routila, Chairman	41	10/10		4/4
Petri Vihervuori	27	10/10	5/5	
Harald Aarø	0	10/10		3/4
Eirik Lie	0	10/10	5/5	
Päivi Marttila	27	10/10	5/5	
Jarle Næss	26	10/10		4/4
Ari Puheloinen	26	10/10		4/4
Gyrid Skalleberg Ingerø	0	10/10	5/5	
Total	148			

Compensation to the Board of Directors includes a monthly remuneration to Chairman EUR 2,750 and members EUR 1,500 each, as well as meeting fees of EUR 600 paid to each member of the board for each meeting attended as well as for meetings of the Board committees attended. As per the minority shareholders' policy, Executive Directors are not entitled to compensation for attending board meetings.

Compensation to Consultative Committee and attendance at meetings

1,000 EUR	Attendance at meetings	
	2022	2021
Consultative Committee members 1 January – 31 December 2022		
Jari Myllykoski, Chairman	3	4/4
Janne Sankelo, Vice Chairman	2	4/4
Hannu Hoskonen	2	4/4
Petri Huru	2	4/4
Ilona Lundström ¹⁾	0	0/0
Riitta Mäkinen	2	4/4
Petri Peltonen ²⁾	2	4/4
Eero Pyötsiä ³⁾	1	2/2
Vesa Virtanen ⁴⁾	1	2/2
Total	16	

¹⁾ Starting 9 December 2022, ²⁾ Until 8 December 2022, ³⁾ Until 1 July 2022, ⁴⁾ Starting 1 July 2022

Personnel representatives attendance at meetings: Jussi Karimäki (4/4), Juha Kuusi (4/4), Ilkka Kokko (4/4), Jari Metsälä (1/1) and Gösta Sundström (3/3) *. Separate meeting fees were not paid for their participation.

* Starting 25 March 2022 Gösta Sundström replaced Jari Metsälä as a member of the Consultative Committee.

1,000 EUR	Attendance at meetings	
	2021	2020
Consultative Committee members 1 January – 31 December 2021		
Jari Myllykoski, Chairman	2	3/4
Janne Sankelo, Vice Chairman	2	4/4
Hannu Hoskonen	1	2/4
Petri Huru	2	3/4
Riitta Mäkinen	2	4/4
Petri Peltonen	2	4/4
Eero Pyötsiä	2	3/4
Total	13	

Personnel representatives attendance at meetings: Jussi Karimäki (4/4), Juha Kuusi (4/4), Ilkka Kokko (4/4) and Jari Metsälä (3/4). Separate meeting fees were not paid for their participation.

Compensation to the Consultative Committee includes following meeting fees: Chairman EUR 800, Vice Chairman EUR 600 and members EUR 500 paid for each meeting attended.

Compensation to President and CEO and Management

Salaries, fees and benefits paid to the President and CEO Esa Rautalinko during 2022 totalled EUR 942,267.90 (EUR 809,778.30) consisting of

- base salary of EUR 466,200.00 (EUR 461,760.00) (including salary of EUR 465,960.00 (461,520.00) and benefits of EUR 240.00 (240.00)),
- yearly bonus for the earning period 2021 was EUR 279,720.00 (60.0% of base salary of year 2021 and 100.0% of the maximum bonus payout, which is 60.0% of base salary of year 2021) and
- EUR 196,347.90 (EUR 68,298.30) based on years 2019–2021 (2021: 2017–2019 and 2018–2020) long term incentive plans.

The yearly bonus to be paid to the CEO Esa Rautalinko in 2023 for the earning period 2022 is EUR 222,517.26 (47.7% of base salary of year 2022 and 79.6% of the maximum bonus payout, which is 60.0% of base salary of year 2022).

The retirement age for the President and CEO of the parent company follows the statutory pension rules. The President and CEO has no additional retirement arrangement. The President and CEO's contract of employment may be terminated with six months' notice by either the President and CEO or the Company. In case the Company gives notice to the President and CEO, the company shall pay, in addition to the six

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months' salary for the notice period, an additional compensation corresponding to the amount of 6 months' salary.

The President and CEO is assisted by the Group management team, which included in addition to the President and CEO 8 members excluding January 7 members (9 members excluding June 10 members in 2021). The salaries, fees and benefits paid to the members of the Group management team (excluding the President and CEO) totalled EUR 2,564,648.60 (EUR 2,666,599.83).

The remuneration of the President and CEO and the other members of the Board of Management for 2022 were based on a fixed monthly salary (including fringe benefits) and a performance-based compensation. Annual performance-based compensation plan can provide a bonus corresponding to a maximum of 50% annual salary, except for the CEO where the maximum is 60% of annual salary in case of exceptionally good performance. The remunerations are agreed using the 'one above' principle, and the remuneration of the CEO is agreed by the Board of Directors.

During the financial period the members of the Group Management team of Patria as well as four other key personnel have been participants in three-year performance-based Long-Term Incentive Plans for the years 2020-2022. In addition, bonuses were paid based on the 2019-2021 incentive plan during the financial period. Incentive plans have been set up by the Board of Directors in accordance with the respective Finnish State ownership policy.

The on-going Long-Term Incentive Plans consist of a number of strategic targets set and the financial performance of the Company over the programme period. The highest theoretical remuneration in each program depending on the participant's organisational standing is 40%, 50% or for CEO in case of exceptional performance 60% of a participant's annual base salary per year during the whole three-year period of each program. The outcome of the plan is subject to the Board of Directors' approval.

The remunerations of 2020-2022 program will be paid to the participants after the earning period in three instalments in May 2023 (50%), in January 2024 (30%) and in January 2025 (20%) subject to the terms of the plan. The outcome of the 2019-2021 plan was 72.2% of the highest potential remuneration and was paid to the participants in one instalment in 2022.

The outcome of the 2018-2020 plan was 42.5% of the highest potential remuneration and was paid to the participants in one instalment in 2021. The outcome of the 2017-2019 plan was 38.0% of the highest potential remuneration and second instalment was be paid to the participants in 2021 subject to the terms of the plan.

The Group has made a relating cost provision in the balance sheet totalling EUR 2,022,216 (EUR 1,649,349).

All Patria employees are part of a yearly bonus plan. The plan can provide a bonus corresponding to a maximum of 15% to 25% annual salary depending on the employee's organisational standing.

Pension obligations

The contributions to defined contribution plans are charged to the income statement in the year to which they relate. The present value of the obligation under defined benefit plans is recorded in the balance sheet at their fair value on the balance sheet date. Disability and retirement components of the Finnish Statutory Employment Pension Scheme (TyEL) have been accounted for as defined contribution plans and unemployment component as defined benefit plans (termination benefit). In addition, Millog Oy's additional retirement arrangement relating to unemployment component and Belgium Engine Center SPRL's pension obligations have been accounted as a defined benefit plan.

Defined benefit contribution plans expose the Group to various risks which may have influence on the amount of defined benefit obligations. Such risks are changes in corporate bond yields, inflation and life expectancy. If corporate bond yields used as a reference to the discount rate change, the Group may have to change the discount rates used. This will have an effect both on the defined benefit obligation and the recognized remeasurement in other comprehensive income. Some of the Group's defined benefit obligations are linked to general inflation and higher general inflation will increase the present value of the defined benefit obligation. The defined benefit obligations of the Group are related to producing benefits to both employed and retired personnel. Increase in life expectancy may increase the defined benefit obligation of the Group.



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Expenses of employment benefits

MEUR	2022	2021
Pension expenses – Defined contribution plans	-28.5	-25.6
Pension expenses – Defined benefit plans	-0.5	-0.6
Total	-29.0	-26.2

Expense recognised in profit or loss

MEUR	2022	2021
Service cost	-0.5	-0.6
Net interest	-0.1	-0.0
Expense recognised in profit or loss	-0.6	-0.6

Statement of financial position

MEUR	2022	2021
Defined benefit obligation	14.3	20.3
Fair value of plan assets	-10.1	-13.2
Funded status	4.1	7.1
Liability in the balance sheet	4.1	7.1

Changes in the present value of the defined benefit obligation are as follows:

Defined benefit obligation (DBO)

MEUR	2022	2021
Opening defined benefit obligation	20.3	21.0
Current service cost	0.5	0.6
Interest cost	0.2	0.1
Benefits paid	-1.0	-0.6
Actuarial gain (-) / loss (+)	-5.7	-0.7
Closing defined benefit obligation	14.3	20.3

Changes in the fair value of plan assets are as follows:

Fair value of plan assets

MEUR	2022	2021
Opening fair value of plan assets	13.2	13.7
Interest income	0.1	0.1
Contribution paid	0.5	0.4
Benefits paid	-1.0	-0.7
Actuarial gain (+) / loss (-)	-2.7	-0.2
Closing fair value of plan assets	10.1	13.2

Expected contribution paid in the next fiscal period:

Expected contribution

MEUR	Estimate 2023	2022	2021
Expected contribution	0.0	0.5	0.0

Changes in other comprehensive income

MEUR	2022	2021
Recognised remeasurements in other comprehensive income 1 Jan	2.2	1.7
Actuarial gain (+) or loss (-) on obligation	5.7	0.7
Actuarial gain (+) or loss (-) on plan assets	-2.7	-0.2
Recognised remeasurements in other comprehensive income 31 Dec	5.2	2.2

Plan assets

	2022	2021
Qualifying insurance policies	100%	100%

Qualifying insurance policies have not a quoted market price in an active market and they do not include employer's own transferable financial instruments.

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Sensitivity analysis

This analysis explains which actuarial assumptions the key assumptions are. The figures in the sensitivity analysis have been calculated by changing one assumption and keeping the other assumptions constant and by using the same method and the same census data which is applied when calculating defined benefit obligation and fair value of plan assets.

Sensitivity analysis of actuarial assumptions as of 31 Dec 2022:

Millog Oy	Change in defined benefit obligation	Change in plan assets	Change in defined benefit obligation, %	Change in plan assets, %
MEUR				
Change in discount rate, +0.5 percent point	-0.7	-0.4	-7%	-6%
Change in salary increase, +0.5 percent point	0.0	0.0	0%	0%
Change in mortality, +1 year in life expectancy	0.3	0.2	3%	2%
Change in benefit increase, +0.5 percent point	0.8	0.0	8%	0%
Change in Insurance Company's bonus index, +0.5 percent point	0.0	0.5	0%	7%

Census data used in this valuation is as follows:	2022	2021
Number of actives	64	68
Number of pensioners	362	329
Number of deferred	521	571
Average age actives (years)	53	52
Average remaining service time	8	9
Average serving time	11	9

Patria Belgium Engine Center SRL	Change in defined benefit obligation	Variation
MEUR		
Discount rate +0.5%	-0.1	-5%
Salary increase +0.5%	0.3	13%
Inflation +0.5%	0.1	5%

Census data used in this valuation is as follows:	2022	2021
Number of actives	109	100
Number of pensioners	3	5
Number of deferred	43	41
Average age actives (years)	42	44
Average remaining service time	16	15
Average serving time	10	13

8. Depreciation, amortization and impairments

MEUR	2022	2021
Intangible rights	-0.7	-0.9
Buildings and constructions	-5.1	-5.3
Buildings and constructions, IFRS 16	-12.5	-12.0
Land and water, IFRS 16	-0.1	-0.1
Machinery and equipment	-7.6	-7.9
Machinery and equipment, IFRS 16	-1.0	-1.0
Other tangible assets	-0.1	-0.1
Total	-27.1	-27.3

Impairment tests

The recoverable amount of a cash generating unit is determined based on value-in-use calculations. The tested cash generating units were Finland, Global and Millog.

In accordance with the new growth strategy Patria's operating model and organisation was renewed in the beginning of 2022. The former business units were dismantled (excluding Millog) and the Group was reorganised into three commercial divisions (Global, Finland and Millog). As a result of the new reporting structure, the goodwill allocated to the Aviation, Systems and Land business units was reallocated to Finland's and Global's cash-generating units (CGU) based on their fair values.

The calculations are based on the cash flow projections in the strategic plans approved by the management covering a three-year period. The assumptions related to the price and cost level development used in the strategic plans and cash flow estimates of the business units are based on the management's estimates of the development of markets. Previous actual development has been taken into consideration while evaluating the assumptions used in the calculations. The cash

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flow estimates are based on existing fixed assets. Cash flows beyond the period approved by management are calculated using terminal value method, where the figures for the final planning period are calculated with 0% eternal growth and discounted using the WACC described below.

Discount rate is the weighted average pre-tax cost of capital (WACC) as defined for Patria. The components of WACC are risk-free yield rate, market risk premium, industry specific beta, cost of debt, average capital structure of the industry and a premium for asset specific risk. The WACC used in the calculations was 9.73% p.a. in 2022 (10.1%).

In 2022, the impairment testing result showed that the "value in use" in all the cash generating units were equal or more than the book value of the tested assets. Thus, no impairment of goodwill was recognized in 2022. In connection with the impairment testing a sensitivity analysis was performed in which the cash flows of the cash generating units were decreased and the discount rates were increased. Based on the performed sensitivity analysis it seems unlikely that a reasonably possible change in cash flows (10%-20%) or in the discount rate (1-3 percent point) while other assumptions remain constant would lead to impairment.

Goodwill

MEUR	2022	2021
Finland	8.6	-
Global	13.4	-
Land	-	8.9
Aviation	-	4.0
Systems	-	1.7
Millog	14.7	13.7
Total	36.7	28.3

MEUR	2022	2021
1 Jan	28.3	26.5
Additions	8.4	1.9
31 Dec	36.7	28.3

9. Financial income and expenses

MEUR	2022	2021
Interest income		
Deposits and investments	0.0	0.1
Other	0.8	0.6
Other financial income	0.0	0.0
Interest expenses		
Interest bearing liabilities	-1.4	-0.9
Leases	-2.6	-2.9
Other financial expense	-0.4	-0.4
Exchange rate difference		
Foreign exchange derivatives, non-hedge accounted	0.8	-0.8
Other	-1.3	-0.3
Total	-4.2	-4.6

Aggregate foreign exchange gains and losses included in consolidated income statement

MEUR	2022	2021
Net sales	-0.3	0.1
Expenses	0.3	0.0
Financial income and expenses	-0.5	-1.1
Total	-0.5	-1.0

Net gains/losses include realized and unrealized gains and losses on derivative financial instruments.

Net gains/losses on derivative financial instruments included in operating profit

MEUR	2022	2021
Foreign exchange rate derivative contracts under hedge accounting	-0.2	0.0
Non-hedge accounted foreign exchange rate derivative contracts	0.0	0.0
Total	-0.1	0.0

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10. Income taxes

MEUR	2022	2021
Income taxes	-7.0	-6.8
Income taxes previous period	-0.0	0.0
Change in deferred tax receivable	3.6	3.9
Change in deferred tax liability	-0.0	-0.1
Total	-3.5	-3.0

Taxes related to Other Comprehensive Income

2022, MEUR	Before-tax amount	Tax	Net-of-tax amount
Cash flow hedges	4.6	-0.9	3.6
Change of translation difference	-2.6	-	-2.6
Actuarial gains/losses on defined benefit plans	3.0	-0.4	2.7
Share of comprehensive income in joint ventures	0.1	0.0	0.1
Total	5.0	-1.3	3.8

2021, MEUR	Before-tax amount	Tax	Net-of-tax amount
Cash flow hedges	0.1	-0.0	0.1
Change of translation difference	0.1	-	0.1
Actuarial gains/losses on defined benefit plans	0.5	-0.4	0.1
Share of comprehensive income in joint ventures	-2.4	0.5	-1.9
Total	-1.7	0.1	-1.6

Differences between income tax expense calculated at statutory rates compared to the income statement (tax rate in Finland 2022: 20%, 2021: 20%)

MEUR	2022	2021
Income tax expense at statutory rate	-10.0	-11.1
Effect of statutory tax rates of foreign companies	-0.2	-0.0
Untaxed income	0.0	0.0
Non-deductible expenses	-0.2	0.0
Utilization of confirmed losses	0.2	0.0
Effect of associated company result	6.4	8.3
Returns from previous tax years	-0.0	0.0
Other items	0.4	-0.3
Income taxes	-3.5	-3.0

Reconciliation of deferred tax receivables

MEUR	2022	2021
Fixed assets depreciation differences	0.4	0.4
Untaxed reserves	0.5	1.1
Tax losses carried forward	15.6	12.2
Other temporary differences	0.8	0.4
Total	17.3	14.1

MEUR	2022	2021
1 Jan	14.1	10.6
Income statement	3.6	3.9
Acquired companies	0.0	0.0
Equity	-0.4	-0.4
31 Dec	17.3	14.1

Reconciliation of deferred tax liabilities

MEUR	2022	2021
Fixed assets depreciation differences	1.6	1.5
Fair value of derivative financial instruments	1.0	0.1
Total	2.6	1.6

MEUR	2022	2021
1 Jan	1.6	1.5
Income statement	0.0	0.1
Fair value of derivative financial instruments	0.9	0.0
Acquired companies	0.1	0.0
31 Dec	2.6	1.6

The tax losses, for which no deferred tax assets are recognized due to the uncertainty of the utilization of the losses, amounted to EUR 28.7 million in the year of 2022 (EUR 31.4 million). These losses do not expire.

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11. Intangible and tangible assets

Intangible assets

MEUR	Goodwill	Development expenses	Intangible rights	Advance payments	Total
Acquisition cost 1 Jan 2022	40.4	12.3	22.4	0.1	75.1
Translation differences	-0.2	0.0	0.0	0.0	-0.2
Reclassifications	0.0	0.0	0.2	-0.1	0.1
Companies acquired	8.4	0.0	0.1	0.0	8.5
Additions	0.0	0.0	0.3	0.0	0.3
Acquisition cost 31 Dec 2022	48.6	12.3	22.9	0.0	83.8
Accumulated amortization and impairment losses 1 Jan 2022	-12.1	-12.3	-19.7	0.0	-44.1
Translation differences	0.2	0.0	0.0	0.0	0.2
Companies acquired	0.0	0.0	-0.0	0.0	-0.0
Amortization for the period incl. exchange rate diff. in P&L	0.0	0.0	-0.7	0.0	-0.7
Accumulated amortization and impairment losses 31 Dec 2022	-11.9	-12.3	-20.5	0.0	-44.6
Net book value at 31 Dec 2022	36.7	0.0	2.4	0.0	39.1
MEUR	Goodwill	Development expenses	Intangible rights	Advance payments	Total
Acquisition cost 1 Jan 2021	38.6	12.3	21.8	0.0	72.6
Translation differences	-0.1	0.0	0.0	0.0	-0.1
Reclassifications	0.0	0.0	0.0	-0.0	0.0
Companies acquired	1.9	0.0	0.0	0.0	1.9
Additions	0.0	0.0	0.6	0.1	0.6
Acquisition cost 31 Dec 2021	40.4	12.3	22.4	0.1	75.1
Accumulated amortization and impairment losses 1 Jan 2021	-12.1	-12.3	-18.9	0.0	-43.2
Translation differences	0.1	0.0	0.0	0.0	0.1
Reclassifications	0.0	0.0	0.0	0.0	0.0
Amortization for the period incl. exchange rate diff. in P&L	0.0	0.0	-0.9	0.0	-0.9
Accumulated amortization and impairment losses 31 Dec 2021	-12.1	-12.3	-19.7	0.0	-44.1
Net book value at 31 Dec 2021	28.3	0.0	2.7	0.1	31.0

Tangible assets

MEUR	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2022	4.2	245.2	134.0	2.4	0.6	386.4
Translation differences	-0.0	-0.8	-0.3	0.0	0.0	-1.1
Reclassifications	0.0	-1.8	1.9	2.2	-2.8	-0.5
Companies acquired	0.1	0.7	3.2	0.1	0.0	4.1
Scrapping	0.0	-0.1	-0.7	-0.1	0.0	-0.9
Additions	0.0	5.6	4.4	0.1	2.7	12.9
Disposals	0.0	-2.3	-0.1	0.0	0.0	-2.4
Acquisition cost 31 Dec 2022	4.3	246.6	142.3	4.7	0.6	398.4
Accumulated depreciation and impairment losses 1 Jan 2022	-0.3	-128.2	-110.5	-1.6	0.0	-240.6
Translation differences	0.0	0.9	0.3	0.0	0.0	1.2
Reclassifications	0.0	2.6	-0.2	-2.0	0.0	0.5
Companies acquired	0.0	-0.3	-2.6	-0.0	0.0	-3.0
Scrapping	0.0	0.1	0.7	0.1	0.0	0.9
Disposals	0.0	1.7	0.1	0.0	0.0	1.9
Depreciation for the period incl. exchange rate diff. in P&L	-0.1	-17.5	-8.6	-0.1	0.0	-26.4
Accumulated depreciation and impairment losses 31 Dec 2022	-0.4	-140.8	-120.7	-3.7	0.0	-265.6
Net book value at 31 Dec 2022	3.9	105.8	21.5	1.0	0.6	132.8

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MEUR	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2021	3.6	227.8	126.4	2.1	0.8	360.6
Translation differences	-0.0	-0.2	-0.1	0.0	0.0	-0.3
Reclassifications	0.0	0.4	2.1	0.2	-2.3	0.5
Companies acquired	0.0	0.0	0.1	0.0	0.0	0.1
Scrapping	0.0	-0.2	0.0	0.0	0.0	-0.2
Additions	0.6	20.0	5.8	0.1	2.3	28.9
Disposals	0.0	-2.7	-0.3	0.0	-0.3	-3.3
Acquisition cost 31 Dec 2021	4.2	245.2	134.0	2.4	0.6	386.4
Accumulated depreciation and impairment losses 1 Jan 2021	-0.2	-111.9	-101.4	-1.6	0.0	-215.0
Translation differences	0.0	0.2	0.1	0.0	0.0	0.3
Reclassifications	0.0	0.0	-0.6	0.0	0.0	-0.5
Companies acquired	0.0	0.0	-0.0	0.0	0.0	-0.0
Scrapping	0.0	0.2	0.2	0.0	0.0	0.4
Disposals	0.0	0.7	0.1	0.0	0.0	0.7
Depreciation for the period incl. exchange rate diff. in P&L	-0.1	-17.3	-8.9	-0.1	0.0	-26.4
Accumulated depreciation and impairment losses 31 Dec 2021	-0.3	-128.2	-110.5	-1.6	0.0	-240.6
Net book value at 31 Dec 2021	3.9	117.0	23.5	0.8	0.6	145.8

Tangible assets include capitalized finance leases as follows

MEUR	Buildings and constructions	Machinery and equipment	Land and water	Total
Acquisition cost 1 Jan 2022	138.8	5.0	1.7	145.5
Translation differences	-0.0	-0.0	-0.0	-0.1
Disposals and other changes	-13.9	-0.0	0.0	-14.0
Additions	5.4	1.1	0.0	6.5
Acquisition cost 31 Dec 2022	130.3	6.0	1.7	138.0
Accumulated depreciation and impairment losses 1 Jan 2022	-50.9	-2.8	-0.3	-54.0
Disposals and other changes	11.3	0.0	0.0	11.3
Depreciation for the period	-13.6	-1.0	-0.1	-14.8
Accumulated depreciation and impairment losses 31 Dec 2022	-53.3	-3.8	-0.4	-57.5
Net book value at 31 Dec 2022	77.0	2.2	1.3	80.5

MEUR	Buildings and constructions	Machinery and equipment	Land and water	Total
Acquisition cost 1 Jan 2021	123.3	3.7	1.1	128.1
Translation differences	0.0	-0.0	-0.0	-0.0
Disposals	-3.2	-0.0	0.0	-3.3
Additions	18.7	1.3	0.6	20.6
Acquisition cost 31 Dec 2021	138.8	5.0	1.7	145.5
Accumulated depreciation and impairment losses 1 Jan 2021	-38.2	-1.9	-0.2	-40.2
Disposals and other changes	0.6	0.0	0.0	0.6
Depreciation for the period	-13.3	-1.0	-0.1	-14.4
Accumulated depreciation and impairment losses 31 Dec 2021	-50.9	-2.8	-0.3	-54.0
Net book value at 31 Dec 2021	87.9	2.1	1.4	91.4

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12. Investments in joint ventures

	Domicile	Ownership, %
Nammo AS	Raufoss, Norway	50.0
Kongsberg Aviation Maintenance Services AS	Kjeller, Norway	49.9
Silverskin Information Security Oy	Helsinki, Finland	25.0

2021

MEUR	Domicile	Ownership, %	Assets	Liabilities	Net sales	Profit/Loss
Nammo AS	Raufoss, Norway	50.0	703.2	384.2	686.5	45.2

Shares in joint ventures

MEUR	2022	2021
1 Jan	222.2	190.1
Share of results in joint ventures	32.0	41.4
Share of comprehensive income in joint ventures	0.1	-1.9
Share of previous years comprehensive income in joint ventures	-4.9	0.0
Dividend income	-11.0	-10.4
Exchange rate differences and other changes	-3.5	2.9
31 Dec	234.8	222.2

Business operations with joint ventures

No sales to joint ventures during the financial year (2022 and 2021).

Receivables and liabilities, joint ventures

MEUR	2022	2021
Accounts receivables	0.1	0.0

13. Other shares

MEUR	2022	2021
Book value	0.2	0.2

Other shares consists of shares which are not publicly traded and thus has no observable market data available.

14. Current assets

Inventories

No significant impairment of inventories has been booked during the financial periods.

Receivables

Group does not have material interest-bearing receivables. Fair values of receivables do not differ materially from the book value. No major credit losses were booked during the financial periods.

Prepaid expenses and accrued income

MEUR	2022	2021
Contract assets	29.8	33.1
Other items	5.0	4.4
Total	34.8	37.5

Other items of prepaid expenses and accrued income consists of accrued interest income and other accrued income, which are individually insignificant.

Contract balances

MEUR	2022	2021
Trade receivables	101.6	118.6
Contract assets	29.8	33.1
Contract liabilities		
Advances received, other	28.7	39.4
Advances received, over time	117.4	66.4

Revenue recognised in the financial period that was included in the contract liability on 1 January	19.5	8.8
Remaining performance obligations from projects and contracts under execution	643.3	373.7

15. Accruals and deferred income

MEUR	2022	2021
Accrued wages, salaries and social security costs	51.4	46.8
Other items	14.9	16.5
Total	66.3	63.3

Other items of accruals and deferred income consists of interest and other accrued expense, which are individually insignificant.

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16. Financial assets valued as fair value

MEUR	Shares	Total
1 Jan 2022	0.2	0.2
Additions	0.0	0.0
31 Dec 2022	0.2	0.2

MEUR	Shares	Total
1 Jan 2021	0.2	0.2
Additions	0.0	0.0
31 Dec 2021	0.2	0.2

17. Financial instruments

Fair value reserve including forward contracts

MEUR	2022	2021
Fair value	5.0	0.5
Deferred taxes	-1.0	-0.1
Fair value reserve 31 Dec	4.0	0.4
Fair value changes recognized in equity	4.4	0.2
Fair value changes recognized in income statement	0.2	-0.0
Deferred taxes	-0.9	-0.0
Change	3.6	0.1
Fair value	0.5	0.3
Deferred taxes	-0.1	-0.1
Fair value reserve 1 Jan	0.4	0.3

Carrying amounts of financial assets and liabilities by measurement categories and fair value hierarchy

2022 MEUR	At fair value through other comprehensive income, Level 2	Measured at amortised cost	Book value	Note
Non-current financial assets				
Other shares	0.2		0.2	13
Current financial assets				
Accounts receivable		101.5	101.5	2
Receivables from joint ventures		0.1	0.1	12
Derivative financial instruments	6.3		6.3	2
Liquid Funds		88.6	88.6	
Carrying amount by category	6.5	190.2	196.7	
Non-current financial liabilities				
Interest-bearing liabilities		154.9	154.9	2
Current financial liabilities				
Interest-bearing liabilities		15.6	15.6	2
Accounts payable		70.8	70.8	
Derivative financial instruments	0.5		0.5	2
Carrying amount by category	0.5	241.3	241.8	

2021 MEUR	At fair value through other comprehensive income, Level 2	Measured at amortised cost	Book value	Note
Non-current financial assets				
Other shares	0.2		0.2	13
Current financial assets				
Accounts receivable		118.5	118.5	2
Receivables from joint ventures		0.0	0.0	12
Derivative financial instruments	0.7		0.7	2
Liquid Funds		68.3	68.3	
Carrying amount by category	0.9	186.9	187.8	
Non-current financial liabilities				
Interest-bearing liabilities		166.2	166.2	2
Current financial liabilities				
Interest-bearing liabilities		44.7	44.7	2
Accounts payable		54.0	54.0	
Derivative financial instruments	0.1		0.1	2
Carrying amount by category	0.1	265.0	265.1	

Financial instruments that are measured in the balance sheet at fair value are presented according to the following fair value measurement hierarchy:

Level 1) quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2) inputs other than quoted price included within Level 1 are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

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18. Shareholders' equity

Share Capital

Patria Oyj share capital on 31 December 2022 stood at EUR 38,024,848.00. All issued shares have been paid up in full.

Fair value reserve

The fair value reserve includes the effective portion of the change in fair value of derivative financial instruments that are designated as and qualify for cash flow hedges.

Other funds

Invested unrestricted equity reserve

Patria Oyj was established in 2010 and the assets were credited to the reserve of invested unrestricted equity. There were no changes in invested unrestricted equity reserve in 2022, and the fund stood at EUR 164,1 million on 31 December 2022.

Translation differences

Translation differences include translation differences arisen from the subsidiaries' equity translation during the consolidation, change of the fair values of the net investment in the foreign subsidiary, and foreign exchange rate differences arisen from the conversion of the foreign subsidiaries' income statement using the average exchange rate of the reporting period and the conversion of their balance sheet using the exchange rate quoted on the balance sheet date.

Shares

The company has a total of 27,841,889 shares and one series of shares.

Distributable funds

The parent company's non-restricted equity on 31 December 2022, is EUR 186,193,957.35 of which the net profit for the financial period is EUR 4,810,147.58.

Dividend per share

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.95 (2021: EUR 0.90) per share be paid on the shares owned by the State of Finland and Kongsberg Defence & Aerospace AS. Under the proposal, the total amount of dividends will be EUR 26,449,794.55 (2021: EUR 25,057,700.10). The Board of Directors further proposes that the remaining non-restricted equity, EUR 159,744,162.80 (2021: EUR 181,383,809.77) to be retained and carried forward.

The dividends paid for 2022 will be decided at the Annual General Meeting on 27 March 2023. This dividend payable is not reflected in these financial statements.

19. Provisions

MEUR	2022	2021
Warranty provision	6.6	7.5
Other provision	1.5	3.1
Total	8.1	10.6

During the warranty period the claimed faults will be corrected at Patria's expense. The warranty provisions amounted to EUR 6.6 million (EUR 7.5 million) at the end of 2022. Provisions are based on best estimates on the balance sheet date. The provision for warranties covers the expenses due to the repair or replacement of products during their warranty period. The warranty liability is based on historical realised warranty costs and best estimates on the balance sheet date. The usual warranty period is two to four years. Other provisions include various items, such as those related to defects in quality, litigations and offset obligations.



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20. Commitments and contingent liabilities

MEUR	2022	2021
Guarantees given on behalf of others	5.6	3.7
Guarantees given on behalf of associate companies	0.0	15.0
Other own contingent liabilities	3.6	3.6
Total	9.2	22.3

21. Related party transactions

Patria Oyj's subsidiaries

Subsidiaries	Domicile	Ownership, %
Patria Aviation Oy	Jämsä, Finland	100.0
Patria Aerostructures Oy	Jämsä, Finland	100.0
Patricomp Oy	Jämsä, Finland	100.0
Kiinteistö Oy Jämsän Komposiittihalli	Jämsä, Finland	100.0
Patria Pilot Training Oy	Helsinki, Finland	100.0
Patria Svenska AB	Sigtuna, Sweden	100.0
Patria Helicopters AB	Sigtuna, Sweden	100.0
Patria ISP Oy	Helsinki, Finland	100.0
Patria Belgium Engine Center SRL	Herstal, Belgium	100.0
Patria Latvia SIA	Rīga, Latvia	100.0
SIA Defence Partnership Latvia	Cesis, Latvia	70.0
Patria Lithuania UAB	Vilnius, Lithuania	100.0
Patria Netherlands B.V.	Zevenaar, Netherlands	100.0
Patria Components B.V.	Zevenaar, Netherlands	100.0
Patria Services B.V.	Zevenaar, Netherlands	100.0
Patria Land Oy	Helsinki, Finland	100.0
Patria Japan Ltd.	Tokyo, Japan	100.0
Patria Land Middle East Limited	Abu Dhabi, United Arab Emirates	100.0
Patria Land Sverige AB	Stockholm, Sweden	100.0
Patria Land Systems SA (Pty) Ltd	Pretoria, South Africa	100.0
Patria Polska Sp. z o.o.	Warsaw, Poland	100.0
Millog Oy	Tampere, Finland	61.8
Oricopa Kiinteistöt Oy	Orivesi, Finland	100.0
Senop Oy	Kangasala, Finland	100.0
Millog Marine & Power Oy	Salo, Finland	100.0
Milworks OÜ	Tallinn, Estonia	60.0
Svensk Försvarslogistik AB	Stockholm, Sweden	100.0

Net sales and purchases between the Group companies

MEUR	2022	2021
Total	86.8	63.4

The policy of internal transfer pricing is to use market prices.

Information concerning business operations between the Group and its associated companies is included in Note 12. Management's employment benefits are included in Note 7.

Key management consists of the members of the Board of Directors, CEO and other members of the Group management team. There was no outstanding loans receivable from key management on 31 December 2022. Members of the Group management and their immediate circle have not had any essential business relations with the Group companies.

22. Disputes and litigations

Patria management does not have knowledge of any significant disputes and litigations, which would have had an impact on the financial statements.

23. Events after the balance sheet date

Patria management does not have knowledge of any significant events after the balance sheet date, which would have had an impact on the financial statements.

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Balance Sheet, Parent company

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ASSETS

MEUR	Note	31/12/2022	31/12/2021
Non-current assets			
Intangible assets	8		
Intangible rights		0.3	0.4
Goodwill		0.6	0.0
Tangible assets	8		
Machinery and equipment		0.7	0.5
Other tangible assets		0.0	0.0
Advance payments and construction in progress		0.0	0.3
Investments			
Shares in group companies	9	133.4	122.8
Receivables from group companies	10	8.3	8.1
Shares in associated and joint venture companies	9	191.6	191.7
Total Non-current assets		335.0	323.7
Current assets			
Inventories			
Raw materials and supplies		0.3	0.1
Receivables			
Accounts receivable		0.0	0.0
Receivables from group companies	10	103.3	87.7
Other receivables		0.0	0.1
Prepaid expenses and accrued income	10	8.2	2.7
Current investments		14.9	3.5
Cash and cash equivalents		64.5	59.5
Total Current Assets		191.2	153.6
Total Assets		526.2	477.4

SHAREHOLDERS' EQUITY AND LIABILITIES

MEUR	Note	31/12/2022	31/12/2021
Shareholders' equity			
Share capital	11	38.0	38.0
Other funds			
Reserve for invested unrestricted equity		164.1	164.1
Fair value reserve		4.3	0.3
Retained earnings		17.3	36.6
Net income for the period		4.8	5.8
Total Shareholders' equity		228.5	244.7
Non-current liabilities			
Loans from financial institutions	12	80.0	80.0
Total Non-current liabilities		80.0	80.0
Current liabilities			
Loans from financial institutions	12	0.0	30.0
Accounts payable		2.3	2.9
Liabilities to group companies	12	202.1	113.5
Deferred tax liabilities		1.1	0.1
Other current liabilities		5.4	0.2
Accruals and deferred income	12	6.9	5.9
Total Current liabilities		217.7	152.6
Total Shareholders' equity and liabilities		526.2	477.4

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Income Statement, Parent company

MEUR	Note	1-12 2022	%	1-12 2021	%
Net sales	2	25.6		23.3	
Other operating income	3	2.8		2.7	
Materials and services					
Raw materials and supplies					
Purchases during the financial period		-1.3		-0.6	
Change in inventories		0.2		0.0	
Personnel expenses	4	-13.3		-10.5	
Depreciation and value adjustments	5	-0.6		-0.7	
Other operating expenses	3	-23.7		-25.2	
Operating profit		-10.5	-41.1%	-10.8	-46.3%
Financial income and expenses	6				
Dividend income from group companies		18.4		16.7	
Dividend income from associated and joint venture companies		0.0		0.0	
Interest and other financial income		2.2		1.0	
Interest and other financial expenses		-5.5		-1.1	
Exchange gains and losses		0.2		-0.0	
Income before appropriations and taxes		4.8	18.8%	5.8	24.7%
Income taxes	7	0.0		0.0	
Net income		4.8	18.8%	5.8	24.7%

Cash Flow Statement, Parent company

MEUR	1-12 2022	1-12 2021
Income before appropriations and taxes	4.8	5.8
Depreciation	0.6	0.7
Financing items	-15.3	-16.6
Other changes	5.1	0.3
Change in receivables	-30.3	3.5
Change in inventories	-0.2	-0.0
Change in liabilities	5.8	-0.2
Cash flow from operations before financial items and taxes	-29.4	-6.5
Interests paid	-2.1	-0.9
Other financial items	-0.2	-0.2
Dividends received	18.5	16.7
Interests received	2.2	1.0
Paid taxes	0.0	0.0
Cash flow from operating activities	-11.0	10.1
Acquired group companies	-10.6	0.0
Purchase of tangible and intangible assets	-1.1	-0.8
Granted loans	-3.2	-2.7
Repayments from loans	0.0	0.8
Proceeds from sale of tangible and intangible assets	0.0	0.0
Cash flow from investing activities	-14.8	-2.6
Change in short-term loans	-30.0	-60.0
Proceeds from long-term loans	0.0	50.0
Change in short-term group receivables and liabilities	97.2	60.5
Dividends paid	-25.1	-16.7
Cash flow from financing activities	42.2	33.8
Change in liquid funds	16.4	41.3
Liquid funds 1 Jan	63.0	21.7
Liquid funds 31 Dec	79.4	63.0
Change in liquid funds	16.4	41.3

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Notes to the Financial Statements, Parent company

1. Accounting principles, Parent company

The financial statements of the parent company have been prepared in accordance with Finnish accounting procedures and regulations. The Company's financial year is a calendar year.

Revenue recognition

Net sales include income from the sale of goods and services, with adjustments for indirect taxes, discounts and conversion differences resulting from sales in foreign currencies. Income from the sale of goods is recognised when the major risks and benefits from the ownership of the goods have been taken over by the buyer. Income from services is recognised when the service has been rendered.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the financial statements. Actual results may differ from the estimates. Accounting estimates are employed in the financial statements to determine reported amounts.

Fixed assets and depreciation

Property, plants and equipment are measured at their historical cost, less depreciation and impairment. The assets are depreciated over their economic life using the straight-line depreciation method. The economic life of assets is reviewed if necessary, adjusting it to correspond to possible changes in the expected economic use.

The assessed economic lives are as follows:

Machinery and equipment 3 to 15 years

Other intangible assets 3 to 5 years

Other tangible assets are not subject to depreciation.

Investments in subsidiaries and other companies are measured at cost or fair value in case the fair value is less than cost.

Financial assets

Financial assets are measured at the lower of cost or net realisation value.

Derivative instruments are measured at fair value. Accounts receivable are carried at their anticipated realizable value, which is the original invoice amount less an estimated impairment of these receivables. An impairment of accounts receivable is made when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Foreign currency transactions

Foreign currency transactions are translated into Euros using the exchange rates prevailing at the dates of the transactions. Receivables, liabilities and derivative instruments in foreign currencies are translated into Euros at the exchange rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translating are recognised in the income statement. Foreign exchange gains and losses related to business operations are included in the corresponding items above the operating profit line. Foreign exchange gains and losses related to loans and receivables in foreign currencies are included in financial income and expenses.

Derivative instruments

The company apply the accounting treatment made applicable by the Accounting Act 5:2a §, according to which all derivative agreements, including embedded derivatives, are recognised at fair value. Determination of fair values is based on quoted market prices and rates, discounting of cash flows and option valuation models.

Exchange differences from derivative agreements, which are used to hedge against risks in operating transactions in other currencies, are included in the corresponding items above the operating profit line. Exchange differences from derivative agreements, which are used to hedge foreign currency liabilities and receivables are included in financial income and expenses. When hedged items are not included in the balance sheet, the exchange rate differences of the derivative agreements have been recorded in liabilities and receivables and the profit impact is directed to the same financial period in which the exchange rate of the hedged operative transaction is booked.

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Grants received

Government or other grants are recognised as income on a systematic basis over the periods necessary to match them with the related costs, which they are intended to compensate. Grants related to the acquisition of tangible or intangible assets are recognised as decreases of their acquisition costs.

Income taxes

The income statement includes direct taxes accrued on the basis of the results for the financial period as well as taxes payable or refunded for previous financial periods. Deferred taxes are not included.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method or weighted average cost that is sufficiently close to the factual cost calculated on FIFO basis.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads.

Provisions

Future costs in which the parent company has committed to and which probably will not contribute in future revenues are recognised in provisions.

Employee benefits

An external pension insurance company manages the parent company's pension plan. Possible supplementary pension commitments are insured. The company has no non-funded pension obligations.

Research and development costs

Research and development costs are expensed as they are incurred, with the exception of potential related other capital expenditures. Development costs are capitalised when the criteria in accordance with Finnish accounting procedures and regulations are met.

Leasing

All leasing payments have been expensed in the income statement.

Appropriations

Appropriations include group contributions.

2. Net sales

Net sales by market area

MEUR	2022	2021
Finland	23.2	23.3
Other Europe	2.4	0.0
Rest of the World	0.0	0.0
Total	25.6	23.3

Net sales by product segment

MEUR	2022	2021
Civilian products	25.6	23.3
Total	25.6	23.3

Revenue recognition

MEUR	2022	2021
Delivery based net sales	25.6	23.3
Total net sales	25.6	23.3

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3. Other operating income and expenses

Other operating income

MEUR	2022	2021
Rental Income	2.0	1.9
Other operating income	0.8	0.8
Total	2.8	2.7

Other operating expenses

MEUR	2022	2021
Research and development	0.0	-0.0
Rents	-2.9	-2.8
Real estate expenses	-2.5	-2.5
Losses on sales of non-current assets	0.0	-0.0
Travel expenses	-0.5	-0.2
Sales and marketing expenses	-0.5	-1.3
Other operating expenses	-17.3	-18.3
Total	-23.7	-25.2

Principal independent auditor's fees and services

MEUR	2022	2021
Audit fees	-0.1	-0.1
Other audit related fees	0.0	-0.0
Other services	-0.5	-2.8
Total	-0.6	-2.9

4. Employee benefits and average number of personnel

MEUR	2022	2021
Salaries and fees paid to members of Board of Directors, Consultative Committee and President and CEO	-1.1	-1.0
Other wages and salaries	-10.1	-7.8
Pension and pension insurance costs	-1.8	-1.4
Other indirect personnel expenses	-0.3	-0.3
Total	-13.3	-10.5

Number of personnel, average

	2022	2021
Salaried staff	125	88
Total	125	88

5. Depreciation

MEUR	2022	2021
Depreciation on Intangible rights	-0.2	-0.2
Depreciation on other long-term expenditures	-0.1	-0.0
Depreciation on machinery and equipment	-0.3	-0.4
Total	-0.6	-0.7

6. Financial income and expenses

MEUR	2022	2021
Dividend income, group	18.4	16.7
Dividend income, other	0.0	0.0
Interest income, group	1.5	0.9
Interest income, other	0.6	0.1
Total	20.6	17.7

MEUR	2022	2021
Interest expenses, group	-0.7	-0.0
Interest expenses, other	-1.6	-0.9
Impairment on investments from non-current assets	-3.0	0.0
Other financial expenses, other	-0.2	-0.2
Total	-5.5	-1.1

In 2022, due to the weakened financial performance and future outlook an impairment on capital loan receivable from Patria Pilot Training Oy was recognised.

MEUR	2022	2021
Exchange rate difference		
Foreign exchange derivatives, non-hedge accounted	1.3	-0.5
Other	-1.2	0.5
Total	0.2	-0.0

7. Income taxes

MEUR	2022	2021
Income tax from continuing operations	0.0	0.0
Income tax from appropriations	0.0	0.0
Total	0.0	0.0

MEUR	2022	2021
Income taxes	0.0	0.0
Income taxes previous period	0.0	0.0
Total	0.0	0.0

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8. Intangible and tangible assets

Intangible assets

MEUR	Intangible rights	Goodwill	Other long-term expenditures	Total
Acquisition cost 1 Jan 2022	7.2	0.0	0.2	7.4
Additions	0.1	0.7	0.0	0.8
Acquisition cost 31 Dec 2022	7.3	0.7	0.2	8.2
Accumulated amortization and impairment losses 1 Jan 2022	-6.8	0.0	-0.2	-7.0
Amortization for the period incl. exchange rate diff. in P&L	-0.2	-0.1	0.0	-0.3
Accumulated amortization and impairment losses 31 Dec 2022	-7.0	-0.1	-0.2	-7.3
Net book value at 31 Dec 2022	0.3	0.6	0.0	0.9

MEUR	Intangible rights	Goodwill	Other long-term expenditures	Total
Acquisition cost 1 Jan 2021	7.0	0.0	0.2	7.1
Additions	0.2	0.0	0.0	0.2
Acquisition cost 31 Dec 2021	7.2	0.0	0.2	7.4
Accumulated amortization and impairment losses 1 Jan 2021	-6.6	0.0	-0.1	-6.7
Amortization for the period incl. exchange rate diff. in P&L	-0.2	0.0	-0.0	-0.2
Accumulated amortization and impairment losses 31 Dec 2021	-6.8	0.0	-0.2	-7.0
Net book value at 31 Dec 2021	0.4	0.0	0.0	0.4

Tangible assets

MEUR	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2022	5.0	0.0	0.3	5.3
Reclassifications	0.3	0.0	-0.3	0.0
Additions	0.2	0.0	0.0	0.2
Acquisition cost 31 Dec 2022	5.5	0.0	0.0	5.5
Accumulated depreciation and impairment losses 1 Jan 2022	-4.5	0.0	0.0	-4.5
Depreciation for the period incl. exchange rate diff. in P&L	-0.3	0.0	0.0	-0.3
Accumulated depreciation and impairment losses 31 Dec 2022	-4.8	0.0	0.0	-4.8
Net book value at 31 Dec 2022	0.7	0.0	0.0	0.7

MEUR	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2021	4.9	0.0	0.0	5.0
Reclassifications	0.3	0.0	-0.3	0.0
Additions	0.0	0.0	0.5	0.6
Disposals	-0.2	0.0	0.0	-0.2
Acquisition cost 31 Dec 2021	5.0	0.0	0.3	5.3
Accumulated depreciation and impairment losses 1 Jan 2021	-4.3	0.0	0.0	-4.3
Scrapping	0.2	0.0	0.0	0.2
Depreciation for the period incl. exchange rate diff. in P&L	-0.4	0.0	0.0	-0.4
Accumulated depreciation and impairment losses 31 Dec 2021	-4.5	0.0	0.0	-4.5
Net book value at 31 Dec 2021	0.5	0.0	0.3	0.8

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9. Investments

Shares in subsidiaries

MEUR	2022	2021
1 Jan	122.8	122.8
Additions	10.6	0.0
Total 31 dec	133.4	122.8

Shares in joint ventures

MEUR	2022	2021
1 jan	191.7	191.7
Disposals	-0.0	0.0
Total 31 Dec	191.6	191.7

10. Non-current and current receivables

Non-current receivables from group companies

MEUR	2022	2021
Loan receivable	8.3	8.1
Total	8.3	8.1

Current receivables from group companies

MEUR	2022	2021
Accounts receivable	25.0	0.7
Other receivables	77.6	86.8
Derivative financial receivables	0.5	0.1
Accruals and deferred income	0.2	0.1
Total	103.3	87.7

Current receivables from associated companies

No receivables from associated companies during the financial year (2022 and 2021).

Prepaid expenses and accrued income

MEUR	2022	2021
Derivative financial receivables	6.3	0.7
Other receivables	1.9	2.0
Total	8.2	2.7

11. Shareholders' equity

Changes in Shareholders' Equity

MEUR	2022	2021
Share capital 1 Jan	38.0	38.0
Share capital 31 Dec	38.0	38.0
Invested non-restricted equity fund 1 Jan	164.1	164.1
Invested non-restricted equity fund 31 Dec	164.1	164.1
Fair value reserve 1 Jan	0.3	0.0
Change	4.0	0.3
Fair value reserve 31 Dec	4.3	0.3
Retained earnings 1 Jan	42.4	53.3
Distribution of dividends	-25.1	-16.7
Retained earnings 31 Dec	17.3	36.6
Net income	4.8	5.8
Total shareholders' equity 31 Dec	228.5	244.7

Distributable funds

MEUR	2022	2021
Invested non-restricted equity fund 31 Dec	164.1	164.1
Retained earnings 31 Dec	17.3	36.6
Net income	4.8	5.8
Distributable funds	186.2	206.4

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12. Current liabilities

Maturity of interest bearing liabilities

MEUR	2023	2024	2025	2026	2027-	Total
Loans from financial institutions	0.0	80.0	0.0	0.0	0.0	80.0
Liabilities, group account	200.5	0.0	0.0	0.0	0.0	200.5
Total 2022	200.5	80.0	0.0	0.0	0.0	280.5

MEUR	2022	2023	2024	2025	2026-	Total
Loans from financial institutions	30.0	0.0	80.0	0.0	0.0	110.0
Liabilities, group account	112.5	0.0	0.0	0.0	0.0	112.5
Total 2021	142.5	0.0	80.0	0.0	0.0	222.5

Interest bearing liabilities

MEUR	2022	2021
Loans from financial institutions	80.0	110.0
Total	80.0	110.0

Current liabilities to group companies

MEUR	2022	2021
Accounts payable	1.2	0.7
Other liabilities	200.5	112.5
Derivative financial liabilities	0.3	0.3
Total	202.1	113.5

Accruals and deferred income

MEUR	2022	2021
Accruals related to wages and salaries	5.0	4.3
Derivative financial liabilities	0.5	0.1
Other liabilities	1.4	1.5
Total	6.9	5.9

13. Financial instruments and derivative contracts

Derivative instruments

2022 MEUR	Nominal value	Positive fair values	Negative fair values	Net fair value
Derivative financial instruments designated as cash flow hedges				
Interest rate swap	50.0	5.5	0.0	5.5
Cash flow hedge	50.0	5.5	0.0	5.5
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	106.9	1.3	-0.8	0.5
Buy	44.5	0.1	-0.7	-0.6
Sell	62.4	1.2	-0.1	1.1
Non-hedging	106.9	1.3	-0.8	0.5
Total	156.9	6.9	-0.8	6.1

MEUR	2023	2024	2025	2026
Derivative financial assets	1.3	0.1	0.0	5.5
Derivative financial liabilities	-0.8	-0.1	0.0	0.0

2021 MEUR	Nominal value	Positive fair values	Negative fair values	Net fair value
Derivative financial instruments designated as cash flow hedges				
Interest rate swap	50.0	0.3	0.0	0.3
Cash flow hedge	50.0	0.3	0.0	0.3
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	84.2	0.4	-0.3	0.1
Buy	33.5	0.2	-0.1	0.1
Sell	50.7	0.2	-0.2	-0.0
Non-hedging	84.2	0.4	-0.3	0.1
Total	134.2	0.8	-0.3	0.4

MEUR	2022	2023	2024	2025
Derivative financial assets	0.4	0.0	0.0	0.3
Derivative financial liabilities	-0.3	-0.0	0.0	0.0

Offsetting of financial instruments

The company has not netted financial instruments in its balance sheet.

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Carrying amounts of financial assets and liabilities by measurement categories and fair value hierarchy

2022 MEUR	At fair value through income statement Level 2	Measured at amortized cost	Book value
Non-current financial assets			
Long-term receivables from group companies		8.3	8.3
Current financial assets			
Accounts receivable		0.0	0.0
Accounts receivables from group companies		25.0	25.0
Other receivables from group companies	0.5	77.6	78.1
Derivative financial instruments	6.3		6.3
Current investments		14.9	14.9
Cash and cash equivalents		64.5	64.5
Carrying amount by category	6.9	190.3	197.1
Non-current financial liabilities			
Interest-bearing liabilities		80.0	80.0
Current financial liabilities			
Accounts payable		2.3	2.3
Accounts payable to group companies		1.2	1.2
Other current liabilities to group companies	0.3	200.5	200.8
Other current liabilities		5.4	5.4
Derivative financial instruments	0.5		0.5
Carrying amount by category	0.8	289.4	290.3

According to the Patria's Group Policy Patria Oyj does derivative contracts with the banks according to requests made by group companies. The derivative financial instruments presented on the table are external derivative assets and liabilities. Internal derivative instruments are presented with the receivables from group companies and liabilities to group companies on the column "at fair value through income statement".

2021 MEUR	At fair value through income statement Level 2	Measured at amortized cost	Book value
Non-current financial assets			
Long-term receivables from group companies		8.1	8.1
Current financial assets			
Accounts receivables from group companies		0.7	0.7
Other receivables		0.1	0.1
Other receivables from group companies	0.1	86.8	86.9
Derivative financial instruments	0.7		0.7
Current investments		3.5	3.5
Cash and cash equivalents		59.5	59.5
Carrying amount by category	0.8	158.7	159.5
Non-current financial liabilities			
Interest-bearing liabilities		80.0	80.0
Current financial liabilities			
Interest-bearing liabilities		30.0	30.0
Accounts payable		2.9	2.9
Accounts payable to group companies		0.7	0.7
Other current liabilities to group companies	0.3	112.5	112.8
Other current liabilities		0.2	0.2
Derivative financial instruments	0.1		0.1
Carrying amount by category	0.3	226.4	226.7

According to the Patria's Group Policy Patria Oyj does derivative contracts with the banks according to requests made by group companies. The derivative financial instruments presented on the table are external derivative assets and liabilities. Internal derivative instruments are presented with the receivables from group companies and liabilities to group companies on the column "at fair value through income statement".

Currency risks

The objective of currency risk management is to hedge against exchange rate fluctuations affecting the future cash flow, result and balance sheet. Foreign currency exposures, which include binding sales, purchase and finance contracts (transaction position), are hedged by project or transaction by using foreign exchange derivatives. Patria Oyj and the other group companies are responsible for determining and hedging their exposures. Patria Oyj makes all necessary hedging transactions with banks.

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Hedge accounting is not applied to derivatives hedging balance sheet items. Patria Oyj's own derivative instruments are only hedging balance sheet items.

A sensitivity analysis, in accordance with IFRS 7 shown later, aims to demonstrate the sensitivity of the income before taxes and shareholders' equity to foreign exchange rate fluctuations. Net exposures include foreign currency denominated financial assets and liabilities in the balance sheets of the company and the derivatives used to hedge these as well as derivatives for which hedge accounting is not applied. The change in fair value of these items is recognised in the income statement.

The next table presents the net exposures as well as the effects based on the sensitivity analysis on result before the taxes assuming that euro would have strengthened or weakened against the currency in question on the balance sheet date. The sensitivity is calculated for a five percent exchange rate change.

The most significant currency exposures on 31 December 2022 were in the Swedish krona (SEK).

IFRS 7 Sensitivity analysis - sensitivity to exchange rate fluctuations 2022

1,000 EUR	SEK
Net exposure - Balance sheet items	68
Euro strengthens / weakens 5% - Effect on income before taxes	-3 / 4
Net exposure - Derivatives under hedge accounting	0
Euro strengthens / weakens 5% - Effect on equity	0 / 0

IFRS 7 Sensitivity analysis - sensitivity to exchange rate fluctuations 2021

1,000 EUR	SEK
Net exposure - Balance sheet items	150
Euro strengthens / weakens 5% - Effect on income before taxes	-7 / 8
Net exposure - Derivatives under hedge accounting	0
Euro strengthens / weakens 5% - Effect on equity	0 / 0

Interest rate risk

Fluctuations in interest rates have an effect on company's interest expenses and income as well as fair value of interest-bearing liabilities and receivables and derivatives. The objective of interest rate risk management is to hedge against interest rate fluctuations affecting the future cash flow, result and balance sheet.

Interest rate risk is managed by monitoring the average interest fixing term (duration) of receivables and liabilities as well as by using derivatives, if needed. Patria Oyj has designated all open interest rate swaps as hedging instruments. Interest arising from interest rate swaps is reported under Financial income and expenses concurrently with interest expense arising from hedged floating rate loans from financial institutions.

On 31 December 2022, the average interest fixing term of the liabilities was 2.4 (2.3) years and that of the receivables 10.12 days (5.14 days).

On 31 December 2022, company's interest-bearing liabilities totalled EUR 280.5 million (222.5) out of which EUR 230.5 million (172.5) was floating rate and EUR 50.0 million (50.0) was fixed rate. EUR 200.5 million (112.5) of the floating rate liabilities were from group account. Interest-bearing receivables were EUR 157.0 million (149.8) out of which EUR 142.1 million (146.3) were floating rate and EUR 14.9 million (3.5) was fixed rate. EUR 77.6 million (86.8) of the interest-bearing receivables were receivables from group account. Patria Oyj has open interest derivatives EUR 50.0 million (50.0) on 31 December 2022.

14. Commitments and contingent liabilities

Commitments and contingent liabilities

MEUR	2022	2021
Guarantees given on behalf of group companies	43.7	53.3
Guarantees given on behalf of others	0.9	0.1
Other own contingent liabilities	0.5	0.5
Total	45.0	53.8

Leasing commitments

MEUR	2022	2021
Payments due next year	3.5	3.4
1 - 5 years	8.8	11.6
Payments due in thereafter	4.6	5.1
Total	16.9	20.1

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Board of Directors' proposal for profit distribution

The parent company's non-restricted equity on 31 December 2022 is EUR 186,193,957.35 of which the net profit for the financial period is EUR 4,810,147.58.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.95 per share be paid on the shares owned by the State of Finland and Kongsberg Defence & Aerospace AS. Under the proposal, the total amount of dividends will be EUR 26,449,794.55. The Board of Directors further proposes that the remaining non-restricted equity, EUR 159,744,162.80 be retained and carried forward.

Helsinki, 9 March 2023

Panu Routila Mette Toft Bjørgen
Chairman

Jukka Juusti Eirik Lie

Päivi Marttila Jarle Næss

Iver Christian Olerud Petri Vihervuori

Esa Rautalinko
President and CEO

Auditor's Statement

A report has been given today on the audit performed.

Helsinki, 9 March 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Karinen
Authorised Public Accountant

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Governance

Corporate governance

Applicable regulations, guidelines and recommendations

Oyj's ("Patria") corporate governance complies with the Limited Liability Companies Act, Auditing Act, Accounting Act and any other binding legislation.

For example, the Limited Liability Companies Act specifies the company's governing bodies, their roles and responsibilities, and the relationships between governing bodies. The Limited Liability Companies Act is also important for shareholders' rights, as it contains regulations on the rights granted by shares and the exercising of those rights. It also contains the company's main corporate governance principles. Patria also complies with other principles and recommendations for good governance that are applicable to companies that are majority-owned by the State. Although Patria is not a listed company, it complies with the applicable sections of the Securities Market Association's Finnish Corporate Governance Code 2020, to the extent that compliance with the Code's recommendations is appropriate for ensuring good governance and taking into account the company's ownership structure and/ or special characteristics or line of business. The most significant deviations from the Code concern Patria's process for appointing members of the Board of Directors and members' independence. This stems from the company's ownership base and other special characteristics.

Patria's auditor is PricewaterhouseCoopers Oy, Authorised Public Accountants.

In its statement (KILA 2008/1829), the Finnish Accountancy Board urges companies with a legal obligation to keep books to establish a register of the individuals who are their related parties, in order to enable the monitoring of actions taken by related parties. With the authorisation of the Board of Directors, Patria's General Counsel has arranged the monitoring of the company's related parties, by specifying such parties in a Group and organisation diagram, by sending individuals who are related parties enquiries for the preparation of a register of related parties (a form of declaration of related parties), and by regularly updating the information in the register.

Group organisation and administrative system

In 2021 Patria was operationally divided into business units. A new operating model was taken into use in the beginning of 2022 consisting of two profit and loss bearing divisions Global and Finland supported by Portfolio, responsible for products and services, and Operations, responsible for the production chain. The Patria Group consists of the parent company, Patria, and its subsidiaries. In addition to its wholly

owned subsidiaries, the Patria Group owns 61.8 % of Millog Oy, 50% of Nammo AS and 60% of Milworks OÜ.

Governing bodies

Patria's highest decision-making body is the General Meeting, at which shareholders exercise their decision-making authority. The tasks of the General Meeting include matters specified in legislation and Patria's Article of Association, such as deciding on the fees paid to members of the Board of Directors and its Committees, the Consultative Committee, and the company's auditor. An Extraordinary General Meeting is held when the Board of Directors deems it necessary, or if the auditor or shareholders holding at least ten per cent of all shares demand one in writing to handle a specific matter.

Patria's Board of Directors consists of the Board members elected by the General Meeting. The Board of Directors handles Patria's corporate governance and the appropriate organisation of its operations.

Patria's operative business is managed by the CEO, who is appointed by the Board of Directors. The CEO handles the daily management of the company and Patria Group in accordance with the guidelines and instructions issued by the Board of Directors. The CEO is supported by the Group

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Management Team. Each business function also has its own management team. The Boards of wholly owned Group companies are only responsible for the statutory minimum duties specified in the relevant legislation.

Consultative committee

According to its Articles of Association, Patria Oyj must have a Consultative Committee appointed by the General Meeting. Patria's Articles of Association further state that the Board of Directors must consult the Consultative Committee on matters that concern any marked curtailment or expansion of operations or any vital changes to the company's organisation, or which are otherwise of great importance to the line of business that the company is engaged in, either in Finland or internationally.

The Consultative Committee consists of a chair, a vice-chair, and a maximum of ten other members. The Consultative Committee had 11 members during the financial year and convened four times in 2022.

Composition, selection procedure and operation of the Board of Directors

According to Patria's Articles of Association, the Board shall consist of eight (8) members, including the Chairman of the Board (the "Chairman"). The OSD (= VNK) and the Investor (= Kongsberg) shall each have the right, in their sole discretion, to nominate fifty per cent (50%) of the members of the Board (and to substitute such members at any given time). The OSD and the Investor shall in good faith consult with each other, within the Ownership Meeting, regarding the nominations. The OSD shall have the right to nominate the Chairman. The General Meeting elects the chair and

other Board members and decides on their remuneration. The Board members are elected for one year at a time, their terms of office ending at the close of the first Annual General Meeting held subsequent to their election.

The Board convened 12 times in 2022.

Principal duties of the Board of Directors and distribution of duties

The Board of Directors is responsible for Patria's corporate governance and the appropriate organisation of its operations in accordance with applicable legislation, the company's Articles of Association, and any instructions issued by the General Meeting. The Board of Directors appoints the President & CEO and supervises his actions. In addition to its statutory tasks, the Board of Directors' main task is to decide on the Group's strategic policies. The Board of Directors steers and supervises the Group's various businesses, to ensure that the Group complies with applicable regulations and operates in a commercially appropriate manner that generates added value for shareholders. The Board therefore makes decisions on the Group's key operating principles, and annually approves the Group's financial targets, operational objectives, Financial Statements, and any interim reports. It also decides on any significant investments. The Board confirms the Group's ethical values and operational principles, and monitors compliance with these values and principles. The Board also approves the general setup of the Group's organisational and operational structure. Its task is to promote the interests of both the Group and its stakeholders. The Board has appointed an Audit Committee and a Nomination and

Compensation Committee. The Board has no agreed division of workloads, except for its Committees.

Nomination and Compensation Committee

The Committee consists of the Chairman of the Committee and at least two (2) members, who are all elected annually after the General Meeting by the Board from among its members. These members have the experience and expertise required by the Committee's tasks. The Nomination and Compensation Committee prepares the Group's and management's payroll structures, along with any bonus and incentive systems. It also approves key appointments.

The Nomination and Compensation Committee convened four times during 2022.

Audit Committee

The Audit Committee consists of the Chairman of the Committee and at least two (2) members, who are all elected annually after the Annual General Meeting by the Board from among its members. The members of the Committee shall have the qualifications necessary to perform the responsibilities of the audit committee. At least one (1) member shall have experience specifically in accounting, bookkeeping or auditing. The Audit Committee supervises and monitors matters such as the implementation of the Group's internal controls, risk management and financial reporting. It is also tasked with supervising the Group's financial reporting, the drawing up of its Financial Statements, and matters related to compliance and ethics. The Audit Committee convened four times during 2022.

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The company's President & CEO and group management

Patria's President & CEO is responsible for managing the business activities and governance of both the company and the Group in accordance with the provisions of the Limited Liability Companies Act and any guidelines or rules issued by the Board of Directors. The President and CEO is assisted by the Group Management Team, which convenes monthly, and which consists of Presidents of each business function, Chief Financial Officer, Chief Legal Officer, Chief Program Officer, HX, and Chief Human Resources Officer. In addition, the Group management meets in other combinations as and when necessary for management purposes.

As from the beginning of 2022, corporate responsibility is directed by the ESG Steering Group, which is coordinated by the Chief Legal Officer. In addition to the CLO, the members of the group are the heads of HR, finance and QEHS and a communications representative. Patria also has ESG working groups specialising in the environment, compliance, finance, procurement and well-being at work. In 2021, Patria's Chief Legal Officer also served as Chief Compliance Officer.

As from the beginning of 2022, separate Head of Compliance reports to the Chief Legal Officer, and is responsible for matters related to compliance and ethics (incl. anti-corruption work).

Compensation

Information on the compensation and benefits paid to the Board of Directors, Board Committees and Patria's management is available in the Notes to the Financial Statements.

Monitoring and controls

In accordance with the Limited Liability Companies Act, the Board of Directors must ensure that the supervision of accounting and financial management has been appropriately organised. The President & CEO must ensure that the company's accounting complies with legislation and that financial administration has been reliably organised. Patria's management is responsible for ensuring that the Group's routine operations comply with all of the relevant legal provisions and Board resolutions, and that Group risk management has been organised in an appropriate manner.

The Executive Vice Presidents of Patria's business functions are members of the Group's Management Team, which enhances and clarifies leadership and leads to more effectively organised.

A reporting system has been set up to handle the Group's financial control, and it produces diverse information about the Group's financial position and its development on a monthly basis. The Group has a clearly defined decision-making hierarchy for investments.

Patria has an Internal Audit function outsourced to an independent operator. This audit evaluates and verifies the efficiency and appropriateness of the Group's risk management and internal controls, the reliability of financial reporting, and compliance with the legislation and guidelines. Patria's internal auditors comply with the International Standards for the Professional Practice of Internal Auditing. The Internal Audit reports on its activities and findings to the Audit Committee and the President & CEO. The Audit Committee approves the internal audit plans on an annual basis.

The company's auditors report their observations at least once a year to the relevant business units and to the Group's

financial management, as well as to the Board of Directors and the Audit Committee. The auditors also submit a statutory auditors' report to the company's shareholders.

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Industrial Participation

In defence procurement, Industrial Participation (IP) in the target country is a common condition and requirement for supply contracts.

In an industrial participation agreement, the seller (a company) must commit to compensating the value of the purchasing contract to the purchaser (a country), either in whole or in part. The aim is to ensure industrial participation via a purchasing contract that will create the agreed added value for the procuring country. The requirements and processes for industrial participation are defined in accordance with each target country's national regulations and any contract-specific requirements. The European Union also regulates the framework for industrial participation.

Patria operates in the defence sector, in which industrial participation is a general requirement and condition of defence contracts. Patria can export its products either directly through a project or, if the government purchasing defence materiel from Patria so requires, via other industrial participation arrangements or activities. When deciding on involvement in projects requiring industrial participation, Patria considers factors such as its business interests, the value of industrial participation and its relation to the value of the main agreement or transaction. Senior management must also steer and supervise any activities related to industrial participation in accordance with clearly stated responsibilities.

Industrial participation arrangements and activities comply with the regulations and practices of the countries in question. These arrangements may also include externally created industrial participation activities and collaboration with others who have industrial participation

obligations (that is, with those considered to be third parties to the agreement), but only as long as this is permissible under the applicable regulations and practices.

Bilateral industrial participation relief or exchanges are also possible if they are conducted with a permit from the relevant authorities and in accordance with the applicable regulations and contractual terms and conditions. Patria's management, Board of Directors and the Board's Audit Committee are duly notified of the company's industrial participation obligations.

All industrial participation obligations and activities are governed by the following unconditional requirements:

- Industrial participation obligations and activities that are permissible under the applicable legislation, regulations and international agreements must comply with legislation and regulations.
- The arrangements must comply with the Patria Group's ethical and standardisation practices, the Patria Group's Ethical Code of Conduct, and the guidelines and other instructions governing industrial participation.
- Applicable due diligence reports must be made on any and all partners and vendors related to such arrangements and transactions, with a special focus on anti-bribery and anti-corruption.
- In order to mitigate legal risks and ensure the compliance of Patria's industrial participation activities, Patria must conduct a comprehensive legal analysis of the industrial participation regulations applicable in the country in question.

- All relevant financial and non-financial risks must be assessed and systematically controlled.

Carrying out Patria's industrial participation obligations:

Since the beginning of 2022, industrial participation has been part of the Global Division's operations and is being managed in accordance with the aforementioned principles. Patria's obligations are based on both the agreements transferred from the Land business unit at the end of 2021 and new agreements that were signed in 2022.



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Risk management and internal control

Risk management and internal control are a vital part of Patria's corporate governance system. Risk management and internal control also help to ensure that operational and profitability targets are achieved.

They can likewise help to ensure appropriate reporting, compliance with legislation and regulations, and the protection of Patria's reputation.

Risk management framework

Patria has a risk management and internal control policy approved by the Board of Directors, which specifies the related tasks, objectives, components, responsibilities and authorisations. The Board of Directors, and in practice the Audit Committee appointed by the Board, supervises risk management and internal control as the highest decision-making body.

Primary responsibility for risk management and internal control lies with business units and group functions within their respective fields of responsibility.

The CEO is responsible for the appropriateness and monitoring of Patria's risk management and internal controls. Patria's group functions steer the Group's risk management and internal controls, and supervise them at various levels. Patria's internal audit and external auditors assess the effectiveness of the company's risk management and internal control. Patria's customers also carry out their own audits and use various means to monitor Patria's compliance with their requirements.

A risk is either a negative or positive uncertainty factor that may affect Patria's operational targets, profitability or other aspects of the company's business. Risk management is the process of ensuring the appropriate and adequate identification, assessment and handling of both risks and opportunities. Risk management helps to ensure that targets are achieved and resources are not wasted. Patria's risk management is based on the COSO ERM framework, ISO 31000 standard, and the sector's own standards and requirements.

In 2021, the Group began updating its Enterprise Risk Management (ERM) operating model. Work on preparing and mobilising the updated model began in 2022 and will continue in 2023.

Internal audit

Patria has an Internal Audit function outsourced to an independent operator. This audit evaluates and verifies the effectiveness and appropriateness of the Group's operations, risk management and internal controls; the reliability of internal and external reporting; and compliance with applicable legislation and guidelines.

The Audit Committee approves the internal audit plan on an annual basis. From time to time, the Audit Committee and Board of Directors may give instructions to carry out specific internal audits or other control measures. The results of internal audits are regularly reported to both the Audit Committee and Patria's management.

Risks and opportunities

The key areas and issues related to Patria's companies, business units and risk management are described below, that is, those that may pose risks, subject Patria to risks, or create opportunities. Financial risks are mentioned in the Notes to the Financial Statements.

Export licences and changes in the defence sector

The international defence sector is in a constant state of flux. Acquisitions and mergers are taking place, new operators are emerging, the complexity of customer requirements and use of new technologies is increasing, and competition

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is intensifying. The operating environment is also being affected by changes in international relations, such as the military operations initiated by Russia in Ukraine, which led to developments in NATO cooperation and large-scale sanctions to which Finland is also committed. Patria responds to competition by improving its understanding and anticipation of customer needs, and by developing and commercialising new competitive products, services and solutions. The export of defence materiel requires an export or transfer licence, which in Finland is issued by the Ministry of Defence or, in some cases, by the Government. Circumstances in the potential destination country may prevent the issue of an export licence; or circumstances in the country to which an export licence has been granted may change such that the licence is permanently withdrawn or temporarily suspended.

Strategic partnerships

Building strategic partnerships with key customers, contractors and suppliers is vital for Patria's success. Patria is constantly seeking to identify new business opportunities and create, maintain and develop strategic partnerships.

Process quality and cost-effectiveness

Patria's success also requires efficient and flexible processes and improved cost competitiveness. Patria continuously and systematically develops its processes and improves its competitiveness.

Sales and delivery projects

Due to the nature of certain segments of Patria's business, individual sales and delivery projects can be very large in

relation to the Group's annual net sales. They may include product development, require extensive subcontracting and co-operation with third parties, and last for several years.

The content of these deliveries and forms of collaboration may be complex in nature. The risks involved in such projects are typically diverse and significant, requiring thorough assessment and management.

Project management and project-related risk management is constantly being developed and improved, and their connection to the Group-level ERM operating model is being taken into account during the model's preparation and implementation.

Safeguarding and developing competencies and expertise

Patria's business units require versatile competencies, often in highly specialised fields in which the availability of expertise may be scarce. The timely securing and development of required resources and competencies is vital, and is therefore the subject of systematic long-term efforts.

Compliance

Patria is committed to compliance with ethical conduct, any applicable laws and regulations in its operating countries, and the agreements and commitments signed by the company. Patria invests considerable effort in ensuring compliant and ethical business practices through regular training, communications, and guidelines and processes for ethical conduct. As Patria's operating environment is complex and Patria operates in many countries and under different jurisdictions and complex regulations, violations

may occur despite Patria's good intentions and efforts to ensure ethical operations.

Violations may result in financial losses and damage to Patria's reputation. Patria's ethical principles are presented in the company's Ethical Code of Conduct, which defines the principles that apply to Patria and all of its personnel. Compliance with these ethical guidelines is monitored internally, and any non-conformities are investigated and dealt with. Patria's partners and critical suppliers are also subjected to a thorough advance review, and contractual obligations concerning ethical conduct are defined for such parties.

Information and cyber security

A lot of Patria's business involves the management of secret and confidential information belonging to both Patria and third parties. This makes Patria a target for cyberattacks and other threats. If secret or confidential information were accessed or used by unauthorised parties, it could be highly detrimental to both Patria and the owners of the information. Patria maintains a high level of information security and continuously works to make further improvements.

Other security and accident risks

Patria's business units and group functions regularly assess risks relating to persons, the environment or other damage. These assessments are used to define and implement annual development measures to ensure the security and continuity of operations.



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Board of Directors



Panu Routila

Chairman of the Board of Directors
 Doctor of Business Administration
 Board member as of 4 February, 2020



Eirik Lie

Executive Vice President, KONGSBERG
 and President, Kongsberg Defence &
 Aerospace
 Board member as of 2019



Petri Vihervuori

Senior Financial Adviser, the Ownership
 Steering Department in the Prime Minister's
 Office, State representative
 Board member as of 2018



Mette Toft Bjørgen

Executive Vice President Finance,
 Kongsberg Defence & Aerospace AS
 Board member as of 25 March 2022



Päivi Marttila

Board Professional
 Board member as of 2016



Iver Christian Olerud

Group EVP Strategy and Business
 Development, KONGSBERG Group
 Board member as of 25 March 2022



Jarle Næss

Senior Vice President Business Development,
 Kongsberg Defence & Aerospace,
 Board member as of 2018



Jukka Juusti

MSc. (Eng.)
 Board member as of 1 July 2022



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Consultative Committee

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MEMBERS

Jari Myllykoski

Chairman
 Member of Parliament
 Member since November 2020

Janne Sankelo

Vice Chairman
 Member of Parliament
 Member since October 2019

Riitta Mäkinen

Member
 Member of Parliament
 Member since October 2019

Vesa Virtanen

Member
 Major General,
 (Chief of Defence Command from 1 July 2022), Finland
 Member since March 2022

Petri Huru

Member
 Member of Parliament
 Member since October 2019

Ilona Lundström

Member
 Director General, Ministry of Economic Affairs and
 Employment
 Member since December 2022

Hannu Hoskonen

Member
 Member of Parliament
 Member since October 2019

Gösta Sundström

Member
 Mechanic, Patria
 Member since March 2022

Jussi Karimäki

Member
 Mechanic, Patria
 Member since 2009

Juha Kuusi

Member
 System Specialist, Patria
 Member since 2011

Ilkka Kokko

Member
 Specialist, Defence & Security, Patria
 Member since 2019



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Group Management Team



Esa Rautalinko

President and CEO
Master of Economic Sciences
Employed by Patria since 2019



Jonas Geust

Executive Vice President, Portfolio
Engineer (until 20 June 2022)



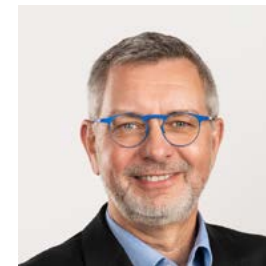
Petri Hepola

Chief Program Officer, HX
PhD (Eng.)
Employed by Patria since
2002



Ara Haikarainen

Chief Legal Officer
LL.M./Master of Administrative
Sciences
Employed by Patria since 2021



Jukka Holkeri

Executive Vice President, Global
Master of Science (Eng.)
Employed by Patria since 1988



Leena Orpo

Chief Human Resources
Officer (CHRO)
Master of Science (Econ.)
Employed by Patria since
2017



Ville Jaakonsalo

Chief Financial Officer
LL.M./MBA
Employed by Patria since 2010



Jussi Järvinen

Executive Vice President, Finland
Master of Science (Economics and
Business Administration)
Employed by Patria since 2013



Pekka Ruutu

Executive Vice President,
Portfolio (as of 20 June 2022)
Master of Science (Eng.)
Employed by Patria since
14 February, 2022



Manu Skyttä

Executive Vice President, Operations
MSc. (Aircraft Engineering)
Employed by Patria since 1 February,
2022

Changes in the management team after the reporting period

Kari Renko

Executive Vice President, Strategic Programs
Master of Science (Eng.), Major General (Eng. Ret.)
Employed by Patria since 11 January 2023



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