

Patria Group's Financial Review for 2023 – preliminary data

Patria's strong growth continued: net sales grew significantly, profitability improved and order stock developed strongly

Key figures	2023	2022
New orders, EUR million	945.8	794.8
Order stock, EUR million	1,940.7	1,751.2
Net sales, EUR million	732.9	627.1
Operating profit, EUR million	67.9	53.8
Income before taxes, EUR million	63.1	49.7
Equity ratio, %	40.0	44.1
Gearing, %	67.7	27.3
Return on equity, %	18.4	15.8
Return on capital employed, %	13.5	11.2
Personnel, end of period (FTE)	3,385	3,311

Financial review of 2023

- Patria Group's operating profit was EUR 67.9 million and net sales EUR 732.9 million.
- Patria Group's profitability was at a strong level for the fourth consecutive year.
- Value of new orders received was EUR 945.8 million.
- Equity ratio was 40.0% and net gearing 67.7%.
- Patria's strong growth continued in 2023. Patria's net sales grew significantly, profitability improved and order stock developed strongly driven by vehicle programmes. A major part of operational focus has been on building production capacity for the new vehicle orders as well as developing and enhancing productivity of internal operating model.

Highlights of 2023

- The development of customer-centricity, operational efficiency and productivity and new ways of working continued in 2023 according to Patria's Horizon 2025 strategy. The focus of the development has been on Patria's Operations unit, responsible for company's production and supply chains, and Portfolio unit, responsible for Patria's products and services as well as their development and sales support.
- Patria launched a new service concept Patria OPTIME in February 2023. This modular and scalable service model combines robust engineering and maintenance expertise with data analysis for the sustainment of various kinds of fleets on land, at sea and in the air.
- Patria 6x6 vehicle is the selected vehicle platform within the multinational Common Armoured Vehicle System (CAVS) programme, originally established by Finland and Latvia, and Germany and Sweden took next steps in the joint programme in April 2023: 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. At the same time, Patria signed also a contract with the Swedish Defence Procurement Agency (FMV) for purchasing the first 20 Patria 6x6 that were delivered the same year. In June 2023, 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. The deliveries started already in 2023.

- In June 2023, 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 2023, it was announced that Sweden enhances its defence capabilities at sea with eight Patria NEMO Navy turreted 120 mm mortar systems installed on vessels.
- Patria commenced change negotiations in August 2023 in order to continue the development of its operating model, to meet the increased demand as well as improve its efficiency. The integral changes involved 284 job roles. Operational as of 1 January 2024, the introduction of the new organization may lead to redundancies of 56 persons at most.
- Patria and Japan Steel Works Ltd. signed in August 2023 a license agreement on manufacturing Patria AMV XP 8x8 vehicles in Japan. The agreement enables local production in accordance with Japan Ground Self-Defense Force's Wheeled Armored Personnel Carrier (WAPC) programme. In December 2022, Patria AMV XP 8x8 vehicle was selected by the programme to replace Type-96 8x8 Armoured Personnel Carrier vehicles that are currently in use.
- The Finnish Navy's Hamina-Class vessels' modernisation and Mid-Life Upgrade (MLU) project reached the customer's final approval in December 2023. The Finnish Defence Forces and Patria signed a contract for the modernization and mid-life upgrade of four vessels in 2018. In the project Patria has been acting as the prime contractor, designer, and the lead system integrator.
- In December 2023, Patria and the Logistics Command of the Finnish Defence Forces signed an agreement on purchase of six new Leopard 2L Tracked Bridge Laying Vehicles.
- Patria and the Finnish Defence Forces signed a service agreement on building the capabilities of Finland's F-35 programme in December 2023. The industrial participation capabilities of the F-35 solution will ensure the management of the F-35 solution's maintenance reliability-critical know-how and technology in Finland in both normal and state of emergency situations.

Events after the period

- In January 2024 it was announced that The Finnish Defence Forces purchased 40 Patria 6x6 armoured vehicles more by redeeming the additional purchase option related to the agreement signed in June 2023.
- In the beginning of the year it was also announced that Patria will deliver flight inspection system installation and modification packages to Fintraffic and STC for Finnish Aviation Academy Embraer Phenom aircrafts.
- Signed in January 2024, the strategic partnership agreement between Patria and the Finnish Defence Forces was updated. With the agreement, the ongoing cooperation will deepen, the quality assurance and material management procedures were specified, and the partnership management structures were updated.
- Patria published two agreements in early February 2024 to supply the Patria ARIS electronic intelligence systems (ELINT) to European NATO member countries. With the agreements, customers will have access to the latest version of a high-performance signal intelligence system, tailored to the needs of these countries.

Outlook for 2024

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 in 2024. Preparations to kick off the production are under way, and the resourcing needs are being analysed and the relevant recruiting will commence.

The multinational joint CAVS programme of the Patria 6x6 vehicle is proceeding as planned. The serial production of the Finnish and Latvian vehicles is ongoing and the first batch of vehicles to Sweden has been delivered. Germany has officially joined the programme by signing the Technical Arrangement. The joint programme has raised interest and is open also for other countries to join by mutual consent of the participating countries.

In 2023, Patria and Japan Steel Works Ltd. signed a relating license agreement on manufacturing Patria AMV XP 8x8 vehicles in Japan and the preparations for kicking off manufacturing are ongoing.

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.