

An aerial photograph of a dense forest with a winding road. The road is a light-colored, unpaved path that curves through the dark green trees. The lighting is dramatic, with strong shadows and highlights on the foliage.

**Tesi**

# Defence

Market study on Finnish defence  
and dual use companies

August 2026

# Bringing fact-based clarity to a critical industry

## Foreword

Tesi produces fact-based insights to support the private equity and venture capital industry, Finnish growth companies, and the wider economy. This report on the Finnish defence industry, as per our defence sector strategy<sup>1</sup>, aims to provide just that.

In 2024 we wrote the first public study on the Finnish defence industry. Since then, much has changed, and interest in the industry has only grown. Data is, however, often limited to official statistics and key financials of the largest success stories. This study aims to broaden understanding of the current state and historical development of the Finnish defence industry, with a particular emphasis on defence and dual use startups.

A key part of the study was a survey of Finnish defence industry leaders. Given the conservative nature of the industry and the sensitivity of many questions, achieving broad participation was not a given. Ultimately, more than 100 leaders responded, creating what we believe to be the first broad survey-based evidence base on the Finnish defence industry. I want to extend my gratitude to all industry leaders who contributed their time to increasing the transparency of this critical industry.

Although this report names only a few authors, it would not have been possible without the extensive support of analytics and defence industry experts both within and beyond Tesi. My sincere thanks to all who have contributed to our knowledge, whether through expert discussions, feedback on hypotheses, or analytical support.

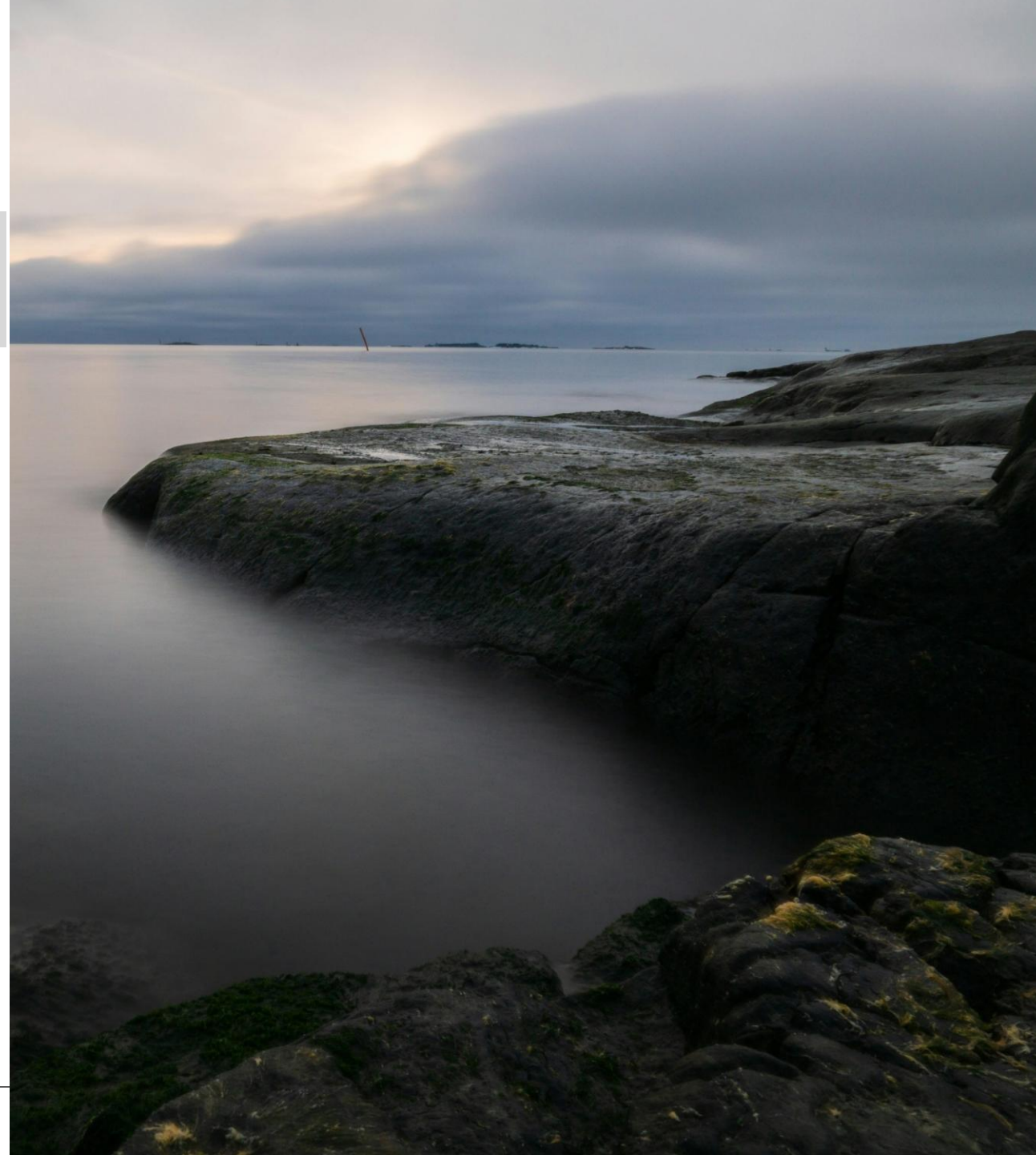
For sensitivity reasons, selected findings are presented in aggregated form and only the most visible companies are named. We hope this report still provides a useful fact base for the defence industry and its stakeholders. We also invite continued dialogue on how the sector and our research efforts can develop further.

Helsinki, August 2026

Jakob Sandell  
Research Manager  
Tesi

# Agenda

- Executive summary
- Methodology
- Industry fundamentals
- Funding and ownership
- Survey results
- Appendix



# The Finnish defence industry is scaling rapidly - the biggest bottleneck is customer access

## Rapidly expanding ecosystem provides growth opportunities across the country

- Over 500 active firms were identified, of which roughly 40% fall into the core categories of defence tech, dual use tech and established defence. The remaining 60% consists of established firms with defence as a part of their business, and professional services firms.
- The defence sector is renewing rapidly: 10–20 new dual use tech firms are founded each year and 2025 set a record in identified defence tech firm registrations. Employment in the core categories defence tech, dual use tech and established defence has also grown strongly, from around 7,000 employees in 2021 to more than 9,000 in 2024.

## A few companies have been able to hyperscale, leading to startups' total sales more than doubling since 2020

- Dual use tech and defence tech sales have grown from less than €200m in 2020 to ~€450m in 2024, with 2025 estimated at €600–650m. At the same time, much of the funding and value creation is concentrated in a limited number of standout companies, most notably ICEYE, while many firms remain small and early in their commercial development. June 2026 saw ICEYE become Finland's first defence decacorn (€10bn+ valuation) in the largest Finnish defence funding round to date.

## Defence firms are highly ambitious, but procurement processes hinder growth

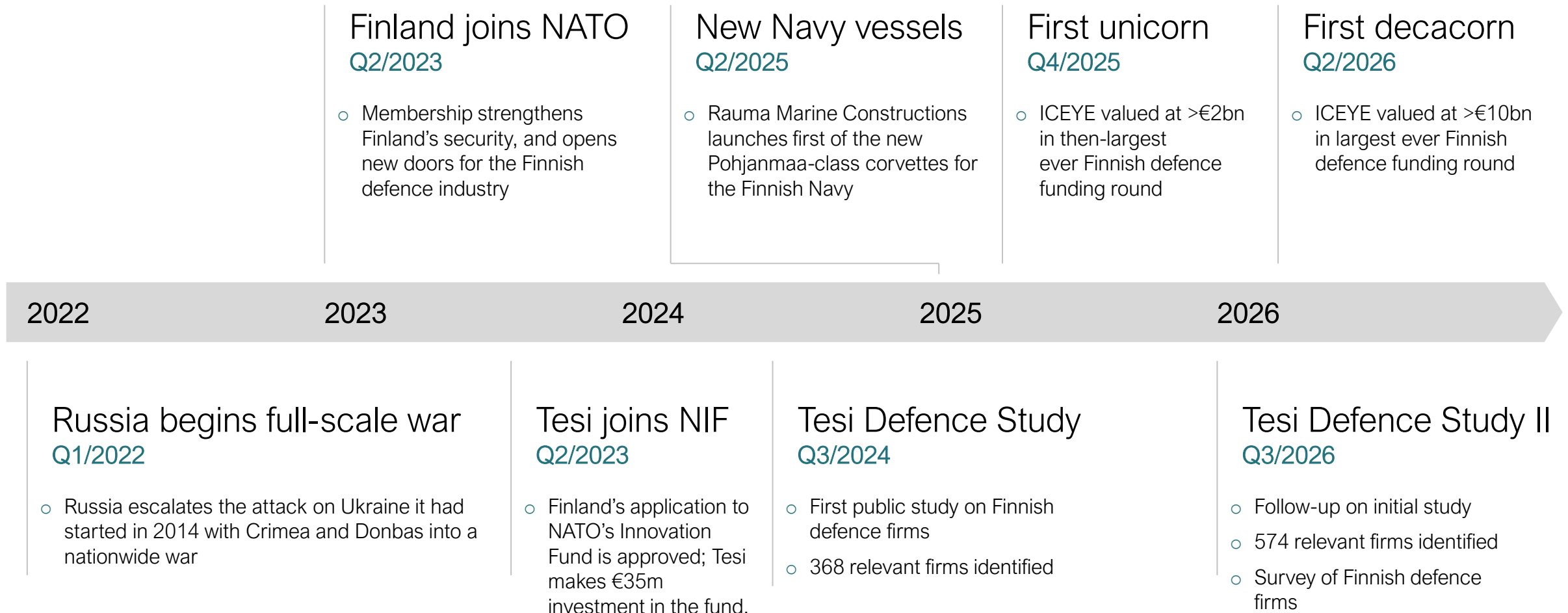
- Three quarters of surveyed defence industry firms<sup>1</sup> are strongly growth-oriented, over four times the share of typical SMEs. European armed forces are the priority customer base across the board, while attitudes toward the US are more reserved. The Finnish Defence Forces remain a critical reference client regardless of maturity.
- Finland has the technology base, talent and entrepreneurial ambition to build a stronger defence industry, but scaling is dependent on more agile procurement processes, availability of funding and enhanced export promotion activities. The most cited constraint on growth is the length of customer procurement processes, and improving procurement is seen as the single most effective societal lever for accelerating defence innovation.
- The FDF's<sup>2</sup> new innovation unit PVINYX is a welcome step toward faster scaling, as public-customer pull is needed to validate solutions and accelerate growth.

## Capital is ready to further scale the winners across the defence and dual use spectrum; many still opt for operating cash flow as primary growth funding

- 2026 is already a record funding year for defence and dual use startups (€1.1bn+ identified, driven by ICEYE) and VC is the most active investor class measured both by the number of unique investors, and unique deals. Yet operating cash flow remains the preferred financing type for many respondents, and firms seem to favour European capital over US private equity.
- The growth in defence tech has also strengthened investor appetite for these single-use companies that were previously both scarce and difficult to fund.

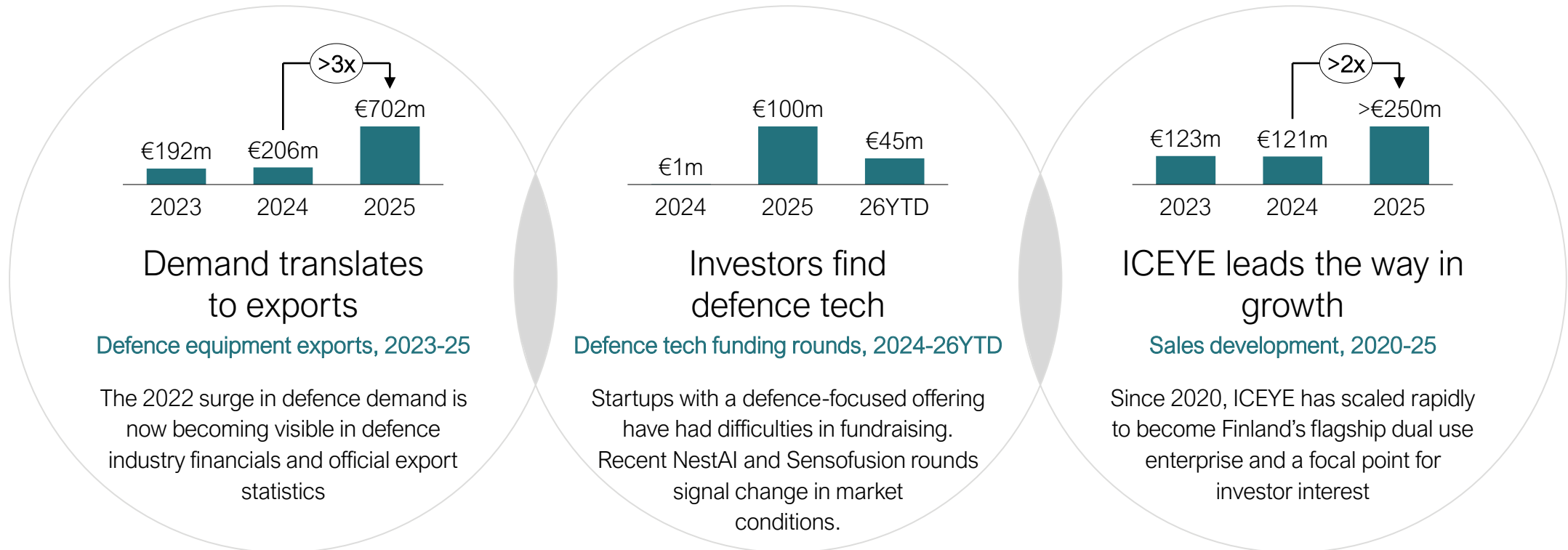
# Much has happened in the Finnish defence sector since Russia's full-scale assault on Ukraine, ultimately leading to the first Finnish defence decacorn in June 2026

## Key milestones in Finnish defence and Tesi since 2022



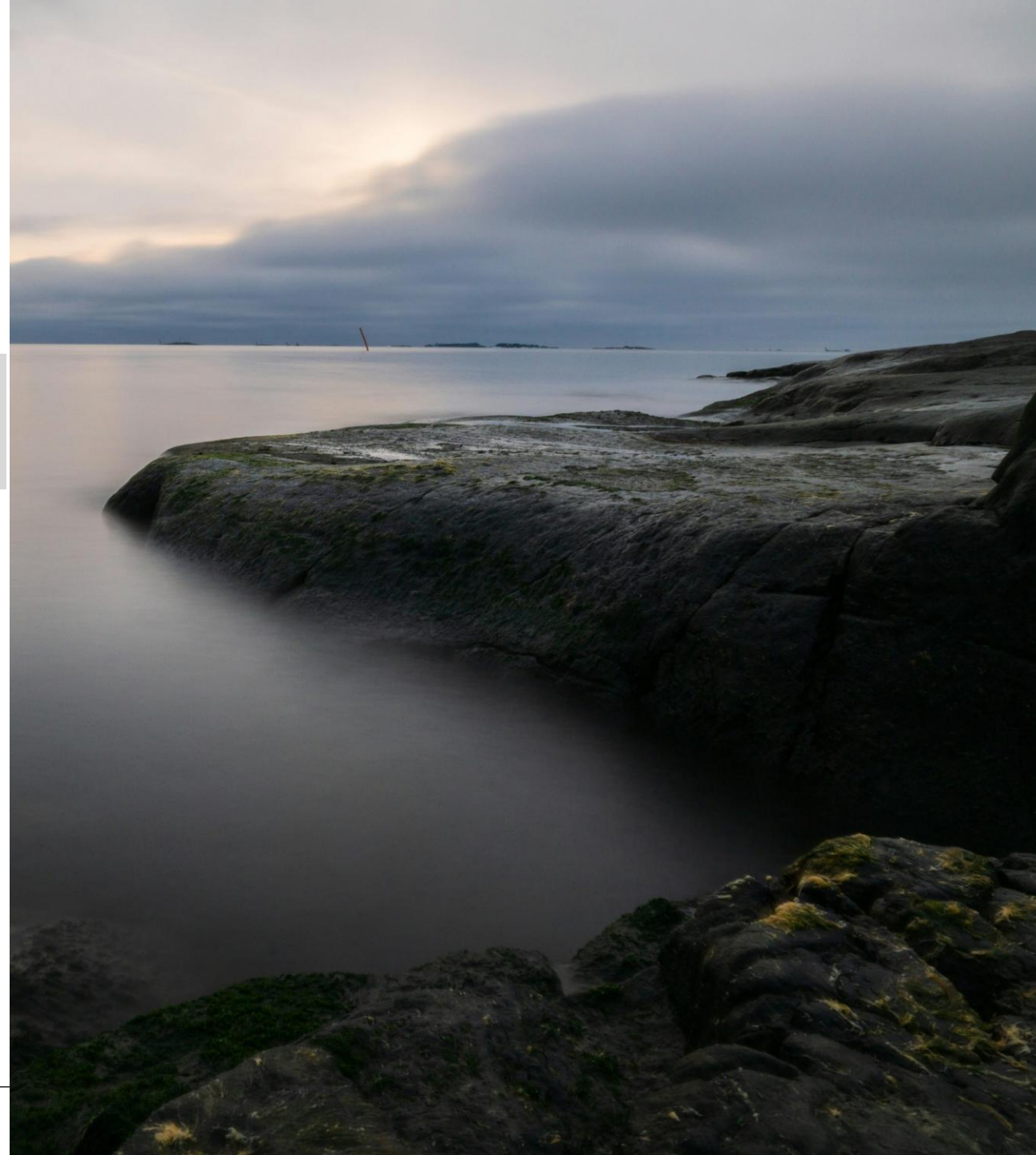
# The rise in demand starts to show in various ways across the industry

## Key market developments in recent years



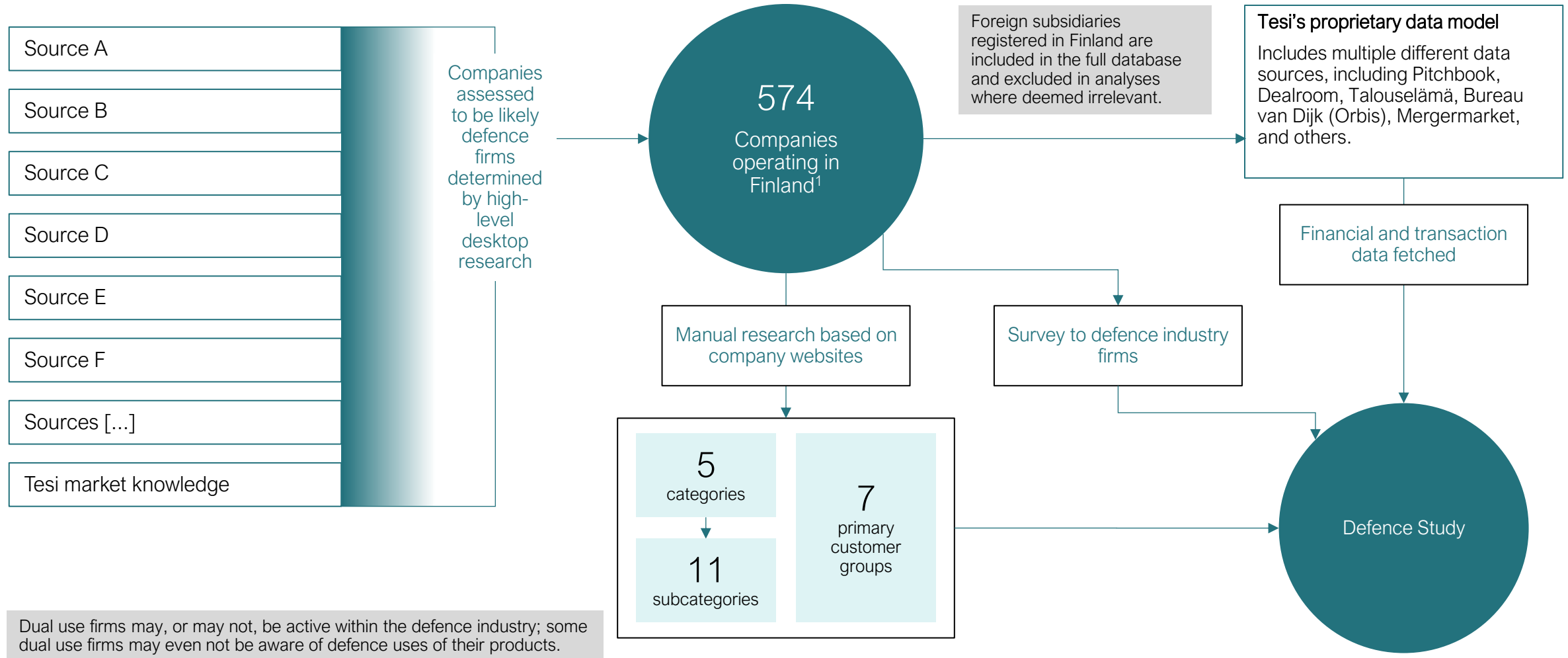
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# Defence firms have been identified from public sources and our market knowledge, and then vetted through desktop research

## Sources



# Firms are categorized by maturity and degree of defence focus

## Category definition in brief



Many analyses in this report are focused only on specific categories – see legend on each page for focus

|               |                       | Focus                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                           |
|---------------|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|               |                       | Clear focus on defence                                                                                                                                                                                                                                                            | Defence as a part of business                                                                                                                                                                                                                                                             |
| Company stage | Startups and scaleups | <br>Defence tech<br>         | <br>Dual use tech<br>            |
|               | Established           | <br>Established defence<br>  | <br>Established generalists<br>  |

Quadrant excluding Professional services  
(e.g. consulting, cybersecurity audits)



- This report is focused on companies supplying military forces with products and services. To reflect the different dynamics of startups vs. 100+ year old firms and defence-focused arms manufacturers vs. telecoms firms with small (proportional) defence business lines, we've split the defence industry into four main categories.
- Defence tech and dual use tech firms are typically young firms developing novel solutions and aiming for global market leadership. What separates them is the focus – defence tech firms are focused on defence, whereas dual use tech firms have significant potential also in civilian markets.
- Established defence firms and established generalists typically have a longer history, and although they may seek high growth and develop new innovations, they have a legacy business in the background. Established defence is focused on military products/services, whereas generalists have significant non-military business lines too.

# In addition to a category segmentation of firms, we have viewed firms through a tech-based subcategorization



| Industry | Category                | Subcategory                             |
|----------|-------------------------|-----------------------------------------|
| Defence  | Defence tech            | Biotechnology                           |
|          |                         | Quantum                                 |
|          |                         | Advanced materials & manufacturing      |
|          | Dual use technology     | Space                                   |
|          |                         | Human-machine interfaces                |
|          |                         | Sensing, connectivity and cybersecurity |
|          | Established defence     | Energy generation and storage           |
|          |                         | Advanced computing and software         |
|          | Established generalists | Semiconductors and microelectronics     |
|          |                         | Autonomous systems                      |
|          |                         | Other                                   |
|          | Professional services   |                                         |

Companies supplying military forces with products and services

Innovative products and services produced specifically for military use

Innovative products and services that have a military and civilian use

Mature companies with strong defence orientation

Mature companies with minor defence orientation

Consulting, software development, cybersecurity audits etc., offered to military services

Living systems to produce a wide range of technologies and capabilities, from fighting global pandemics and avoiding surprises to reducing logistics and sustainment costs and increasing energy efficiency.

Study of physical properties at small, even atomic, scales. Defence applications include atomic clocks, quantum sensors, quantum computing, and quantum networks.

Innovative new materials and novel manufacturing techniques that can dramatically improve many capabilities.

Space technologies include space flight, space communications, and other technologies needed to maintain space operations.

Human-machine teaming, and AR/VR. Intuitive and interactive human-machine interfaces enable rapid mission planning and command by providing a common picture to geographically distributed operations.

Next-generation wireless networks, advanced sensors, electronic warfare & information security

Includes solar, wind, bio-based and geothermal technologies, advanced energy storage, electronic engines, and power grid integration.

Advanced computing and software technologies include supercomputing, cloud computing, data storage, computing architectures, and data processing.

Microelectronics are circuits and components that serve as the "brain" to human-made electronic functional systems. Virtually every military and commercial system relies on microelectronics.

Expanding capabilities of software applications to perform tasks that currently require human intelligence. Includes unmanned aerial vehicles.

All other industries that have a direct military use, but do not fit into the above categories

# This study focuses on defence-oriented companies and defence and dual use startups



We identified 574 firms, but analysis universes vary by topic, with survey-based analyses using much smaller samples

| Analysis universe                                                                         | Number of companies | Exclusion or scope difference                                                        |
|-------------------------------------------------------------------------------------------|---------------------|--------------------------------------------------------------------------------------|
| Identified defence companies                                                              | 574                 | -                                                                                    |
| Active defence companies                                                                  | 552                 | Companies that have ceased operations, or without available data                     |
| Companies in primary focus categories<br>Defence tech, Dual use tech, Established defence | 235                 | Established generalists, Professional services                                       |
| Startups and scaleups<br>Defence tech and Dual use tech                                   | 202                 | Established defence, Established generalists, Professional services                  |
| Startups and scaleups with 2024 financial statements                                      | 152                 | Financial statement not (yet) available                                              |
| Survey respondents                                                                        | 110                 | Identified firms that did not answer survey                                          |
| Categorized survey respondents                                                            | 106                 | 4 firms that chose to remain anonymous                                               |
| Question-specific respondents                                                             | Various             | Each survey question was voluntary, leading to variable response counts per question |

# Most companies serve one primary customer or operational domain

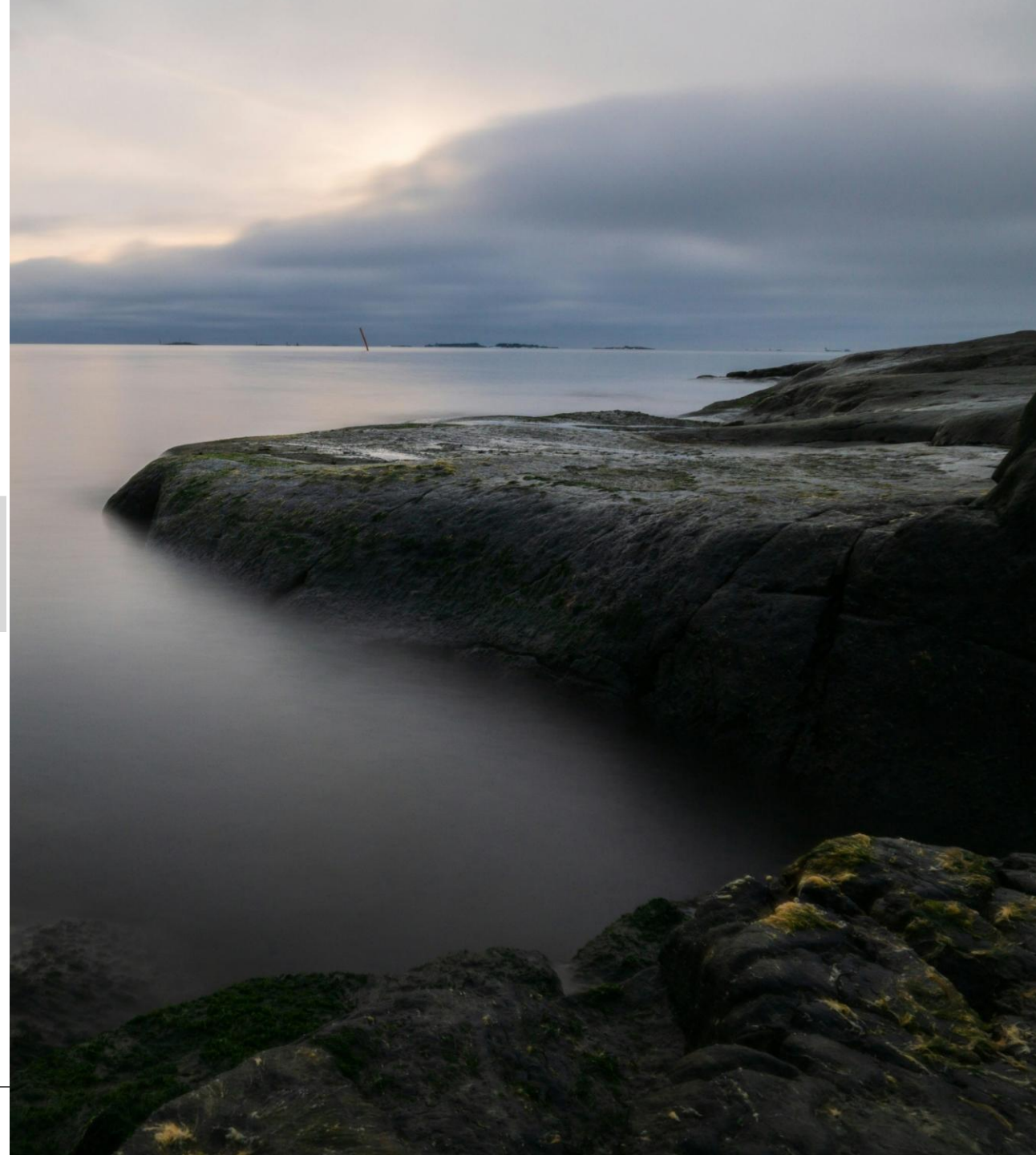


## Primary user definition in brief

|                   | Land                                                                                                  | Sea                                                                                                   | Air                                                                                                         | Space                                                                                                                                                                 | C4I                                                                                                                                             | Support and Logistics                                                                                        | Multi-use                                                                                                                                     |
|-------------------|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Example customers |  <p>Finnish Army</p> |  <p>Finnish Navy</p> |  <p>Finnish Air Force</p> |  <p>Finnish Air Force</p>                                                          |  <p>Defence Command Finland</p>                              |  <p>Logistics Command</p> |                                                            |
| Description       | Military operations and capabilities related to ground forces.                                        | Naval operations and maritime defence.                                                                | All aspects of aerial warfare and defence.                                                                  | <p>Military operations in outer space and space warfare.</p> <p>Countries with nascent military space capabilities usually organize them within their air forces.</p> | Centered around the systems and infrastructure that facilitate command and control, communication, data processing, and intelligence gathering. | Practical aspects of maintaining and supporting military operations.                                         | Multi-domain operations that clearly span across more than one branch of military service and where a primary user cannot be clearly defined. |

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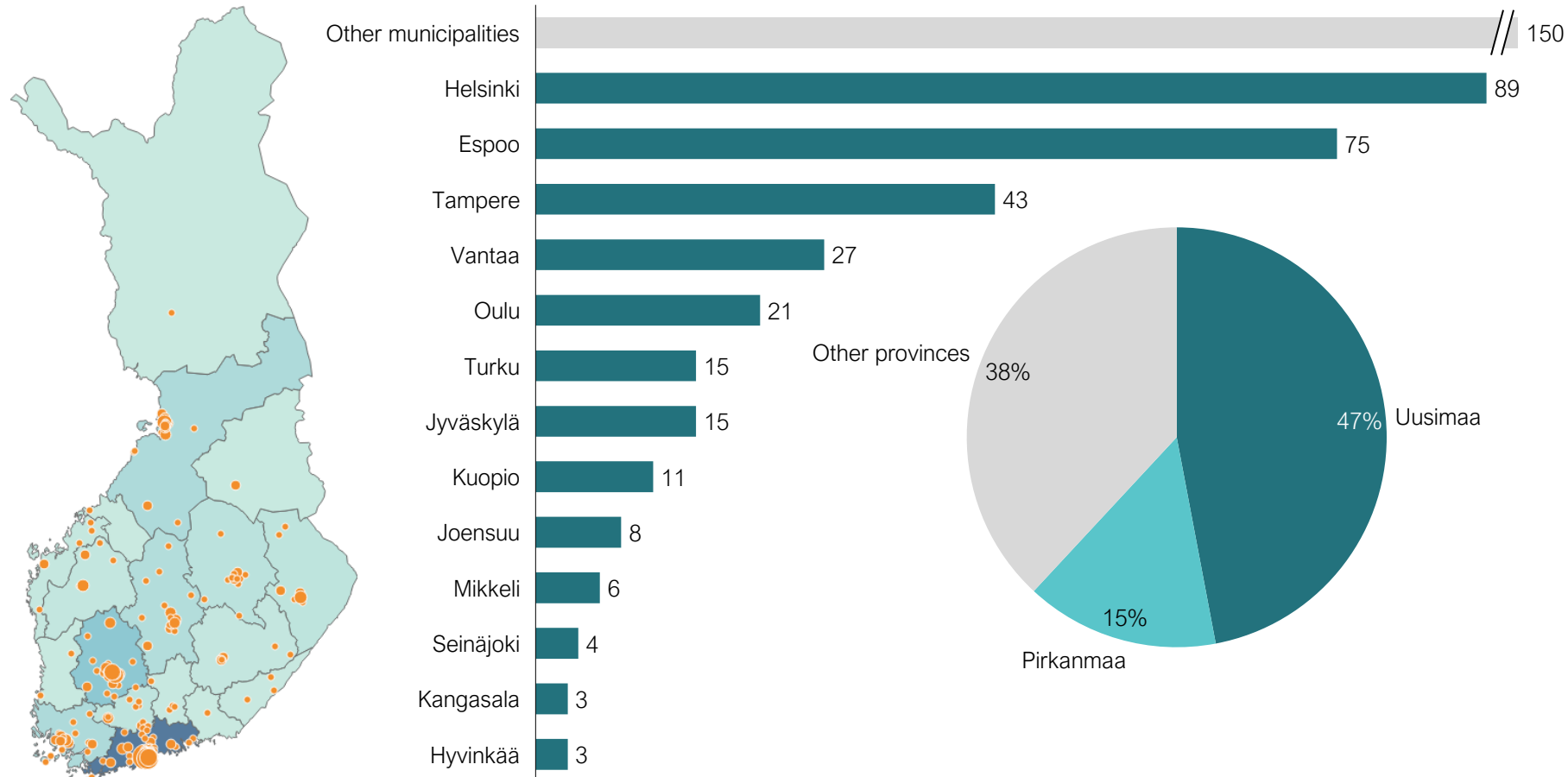
# Defence industry headquarters are spread across Finland, with the Helsinki region and Tampere being the largest hubs



## Firm headquarters by postal code, municipality and county

Count of active firms

EXCLUDING PROFESSIONAL SERVICES



- As in most industries, defence firms cluster in the largest growth hubs for access to talent, investors and partners.
- Compared to many other sectors, the defence industry is markedly more dispersed across Finland.
- A geographically distributed industrial base is a strength from a resilience perspective – although the analysis is based on headquarter locations, it's likely that production and maintenance capability is similarly not concentrated in a single region.

# The number of companies active in the defence industry has increased across all size classes



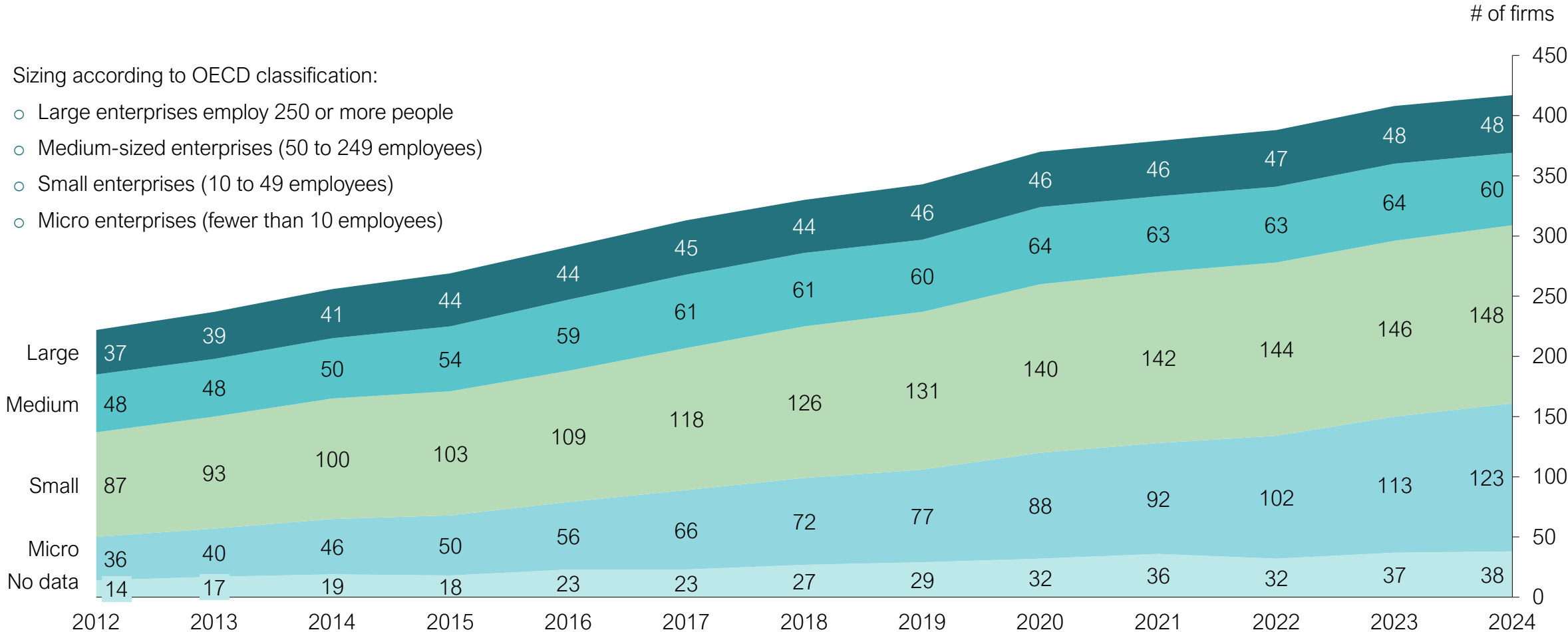
## Defence firms by size class

Count of firms

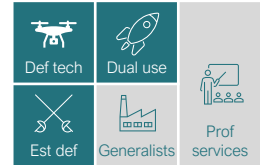
EXCLUDING PROFESSIONAL SERVICES

Sizing according to OECD classification:

- Large enterprises employ 250 or more people
- Medium-sized enterprises (50 to 249 employees)
- Small enterprises (10 to 49 employees)
- Micro enterprises (fewer than 10 employees)

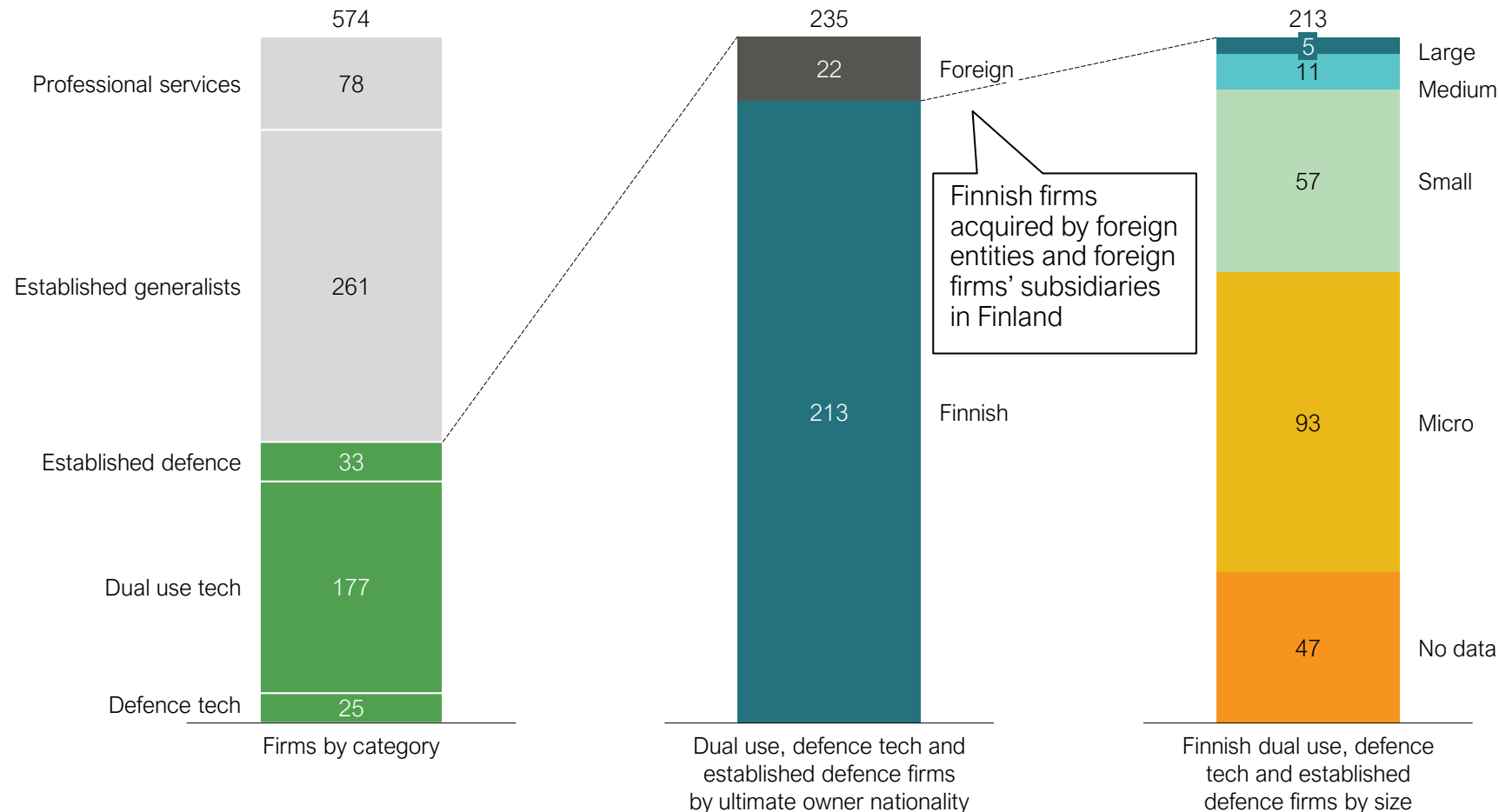


# There are over 500 firms in total, but only 235 are in the three core categories



## Identified firms by category, ownership and size

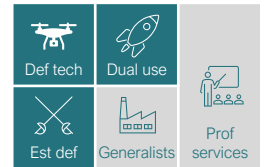
Count of firms



- Most firms in the defence sector generate most of their revenue from other industries. Strictly defence-oriented firms (defence tech, established defence) make up only ~10% of the identified population. Adding dual use tech companies into the mix, the key categories observed in this study make up around 40% of the identified sector players.
- Most firms identified in the three key categories of the study are Finnish by ownership. In terms of size, micro and small enterprises make up a clear majority of the subsample.

In our previous defence study (2024), the current categories *Established generalists* and *Established defence* were one group, called *Established defence*. Furthermore, the current category *Defence tech* was called *Militech*.

# Most new Finnish defence firms are dual use technology firms



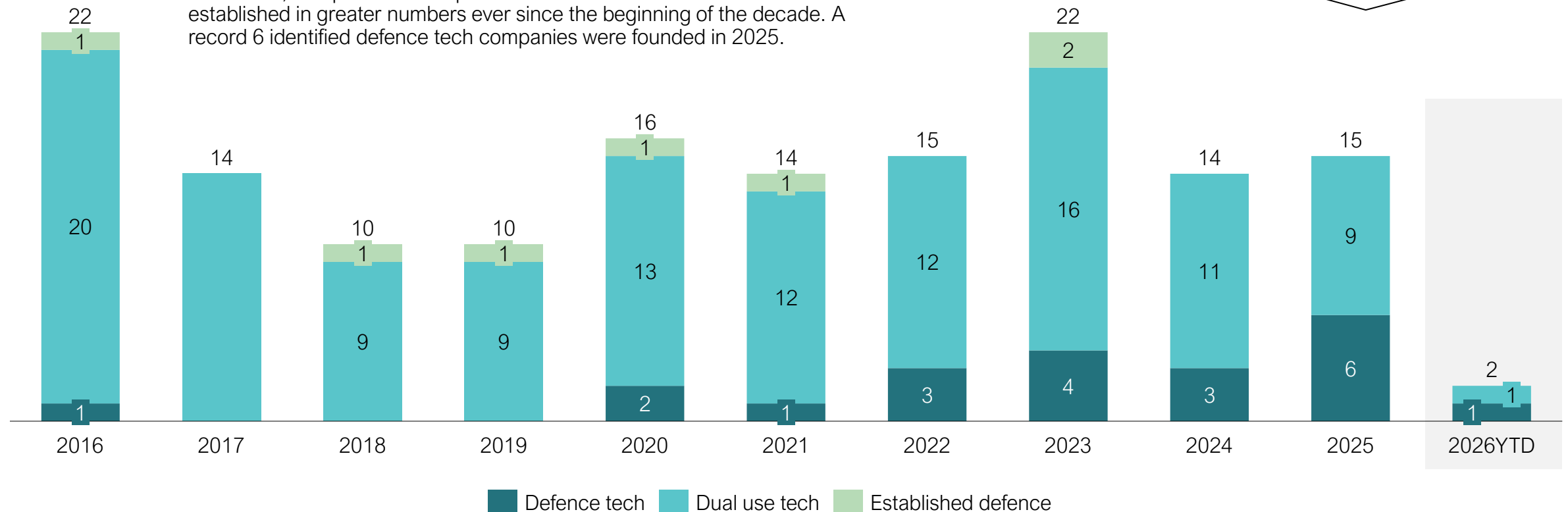
## Defence firms by category and year of registration

Count of new firms registered each year, 2016-26YTD

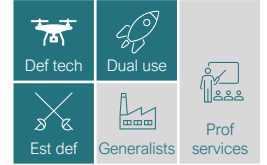
EXCLUDING ESTABLISHED GENERALISTS AND PROFESSIONAL SERVICES

- Dual use has become commonplace in Finland. During the 2020s, around 10-20 dual use tech companies have been founded each year.
- In addition, companies with a pure defence tech focus have been established in greater numbers ever since the beginning of the decade. A record 6 identified defence tech companies were founded in 2025.

Note: *Established defence* doesn't refer to whether the firm itself is new or old, but rather that the firm operates in an established niche and typically isn't focused on global market leadership from the beginning.

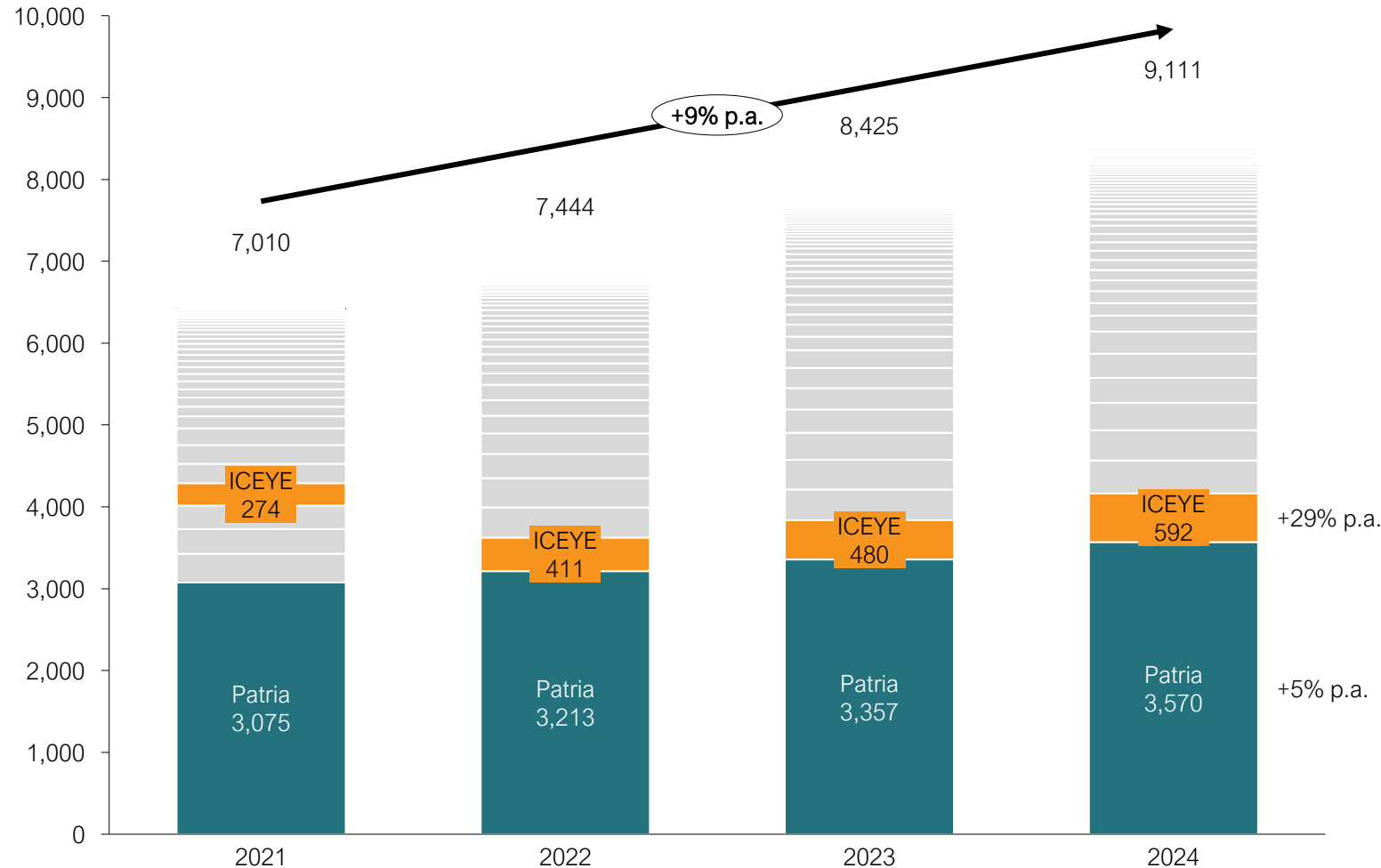


# Core category companies' consolidated headcount grew from 7,010 to 9,111 in 2021-24



## Employee development per company

Number of employees based on consolidated financial statements, 2021-24



- Employment in defence tech, dual use tech and established defence firms has grown significantly in recent years. It's plausible to assume significant growth also in defence-related employment among established generalists, but employees aren't reported by business lines so it cannot be validated.
- The headcount figures are based on consolidated financial statements and therefore also include employees outside Finland
- Patria remains the anchor employer (3,570 employees in 2024, +5% p.a.), while ICEYE is the standout growth story (+29% p.a. since 2021)
- Total headcount has grown from ~7,000 in 2021 to ~9,100 in 2024 and is on track to exceed 10,000
- Established generalists (such as Nokia) and professional services firms are excluded, as a large and uncertain share of their employees work on other than defence

# The defence industry categories differ sharply in scale, growth and funding profiles



## Categories by count of firms, latest sales, count of transactions, total transaction value

Count of firms in #, €m, #, €bn

| Category                | Number of active firms<br>Count | Latest sales<br>€m | Identified funding rounds,<br>2016-26YTD, count | Deal value<br>2016-26YTD, €bn |
|-------------------------|---------------------------------|--------------------|-------------------------------------------------|-------------------------------|
| Defence tech            | 24                              | 47                 | 9                                               | 0.1                           |
| Dual use tech           | 167                             | 467                | 261                                             | 2.8                           |
| Established defence     | 32                              | 1,772              | 5                                               | 0.3                           |
| Established generalists | 253                             | 48,774             | 73                                              | 5.0                           |
| Professional services   | 76                              | 3,564              | 14                                              | 0.1                           |

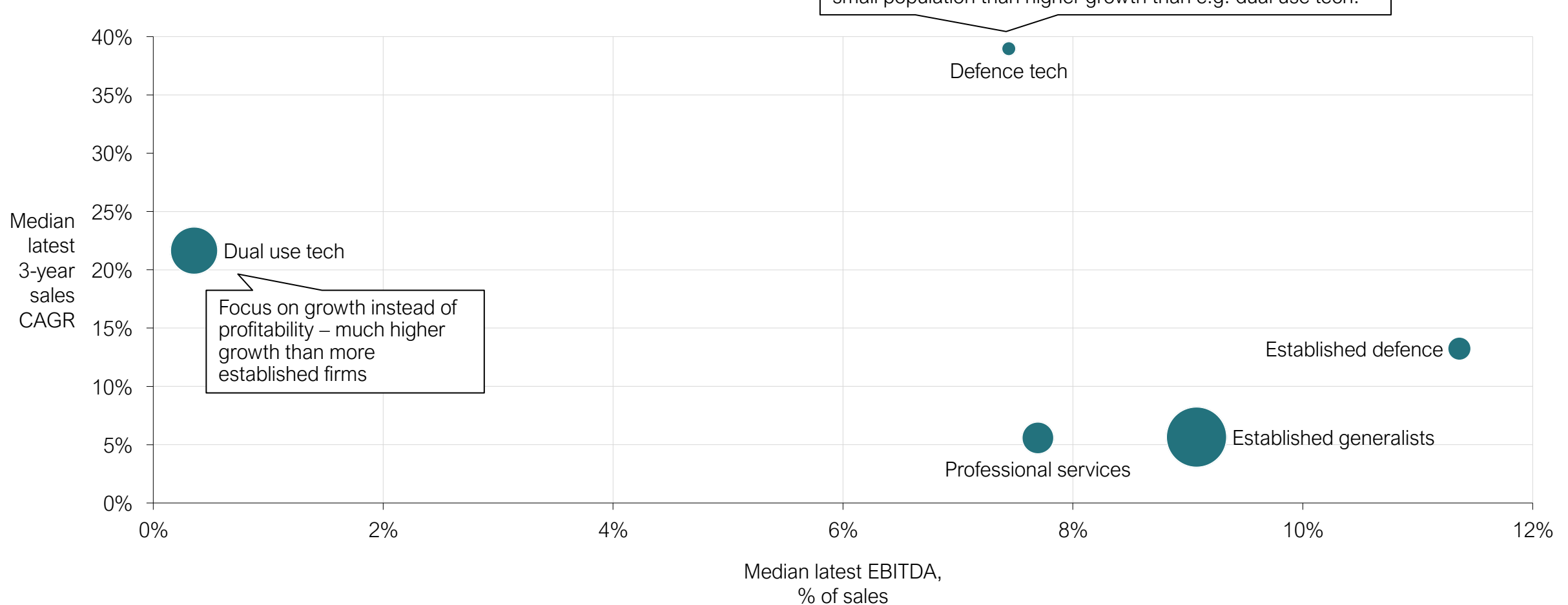
- Roughly 40% of the identified firms are defence tech or dual use tech companies, yet they generate only a minority of sales - capital is arriving ahead of revenue
- Sales remain concentrated in established players; generalists' €48.7bn includes a very large non-defence share and should not be used to assess total defence sales of Finnish firms
- Dual use tech dominates investment activity with more rounds than all other categories combined. We do, however, note a rise in defence tech funding compared to our 2024 report.

# Startups and scale-ups show higher median growth, while established categories are more profitable



## Categories by sales development, profitability and total sales

Latest sales corresponding to count of firms in category



# Finnish defence firm activity concentrates in C4I and Support & Logistics



## Active firms by category and primary customer

Count of firms

ACTIVE FIRMS ONLY

|                         | Land | Sea | Air | Space | C4I | Support and Logistics | Multi-use | Grand Total |
|-------------------------|------|-----|-----|-------|-----|-----------------------|-----------|-------------|
| Defence tech            | 12   | 1   |     |       | 5   | 2                     | 4         | 24          |
| Dual use tech           | 7    | 4   | 5   | 7     | 50  | 80                    | 14        | 167         |
| Established defence     | 9    | 3   | 1   |       | 4   | 7                     | 8         | 32          |
| Established generalists | 17   | 15  | 4   | 1     | 40  | 149                   | 27        | 253         |
| Professional services   |      | 1   |     |       | 14  | 51                    | 10        | 76          |
| Grand Total             | 45   | 24  | 10  | 8     | 113 | 289                   | 63        | 552         |

# More than 70% of startups and scale-ups operate primarily in C4I or support and logistics



## Startups and scaleups by subcategory and primary customer

Count of firms

DEFENCE TECH AND DUAL USE TECH ONLY

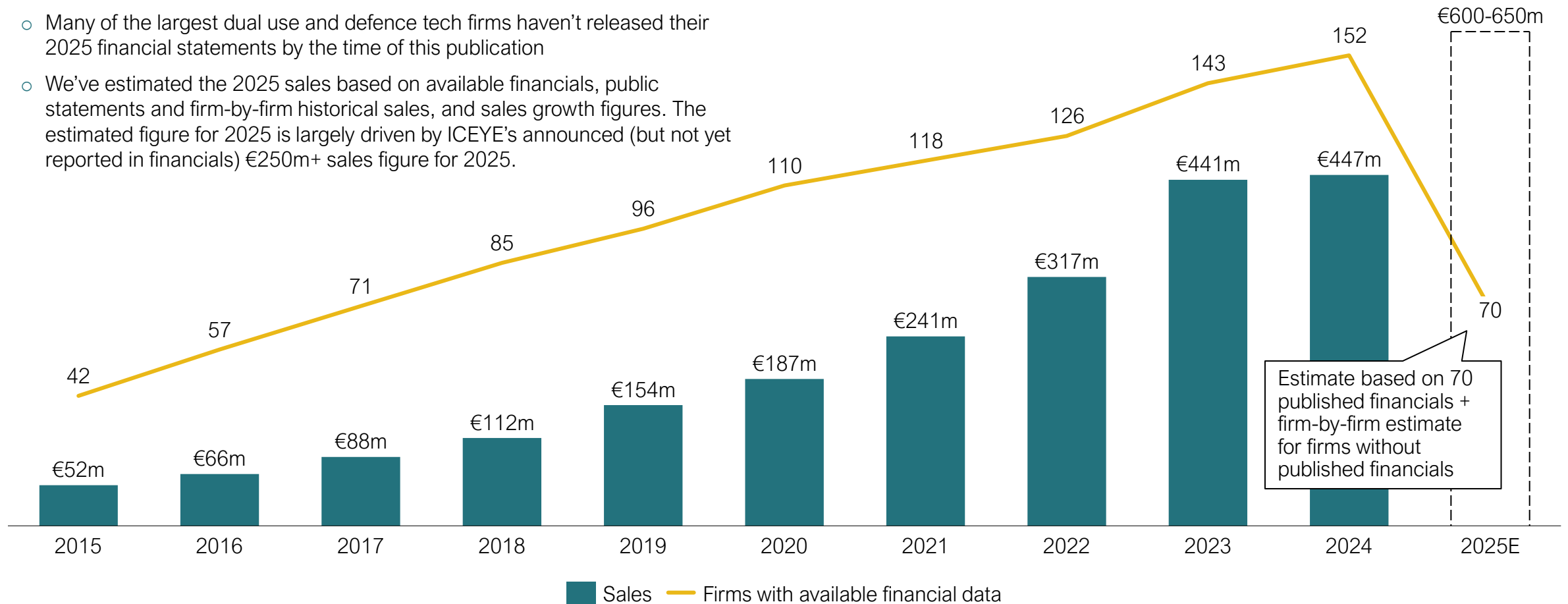
|                                         | Land | Sea | Air | Multi-use | Space | C4I | Support and Logistics | Grand Total |
|-----------------------------------------|------|-----|-----|-----------|-------|-----|-----------------------|-------------|
| Advanced computing and software         |      |     |     |           |       | 20  | 6                     | 26          |
| Advanced materials & manufacturing      | 6    |     | 1   | 6         |       |     | 20                    | 33          |
| Autonomous Systems                      | 6    | 3   | 2   | 5         |       | 2   | 4                     | 22          |
| Biotechnology                           |      |     |     |           |       |     | 2                     | 2           |
| Energy generation and storage           | 1    | 1   |     | 1         |       |     | 6                     | 9           |
| Human machine interfaces                |      |     | 1   | 1         |       |     | 9                     | 11          |
| Other                                   | 2    |     | 1   | 1         |       | 1   | 2                     | 7           |
| Quantum                                 |      |     |     |           |       | 2   | 1                     | 3           |
| Semiconductors and microelectronics     |      |     |     | 1         |       |     | 2                     | 3           |
| Sensing, connectivity and cybersecurity | 4    | 1   |     | 3         |       | 26  | 30                    | 64          |
| Space                                   |      |     |     |           | 7     | 4   |                       | 11          |
| Grand Total                             | 19   | 5   | 5   | 18        | 7     | 55  | 82                    | 191         |

# Startups and scaleups are growing quickly, with estimated 2025 sales reaching €600-650m

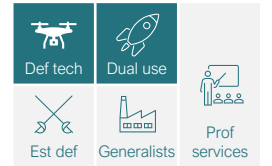


Dual use tech and defence tech firms' sales development and availability of financial data DEFENCE TECH AND DUAL USE TECH ONLY  
€m

- Many of the largest dual use and defence tech firms haven't released their 2025 financial statements by the time of this publication
- We've estimated the 2025 sales based on available financials, public statements and firm-by-firm historical sales, and sales growth figures. The estimated figure for 2025 is largely driven by ICEYE's announced (but not yet reported in financials) €250m+ sales figure for 2025.



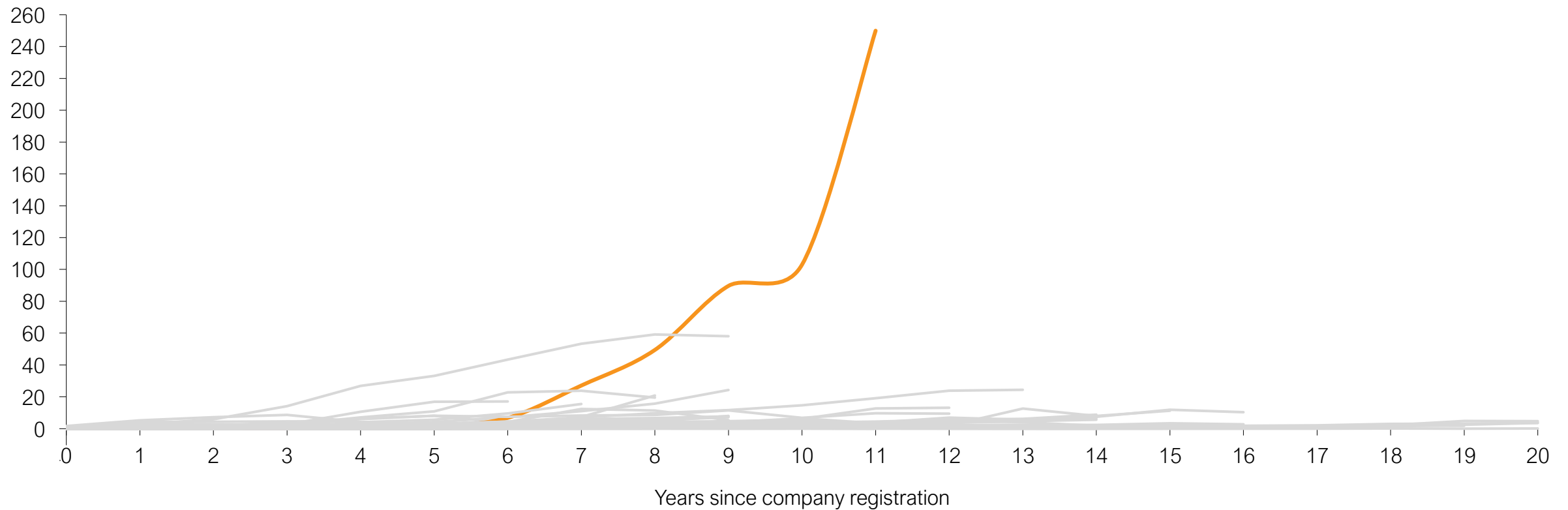
# ICEYE is the standout growth story of Finnish startups and scaleups



Firms' sales growth since inception

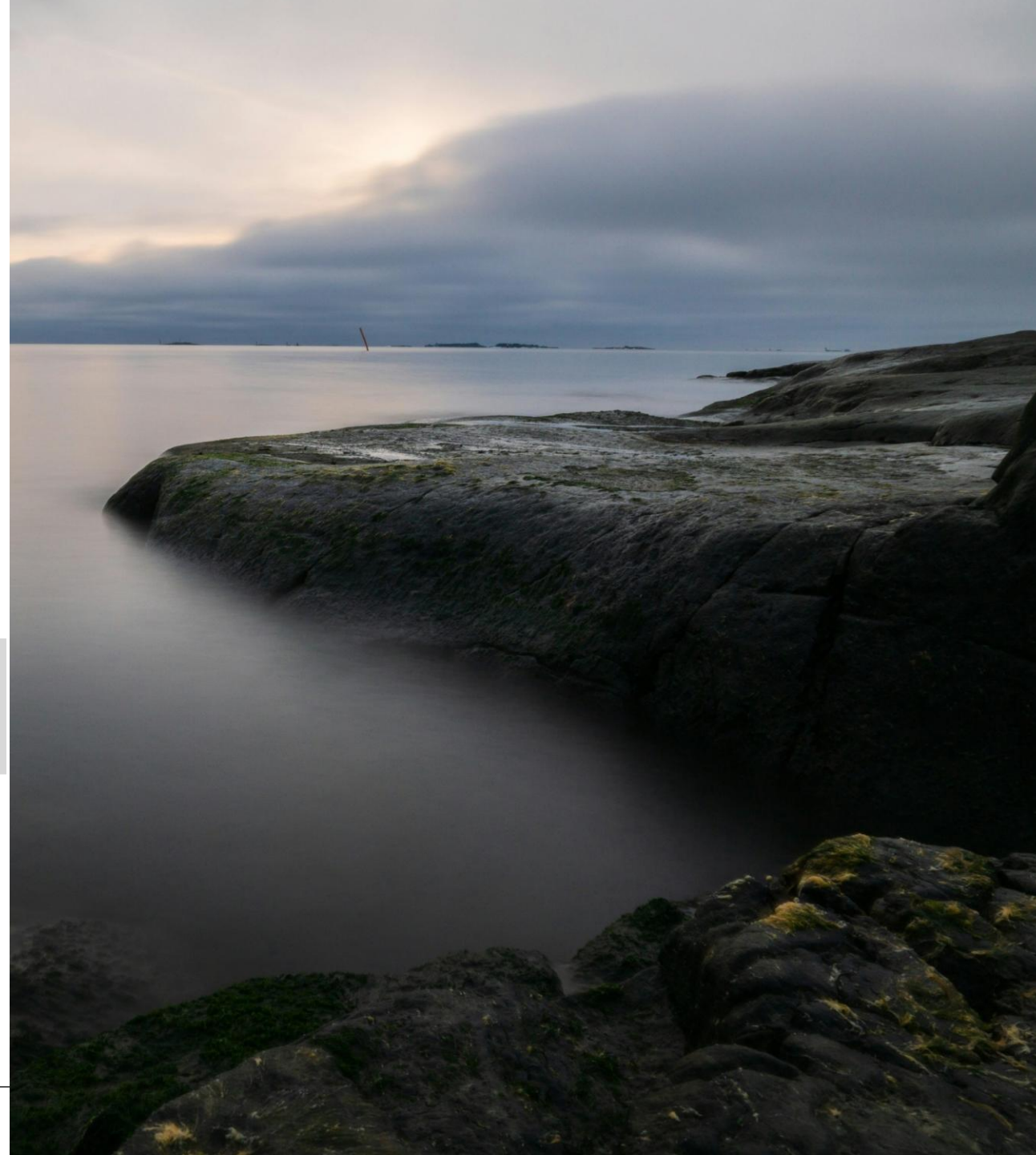
€m

Sales



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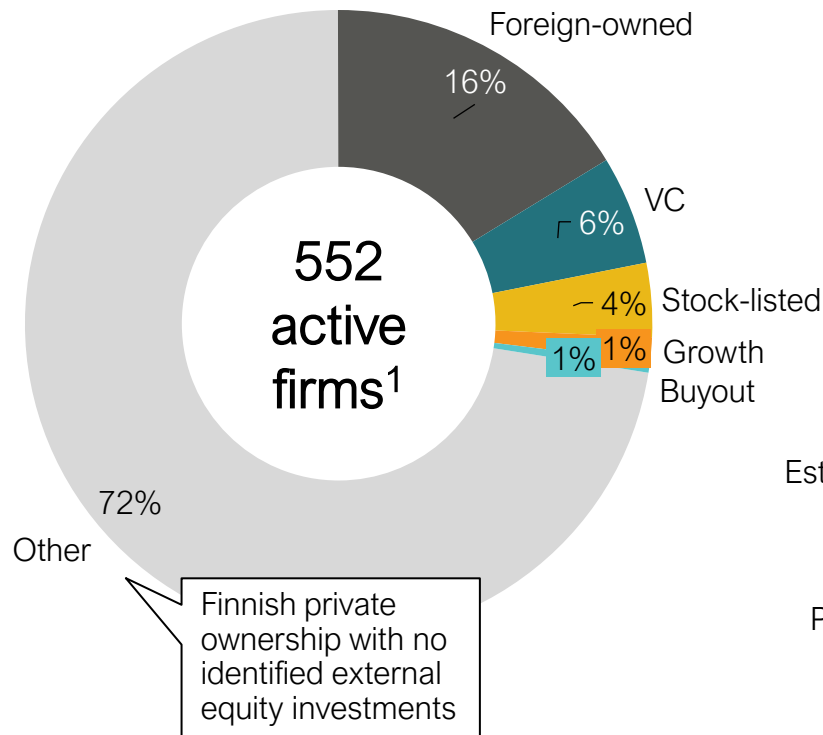


# Most active firms are Finnish and privately owned; VC backing is concentrated in defence-tech and dual-use firms



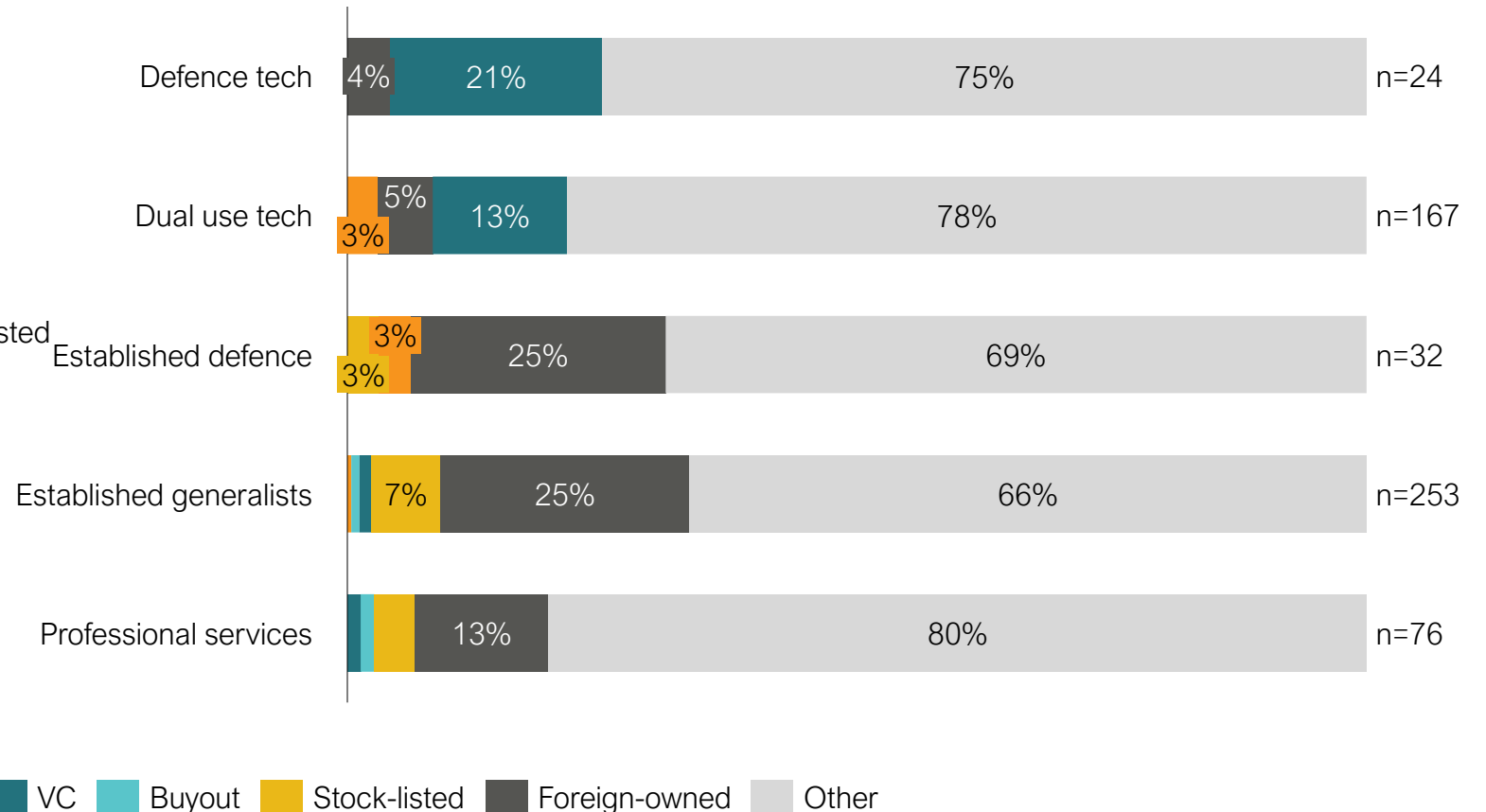
## Active defence firms by funding

% share of total



## Funding by category

% share within category

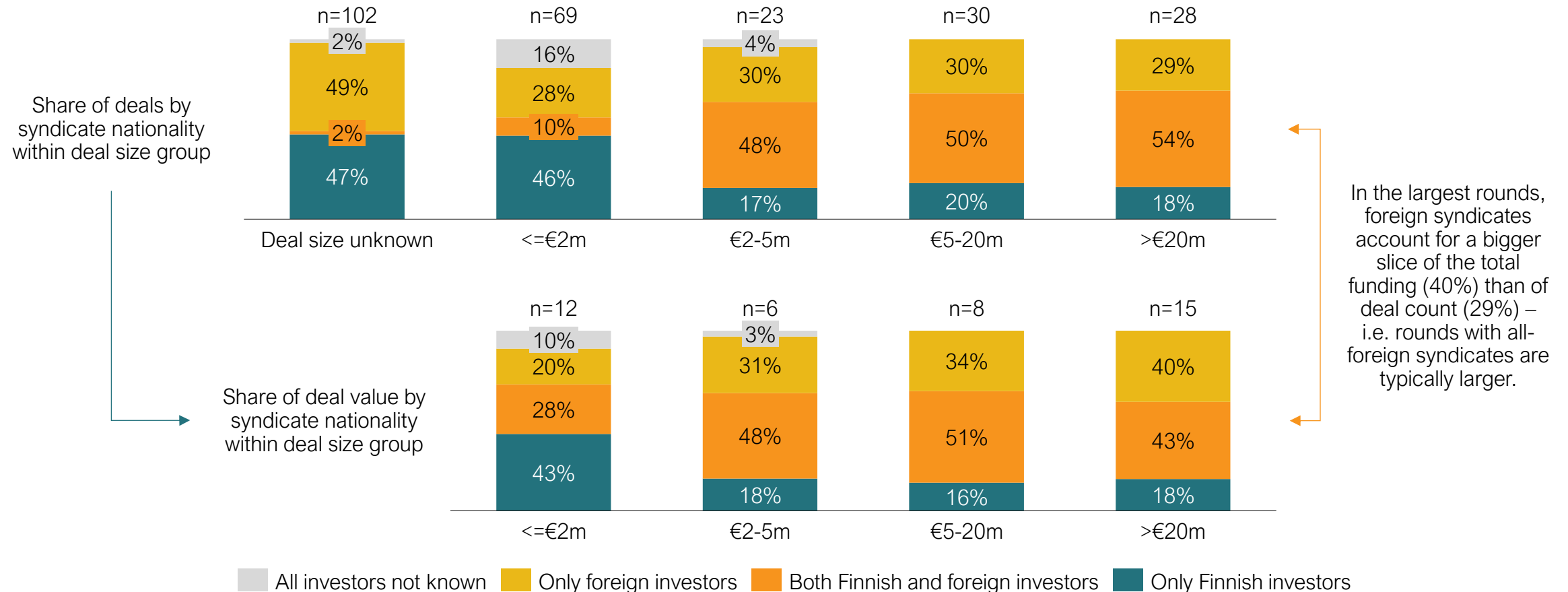


# Foreign investor participation becomes more common as round size increases



## Investor syndicate nationalities by investment size, 2020-26YTD

Share of transactions and deal value by nationality, % of total



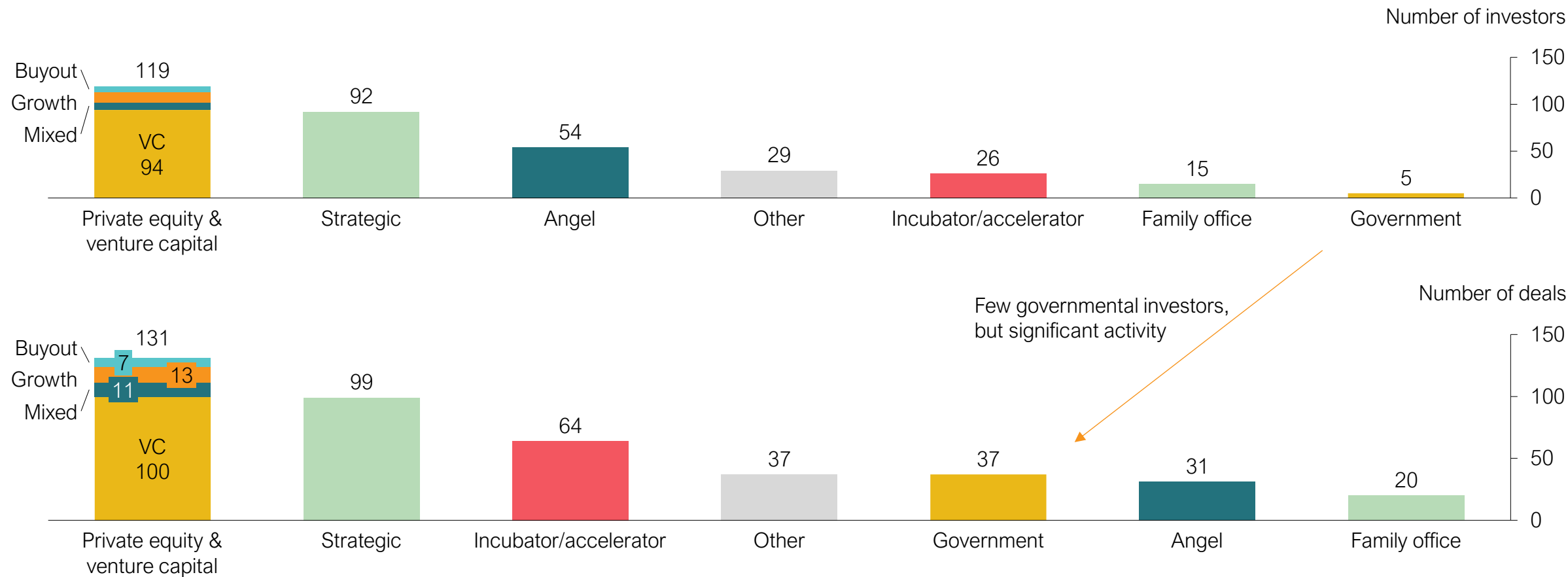
# VC is the most frequently identified investor type in Finnish defence companies



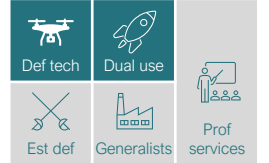
## Investor types in Finnish defence firms, 2016-26YTD

Count of distinct investors by investor type, and count of distinct deals by investor type

EXCLUDING PROFESSIONAL SERVICES



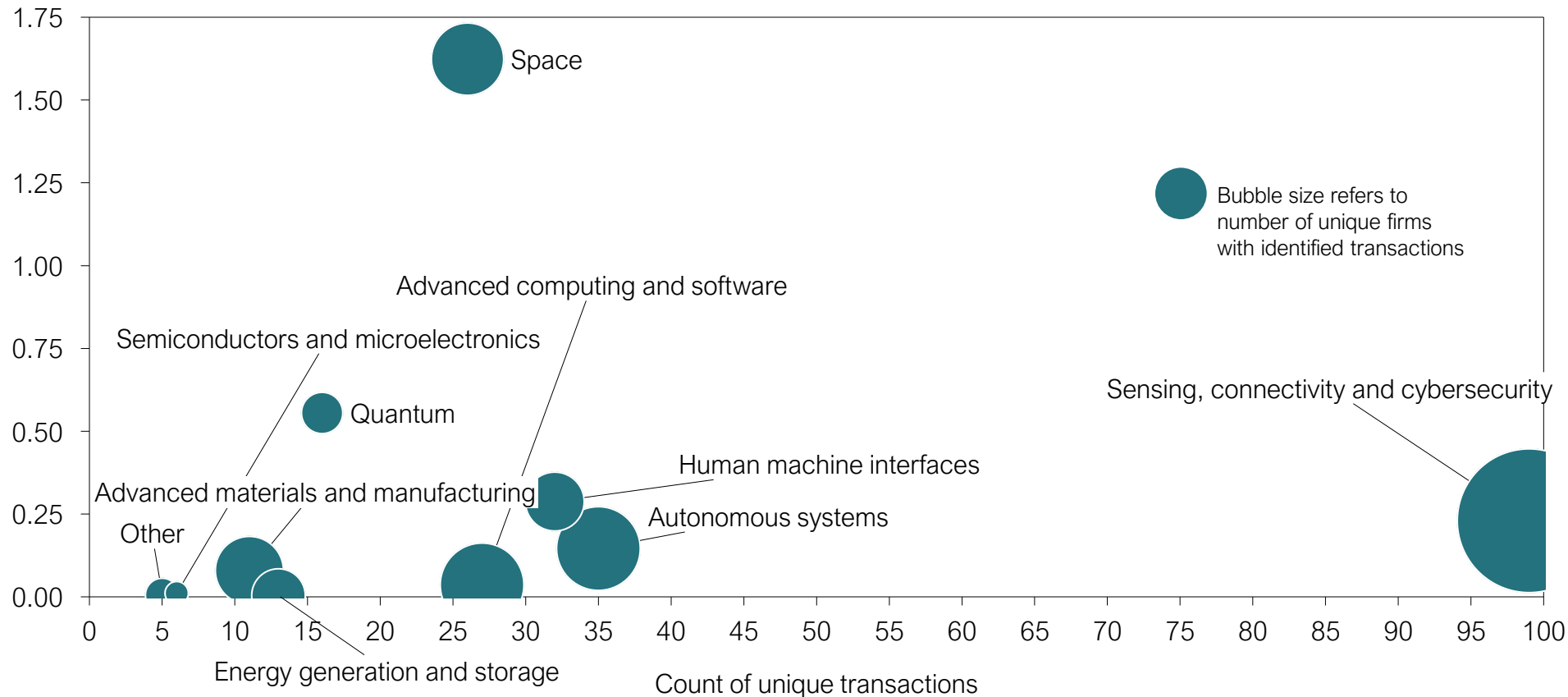
# Sensing, connectivity and cybersecurity leads in deal count; space in total identified funding value



## Startup and scaleup funding rounds by subcategory, 2016-26YTD

Total transaction value in €bn; number of transactions; number of companies with transactions

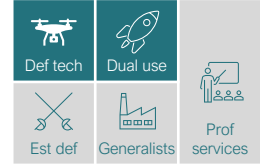
Total identified funding value



DEFENCE TECH AND DUAL USE TECH ONLY

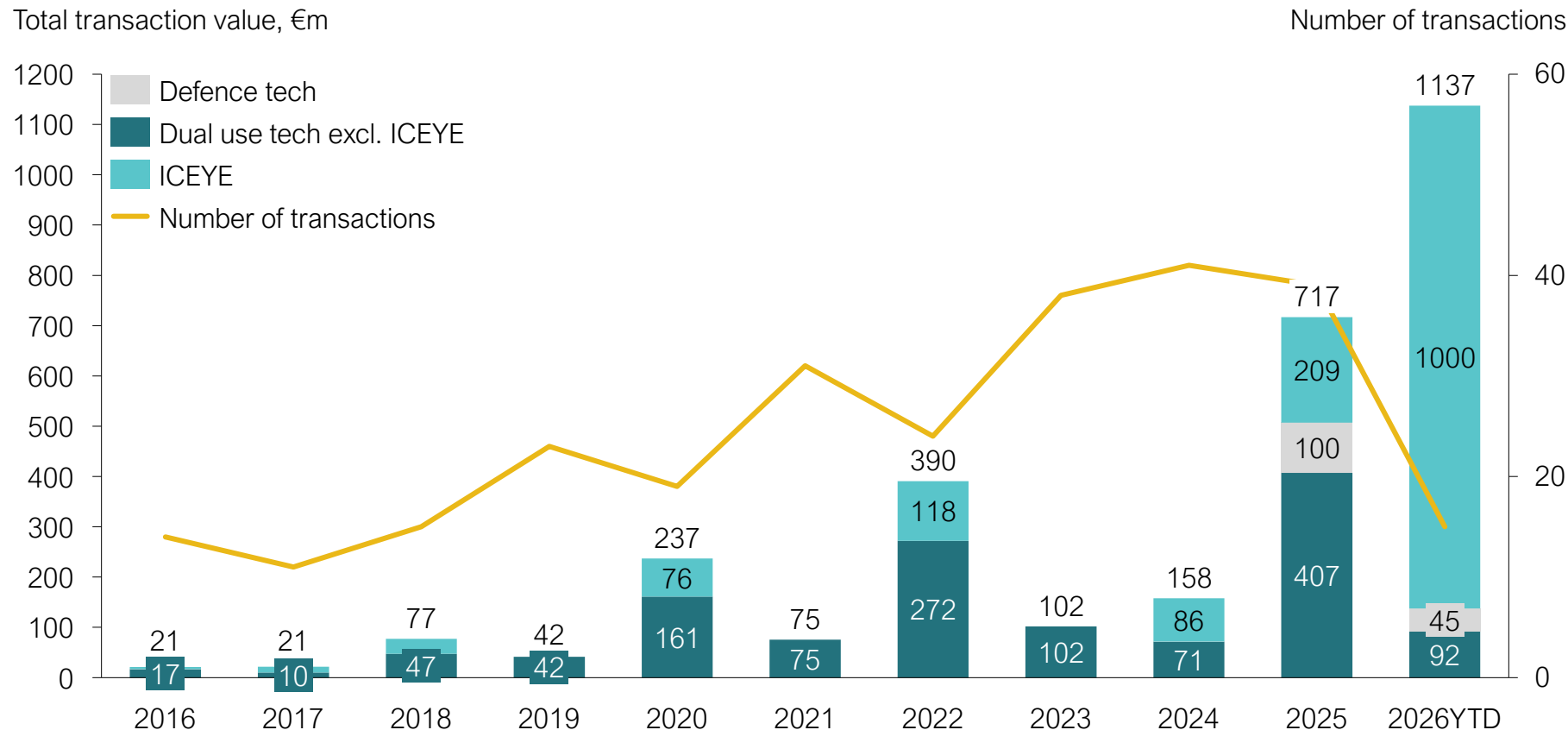
- Space is by far the biggest subcategory measured in total transaction value, but is driven largely by several large funding rounds by ICEYE.
- Sensing, connectivity and cybersecurity is the biggest category when measured in number of unique transactions – driven by the large number of firms in that subcategory.
- Quantum ranks among the largest subcategories by value despite a small number of transactions and firms, reflecting a handful of large deep-tech rounds.

# Startups and scaleups' year-to-date funding rounds exceed prior full-year totals, driven by ICEYE's exceptional round



## Startup and scaleup funding rounds by year, 2016-26YTD

Total transaction value in €m; number of transactions

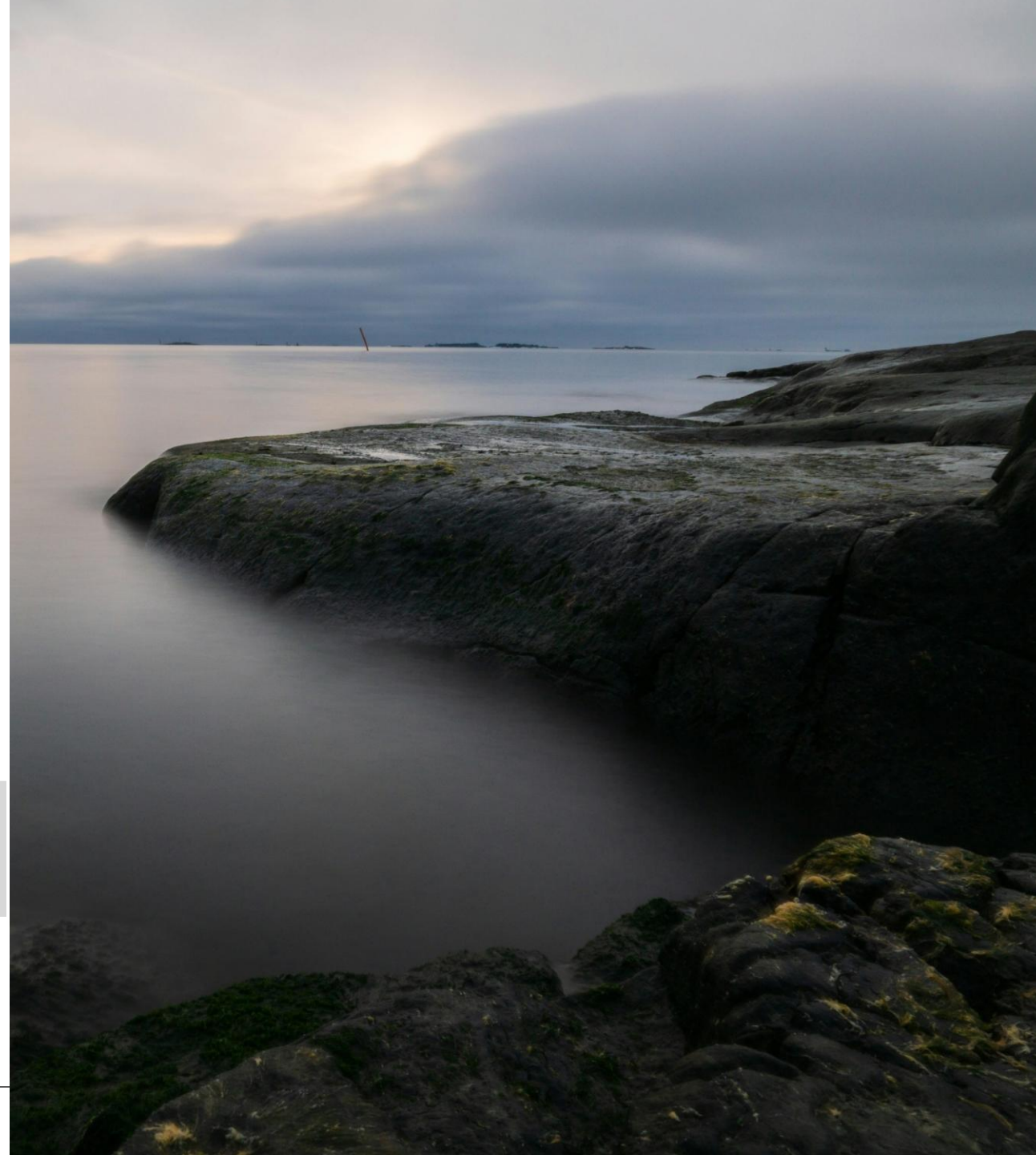


DEFENCE TECH AND DUAL USE TECH ONLY

- 2026 is already a record funding year, surpassing the 2025 peak that itself nearly doubled the 2022 high
- ICEYE dominates the 2026 total, as startup financing follows a power law
- Dual use dominates and pure defence tech is still marginal, but rising, due to the likes of NestAI and Sensofusion
- Repeat outliers like ICEYE show the category can produce global-scale companies

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- Appendix



# We conducted the survey through an online form in spring 2026, targeting defence industry leaders

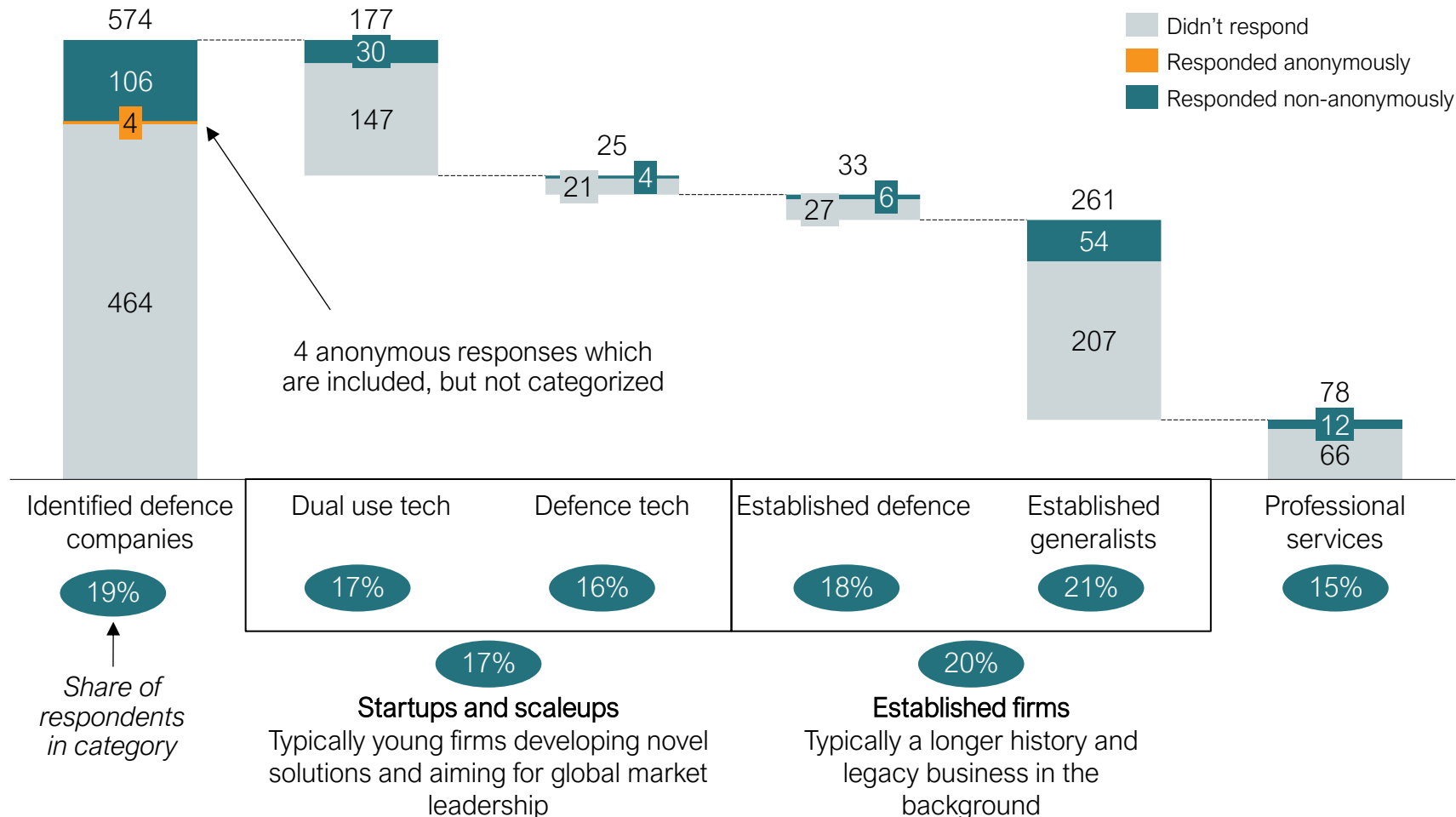
## Defence survey fundamentals

|                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Purpose of the survey | Survey on growth prospects and opinions on Finnish defence ecosystem                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Sample description    | <ul style="list-style-type: none"><li>○ Target group: Top management of Finnish defence sector firms, with most respondents being CEOs</li><li>○ Valid responses: 110 companies</li><li>○ Response rate: Approx. 19% of identified defence sector firms</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Survey methodology    | <ul style="list-style-type: none"><li>○ Firms identified through open sources and industry knowledge</li><li>○ Top management emails identified through Vainu, industry contacts and web scraping</li><li>○ Microsoft Forms surveys created and sent out by Tesi via email</li><li>○ Survey period: 25 March – 13 May 2026</li><li>○ Reminders sent to most recipients a few weeks after non-responses</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Limitations & use     | <ul style="list-style-type: none"><li>○ Despite responses from all firm sizes, the sample is biased towards smaller firms in all categories except professional services.</li><li>○ Partial responses are included, and sample sizes are low in some questions</li><li>○ Anonymous responses are not categorized by background but are included in totals</li><li>○ Survey was done in Finnish, thus likely leading to slight bias towards firms with top management of Finnish origin</li><li>○ Respondents may systematically differ from non-respondents for the full survey and specific questions, e.g. with the most secretive or struggling firms opting out while more confident or PR-comfortable ones respond</li><li>○ Respondents may interpret terms ("defence," "dual use," "revenue," "exports") differently, reducing comparability across answers</li><li>○ Question wording and ordering can nudge answers</li><li>○ Results have been translated from Finnish to English, and thus nuance can shift</li></ul> |

# The survey received 110 valid responses, with response rates of 15–21% across categories



## Categories by survey response count and response rate



- The survey form was sent to firms identified by Tesi as likely defence firms if their contact information could be found. In total, 110 valid responses were collected. 4 of these respondents remain anonymous; we managed to allocate 106 respondents per category, subcategory and end customer within armed forces.
- In addition to the 110 valid responses, some responses were disqualified e.g. due to duplicate responses from the same firm, established firms with revenue from defence customers, or not enough information for allocating the respondent to a category.
- The sample represents 15-21% of firms in each category. Most respondents are established firms with a partial defence orientation, approx. 49% of the sample.
- The survey was conducted online through a form and sent to respondents by email. All questions were voluntary, making the number of responses vary per question. Consequently, the survey sample suffers from self-selection bias.

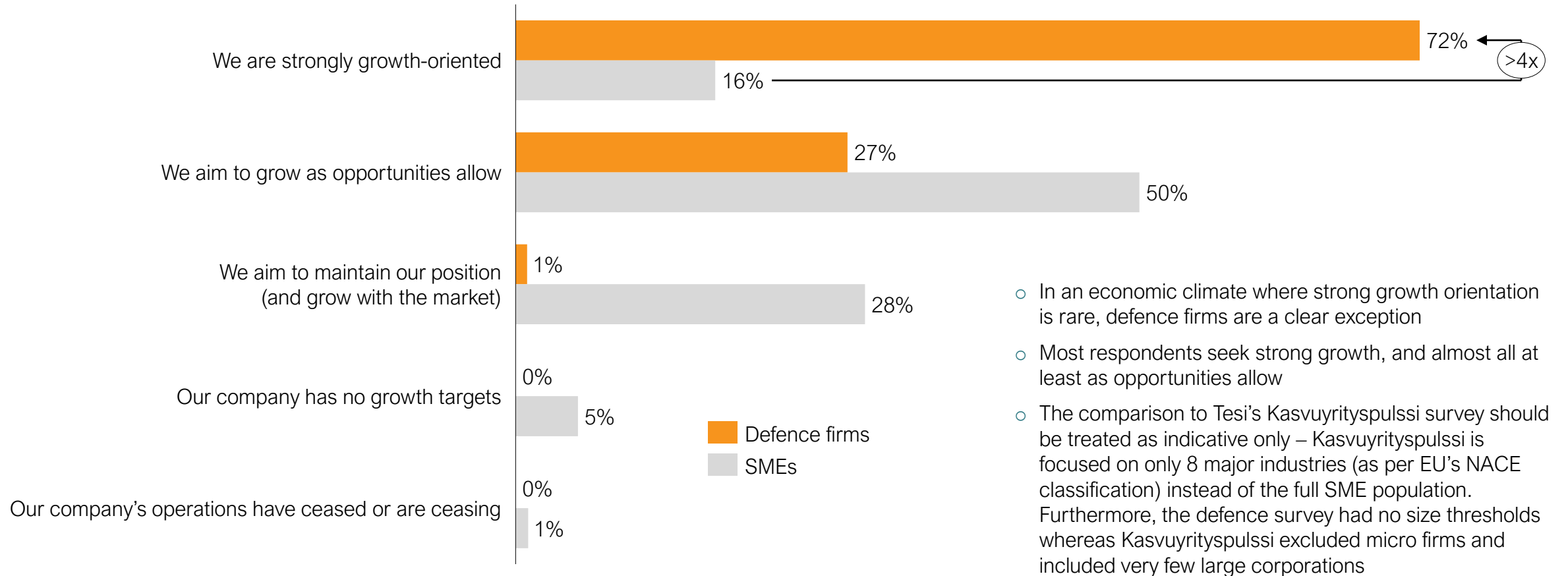
# Surveyed defence companies report much higher growth-orientation than typical SMEs, with three quarters looking for strong growth



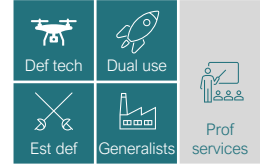
## Growth orientation in Finnish defence firms vs. typical SME firms

Share of respondents in Tesi's Defence Survey (n=109) and Tesi's Kasvuyrityspulssi 2026 (n=1486)

INDICATIVE



# Startups and scaleups place greater emphasis on international defence customers than established firms

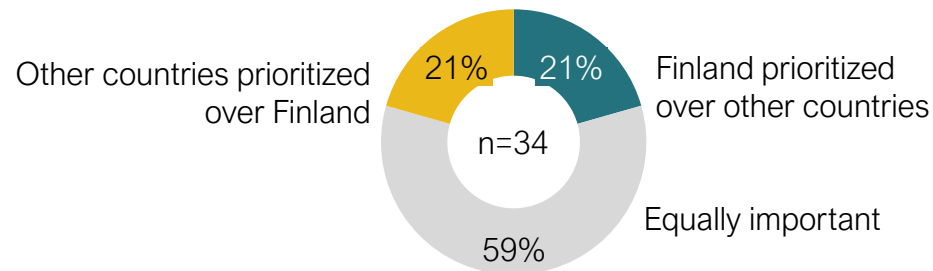
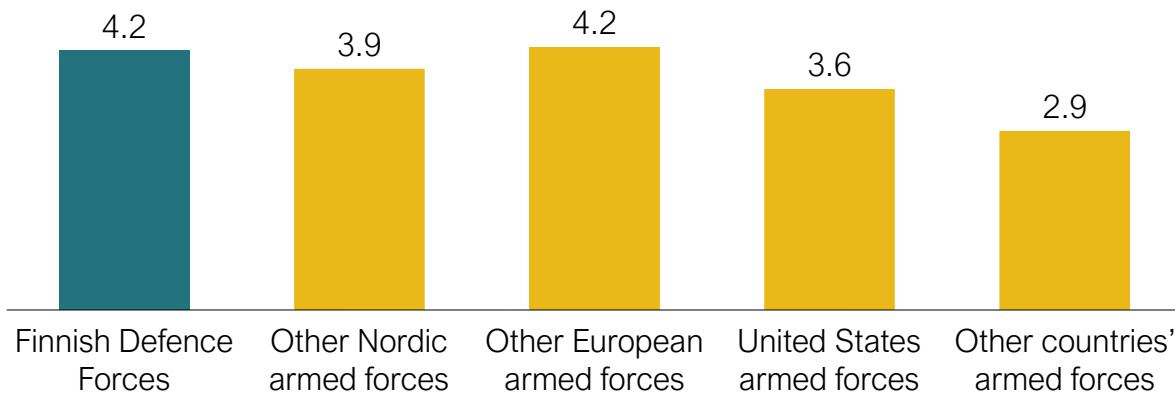


## Market orientation by maturity category

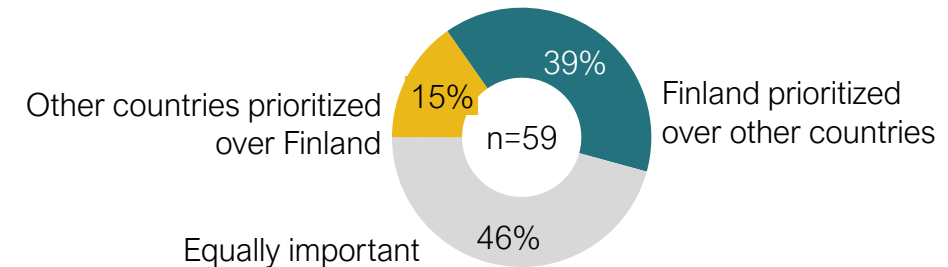
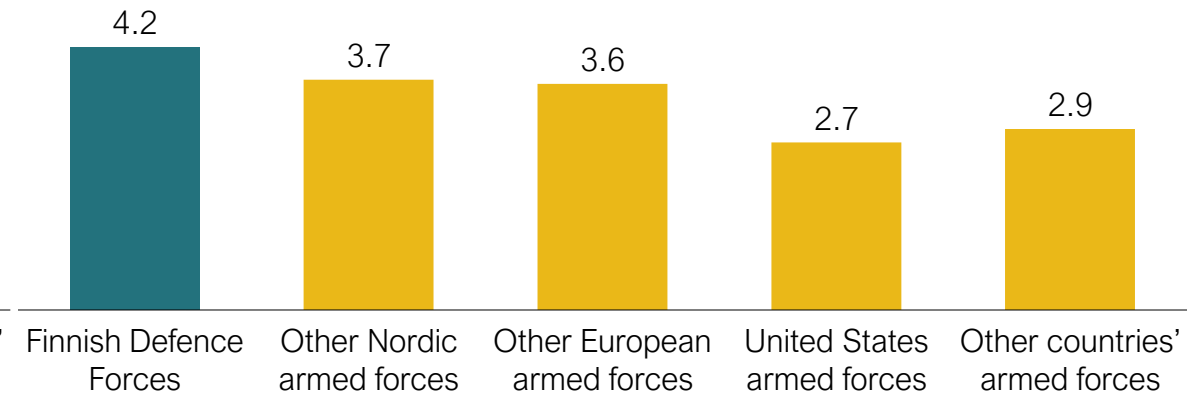
Q: How would you rate the following (current or potential) customers in terms of importance? 1=not at all important – 5=very important

EXCLUDING PROFESSIONAL SERVICES

### Startups and scaleups



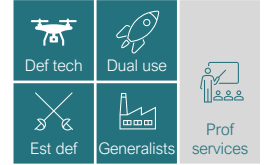
### Established firms



### Finnish Defence Forces are a key customer to Finnish defence firms, regardless of maturity

Differences emerge in international markets –  
defence tech and dual use tech firms rank both European and US armed forces as much higher priorities than established firms

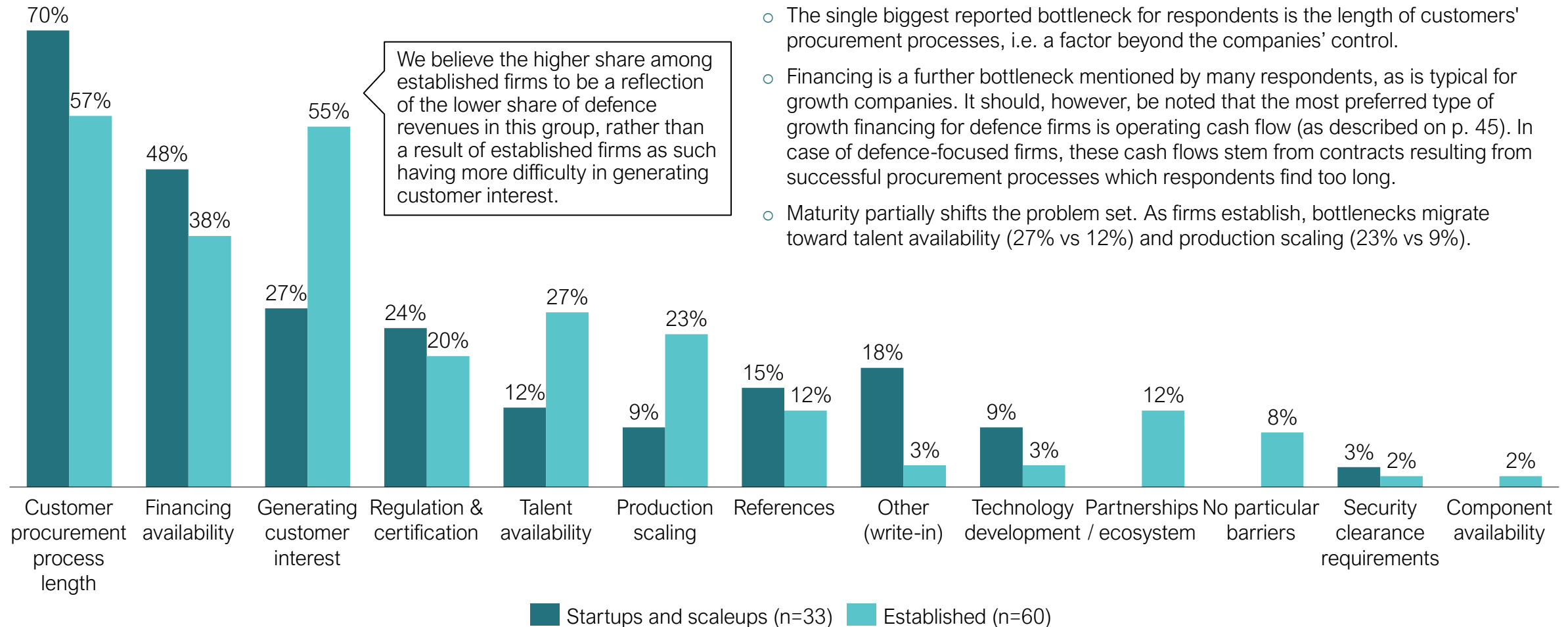
# Procurement lead times are the most cited bottleneck limiting defence firms' growth ambitions



## Firm-specific bottlenecks of growth

EXCLUDING PROFESSIONAL SERVICES

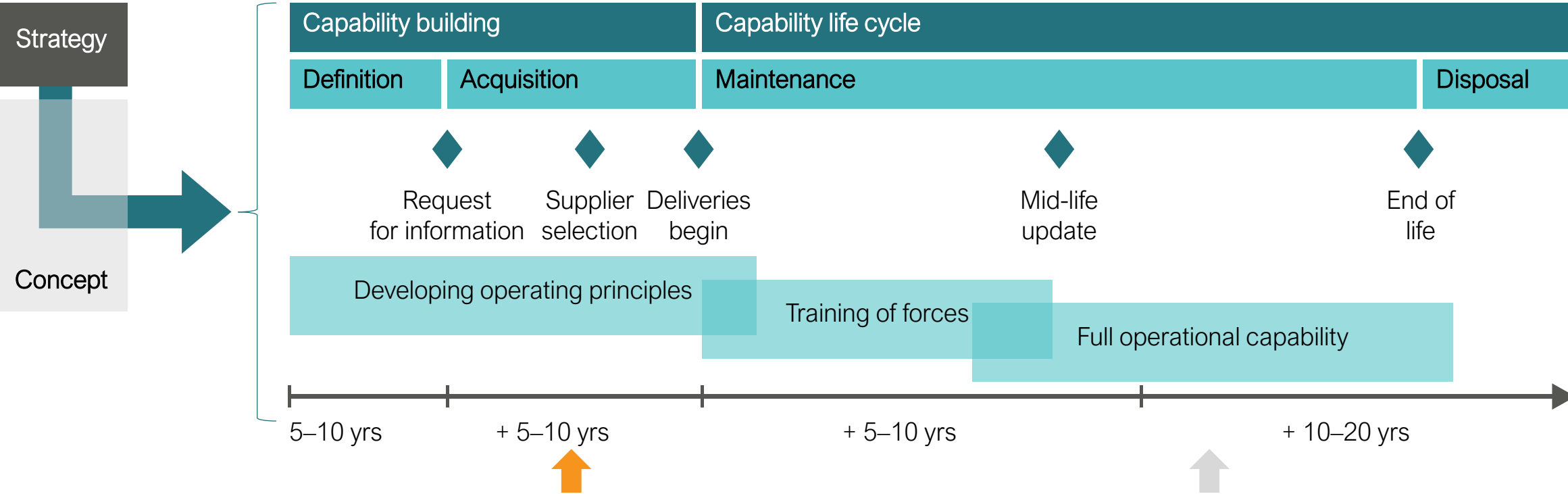
Q: What are the largest obstacles or barriers of [your company's] growth? Max. 3 selections, share of responses within firm category, n=93



# Background: Defence forces' long capability lifecycles tend to favour established suppliers

Finnish Defence Forces' capability building and sourcing principles

ILLUSTRATIVE



The likelihood of a startup being just in time for the acquisition process is very low

**Full operational capability** means that *hundreds to hundreds of thousands* (depending on the system) of Finnish soldiers have been trained in how to use a given system under exceptional circumstances to achieve the desired effect, and that there are arrangements in place to do this under all conditions throughout the entire lifecycle of the capability.

# Background: startups accelerate experimentation and adaptation, while industrial partners deliver scaled production and lifecycle support

## Startups' role in deterrence

### The war in Ukraine has changed capability requirements

- According to Ukrainian sources, FPV drones have caused ~90% of treated frontline wounds in some high-intensity sectors of the war, and drones are reported to have accounted for >80% of destroyed enemy targets in 2025.
- AI-processed satellite and drone feeds condense the kill chain from hours to minutes
- Software updates, AI-model retraining and modular firmware/payload changes let forces adapt faster than hardware redesign cycles

### Traditional programmes adapt on longer cycles

- Traditional “hard” capabilities have long life cycles, typically 30–40 years, and many products are heavily regulated
- As a result, the innovation process is different from that of startups
- Hard capabilities are still needed – new technologies and systems can act as a force multiplier, but do not substitute for underlying platform capacity

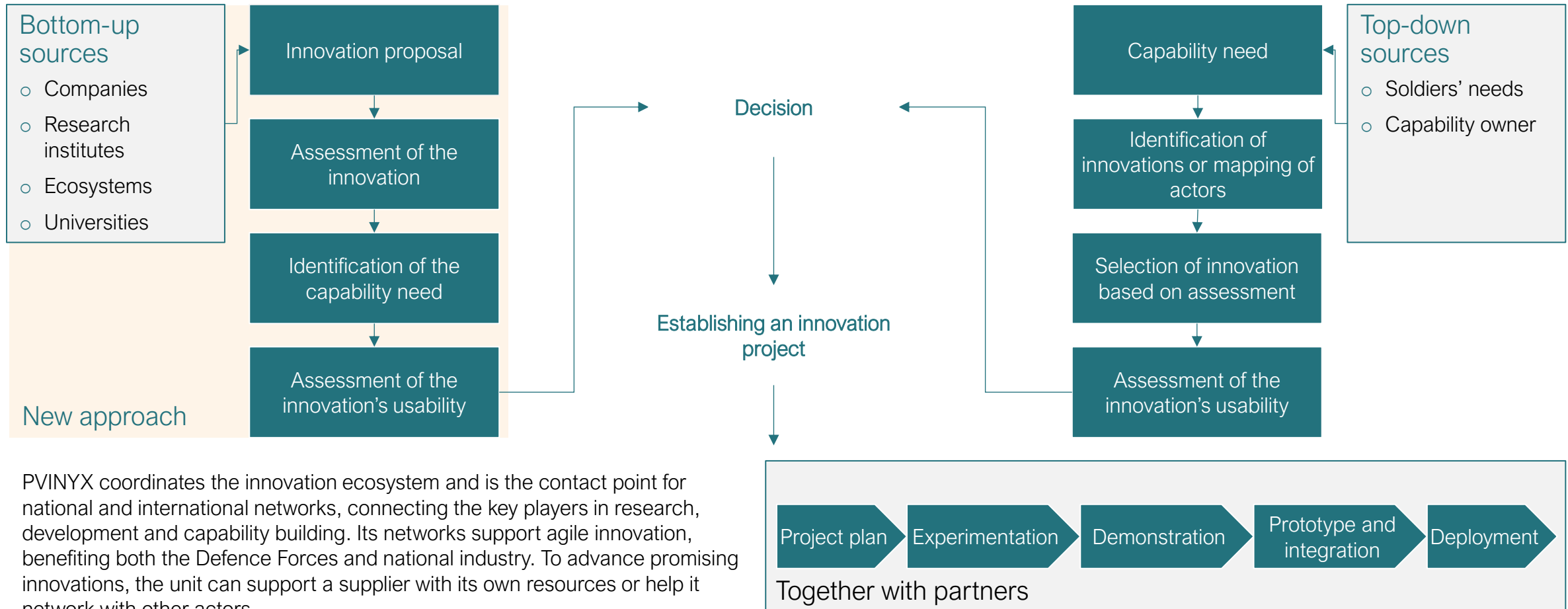
### Startups operate on faster development cycles

- Small and relatively cheap UAS and loitering munitions can deliver effects orders of magnitude below crewed-platform cost; larger autonomous aircraft remain far more expensive
- Rapid, iterative development and deployment cycles native to the venture model
- Investor interest in defence has risen sharply, meaning that capital is ready to be deployed but procurement access is the key bottleneck

**Credible deterrence increasingly depends on autonomy, software and affordable mass — areas where startups complement established industry**

# Background: The Finnish Defence Forces' new innovation unit PVINYX aims to shorten the path from innovation to capability deployment

## Finnish Defence Forces' renewed innovation process



PVINYX coordinates the innovation ecosystem and is the contact point for national and international networks, connecting the key players in research, development and capability building. Its networks support agile innovation, benefiting both the Defence Forces and national industry. To advance promising innovations, the unit can support a supplier with its own resources or help it network with other actors.

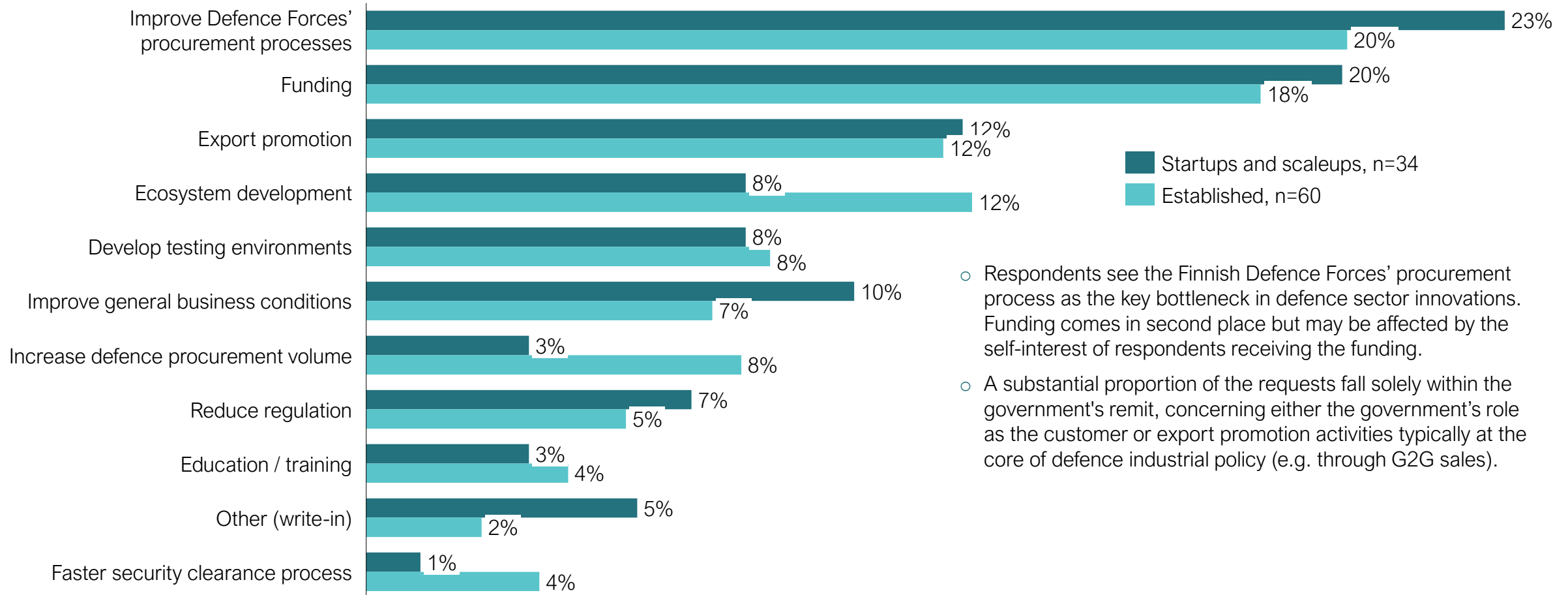
# Respondents identify procurement processes as the key bottleneck, followed by funding and export promotion



## Societal bottlenecks of defence-sector innovations

EXCLUDING PROFESSIONAL SERVICES

Percent of responses within category. Question: "How could society best accelerate defence-sector innovation?" Multi-select question, n=94



- Respondents see the Finnish Defence Forces' procurement process as the key bottleneck in defence sector innovations. Funding comes in second place but may be affected by the self-interest of respondents receiving the funding.
- A substantial proportion of the requests fall solely within the government's remit, concerning either the government's role as the customer or export promotion activities typically at the core of defence industrial policy (e.g. through G2G sales).

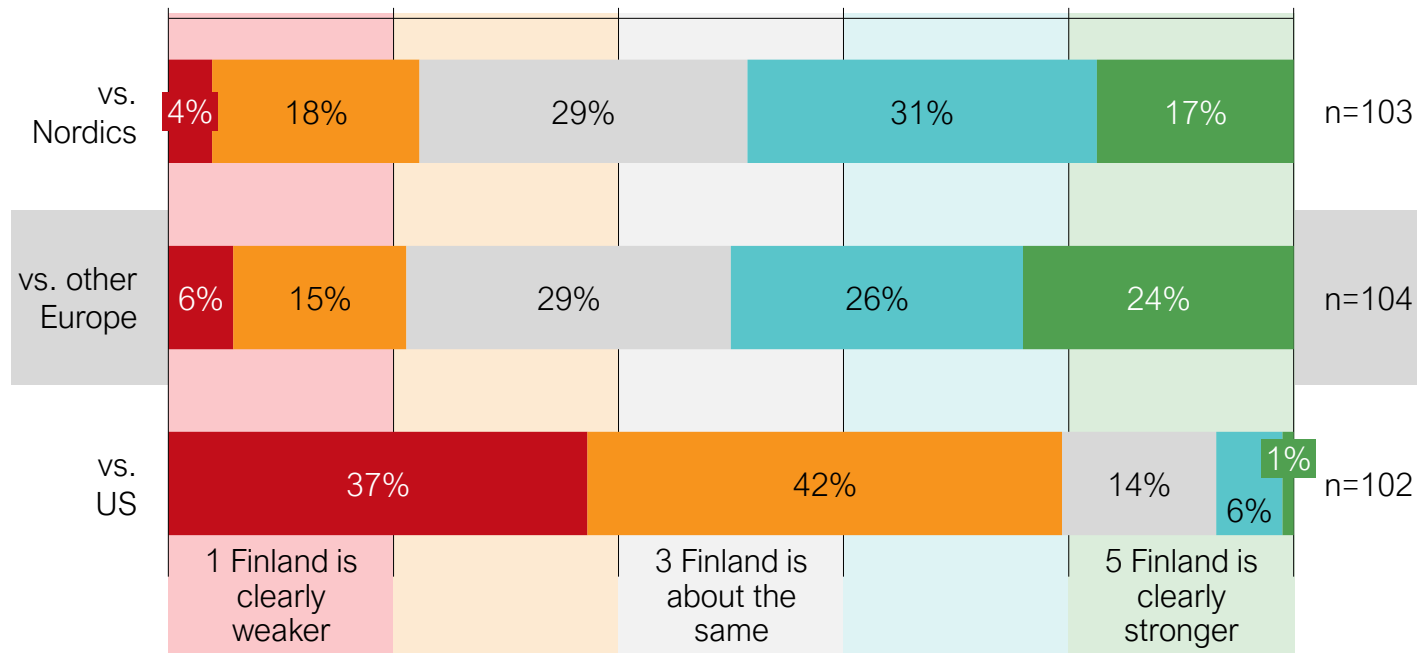
# Respondents perceive the Finnish defence ecosystem as competitive with European peers, but clearly behind the US



## Finnish defence ecosystem compared to key peers

Share of respondents, n varying by question

*How would you describe the Finnish defence ecosystem compared to other countries?*



Comparable small open economies with conscription-based or recently-rearming forces. Finland sits among peers of similar size and doctrine, so "on par or better" is intuitive.

Established industrial bases and large primes with decades of export programs. Finland competes as a niche/spearhead supplier, not a full-spectrum prime — hence "about even," strong in specific capabilities but smaller in scale.

The world's largest defence spender with continuous operational deployment and an unmatched procurement/R&D pipeline.

*The results provide a respondent-based view and are not an objective international competitiveness benchmark*

# Many respondents praise the professionalism of the Finnish defence ecosystem, but criticize perceived bureaucracy

## Opinions on the Finnish defence ecosystem

Selected responses translated from original in Finnish

“

Finland's strength as a defence ecosystem is in particular the professionalism and cooperation skills of the Defence Forces' regular personnel. **We have found that enabling tests and trials has worked excellently.** In addition, Finland's technical expertise and talent base are highly competitive relative to the rest of Europe and even the United States.

The challenge, however, is the innovation procurement process in Finland. In the United States and the United Kingdom, official innovation pathways and procurement processes are, in our experience, clearly more developed and enable a faster transition from development to operational use. In these countries market mechanisms work much more efficiently, which creates a stronger demand side for new solutions.

“

Better: during the era of non-alignment, certain core competences had to be kept in domestic hands.

Worse: partly due to the above, exports are in many respects only beginning. Also, outdated export control practices for dual use and defence products hinder exports.

“

The Defence Forces' organization is built to maintain strong traditional readiness, but the organization seems to have challenges in developing new solutions.

FDF personnel often try to advance new solutions they consider important, but the current budget structure does not support testing and developing new things.

“

We have strong technical expertise and good conditions for testing in difficult conditions. **If things work here, they will probably work in other challenging environments too.**

“

In terms of motivation: history.

In terms of capabilities, we have an excellent ability to make even large joint efforts across company boundaries. But often the customer is missing.

Hopefully, the NATO market will bring a change to this.

# Established companies participate mainly in domestic programmes, while startups and scaleups are more active in EU programmes



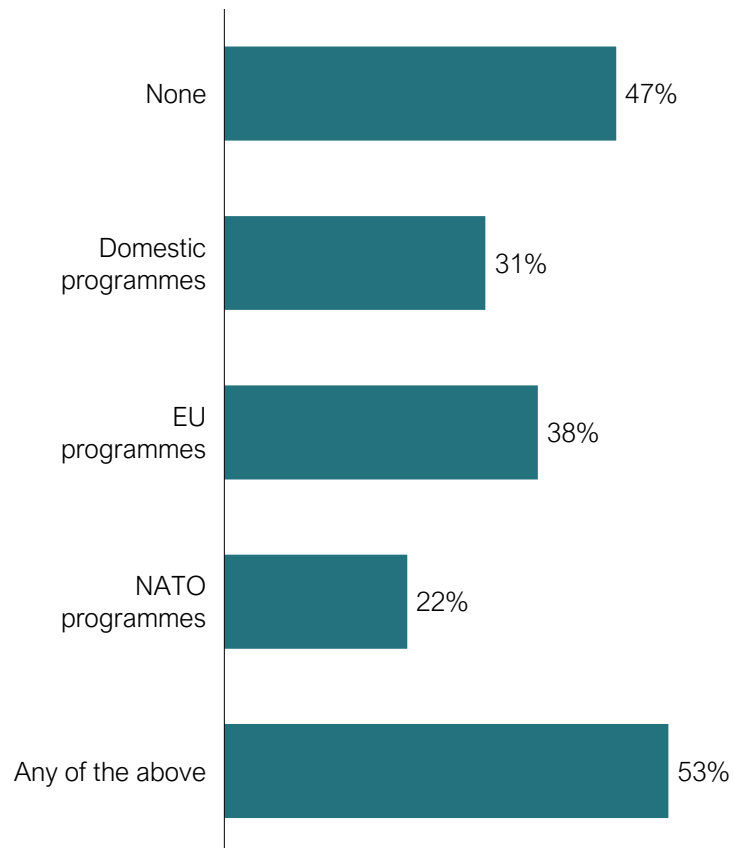
## Programme participation by company maturity

% within each maturity group choosing each option (multi-select)

EXCLUDING PROFESSIONAL SERVICES

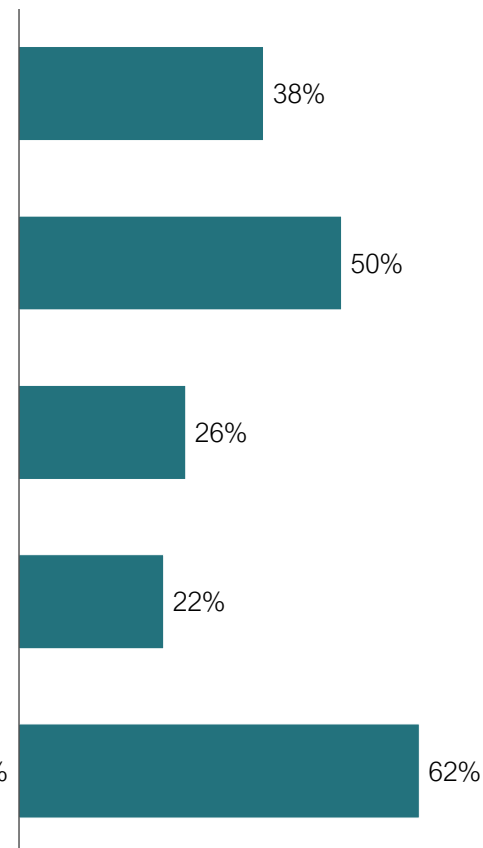
### Startups and scaleups

n=35



### Established firms

n=55



### Examples

BUSINESS  
FINLAND

DEFINE



EDIP

AGILE

NATO  
DIANA  
Defence | Innovation | Adoption



LCI-X

### Commentary

- Most firms are active in some programme, but the orientation flips with maturity.
- Established firms anchor to domestic programmes (50%); startups and scaleups lean towards international programmes, especially EU (38% vs 26%).
- NATO participation is 22% regardless of maturity, and 38-47% have not participated in any programs.

# Established firms are typically self-funded, whereas many emerging firms look for external equity



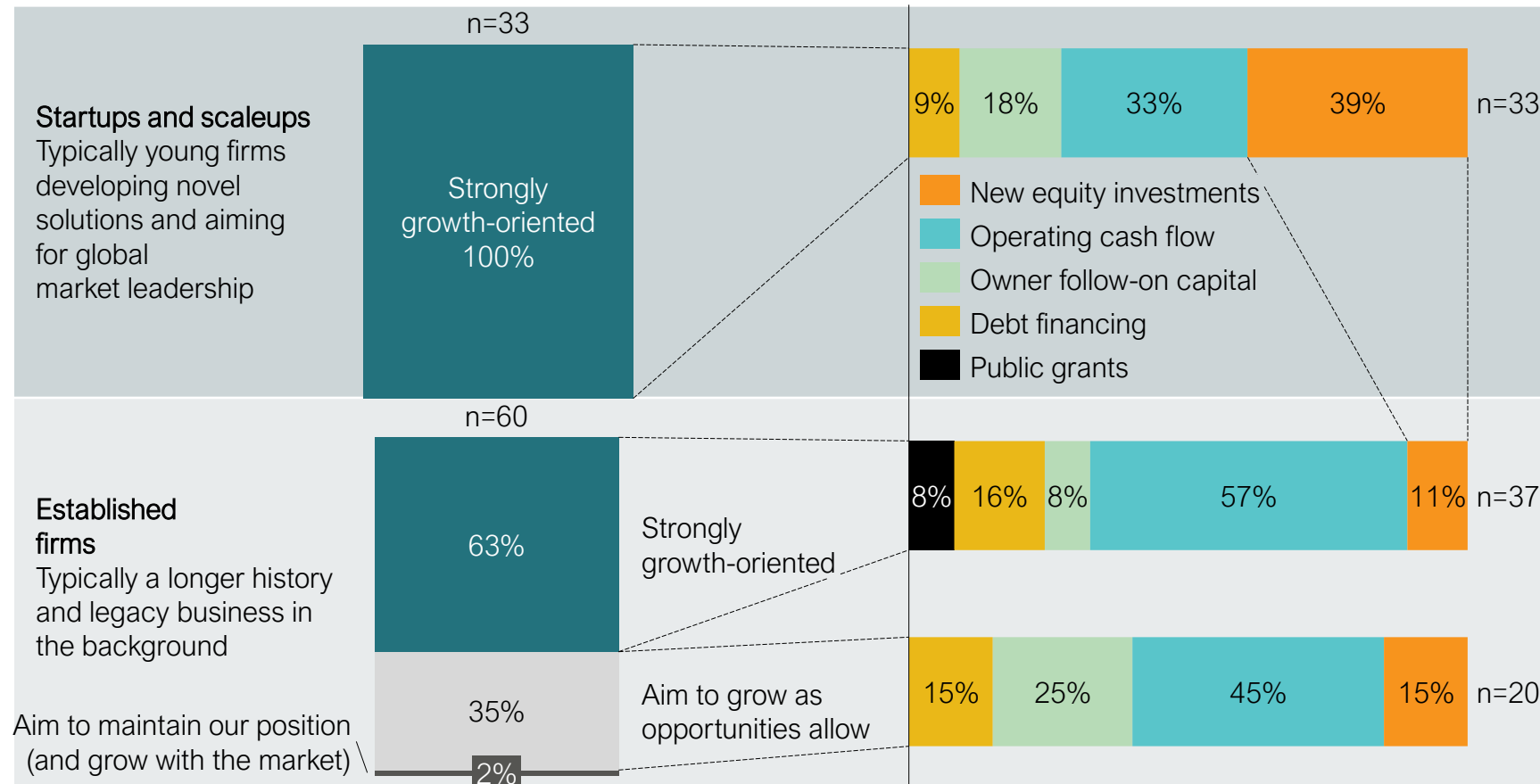
## Growth ambitions and preferred types of financing

Respondents excluding professional services

EXCLUDING PROFESSIONAL SERVICES

### Growth ambition by company stage

### Primary type of growth financing



- Startups and scaleups lean on external equity (39%, their largest source), while established growth-oriented firms self-fund mostly from operating cash flow (57%).
- Reliance on external equity falls as firms mature, dropping from 39% (startups and scaleups) to ~11–15% (established), as internal cash takes over
- Debt financing is rarer, with less than a fifth of any segment mentioning it.

### Note on methodology

The category 'startups and scaleups' assumes startup-like ambition for high growth, so they are strongly growth-oriented by definition. Companies with lower growth ambitions are categorized as 'established' firms, but established firms can also be strongly growth-oriented.

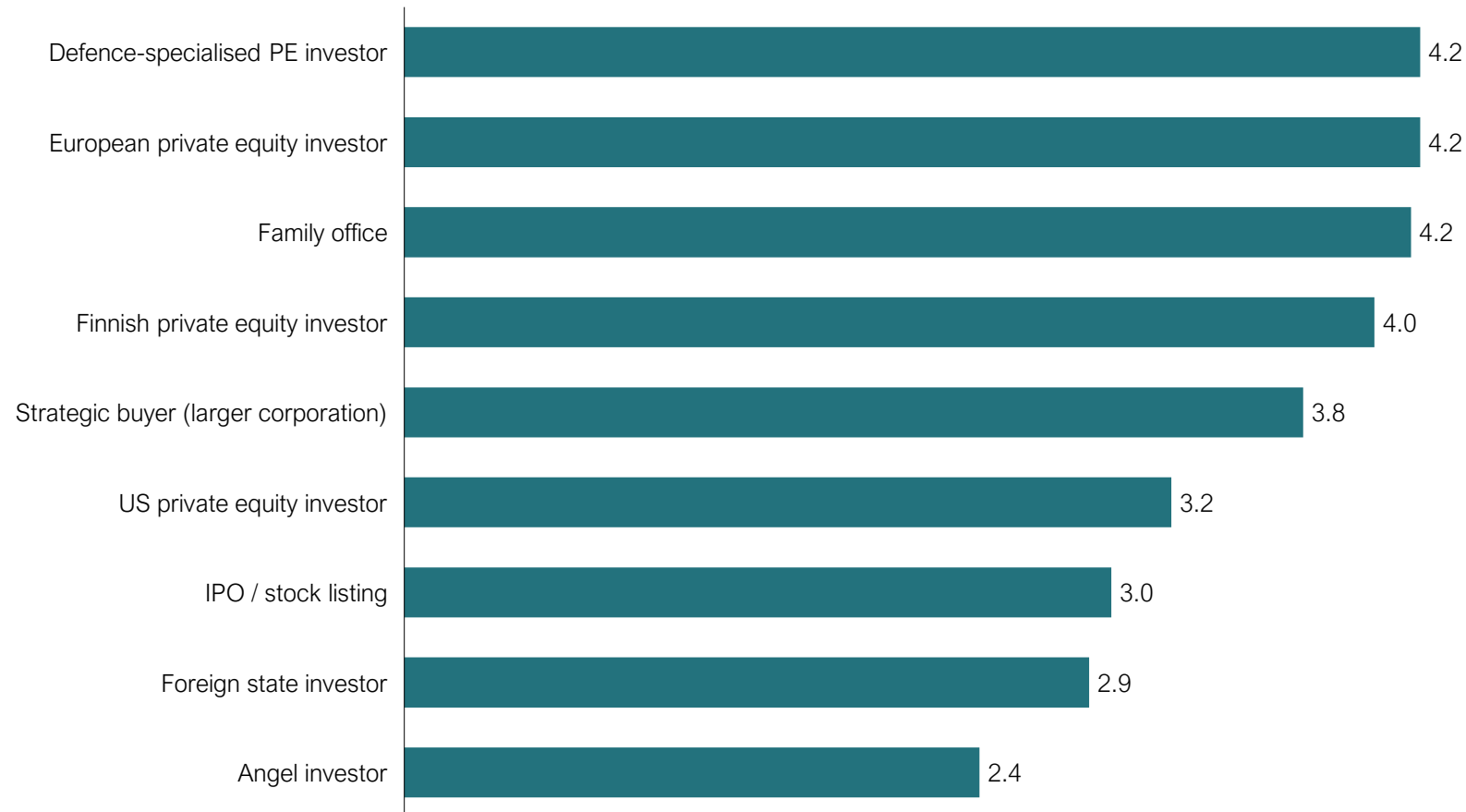
# Equity-seeking firms rate European private equity above US private equity



## Attractiveness of various sources of equity financing

INDICATIVE, EXCLUDING PROFESSIONAL SERVICES

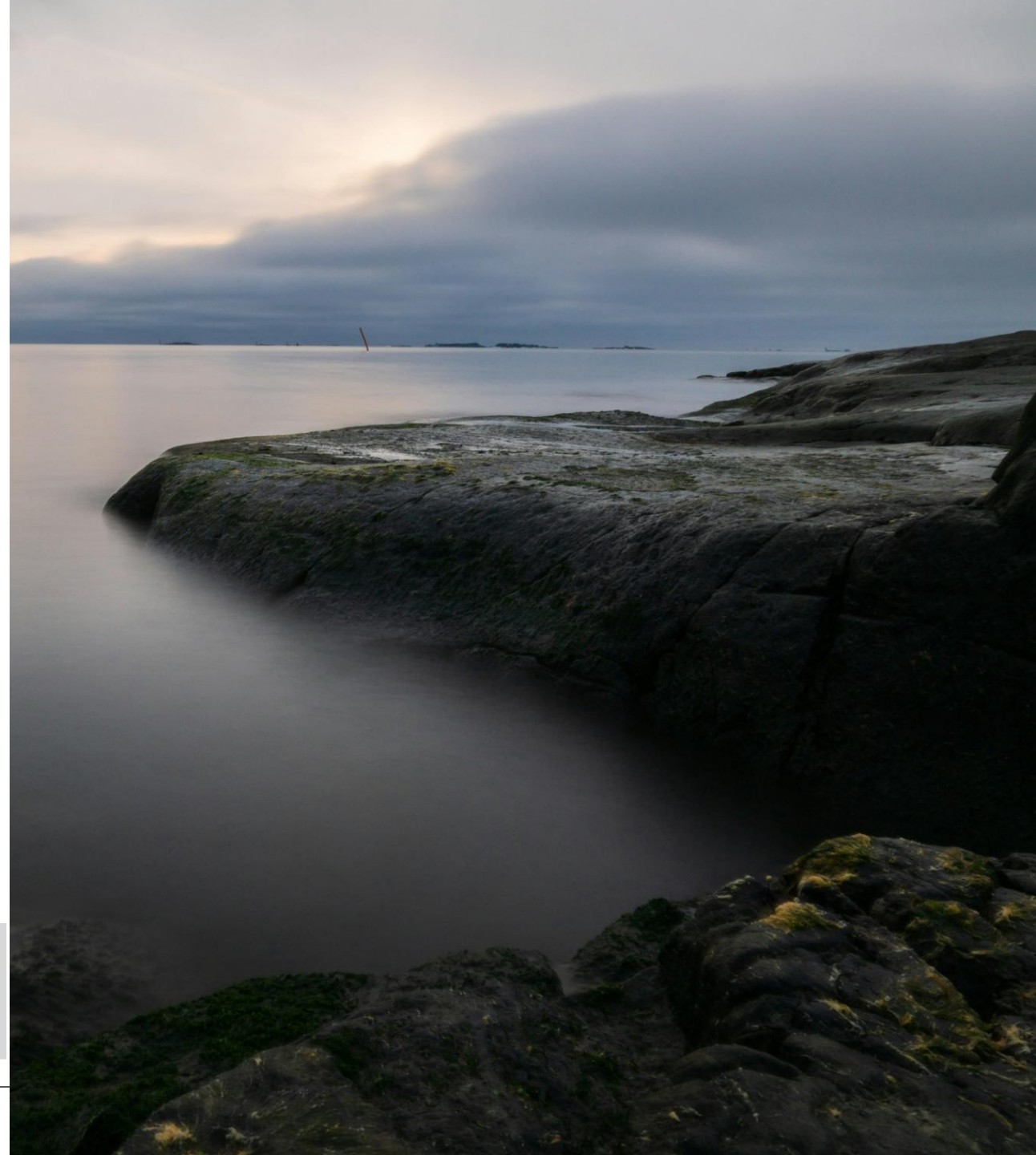
Question: "Assess the following sources of financing as per their attractiveness"; Scale 1 ("not at all attractive") to 5 ("very attractive"), n=20-21 (varies by row)



- Specialist and local capital are favoured. The top tier (4.2–4.0) is all defence-specialized or European/Finnish investors, suggesting sector expertise and proximity being valued over capital alone.
- When comparing firms by their growth stage, it seems like startups and scaleups would lean more toward international capital, whereas established firms would lean toward domestic and defence-specialist capital - a coherent pattern across several investors even though no single pairwise gap is conclusive at this sample size.

# Agenda

- Executive summary
- Methodology
- Industry fundamentals
- Funding and ownership
- Survey results
- Appendix



# Survey respondents rate European armed forces as more important potential customers than US armed forces



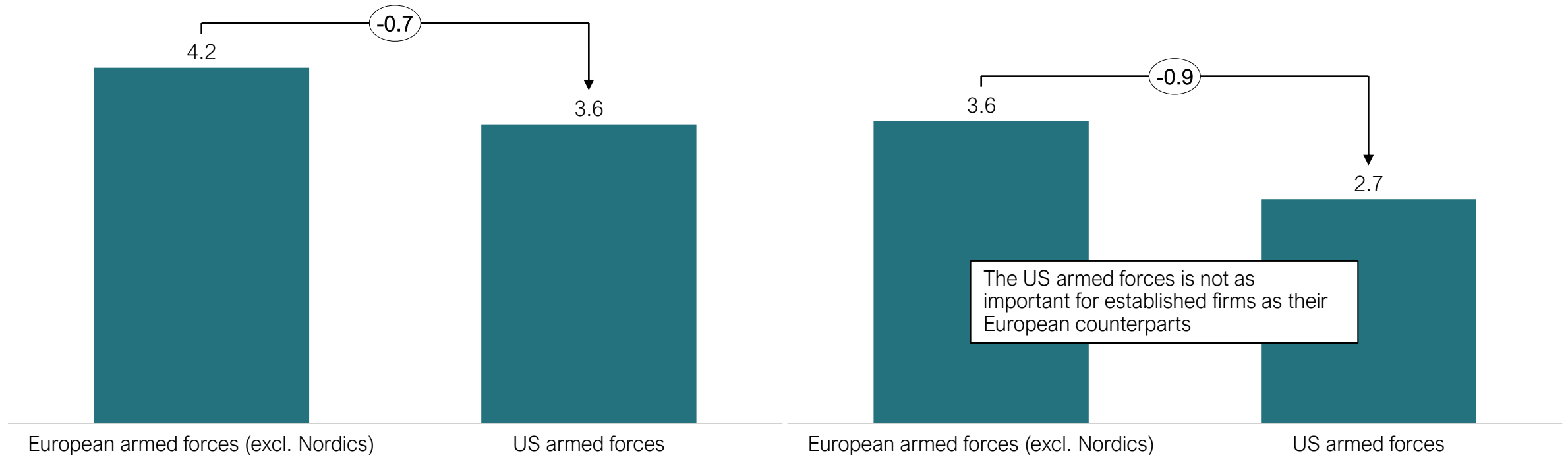
## Orientation towards US and Europe (excl. Nordics) by company maturity

EXCLUDING PROFESSIONAL SERVICES

Q: How would you rate the following (current or potential) customers in terms of importance? 1=not at all important – 5=very important

### Startups and scaleups (n=34)

### Established firms (n=57)

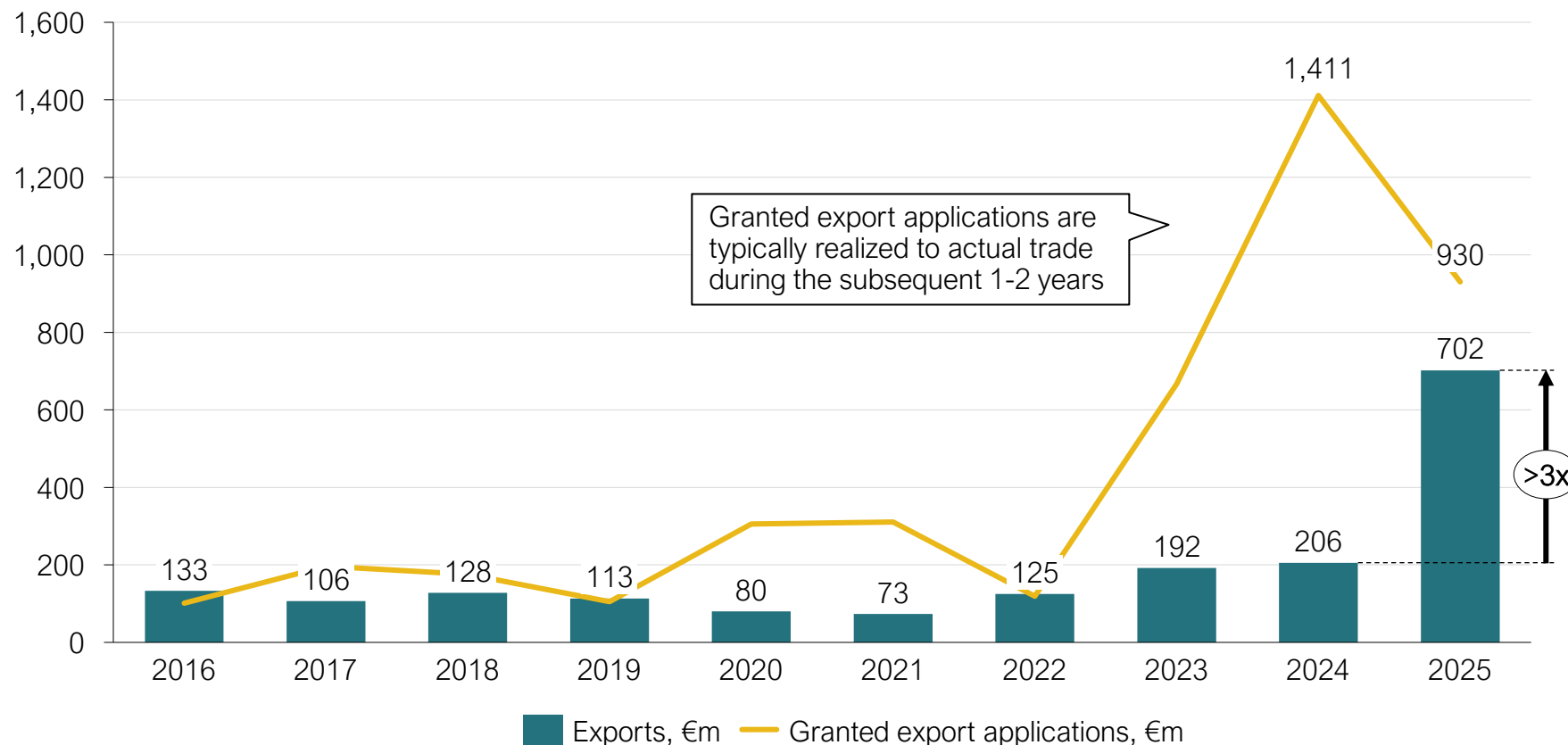


# Exports of military equipment more than tripled in 2025

## Exports of military equipment, 2016–25

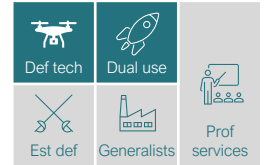
€m

STATISTICS EXCLUDING DUAL USE EQUIPMENT



- Finnish defence equipment exports are rising sharply, multiplying in size from ~€200m to over €700m. The largest realized export category in 2025 was land vehicles and components, approx. 49% of exports.
- Granted export applications fell from the exceptional €1.4bn peak in 2024 to €930m, reflecting the volatility in annual approvals.
- The export figures are driven mainly by established defence-industrial firms, and a few large permits can materially move totals. The figures cover controlled military equipment such as land vehicles and components and firearms, and exclude dual use equipment.

# Key figures for Finnish startups and scaleups



## Subcategories by key metrics

ACTIVE DEFENCE TECH AND DUAL USE TECH FIRMS ONLY

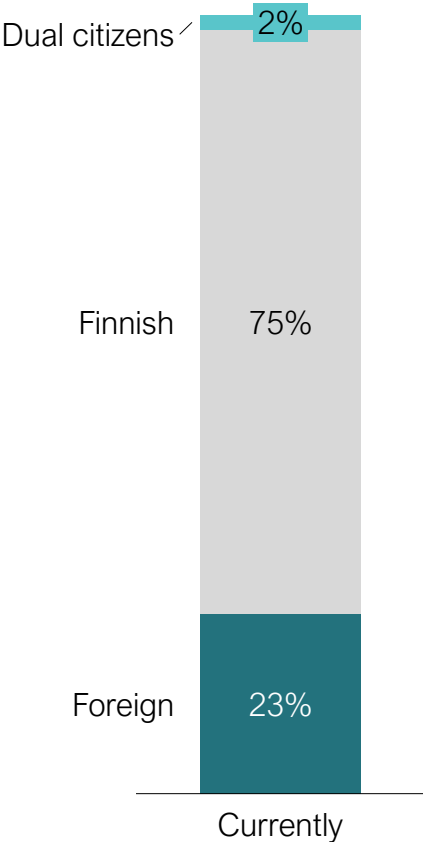
|                                         | Number of firms | Latest sales | Identified funding rounds |
|-----------------------------------------|-----------------|--------------|---------------------------|
| Advanced computing and software         | 23              | €116.5m      | €0.0bn                    |
| Advanced materials & manufacturing      | 31              | €111.1m      | €0.1bn                    |
| Autonomous systems                      | 15              | €7.8m        | €0.1bn                    |
| Biotechnology                           | 1               | n.a.         | n.a.                      |
| Energy generation and storage           | 8               | €1.1m        | €0.0bn                    |
| Human machine interfaces                | 11              | €41.6m       | €0.3bn                    |
| Quantum                                 | 3               | €17.5m       | €0.6bn                    |
| Semiconductors and microelectronics     | 3               | €1.8m        | €0.0bn                    |
| Sensing, connectivity and cybersecurity | 59              | €121.6m      | €0.2bn                    |
| Space                                   | 10              | €115.5m      | €1.6bn                    |

ICEYE has stated that 2025 revenues surpassed €250m, but financial statement isn't public yet

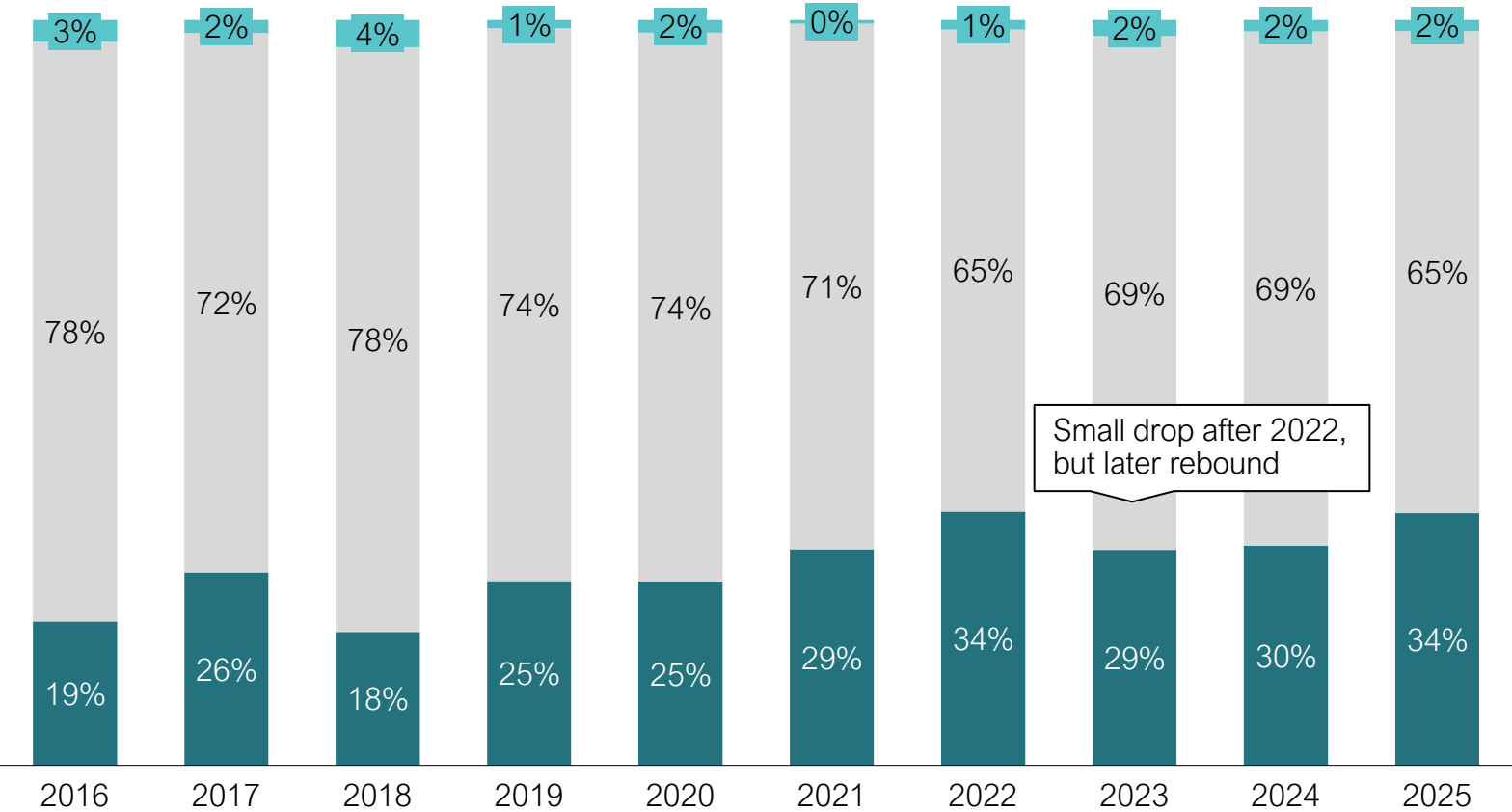
# A quarter of board members are foreign – the share of new foreign appointees has risen



Board members by nationality  
% of total



Newly appointed board members by nationality and appointment year, 2016-25  
% of total in each year

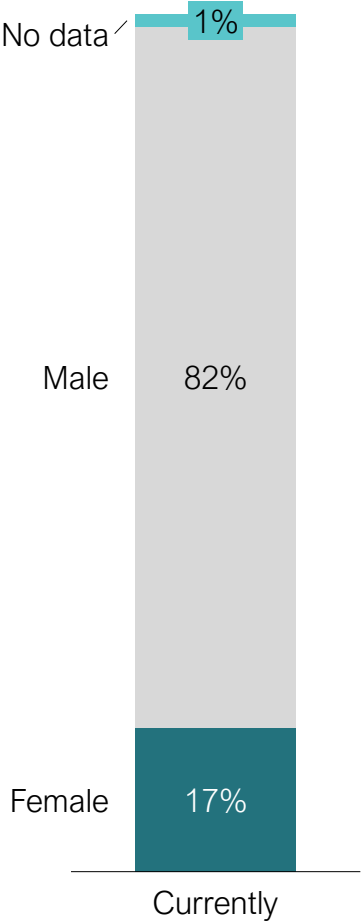


# Women account for 17% of identified board members in the mapped companies



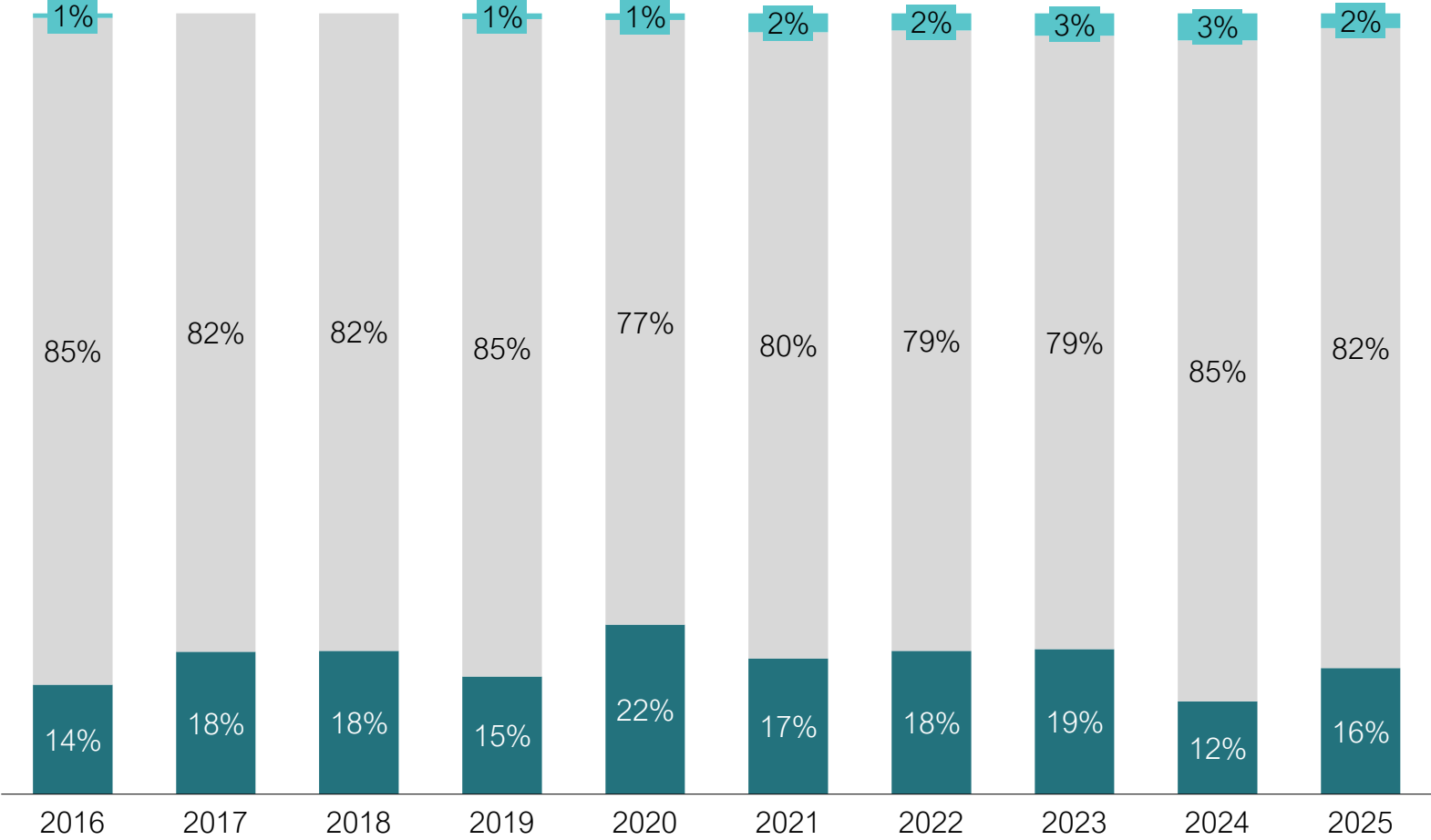
Board members by sex

% of total



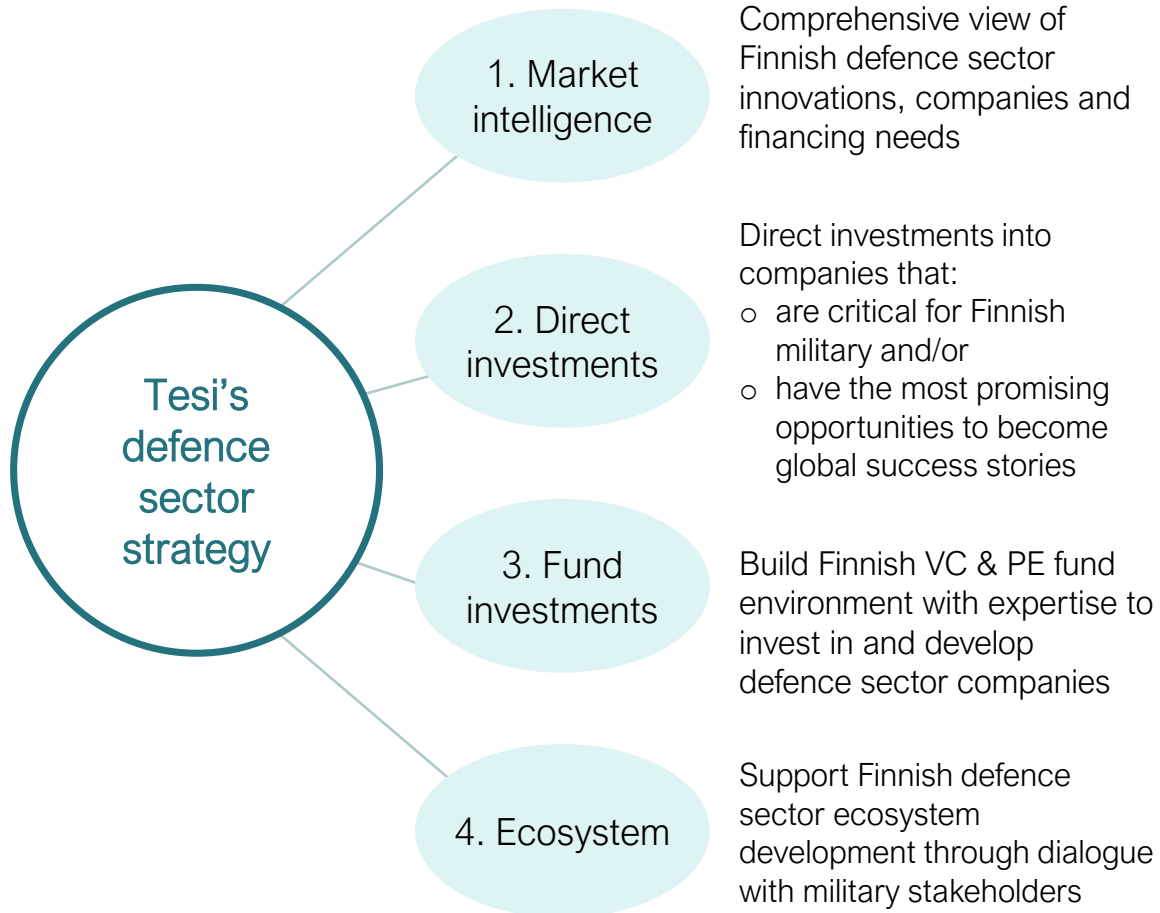
Newly appointed board members by sex and appointment year, 2016-25

% of total in each year



# Tesi's defence strategy combines market intelligence, direct investments to growth companies, fund investments and ecosystem work

## Tesi's defence sector strategy in a nutshell

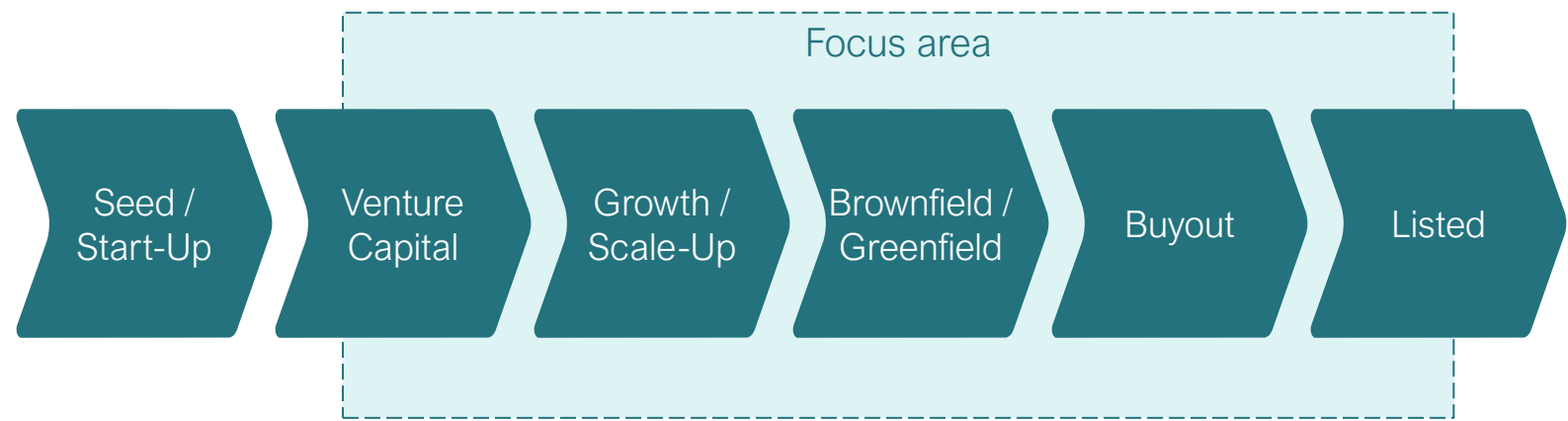


## Ideal direct investment characteristics

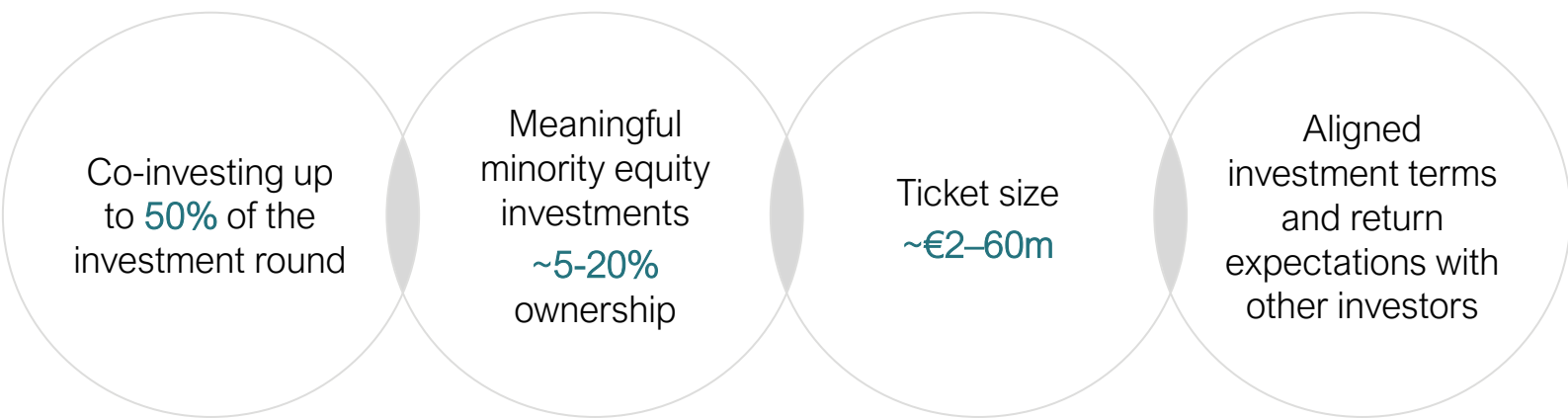


# We invest directly as a minority co-investor across various firms' growth stages

## Tesi's direct investment focus and approach



## Investment criteria



## Current investments<sup>1</sup>





**Tesi**