

Patria Group's Interim Report for 1 January – 30 June 2023

12 July, 2023

Patria's order stock developed strongly driven by vehicle programmes; delays in key delivery agreements from budgeted burdened net sales and profitability in the first half year

Key figures	1-6/2023	1-6/2022	2022
New orders, EUR million	424.7	294.0	794.8
Order stock, EUR million	1,876.1	1,605.6	1,751.2
Net sales, EUR million	321.8	280.6	627.1
Operating profit, EUR million	15.8	19.8	53.8
Income before taxes, EUR million	14.2	17.3	49.7
Equity ratio, %	39.1	39.8	44.1
Gearing, %	77.8	69.3	27.3
Return on equity, %	15.2	17.6	15.8
Return on capital employed, %	10.3	11.7	11.2
Personnel, end of period (FTE)	3,417	3,264	3,311

The first half year 2023

- Patria Group's net sales for the first half year was EUR 321.8 million (EUR 280.6 million in the comparison period).
- Operating profit was EUR 15.8 million (EUR 19.8 million).
- Equity ratio was 39.1% (39.8%) and net gearing 77.8% (69.3%).
- The development of customer-centricity, operational efficiency and productivity and new ways of working has continued during the second quarter according to Patria's Horizon 2025 strategy.
- Patria's net sales was at a lower level than planned in particular due to orders of new planned 6x6 vehicle programmes moving forward in the first half year. At the same time profitability remained below the target in the first half year. Kicking off several significant vehicle programme delivery agreements simultaneously will create resourcing challenges, but the supply chain is expected to meet its target and deliveries to customers will be done as planned during the rest of the year. The outlook for net sales and profitability for the rest of the year remains strong.
- Patria's success in 6x6 and 8x8 vehicle programmes has continued, which supports the development of other business operations and Group's internationalization. Progress was made in the negotiations of F-35 programme as well as Patria's NEMO mortar systems were sold to Sweden. Demand and order stock are

particularly high in the vehicle programmes, but the demand is not distributed evenly across all Patria's services.

- In June, Patria and Lockheed Martin signed the first Memorandum of Agreement (MoA) for direct work within Finland's F-35 industrial participation programme. This MoA covers the contractual framework for F-35 forward fuselage assemblies in Finland.
- In May, it was announced that Sweden will be strengthening its defence capabilities at sea with eight new mortar vessels, equipped with Patria NEMO Navy turreted 120 mm system. Patria will deliver its mortar system to the Swedish armed forces for the first time as a subcontractor to Swede Ship Marine AB.
- Patria signed the agreement with the Finnish Defence Forces Logistics Command for 91 Patria 6x6 armoured vehicles, in addition to a purchase option for 70 vehicles, in June. The agreement was made as part of multinational Finland-led CAVS (Common Armoured Vehicle Systems) programme that also features Latvia, Sweden, and Germany. Deliveries of the vehicles will begin during 2023.
- Germany and Sweden took next steps in the joint programme in April: Germany officially joined the programme by signing the Technical Arrangement and Sweden proceeded by joining the Framework Agreement as the next stage of preparation for the serial procurement phase. In April, Patria signed a contract with the Swedish Defence Procurement Agency (FMV) for purchasing 20 Patria 6x6 vehicles. The first deliveries of the vehicles will take place within 2023.
- Change negotiations on fixed-term layoffs took place in Patria's Helicopters unit in Halli, its related Production Support, and New Production as well as Diesel Engines unit in Linnavuori during the second quarter due to decreased demand in aircraft and helicopter airframe as well various kind of motor equipment maintenance. As a result of the negotiations, 89 employees were affected, including fixed-term full and part-time layoffs.

Outlook for the rest of the year

Patria continues to strengthen its operational efficiency and productivity and seeks profitable growth in line with its Horizon 2025 strategy in the second year of the strategy period. 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 will continue also during the rest of the year. In June 2023, Patria and Lockheed Martin signed the first MoA for direct work within Finland's F-35 industrial participation programme that covers the contractual framework for F-35 forward fuselage assemblies in Finland by Patria.

The multinational joint CAVS programme of the Patria 6x6 vehicle is proceeding as planned. Deliveries of 91 vehicles that Finland ordered will begin during 2023. Sweden has started the preparation for the serial procurement phase and the first deliveries of already ordered 20 vehicles will begin in 2023. Germany has officially joined the programme by signing the Technical Arrangement. Serial production of Latvian vehicles is ongoing. The joint programme has raised interest and is open also for other countries to join by mutual consent of the participating countries.

At the end of 2022, Patria AMV XP 8x8 vehicle selected by Japan as a new Wheeled Armored Personnel Carrier (WAPC) for Japan Ground Self-Defense Force. The licence negotiation started immediately and the first phases of the negotiations are expected to be concluded during the rest of the year.

The strong demand in Patria's 6x6 and 8x8 vehicles will pose challenges for ensuring resources and supply chain management, but significant improvement measures have been taken in the first half year. Even though some of the orders were done later than expected, the planned and needed supply capacity is expected to be reached during the rest of the year.

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.

Further information:

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