

Patria
100

2021

Annual Report

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Year 2021 was a strong year for Patria in terms of both day-to-day operations and finances. The new operating model and organization lay the foundation for profitable growth in the years ahead and the development of partnerships in both Finland and the international market.

Patria's Annual Report consists of the Business Units' Review, the Corporate Responsibility Progress Report and the Financial Statements Report. Patria's Annual Report is published on the company's website at www.patriagroup.com.



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Patria in brief

Patria is an international provider of defence, security and aviation life cycle support services, pilot training and technology solutions. 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, Estonia and Spain. Patria employs approximately 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

Business units according to the 2021 organisation and net sales as share of group net sales

16.2% Aviation

provides lifecycle support services for aircraft and helicopters, covering maintenance, repairs and modifications of hulls, engines and equipment. The business area's customer base includes defence forces and paramilitary groups in various countries, as well as original equipment manufacturers and civilian authorities all across the globe. Its flight training services cover both military and civil aviation training. Aviation is a strategic partner to the Finnish Defence Forces.

13.8% Systems

makes comprehensive system and equipment deliveries to defence forces and other national security authorities. Its areas of special expertise are reconnaissance, surveillance and command systems, as well as their integration and lifecycle support. Systems is a strategic partner to the Finnish Defence Forces.

14.7% International Support Partnerships

provides lifecycle support services internationally. The core functions are maintenance and servicing, modifications, spare parts and technical support. Its services include maintenance for fighter jet engines, helicopters and military vehicles at service centres authorised by the manufacturers.

8.5% Land

Key product and service areas include cutting edge armoured wheeled vehicles, mortar systems and their associated lifecycle support services. The Patria AMV, Patria 6x6 vehicles and the Patria Nemo mortar system are the highest profile products in this range. These are market leaders in their own product segments.

2.6% Aerostructures

designs and manufactures demanding aircraft structures for both civil aviation and defence applications.

44.2% Millog

provides maintenance for technical equipment and systems, lifecycle management and logistics services to strategic partners such as the Finnish Defence Forces and other security-critical actors. Its responsibilities include the maintenance of vehicles and armoured equipment, weapon and electronic systems, vessels and various systems; the provision of material and lifecycle services required by them; as well as equipment and systems installations and modifications. Patria has a 61.8% holding in Millog.

Nammo

is an international aerospace and defence company that is headquartered in Norway. It employs around 2 700 professionals in some 30 locations in 12 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.

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OUR VALUES

WE WANT TO SUCCEED

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

OUR OPERATIONS ARE CUSTOMER ORIENTED

Cooperation guarantees the success of all parties.

TOGETHER WE CREATE SUCCESS

We give constructing feedback. We enjoy succeeding together.

Mission:
WE GIVE OUR CUSTOMERS CONFIDENCE IN ALL CONDITIONS.

Customer promise:
WHEN IF IS NOT AN OPTION.

Employer promise:
YOU MAKE THE DIFFERENCE.

Vision:
THE #1 PARTNER FOR CRITICAL OPERATIONS.

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Year 2021

Patria turned 100 years old in 2021. History provides a strong foundation for a safe future, growth, working together and success.

The decision on Finland's future F-35 fighters is an important opportunity to Patria, opening access to the global F-35 supply chain.

Joint 6x6 vehicle development programme of Latvia and Finland proceeded to delivery contracts. The programme has attracted also wider international interest.

As part of the European Defence Industrial Development Programme (EDIDP), Patria leads a defence industry consortium developing future armoured platforms and upgrading existing ground combat capabilities.

Patria is also involved in a joint project of three northern European states **to develop maritime and aerial surveillance capabilities.**

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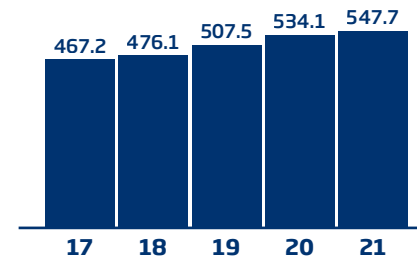
NAMMO

Key figures

Patria Group's financial performance and profitability for the financial year 2021 were at a strong level, in spite of COVID-19.

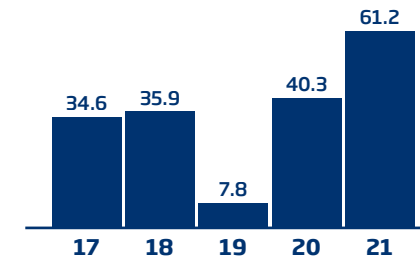
Net sales

EUR million



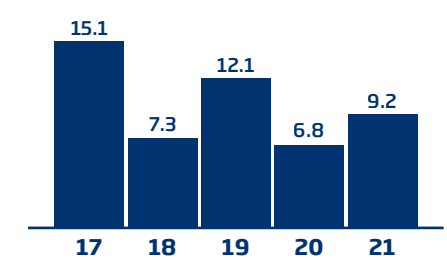
Operating profit

EUR million

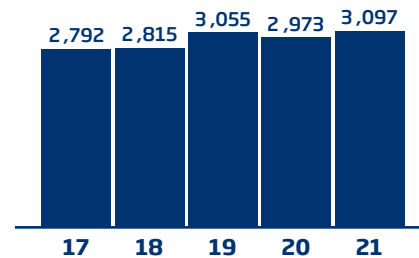


Gross investments in fixed assets

EUR million

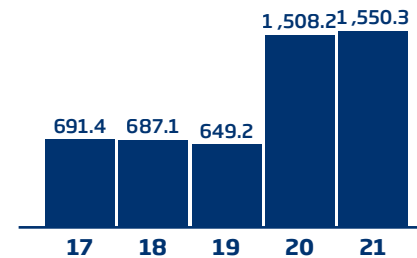


Personnel, end of period (FTE)



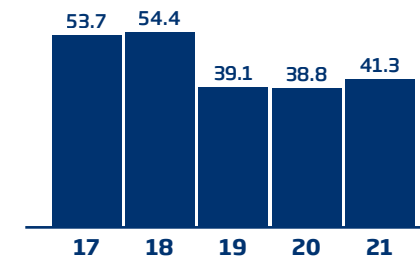
Order stock

EUR million



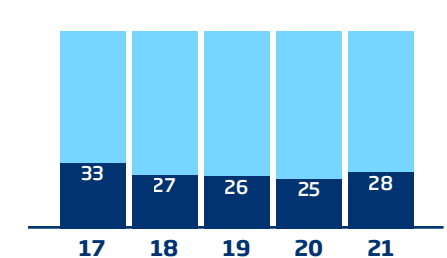
Equity ratio

%



Net sales outside Finland

%



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PRESIDENT & CEO'S REVIEW

A strong year of laying the groundwork for future growth

In spite of the challenges posed by the coronavirus pandemic, 2021 was a strong year for Patria in terms of both day-to-day operations and finances. The new operating model and organization lay the foundation for profitable growth in the years ahead and the development of partnerships in both Finland and the international market.

The operating environment remained challenging due to the lengthening of the coronavirus pandemic, but Patria's financial performance in 2021 was nevertheless excellent. In spite of the challenges, we were able to keep our key customer promises and complete our tasks almost as agreed.

The impacts of the pandemic were particularly evident in the Aerostructures business, which manufactures composite and metal structures for aircraft, as commercial aviation operators cancelled or postponed orders. However, the company has maintained and further developed its high-quality expertise, as in the years ahead the HX program will provide Patria with a substantial volume of F-35 fighter component manufacturing and assembly work for both the aircraft ordered by Finland and export clients.

The Aviation business unit, which provides life cycle support services for aircraft and helicopters, also plays an important role in Finland's HX Fighter program. The strategic partnership with the Defence Forces has evolved well. Patria carried out repairs, maintenance, modifications

and military flight instruction as planned during the review year. On the other hand, the pandemic posed major challenges to civil pilot training for commercial airlines.

The International Support Partnerships (ISP) business unit, an international provider of life cycle support services, posted an excellent financial result for the year. All of its units either met or exceeded their earnings targets, even though military aircraft engine maintenance work was delayed by problems with the availability of spare parts.

A breakthrough in armoured vehicles

2021 was a significant year for the Land business unit as well. Latvia and Patria signed a delivery agreement for Patria 6x6 vehicles, covering the delivery of more than 200 vehicles in 2021-2029. At the same time, Finland and Patria signed a letter of intent for the delivery of 160 vehicles. The first vehicles to Latvia were already delivered in the autumn.

The vehicle orders are based on Finland's and Latvia's joint program to develop an armoured vehicle system for the Patria 6x6 vehicle platform in line with the requirements of the two countries. The launch of the serial production of the vehicles is a major milestone for us - this will enable us to better showcase our cost-effective, high-performance solution, which has attracted wide international interest.

The largest project ongoing at Patria's Systems business unit has been the life cycle upgrade of the Defence Forces' Hamina class fleet. Work has also forged ahead on upcoming large deliveries of intelligence,



Patria's financial performance in 2021 was excellent.

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surveillance and command systems. The new orders received during the year show that these efforts are beginning to show results.

2021 was also a strong year for the Patria Group company Millog. The implementation of an updated partnership agreement with the Defence Forces has got off to a good start. Millog's growth strategy and new functions are also proceeding according to plan. This was a record-breaking year for Senop, which is owned by Millog.

The new organization is a better fit for the needs of customers

In addition to daily work and achieving the targets set for 2021, the year involved intensive planning for the future. The focus was on the implementation of Patria's new growth strategy, in which we carried out a major reform of the company's structure and operating models.

As from the beginning of 2022, Patria shifted from its earlier structure of six business units to a clearer model with two results-responsible divisions: Finland and Global. In addition, Millog is a separate performance-responsible entity.

Finland Division is responsible for the Finnish accounts and it is divided by area of defence. This clarifies responsibilities and communications with the customer. The focus has been shifted even more on meeting the needs of customers. The Global Division responsible for international accounts in turn is divided into geographical areas.

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. Our strategy revolves around profitable growth, which we are seeking especially from international markets, such as in the maintenance and overhaul keep business and equipment deliveries.

Success entails efficient operations and innovative products and services. Continual development in these areas will also benefit security-critical customers in Finland. In other words, Patria's basic mission is - both now and in the future - to ensure and develop security of supply in Finland.

Closely involved in international development projects

Patria is strongly involved in several international R&D projects in its sector. One of these is FAMOUS, a joint program between nine EU countries to develop the vehicle solutions of the future - this work is driven by an international industrial consortium led by Patria. This EU-funded program focuses on developing next-generation ground force performance and the further development of existing capabilities.

Patria is also on board a few other joint European R&D programs. International cooperation on these matters will certainly grow further when the EU's funding model for R&D programs starts working effectively after its lengthy period of preparation.

Setting sights on profitable growth in the future

Our key objective for 2022 is to consolidate Patria's new organization and keep honing our operating model so that it is an optimal match for the needs of our existing customers.

Participation in the industrial production of Finland's HX program is a focus in the years ahead, but at the same time we will make outlays on acquiring new customers in the international market. We are well-poised to do so thanks to innovative products and services, which enable us to offer high-performance yet cost-effective solutions.

There is growing demand for such solutions. Many countries need to modernise and renew defence equipment. This will open up new growth opportunities for Patria's maintenance business, for example.

Current debate on export licences for defence material will certainly continue in the years ahead. Patria's guiding principle in the export of defence material is to engage in sustainable and responsible business. The Finnish export control system is both open and transparent. However, we consider it important that the practices are as long-term and predictable as possible. These principles have to be upheld in the

As from the beginning of 2022, Patria shifted from its earlier structure of six business units to a clearer model that features two divisions with profit responsibility and Millog.

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Our competitive edge is our good reputation as a professional and reliable partner.

case of extensions to any previously issued licences for defence material deliveries, so that decades-long commitments for life cycle services – such as with respect to spare parts deliveries and maintenance – may be fulfilled for customers.

Responsibility is at the heart of our business

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. As a strategic partner to the Finnish Defence Forces, we also carry out an important task by ensuring security of supply.

A competitive and cost-effective defence industry also plays an important role for the national economy, as companies in this sector create jobs, expertise and tax revenues. Patria employs over 3,000 professionals in Finland.

Ethics, transparency and a strong focus on preventing corruption lie at the heart of our business management. We are a responsible actor in the defence industry, systematically developing different aspects of social responsibility. Our main focus has been on the development of openness, ethical practices and anti-bribery measures.

The results of these efforts are evident in Patria's ranking in the second-highest category, B, in the Defence Companies Anti-Corruption Index (DCI) 2020 published by Transparency International Defence & Security.

As an environmentally responsible actor, Patria has committed itself to Finland's carbon neutrality target for 2035. We promote the achievement of this objective through a variety of measures, such as improving the efficiency of energy, materials and water use.

In addition to reducing the carbon footprint and environmental impacts of our own operations, we can provide our customers with effective solutions for improving energy-efficiency, reducing emissions and enhancing resource use efficiency.

Patria can offer effective solutions to these challenges by, for example, developing more energy-efficient technologies and providing life cycle services that extend the useful life of equipment. A good example of the latter is the lifecycle upgrades to the Defence Forces' XA-180 personnel carriers that can extend their life cycle to up to 60 years.

100 years pave the way for the future

Patria turned 100 last year. The company is deeply rooted in Finland and our strategic partnership with the Defence Forces. These roots go back to the establishment of the Air Force Aircraft Factory in 1921. A hundred years later, we are still a strong and respected company in the aviation sector, as demonstrated by Patria's major role in the historic HX program.

Patria's products, services and technology – coupled with our team of more than 3,000 professionals – provide a firm foundation for partnership both in Finland and globally, both now and in the future. Our excellent reputation as a knowledgeable and reliable partner also provides us with a competitive advantage.

The company's long history lays a strong foundation for growth, working together and success.

On behalf of myself and all Patria employees, I would like to thank our customers, owners, partners and other stakeholders for 2021. I would also like to thank all Patria employees for your excellent work and flexibility in an extremely challenging operating environment. This year has taught us that together we can succeed. Our future prospects are bright!

Esa Rautalinko

President and CEO, Patria Group

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OPERATING ENVIRONMENT

Defence development projects are being realised in Europe

EU-funded research and development projects are tangible examples of the closer cooperation in the European defence sector. Patria is strongly involved in joint European development.

The EU is strengthening its cooperation in external security and defence in a challenging geopolitical environment. The initiatives of greatest significance to Patria concern joint European R&D projects in the defence sector, in which Patria wants to be strongly involved.

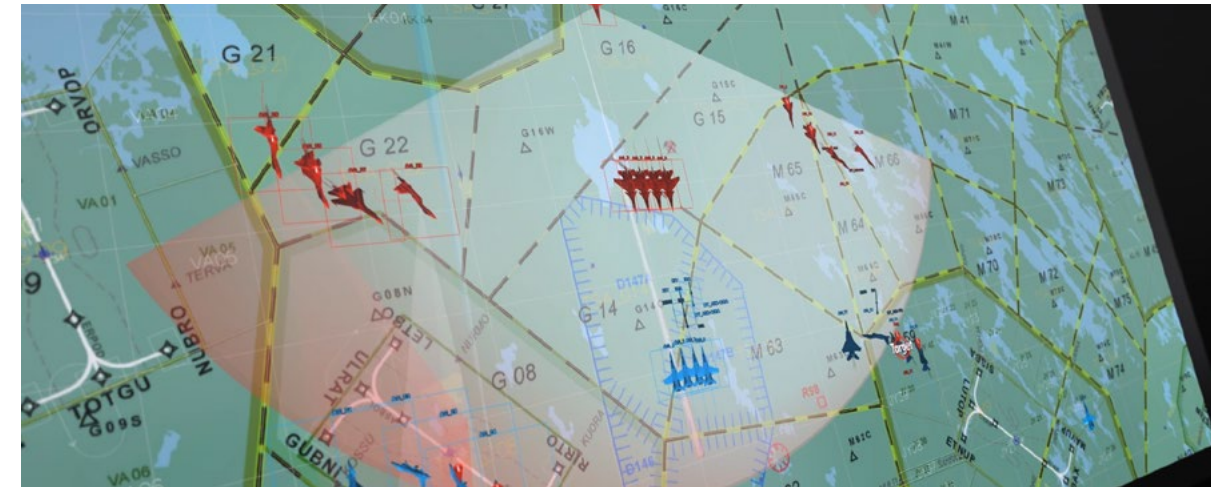
The European Defence Fund (EDF) was launched in 2021 after a long period of preparation. It is an EU-funded programme that was established to coordinate and finance investments and R&D in the European defence sector.

EDF can also grant funding for defence research and development measures concerning the development of new defence technologies or the updating of existing products.

Measures under the EDF must be carried out collaboratively in at least three countries. Funding is granted primarily to industrial and research consortia through competitive applications.

Patria is already involved in three projects

Patria is heavily involved in European cooperation through its participation in numerous development projects, both now and in the future. Before the EDF was established, the EU has funded the European



Defence Industrial Development Programme (EDIDP) – Patria is on board three of the projects it has supported.

The key project is FAMOUS (European Future Highly Mobile Augmented Armoured Systems), which involves nine EU countries, including Finland. Patria heads up an extensive European industrial group assembled for this project. It includes 19 leading defence companies from different EU countries.

In Finland, FAMOUS focuses on developing the Arctic mobility of the Finnish Army. The aim is to find a vehicle solution to replace the current ageing fleet of tracked transport vehicles, which will be decommissioned.

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Patria is also involved in an EDIDP-funded joint project of three Northern European countries that is developing maritime and air surveillance capabilities. The participating member states are Sweden, Finland and Estonia.

In addition, Patria is participating in the e-COLORSS joint project, in which a European consortium is significantly improving the performance of indirect fire systems.

Data dominates technological development

Patria is closely monitoring technological developments in the defence sector, but it is equally important to keep a close eye on development in the civilian sector as well. In particular, various new technologies for big data utilisation, AI and analytics are being strongly adopted in the defence sector, too. Patria seeks to be one of the pioneers in this sector by developing data-driven business in which data and analytics applications are used to optimise operations and create new services.

Patria harnesses a data-driven operating model in two ways. Firstly, it can be used to develop new business and services for customers in, for example, the maintenance and upkeep business. Secondly, data is used to develop the company's industrial production and products. Everything revolves around generating added value for customers.

Ecosystems bring together Finnish expertise

Defence actors in Finland must engage in even closer cooperation due to the development of collaboration in the European defence sector and in order to keep up with competition. Ecosystems that tap into the expertise of companies and researchers on technological development and innovations are being used to achieve this. Ecosystems also facilitate obtaining funding for R&D projects from EU sources.

Ecosystem assembly and competence analysis are being initiated. For example, Patria, VTT (Technical Research Centre of Finland) and the Finnish Defence Forces are currently preparing the Digital Defence ecosystem with a view to bringing together expertise in critical technologies. One aim is



to develop dual-use technologies for both military and civilian purposes. The main idea behind ecosystems is to seek export-driven growth for the participating companies.

Debate on export licences for defence materiel

Public debate on export licences for defence materiel continued in 2021. In Finland, such licences are granted by the Government. The Minister of Defence decides on smaller deals.

This debate is topical to Patria, especially with respect to extensions to previously issued licences for defence materiel deals that, for example, involve warranty or maintenance programmes.

Patria's guiding principle in the export of defence materiel is to engage in sustainable and responsible business. The company complies with all official export legislation, regulations and practices, both in Finland and in other countries as necessary, including those that prohibit exports to countries currently at war. The Finnish export control system is open and transparent, and every export licence is considered separately on the basis of the criteria of the EU Common Position. Patria wants export licences to be processed consistently, predictably and logically. These principles should also be the case for extensions to any previously issued licences for defence materiel deliveries, so that any commitments for lifecycle services may be upheld.

The closer cooperation in the European defence sector is a new element in the debate on export licences. R&D projects in the defence sector seek to launch joint systems and products that will also have potential markets in third countries. For this reason, it is important to harmonise export practices even more consistently.

The initiatives of greatest significance to Patria concern joint European R&D projects in the defence sector.

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STRATEGY

Determined efforts to implement the new strategy

Patria kicks off determined efforts to implement its new growth strategy. A new customer-oriented operating model and business structure effectively support profitable growth.

In August 2020, Patria's Board of Directors approved the new Horizon 2025 growth strategy. As its name suggests, this strategy will steer the Group's operations over the next five years. Patria is pursuing growth that will increase the Group's net sales to around EUR 900 million by the end of 2025. Growth will be sought especially in international markets, where success requires efficient operations and innovative products and services. Patria's core mission is to safeguard security of supply, both now and in the future. Supported by growth, the company will be able to serve its defence-critical customers even better in Finland and other target countries.

The new operating model is based on a customer-oriented approach

With the new strategy, Patria overhauled its operating model and organisation, effective as from the beginning of 2022. Under its new operating model, Patria seeks to comprehensively harness the expertise of all Patria employees. The earlier business structure (excl. Millog) has been dismantled. Patria is now a unified whole consisting of strong core functions – Finland, Global, Portfolio and Operations.

Strategic Partnership

The Finland division is responsible for sales, marketing and customer accounts in Finland, with a particular focus on the Finnish Defence Forces. Finland consists of four business areas: Air Force, Army, Navy and Joint & Security.

The Global division is responsible for sales, marketing and customer accounts outside Finland. Global consists of the Nordics, Europe and World market areas.

Portfolio has comprehensive responsibility for Patria's products and services, their development and sales support, and consists of six product and service lines: Fleet Availability, Lifecycle Management, Training & User Support, C5ISTAR, Mission Capability and new products and services.

Operations is responsible for production and the supply chain, and comprises four lines: Airframe & Structure Operations, Land Operations, Engine, Component & Training Operations and Systems & Integrations Operations.

Millog remains a Patria Group company with its existing structure and will continue to cooperate with other Patria businesses. Joint Group functions support these core functions. The current underlying formal legal structure remains largely unchanged and the new organisation exists within its framework.

The Patria-wide cooperation negotiations related to the overhaul of the operating model were concluded with excellent collaboration between personnel groups and the company.

The organisational changes affected about 370 people. No personnel reductions were sought – each employee was offered a position, either their current or a new one.

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Aviation

AVIATION business provides lifecycle support services for aircraft and helicopters, covering maintenance, repairs and modifications of hulls, engines and equipment. The business area's customer base includes defence forces and paramilitary groups in various countries, as well as original equipment manufacturers and civilian authorities all across the globe. Its flight training services cover both military and civil aviation training. Aviation is a strategic partner to the Finnish Defence Forces.

824
Personnel

16.2%
Of Group net sales

26.6%
Of Group personnel

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AVIATION

Lifecycle support services fulfil customer promises



Aviation's cooperation with the Finnish Defence Forces in aircraft repairs, maintenance and modifications continued as planned. The parties also jointly developed military flight training.

Aviation business unit was able to provide lifecycle support services for aircraft and helicopters during the coronavirus pandemic almost as planned. Due to the nature of operations, most of the work on customer fleets must be done on location - however, by modifying operating and management methods, this has been possible during these exceptional circumstances.

Structural repairs on the Hornet fighters of the Finnish Air Force have continued to generate a lot of work. A project to renew the Air Force's elementary training fleet also progressed during the year, as refits and cockpit modifications for Grob 115E elementary training aircraft continued as planned. The modernised aircraft will replace the current L-70 Vinka training fleet.

Preparatory work was done on the next system upgrades to the Hawk fleet of the Finnish Air Force. The NH90 helicopter retrofit project in Sweden progressed according to plan during the year. This project covers a total of seven helicopters.

During the pandemic, Aviation has redeployed personnel to fulfil the delivery promises made to customers. At the same time, the business area has enhanced its training and induction activities due to changes in work tasks.

The most important tasks in the HX programme will be to ensure domestic security of supply and fleet maintenance in compliance with the requirements of industrial participation.

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Military flight training is developing as planned

Long-term collaboration on pilot training between Patria and the Finnish Defence Forces continued and was developed as planned in 2021. The agreement covers elementary and basic pilot training as a service. It also

includes maintenance and servicing of the equipment required for training.

In flight training, Patria also collaborates with the Army by providing simulator training on NH90 helicopters.

On the other hand, the volume of Aviation’s civil aviation training remained low, as the pandemic significantly hindered commercial aviation the world over.

Aviation has pilot training agreements with Qatar Airways and Turkish Airlines, among others, but this training could not be provided in 2021.

However, training for the Kazakhstan-based Air Astana continued. Due to project delays, Aviation had to start cooperation negotiations concerning all employees at the Pirkkala and Córdoba locations. As a result of these negotiations, flight instructors and salaried employees were temporarily laid off.

Continuous improvement in environmental issues

Aviation’s environmental system and policy meet the ISO 14001 standard. An extensive environmental risk assessment was carried out at Halli in Jämsä. Based on this assessment, improvements have been made in, for instance, groundwater protection, stormwater treatment and building basins around fuel tanks.

The HX project is important for the future

In the years ahead, Finland’s HX project and the replacement of Hornet fighters with F-35s will be a major project for Patria in many respects. During the review year, Aviation was actively involved in preparatory work on this project with Aerostructures and Systems businesses.

Patria is a strategic partner to the Finnish Defence Forces in this project. The most important task will involve cooperation to ensure domestic security of supply and fleet maintenance in compliance with the requirements of industrial participation.

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NAMMO

Systems

SYSTEMS makes comprehensive system and equipment deliveries to defence forces and other national security authorities. Its areas of special expertise are reconnaissance, surveillance and command systems, as well as their integration and lifecycle support. Systems is a strategic partner to the Finnish Defence Forces.

419
Personnel

13.8%
Of Group net sales

13.5%
Of Group personnel

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SYSTEMS

Investments in the future begin to show results

The Systems business unit made major breakthroughs in the international market last year, and it continued to develop and deepen its cooperation with the Finnish Defence Forces.

Systems specialises in demanding system and equipment deliveries. The business successfully progressed with its ongoing projects in spite of the continuing operational challenges posed by the coronavirus pandemic. In spite of the tough circumstances, Systems was able to fulfil its customer promises and maintain business profitability.

The pandemic has had two major impacts on operations. The global shortage of components has delayed certain deliveries. On the other hand, employees and subcontractors have not been able to be as mobile as planned and carry out installation and testing work.

Due to deliveries delayed by the pandemic, the growth target set for net sales in 2021 was not reached. On the other hand, profitability was improved as planned.

Significant orders from international markets

Systems has invested substantially in international growth in recent years. This systematic work in sales and marketing is now starting to produce results.

In April, Patria signed an agreement with the Norwegian Defence Material Agency to deliver Sonac ACS acoustic minesweeping systems to the Royal Norwegian Navy.

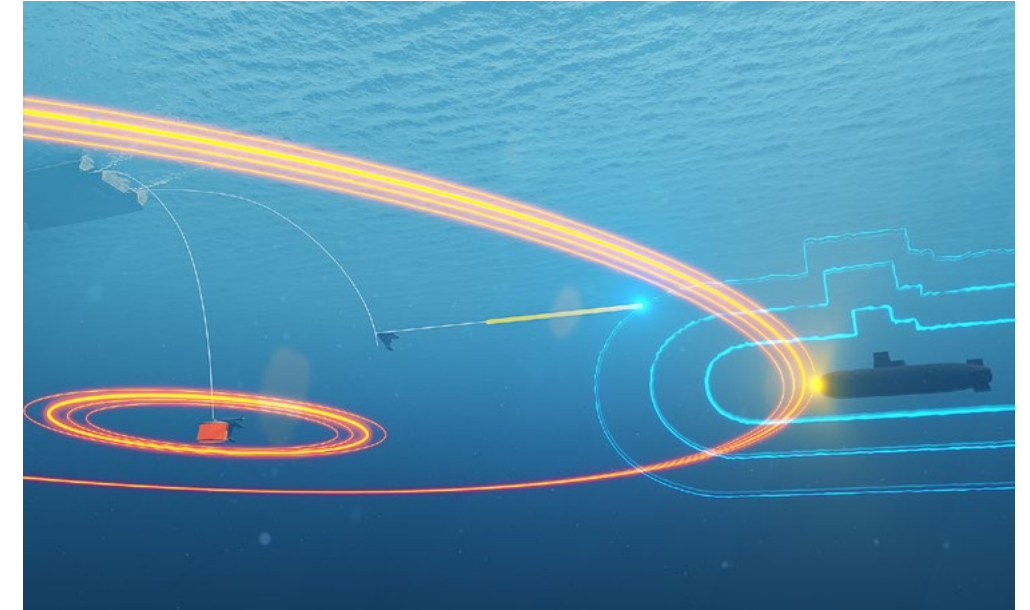
In September, Patria made an agreement with the Belgian Naval & Robotics consortium to deliver Sonac ACS acoustic minesweeping systems

to the Belgian Naval Component and Royal Netherlands Navy. The acoustic minesweepers will be supplied for the fully integrated hardware and software minesweeping system developed by ECA GROUP, which is part of the consortium.

These two NATO country projects are global trailblazers in the development and deployment of next-generation autonomous minesweeping systems.

The agreements further strengthen Patria's strategic objectives of pursuing growth as a supplier of underwater systems, especially in the areas of intelligence, surveillance, anti-submarine warfare and minesweeping.

In June, Patria made a major agreement to deliver an ARIS-E electronic support measures (ESM) system to a European customer. This agreement expands Patria's state-of-the-art intelligence, surveillance and reconnaissance portfolio to also include the creation of tactical situational pictures.



The Systems business invests in international growth.

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The development of Patria's ARIS systems is based on the company's long-term experience in the development of radar signal processing and signal detection systems. Negotiations are also ongoing with other customers on solutions for enhancing performance in signal detection and electronic support.

Patria on board research projects

Patria is participating in a research project of the German and Finnish defence administrations on cooperation between manned and unmanned systems in cooperation with its partner Airbus. Patria is producing a data transfer solution for the project with its CANDL (Compact Airborne Networking Data Link) system.

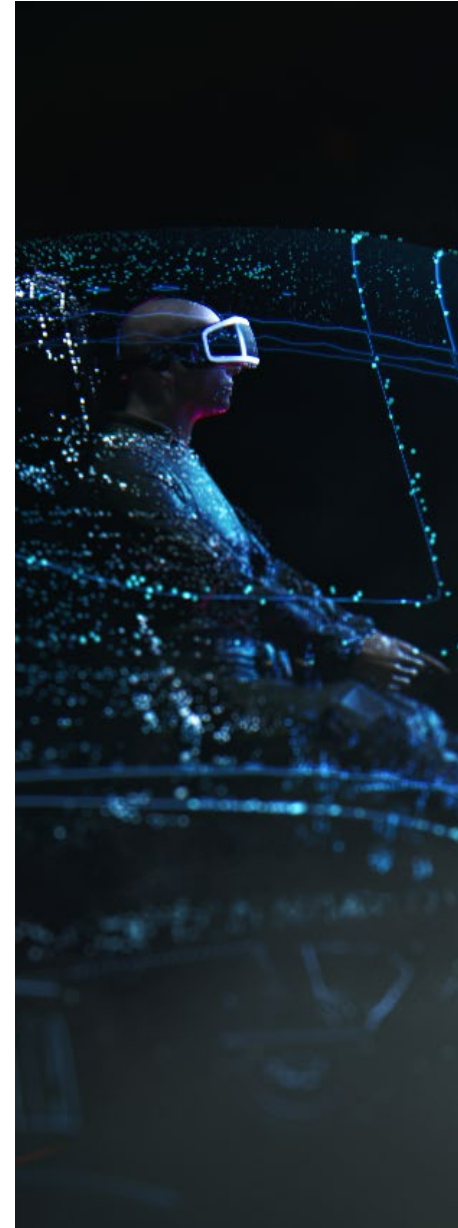
In December, in turn, the Passive Acquisition by Digital Convergence (PADIC) project was started as part of the European Defence Industrial Development Programme (EDIDP). In this project, Patria and European partners are developing the passive surveillance of the marine environment.

Cooperation with the Finnish Defence Forces deepens

During the review year, cooperation with the Defence Forces was developed and deepened further. The largest ongoing project in the Systems business is a mid-life upgrade of Hamina Class missile boats for the Navy. Patria is the main contractor, head designer and lead system integrator for the project.

Overhauling and upgrading these vessels will enhance their Anti-Submarine Warfare (ASW) and surface defence capabilities with new features. The goal is to extend their service life into the 2030s. Three vessels have been handed over in the Hamina project. The fourth will follow in summer 2022. The pandemic has slightly slowed down the progress of the project.

Patria is also on board the Squadron 2020 project of the Defence Forces along with Saab, which has been selected as weapons systems provider. Patria will supply a Sonac DTS sonar system for detecting submarines. Collaboration will encompass both system integration and software



Solutions enhancing performance in signal detection and electronic support raise interest in the market.

development for the weapons system. Work with Saab has got off to a good start. Patria is making headway in the project in line with plans.

Cooperation in future technology research projects has continued and deepened.

Systems has carried out maintenance, repairs and performance-enhancing measures on the Finnish Air Force's avionics systems. This work continued as planned during the year. Cooperation is also close in development efforts aiming to continuously improve the capabilities of the aircraft fleet.

In the field of surveillance and control systems, the clients that Systems has gained include not only the Defence Forces, but also other security-critical authorities in Finland.

Investing in expertise with new recruitments

Operational capabilities could be maintained thanks to the employees excellent flexibility during the pandemic. According to the employee satisfaction survey, the internal flow of information and access to the necessary information pose the greatest challenges now that remote work has increased. Particular attention has been paid to the development of these issues.

Customer satisfaction is also measured even more systematically. Significant improvements have been seen in this.

Systems recruited new employees during the year, for tasks such as programming, testing, analytics, and project management. The goal is to further bolster broad-ranging expertise, particularly in sensor and surveillance systems. In recent years, Systems has also made considerable investments in expertise in the fields of artificial intelligence and data analytics.

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International Support Partnerships

INTERNATIONAL SUPPORT PARTNERSHIPS provides lifecycle support services internationally. The core functions are maintenance and servicing, modifications, spare parts and technical support. Its services include maintenance for fighter jet engines, helicopters and military vehicles at service centres authorised by the manufacturers.

243
Personnel

14.7%
Of Group net sales

7.9%
Of Group personnel

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INTERNATIONAL SUPPORT PARTNERSHIPS

Enhanced operating model produces results



International Support Partnerships (ISP) has served as the spearhead of Patria's growth in international markets. Systematic work bears fruit.

The ISP business unit, an international provider of life-cycle support services, posted an excellent financial result for the year. All of its units either met or surpassed their performance targets.

However, even though ISP was largely able to fulfil its service promises to customers, the coronavirus pandemic did have an impact on operations. Patria Belgium Engine Center (PBEC) - which handles military aircraft engine maintenance - also suffered from problems in obtaining spare parts, which delayed deliveries to customers. For this reason, PBEC's net sales declined, but thanks to the flexibility of its employees and the steps it took to boost production efficiency, the unit reached its performance target.

PBEC has long been responsible for maintenance, repair and overhaul services for the F100 engines of F-16 and F-15 fighters worldwide. Cooperation with the Belgian Defence Forces deepened further in 2021 when Patria employees started working at the country's air force base in addition to the company's own premises.

In Norway, KAMS (Kongsberg Aviation Maintenance Services), which is jointly owned by Patria and Kongsberg Defence & Aerospace AS, surpassed its performance target by a good margin. The company is responsible for the maintenance, upkeep and modernisation of the Norwegian Air Force's helicopters and aircraft. Its performance during

the review year was strong in other respects as well. The company's operations have been developed systematically and its service offering has expanded from the maintenance of F16 fighters and SeaKing helicopters to the maintenance and servicing of F135 engines and new types of helicopters.

Patria's helicopter unit in Sweden has been a key player in helicopter maintenance since 1947. It services helicopters manufactured by different companies, including Leonardo, Airbus and Bell.

In Estonia, the ISP unit Milworks maintains and repairs armoured vehicles and weapon systems of the Estonian Defence Forces. Their partnership has deepened - Milworks has been granted permission to handle the Estonian Defence Forces' weapons outside official defence force areas, which has made maintenance easier and more efficient to organise.

Growing interest in Patria's services

The ISP business has spearheaded the launch of Patria products and services in the international market. ISP has built its operating model and organisation to create a service provider that can successfully supply the international defence industry.

There is growing market interest in Patria's services, which offer comprehensive partnerships to both defence and civilian authorities. This opens up opportunities for both business growth in existing core business and the development of new services.

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The growing market interest opens up opportunities for the development of new services.

In recent years, the ISP business has harmonised its operating practices over country borders. Standardised operating models also proved their worth during the pandemic. Operational sites could be kept open to ensure the uninterrupted provision of important customer services.

Patria is establishing operations in Latvia according to plan

Patria's internationalisation hinges on establishing a foothold in major markets by finding partners or acquiring local companies, either with a local partner or as fully-owned subsidiaries.

The company has used this model in Latvia, for example, where Patria has a subsidiary, Patria Latvia, and has established a joint venture called Defence Partnership Latvia (DPL) with Unitruck, a local company in the maintenance industry.

DPL provides maintenance, repair, system integration and logistics services to the Latvian National Armed Forces. The company is responsible for the assembly and lifecycle services of 6x6 armoured vehicles ordered by Latvia. Patria has also built a comprehensive partner network in Latvia to manufacture certain vehicle parts.

Responsibility is a key part of business

Responsibility and sustainable operating methods are an integral aspect of the daily work of the ISP business. In addition to energy efficiency, ISP is also paying more attention to material efficiency and other environmental issues. ISP is promoting the circular economy by, for example, using repaired components rather than acquiring new ones whenever possible.

In practice, ISP's social responsibility involves cooperation between its units and local communities. In Belgium, PBEC's employee cafeteria has delivered lunches to the local hospital and care home during the coronavirus pandemic. Once PBEC switched over to Patria's IT hardware, the decommissioned laptops were securely wiped and donated to a local school.

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Land

LAND's key product and service areas include cutting-edge armoured wheeled vehicles, mortar systems and their associated lifecycle support services. The Patria AMV, Patria 6x6 vehicles and the Patria Nemo mortar system are the highest-profile products in this range. These are market leaders in their own product segments.

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Personnel

8.5%
Of Group net sales

7.9%
Of Group personnel

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New vehicle orders pave the way for strong growth

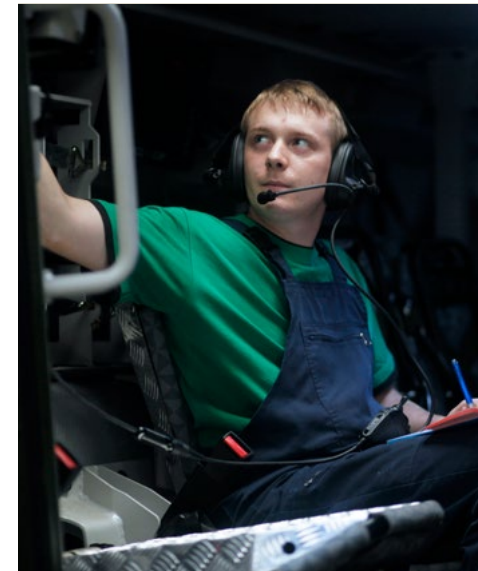
Patria will supply Latvia with more than 200 6x6 armoured vehicles in 2021-2029. A Letter of Intent was signed with Finland for the delivery of 160 vehicles. The vehicle has attracted wide international interest.

2021 was a successful year for the Land business unit. It achieved its targets - and one of the highlights of its year was landing a major vehicle order, as Patria signed a delivery agreement with Latvia in August for more than 200 6x6 armoured vehicles in 2021-2029. In addition to the vehicles, the order includes their support and training systems. At the same time, Patria signed a Letter of Intent with Finland for the delivery of 160 6x6 vehicles. The first four vehicles were already delivered to Latvia in November.

The vehicle orders are based on the joint R&D project of Patria and the Ministries of Defence of Finland and Latvia to develop an armoured vehicle system in line with the requirements of the two countries.

Patria has a joint venture in Latvia, Defence Partnership Latvia (DPL), which is responsible for vehicle assembly and lifecycle services in the country. In addition, Patria has built a collaborative network in the country that is responsible for the production of certain components for the entire project. Local expertise has been bolstered by training Latvian personnel in Finland.

The launch of the serial production of 6x6 vehicles is a major milestone for Patria - this will enable the company to better showcase



The launch of the serial production of 6x6 vehicles is a major milestone for Patria.

its expertise in off-road mobility and user-friendly vehicle development in general. The new vehicle has attracted wide international interest and the first orders will serve as an important reference for Patria.

For example, many European countries are in need of solutions that improve army performance while being cost-effective throughout their life cycle.

Tower mortar interests the US

Patria and the US Army are currently engaged in a research and development project to determine Patria Nemo's suitability and performance as a 120 mm tower mortar system for US vehicles. This project is a logical continuation of Patria's collaboration with the US Government, which began with export deals for Patria Nemo.

Patria Nemo is the global market leader in modern mortar systems with its state-of-the-art capabilities. In 2021, Patria completed the process of verifying Nemo's fire-on-the-move capabilities on land as well. Thanks to its mobile firing feature, it is significantly faster and more efficient to locate the target, aim and open fire without having to stop during the fire mission.

The Patria AMV^{XP} 8x8 armoured personnel carrier and support vehicle is also generating global interest. In 2021, preparations were made to carry out field tests of the vehicle in Japan as part of the country's tender for armoured vehicles. Japan's Ministry of Defence purchased two AMV^{XP} 8x8 vehicles from Patria for the tests.

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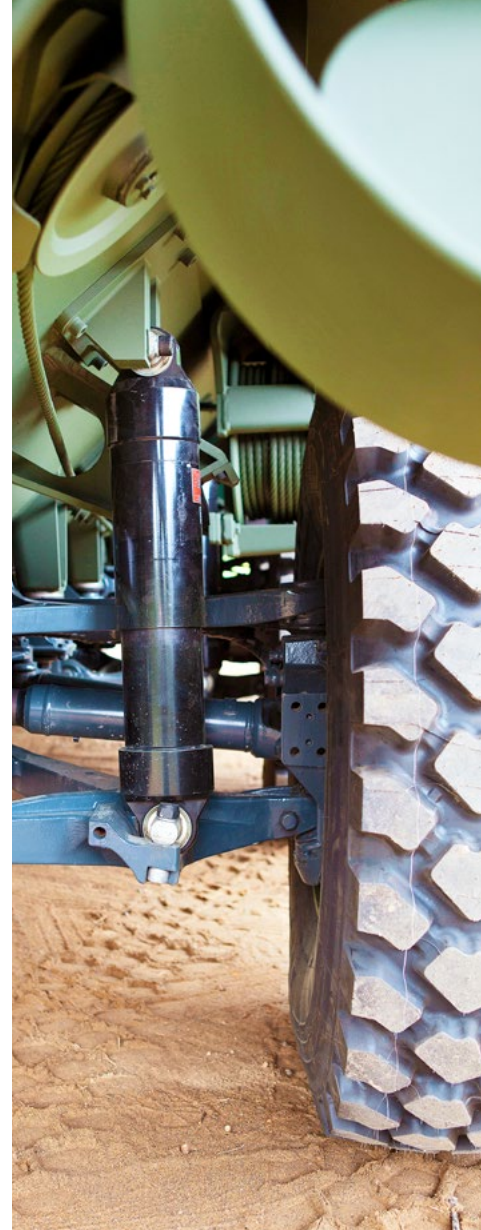
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In Slovakia, Patria has continued to build its local partner network. With its 8x8 vehicle, Patria is participating in the country's tender for new armoured vehicles.

Project with the Finnish Defence Forces is proceeding in line with plans

In Finland, Patria continued the planned lifecycle updates to the Finnish Defence Forces' XA-180 personnel carriers in order to guarantee the performance, condition and technical lifecycles of these vehicles into the 2040s. The project will run until the end of 2022. Among other things, it will update the vehicles' electrical systems, recondition their transmission components, and renew their suspension and exterior coating.

Patria also continued deliveries for an armoured vehicle-launched bridge system ordered by the Finnish Defence Forces. This project, which runs from 2019-2022, will increase the number of armoured bridge layers and update existing equipment.

Patria is involved in international development projects

Patria's Land business is also closely involved in EU-funded R&D programmes in the defence sector. Currently, the key programme is FAMOUS (European Future Highly Mobile Augmented Armoured Systems), which involves nine EU countries, including Finland. Patria leads an extensive European industrial group assembled for this programme.

The programme is being funded by EDIDP (European Defence Industrial Development Programme). In Finland, FAMOUS focuses on developing the Arctic mobility of the Finnish Army. The aim is to find a vehicle solution to replace the current ageing fleet of tracked transport vehicles, which will be decommissioned.

In addition to FAMOUS, Patria is participating in the e-COLORSS joint project, in which a European consortium is developing capabilities to improve indirect fire control.

Outlays on occupational safety are bearing fruit

In spite of the continuation of the coronavirus pandemic, Land was able to organise its operations efficiently and fulfil its promises to its customers. Although there were minor delays in component deliveries from subcontractors, they did not have a major impact on operations.

Going forward, new vehicle orders will make it possible to increase the number of employees moderately.

The personnel survey has highlighted some areas for development that were discussed at both team and business unit level.

The number of accidents at work and the number of sickness absences remained at a relatively low level, as in the previous year. The Land business unit has invested in occupational safety for a long time and developed operations systematically. In recognition of this, Land achieved a level I classification, representing global top quality, in its evaluation by the Nolla tapaturmaa (Zero Accidents) forum of the Finnish Institute of Occupational Health. In 2020, Land achieved 385 consecutive days without an occupational accident.

Land's direct impact on the environment is fairly minor. In addition to its own operations, Land's environmental policy has identified and assessed the environmental impacts and associated risks caused by its own products and services throughout their entire lifecycles, and likewise for the operations of its subcontractors.

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Aerostructures

The AEROSTRUCTURES business unit designs and manufactures demanding aircraft structures for both civil aviation and defence applications.

123
Personnel

2.6%
Of Group net sales

4.0%
Of Group personnel

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The HX project calls for high-quality expertise

The Aerostructures business unit maintained a high level of expertise in the manufacture of composite and metal structures for aircraft. This expertise will be useful when Finland's HX project proceeds to the production phase.

The impacts of the coronavirus pandemic were still felt in the Aerostructures business, which manufactures composite and metal structures for aircraft, as commercial aviation operators cancelled or postponed orders.

That said, deliveries started to partly recover from the 2020 slump. Deliveries of composite parts to the aircraft manufacturer Airbus in 2021 were about 75-80 per cent of their pre-pandemic level. The majority of the composite unit's net sales still consist of carbon fibre structures for the tail fins of Airbus A320 passenger aircraft. These structures are manufactured at Halli in Jämsä.

On the other hand, the delivery agreement for metal components for A350 aircraft ended.

For the defence sector, Patria continues to manufacture radar structures and other comparable structures for the Airborne Early Warning system used in SAAB surveillance aircraft.

A major role in Finland's HX project

Although it has had financially difficult years, Aerostructures has maintained and further developed its high-level expertise in the design and manufacture of composite and metal structures for aircraft. These

efforts will bear fruit in the years ahead, as Finland's HX project will provide Patria with a substantial volume of F-35 fighter component manufacturing and assembly work for the aircraft ordered by Finland. In addition to Finland's aircraft, Patria aims to be involved in the production chains of F-35 fighters delivered to other countries, as well.

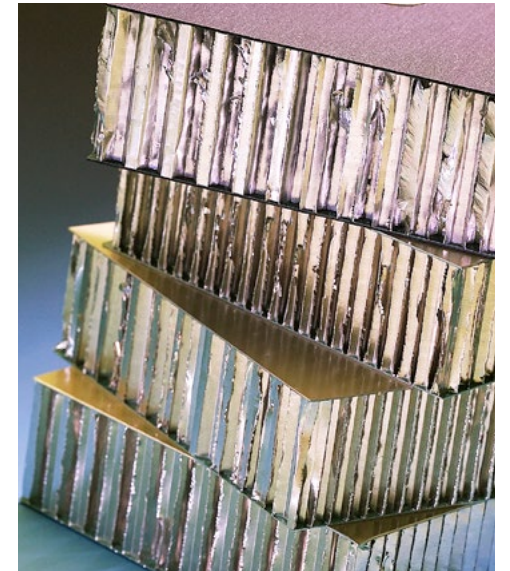
A pioneer in composite recycling

During the review year, the metals unit of the Aerostructures business conducted personnel cooperation negotiations due to the completion of civil aviation projects. As a result of the cooperation negotiations, seven persons had to be laid off until further notice. In addition, some employees were laid off on a part-time basis until further notice.

In occupational healthcare, Aerostructures has in recent years focused especially on joint measures to prevent and reduce musculoskeletal disorders. A particular focus has been placed on promoting the working capacity of older employees.

Implementation, monitoring and reporting continued to comply with the ISO14001 environmental standard. In production, the priority areas were improving material efficiency, minimising waste and increasing recycling.

Among other measures, the Halli production facility in Jämsä has created effective methods for sorting, collecting and transporting composite wastes. Patria is a pioneer in the recycling of composites in its field. In Finland, the company is participating in the KiMuRa project to promote the recycling of plastic composite waste.



Patria is a pioneer in composite recycling.

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Millog

MILLOG provides maintenance for technical equipment and systems, lifecycle management and logistics services to strategic partners such as the Finnish Defence Forces and other security-critical actors. Its responsibilities include the maintenance of vehicles and armoured equipment, weapon and electronic systems, vessels and various systems; the provision of material and lifecycle services required by them; as well as equipment and systems installations and modifications. Patria has a 61.8% holding in Millog.

1,154
Personnel

44.2%
Of Group net sales

37.3%
Of Group personnel

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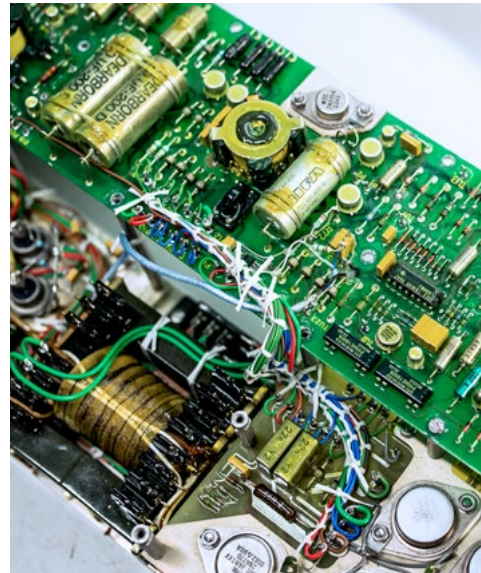
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Deepening the strategic partnership with the Finnish Defence Forces



The long contractual period enables cost-effective collaboration and business development.

The implementation of Millog's updated partnership agreement with the Finnish Defence Forces has got off to a good start. The company's growth strategy is also proceeding as planned. This was a record-breaking year for Senop, which is owned by Millog.

Operations under the updated strategic partnership agreement with the Defence Forces were launched in 2021. The updated agreement is valid until further notice and covers services to the value of about EUR 1.4-1.6 billion in the pricing period 2021-2028. It will have an employment effect of 10,000-11,000 person-years.

The long contractual period will enable long-term collaboration, cost-effectiveness and active business development in both fleet maintenance and lifecycle management and material services.

The new pricing period has started well. Proactive development of operations plays an increasingly important role. Key areas for development include reliability-based maintenance, and the utilisation of digitalisation.

Models that incentivise cost-effectiveness have been developed together with the Defence Forces. Both parties benefit from higher operational efficiency.

Large projects progress as planned

Millog's largest ongoing project with the Finnish Defence Forces is an upgrade of Jurmo Class landing craft. The vessels' hulls, engines, gears

and cockpits will be renewed or repaired to the required extent. The project will be completed in early 2022.

Millog is also responsible for commissioning and maintaining the K9 howitzers the Defence Forces acquired used from South Korea. This project was initiated in 2017 and has progressed in line with plans. Millog is implementing the necessary refurbishments, national modifications and upgrades to these self-propelled howitzers.

In June, Minister of Defence Antti Kaikkonen authorised the Defence Forces Logistics Command to procure a mid-life upgrade for the Army's CV9030 infantry fighting vehicles. BAE Systems Hägglunds Ab, the manufacturer of the vehicles, will subcontract a large part of this work from Millog.

A year of excellent financial performance

2020 was an excellent year for Millog in terms of both net sales and result. The significant increase in the net sales and deliveries of the subsidiary Senop contributed substantially to its performance.

The prolongation of the coronavirus pandemic posed its own challenges to Millog's day-to-day operations, but the company was able to provide its customers with their deliverables as agreed. The company has its own coronavirus response team, which maintained situational awareness and guided operations during the pandemic. Staff illness has been prevented with restrictions and protective measures, and service capabilities did not suffer at any stage. In fact, sickness absences have been record low during the pandemic.

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The changeover to remote work did not hinder operations during the pandemic, either. In the future, the development of technology and operating culture will make it possible to increase remote work in normal conditions, too.

M&As proceed as planned

In line with the Group's growth strategy, the product and service range of the Millog companies has been bolstered through M&As.

Ownership of Virve Tuotteet ja Palvelut Oy - which specialises in the sale and maintenance of terminal equipment for TETRA networks - was transferred to Millog at the beginning of 2020. In October 2020, Millog acquired Oy Western Shipyard Ltd, which specialises in dockage services and repairs for ships and floating structures.

In October 2021, Millog assumed ownership of Laivakone Oy, which engages in maintenance services for ships, power plants and industrial machinery and equipment. The company's customers include Finnlines, Fortum, Tallink Silja, ESL Shipping, Askalon Process and Millog.

The three companies will continue to operate as independent subsidiaries of Millog and their integration into the Group has progressed as planned. For instance, the subsidiaries can use shared services as required and create an end-to-end offering for customers.

HR focuses on management and working capacity

Millog companies have a network of 28 locations in Finland and approximately 1,200 employees. Millog companies also make use of their extensive subcontractor network, which is important for domestic security of supply.

Millog recruited 110 new employees during the year. As a significant number of employees retire every year, Millog has invested in finding young experts by, for example, engaging in closer cooperation with educational institutions.



Millog continued to develop leadership during the year. The Fair Management coaching programme for supervisors continued. The 11th coaching group got under way in the autumn. The participants focused especially on fair management from the perspective of remote meetings and interactions. About 170 Millog supervisors have now completed Fair Management coaching.

The supervisor index is used to monitor the development of supervisory work on an annual basis. The index both measures and steers its development.

The number of sickness absences was lower than normal in 2021.

Millog's all-time best performance in terms of its pension contribution category testifies to the company's investments in working capacity.

A company's pension contribution category is determined on the basis of how many of its employees retire on a disability pension.

Millog recruited 110 new employees during the year.

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IMAGE: TOMI TUULIRANTA

Other organisations have also been interested in Millog’s successful model for the management of working capacity. During the pandemic, Millog has focused especially on mental coping at work and encouraged employees to not hesitate to seek support.

Proactive activities to systematically improve occupational safety continued. Personnel have been encouraged to make safety observations that will help develop operations, prevent accidents, and improve occupational safety culture. The number of observations has risen in line with plans.

Senop lands a record number of orders

Millog’s wholly owned subsidiary Senop Oy develops and manufactures high-tech night vision systems, MIL-compliant system platforms and demanding system integration solutions.

Senop’s 2021 net sales and result saw significant year-on-year growth. The company received a substantial amount of new orders during the year, and thus the company’s order backlog is at a record high, too.

In May, Senop received a major export order from Kongsberg Defence & Aerospace AS for the delivery of integrated fire control centres for the international NASAMS project. The delivery consists of fire control centres integrated into containers as well as spare parts. This delivery continues Senop’s and Kongsberg’s long-term cooperation, which began with the acquisition of Finland’s NASAMS air defence system in 2009.

In July, the Finnish Defence Forces ordered image intensifiers and laser sights from Senop. This is an additional order related to an earlier procurement agreement. Senop will supply the equipment by the end of October 2022. The order includes image intensifiers, commander’s laser sights and soldier’s laser sights.

In October, Senop received an order for the development of night vision sensors for the Army’s CV9030 FIN infantry fighting vehicle. The order is part of the midlife upgrade of the vehicles. Senop is responsible for the delivery of reserve sights and barrel cameras for installation in the infantry fighting vehicles. The value of the order is significant and the deliveries will be made over a period of several years.

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Nammo

NAMMO is an international aerospace and defence company that is headquartered in Norway. It employs around 2,700 professionals in some 30 locations in 12 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.

2,598
Personnel

686.6
MEUR
Net sales

ANNUAL REVIEW

PATRIA IN BRIEF

OUR VALUES

YEAR 2021

KEY FIGURES

REVIEW BY THE PRESIDENT AND CEO

OPERATING ENVIRONMENT

STRATEGY

BUSINESS UNITS

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SYSTEMS

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LAND

AEROSTRUCTURES

MILLOG

» NAMMO

NAMMO

Nammo has a record-breaking year

Nammo, an international aerospace and defence company that is 50 per cent owned by Patria, increased its net sales by around 16 per cent in 2021 and posted a record-breaking result.

Nammo AS consists of four business units: Commercial Ammunition, Small and Medium Calibre Ammunition, Large Calibre Systems and Aerospace Propulsion. The company is one of the world's leading producers of specialty ammunition and rocket motors.

Nammo 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 the coronavirus pandemic, the company's main market areas continued to develop favourably in 2021. 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 grown in its major markets. The largest driver behind its sales growth in 2021 was the rise in ammunition sales in the commercial U.S. market. Many military clients also increased their procurements.

Cooperation with the Finnish Defence Forces deepens

In December 2020, Nammo Lapua Oy and Nammo Vihtavuori Oy, which are part of the Nammo Group, signed an agreement with the Finnish Defence Forces to continue and deepen the strategic partnership between the parties, which started in 2014.

The strategic partnership agreement is a solution covering all states of preparedness and the production of ammunition and explosives that safeguards the basis of the domestic security of supply in the sector.

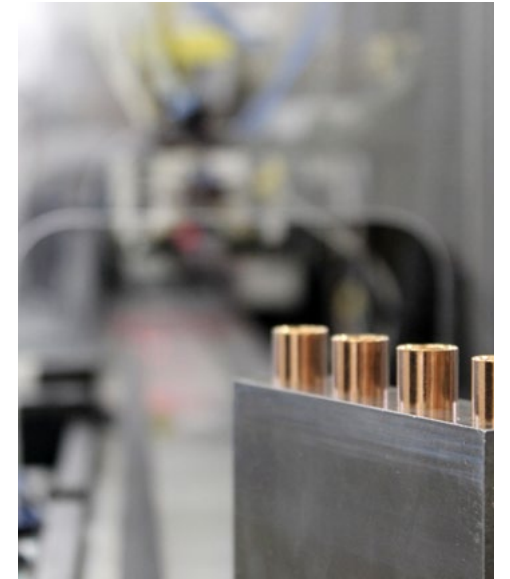
Nammo also has a security of supply partnership with the Norwegian Armed Forces.

Investing for the future

In addition to its day-to-day business, Nammo continued to make major investments in R&D in key technologies and competence that are important for the company's future development. For instance, during the report year, the company continued to make new advances in ramjet technology that enables increased range and accuracy of artillery shells and missiles. Focus areas during the year also included strengthening its 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. Ahead, Nammo will also seek to influence customers to be more sustainable, which means a greater emphasis on sustainable raw materials and more circular mindset for recycling products at the end of their life.



In 2021 nammo posted a record-breaking result.

Patria 100

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