Patria

FINANCIAL AND GOVERNANCE

Annual Report 2020

Board of Directors' Report

NEW ORDERS AND ORDER STOCK

The value of new orders received during the financial period was EUR 1,400.2 million (EUR 432.4 million in 2019). Millog's updated Strategic Partnership Agreement with the Finnish Defence Forces for 2021–2028 had a significant impact on the value of new orders. Defence material and life cycle support accounted for 97% (89%) and civilian products for 3% (11%) of the new orders. At the end of December, the Group's order stock was EUR 1,508.2 million (EUR 649.2 million).

NET SALES AND PROFITABILITY

The Group's net sales for the financial period totalled EUR 534.1 million (EUR 507.5 million in 2019 and EUR 476.1 million in 2018). Defence material and maintenance accounted for 93% (92%) and civilian products for 7% (8%) of the net sales. Sales outside Finland for the financial period accounted for 25% (26%) of the net sales.

The Group's operating profit for the financial period was EUR 40.3 million, representing 7.5% of net sales (2019: EUR 7.8 million, 1.5%; 2018: EUR 35.9 million, 7.5%). The consolidated income before taxes for the financial period amounted to EUR 36.7 million (2019: EUR 3.9 million; 2018: EUR 33.7 million). The Group's return on equity for the financial period was 13.8% (2019: 1.8%; 2018: 11.8%).

Patria Group's financial performance exceeded its key targets and profitability for the financial year 2020 was at a strong level, in spite of COVID-19. The impact of the pandemic was moderate on Group level but civil pilot training and commercial aircraft parts manufacturing business suffered from decreased demand. During the financial period the Squadron 2000 project continued. Patria had also an active role as strategic partner of the Finnish Defence Forces in assisting in the HX Fighter Program.

FINANCING AND OWNERSHIP

The Group's equity ratio at the end of December was 38.8% (2019: 39.1%; 2018: 54.4%) and net gearing 72.1% (2019: 70.8%; 2018: 26.8%).

Consolidated liquid funds at the end of December amounted to EUR 37.5 million (EUR 35.9 million). The Group's interest-bearing liabilities totalled EUR 217.7 million (EUR 204.6 million) at the end of December. The interest-bearing liabilities included finance lease liabilities of EUR 97.7 million (EUR 88.0 million).

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

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

CAPITAL EXPENDITURE AND ACQUISITIONS

The Group's capital expenditure excluding leases for the financial period totalled EUR 6.8 million (EUR 12.1 million). Capital expenditure was mainly related to facilities and equipment, IT and production. In addition, a total of EUR 8.0 million (EUR 19.8 million) was spent on acquisitions.

Millog Oy signed a contract in December 2019 for the purchase of the entire share capital of Virve Tuotteet ja Palvelut Oy from Erillisverkot Group. Ownership was transferred to Millog Oy on 2 January 2020 and Virve Tuotteet ja Palvelut Oy continued to operate as an independent subsidiary under Millog's ownership. The business activities of Virve Tuotteet ja Palvelut Oy include the sale and maintenance of terminal equipment for terrestrial trunked radio (TETRA) networks. The company was founded in 2007 and has 8 employees. Its net sales for the previous financial period totalled EUR 5.5 million.

In February Patria and Latvian SIA Unitruck established a jointly owned company in Latvia. The new company, SIA Defence Partnership Latvia, owned by Patria by 70% and Unitruck by 30%, will provide maintenance, repair, overhaul, system integration services and logistical operations to the Latvian National Armed Forces. The new company is located in Cesis, Latvia.

In February Patria ISP Oy acquired 100% of shares of Milrem Latvia SIA and Milrem Lithuania UAB from Milrem LCM OÜ. The acquired companies were named Patria Latvia SIA and Patria Lithuania UAB.

Patria Helicopters AS was sold to Kongsberg Aviation Maintenance Services AS (KAMS) on 1 July 2020. Patria owns 49.9% of the shares of KAMS. Patria Helicopters AS has 27 employees and a one-stop shop for maintenance, repair and overhaul services specialised in the maintenance of helicopters in Bardufoss, Norway. The target for the helicopter maintenance consolidation was better customer support and improved efficiency.

In October Millog Oy acquired 100% of the shares of Oy Western Shipyard Ltd from APX Metalli Ltd. Western Shipyard's business includes docking and repairs of ships and floating structures. The company's net sales in the previous financial period was EUR 16.3 million and it has 34 employees.

Patria Engines Holding Oy was merged into Patria ISP Oy on 31 October 2020.

RESEARCH AND DEVELOPMENT

The Group's expenditure on research and development for the financial period amounted to EUR 10.0 million (EUR 8.7 million), representing 1.9% (1.7%) of the net sales. The most significant research and development areas included new technologies, materials and systems related to mobility and aviation, as well as technologies related to sensor products and electronic warfare systems.

PERSONNEL

During the financial period the Group employed an average of 3,003 (2019: 2,988; 2018: 2,791) persons. At the end of December, the personnel totalled 2,973 (2019: 3,055; 2018: 2,816).

The salaries and wages of Patria Group's employees are determined on the basis of collective and individual agreements as well as employee performance and job evaluations. Basic salaries and wages are complemented by performance-based compensation systems. All Patria employees are part of a yearly bonus plan. During 2020 the yearly bonus plan was renewed. The new yearly bonus plan was approved by the Board of Directors and will be introduced from the beginning of 2021. In 2020, the total amount of salaries and wages paid was EUR 162.4 million (2019: EUR 154.1 million; 2018: EUR 140.1 million).

The objective of the personnel strategy is to help the Business Units to meet their business targets and to ensure future competitiveness by developing personnel and their competences. In Patria, special emphasis is given to employee well-being as well as safe and healthy working environment. Employee well-being is measured against e.g. sickness absence rates and frequency of work-related accidents.

Patria People personnel survey was conducted in 2020. The aim was to identify the strengths and areas of development as well as develop a more inclusive workplace culture. 83.4 per cent of all personnel responded to the survey. The survey's overall result indicated positive development and People Power Index was 64.8 compared to 61.3 in 2018. The most essential strengths and areas of development across the group were identified. According to the survey, clear strengths at group level include commitment, group spirit and motivation for one's work and the issues to be developed relate to information from the perspective of one's work, the culture of decision making and the implementation of changes.

Patria has three group-level development programmes. The long-term development programme for future management resources was run in a new format. The programme aims to meet Patria's internationalising business and the requirements of change leadership. In 2020 the programme meant for supervisors was focused on the supervisors' ability to coach their team members, to involve them and to set clear and motivating targets. The programme especially meant for experts focused to increase the experts' competence level as a critical factor in business development, and also to create a more customer-focused way of working.

COVID-19 pandemic had a significant impact on commercial aviation. This has a continued negative impact on the demand of civil aviation components and civil pilot training, and therefore Patria had employee cooperation negotiations in its Aerostructures and Pilot Training units.

Employee cooperation negotiations in Aerostructures business unit's composite and metal operations concerned the Business unit's personnel in Finland, in Halli, Jämsä and in Tampere. The negotiations resulted in shortening the working week and the factory was closed during summertime. Additionally, the negotiations led to redundancy of 12 persons and there were variable indefinite and fixed period lay-offs during year 2020. Part of the lay-offs were implemented during early 2021.

Employee cooperation negotiations in Patria's Pilot Training unit concerned the entire personnel of the unit. Negotiations resulted in full-time and part-time lay-offs and the lay-offs lasted two months in average.

KEY EVENTS DURING YEAR 2020

Mid-Life Upgrade work of the Hamina-class missile boats continued, and of the four missile boats to be repaired, two were turned over for Finnish Naval Forces during 2020. Patria acts as the prime contractor, designer and the prime system integrator, and all the new capabilities will be in use of the Finnish Navy during 2022.

Patria was awarded a contract for the design and delivery of new Anti-Submarine Warfare (ASW) Sonars by Saab, the Squadron 2020 Combat System Contractor. The employment effect of the contract in Finland is approximately 50 man-years.

As part of a Finnish-Latvian development program, Patria 6x6 armoured vehicle was chosen as the vehicle platform for sustained army mobility enhancement. Estonia joined the program in April. In October, Finland and Latvia together with Patria signed a research and development (R&D) agreement for a common armoured vehicle system, which is a next step in this collaborative programme after the countries last spring signed a joint technical arrangement. The purpose of the R&D agreement is to develop a common armoured vehicle system, based on the Patria 6x6 vehicle and developed to meet the common requirements of the countries. The agreement also allows for the development of other new vehicle variants and system features later.

In October Patria and the U.S. Army entered into an agreement for a feasibility study of Patria Nemo 120 mm mortar system. The testing complements ongoing cooperation between Patria and the U.S. Army on a Cooperative Research and Development Agreement (CRADA) announced in May. The study consists of several tests and demonstrations in the U.S. and Finland. Through these events Patria and the Army are testing Patria Nemo 120 mm turreted mortar system performance with U.S. ammunition and against U.S. requirements.

In October Patria's armoured combat vehicle AMV^{XP} was selected for the second phase of Bulgarian vehicle acquisition program based on a tender phase. The final decision on the actual acquisition will be made after field tests and negotiations.

Senop Oy entered into an agreement with the Finnish Defence Force to supply night vision devices. The procurement is based on a Letter of Intent signed in May 2019 and Senop will deliver the systems by the end of 2021.

Patria signed a five-year agreement with Qatar Airways to train their new pilots. The training will be based on Multi-Crew Pilot License (MPL) program, which was tailored by Patria for Qatar Airways.

In November Patria and SIA EMJ Metāls, a Latvian owned company specialized in sheet metal processing, signed an agreement for vehicle parts manufacturing in Latvia. The agreement is related to the research and development (R&D) agreement for a common armoured vehicle system signed in October by Finland, Latvia and Patria.

In December Patria delivered Patria AMV 8x8 System Platform vehicle to Saab based on a contract signed in June of the same year. The contract includes vehicle, training and maintenance services. The vehicle will be used as a test and development platform for the latest generation of Saab vehicle electronics and video systems, but also for demonstration and marketing purposes.

Millog and the Finnish Defence Force's Logistics Department signed an updated Strategic Partnership Agreement. The total value of the services during the pricing period 2021–2028 is approximately EUR 1.4 to 1.6 billion. The domestic employment effect of the contract will be about 10,000 to 11,000 person-years.

Patria AMVXP 8x8 vehicles were sent to Japan for test purposes. These vehicles are part of the Japanese Ground Self-Defense Force's project operating under the Japanese Ministry of Defense. Patria has been selected as one of the competitors for the new 8x8 Wheeled Armored Personnel Carriers (WAPCs) project. The project has progressed to the test phase after which the Japanese Ministry of Defense will evaluate the vehicles.

Patria fulfilled its offset and industrial participation obligations in Croatia related to Patria AMV 8x8 delivery program when Patria's offset performance was approved by the Croatian Ministry of Economy and Sustainable Development in December 2020.

ADMINISTRATION

Patria Oyj's Annual General Meeting held in Helsinki on 3 April 2020 adopted the Consolidated Financial Statements for the financial period that ended on 31st December 2019. It was also decided to discharge the members of the Board of Directors and the President and CEO from liability for the financial period of 2019. Furthermore, the Annual General Meeting decided, according to the Board of Directors' proposal, to distribute a dividend of EUR 0.50 per share, totally EUR 13,920,944.50.

Panu Routila, Master of Science (Economics) was appointed as Chairman of the Board of Directors as of 4 February 2020. Until then, Petri Vihervuori, Senior Financial Adviser at the Prime Minister's Ownership Steering Department, acted as an interim Chairman of the Board. He continued as a member of the Board of Directors.

Harald Aarø, Executive Vice President, Space and Surveillance, Kongsberg Defence & Aerospace; Eirik Lie, Executive Vice President, Kongsberg and President, Kongsberg Defence & Aerospace; Päivi Marttila, CEO, Sievi Capital plc; Jarle Næss, Senior Vice President, Business Development, Kongsberg Defence & Aerospace; Ari Puheloinen, General (ret.) and Gyrid Skalleberg Ingerø, Group Executive Vice President and Chief Financial Officer, Kongsberg continued as members of the Board of Directors.

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

The Nomination and Compensation Committee consisted, during the financial period, of Panu Routila, Chairman (as of 4 February 2020), Harald Aarø, Jarle Næss and Ari Puheloinen. The Nomination and Compensation Committee prepares the compensation structures of the company management and compensation and benefits programs as well as decides on the most important management nominations.

The Audit Committee consisted, during the financial period, of Päivi Marttila, Chairman, Eirik Lie, Gyrid Skalleberg Ingerø and Petri Vihervuori. The Audit Committee supervises and monitors execution and organisation of internal controls within the Patria Group, risk management and financial reporting as well as preparation of the financial statements. In addition to this the Audit Committee is responsible for supervising and monitoring of Compliance and Ethics issues and related activities within Patria. Regarding other duties of the Board, no specific sharing of such duties has been agreed upon by the Board.

Jussi Saramo, Member of Parliament (Left Alliance), continued as the Chairman of Patria Oyj's Consultative Committee and Janne Sankelo, Member of Parliament (National Coalition Party) continued as the Vice Chairman. Hannu Hoskonen, Member of Parliament (Center Party); Petri Huru, Member of Parliament (Finns Party); Riitta Mäkinen, Member of Parliament

(Social Democratic Party); Under-Secretary of State Petri Peltonen at the Ministry of Employment and the Economy; Chief of Defence Command, Lieutenant General, Eero Pyötsiä and Patria's personnel representatives Jussi Karimäki, Equipment Assembler, Patria; Ilkka Kokko, Systems Engineer, Patria, Juha Kuusi, System Specialist, Patria and Jari Metsälä, Manager, Product Design, Patria continued as members of the Consultative Committee.

The Extraordinary General Meeting of Shareholders held in October 2020 appointed Jari Myllykoski, Member of Parliament (Left Alliance), as the new Chairman of the Patria Consultative Committee to replace Jussi Saramo, Member of Parliament, when Saramo took over as Minister of Education for the spring term 2021.

PricewaterhouseCoopers Oy, Authorised Public Accountants continued as Auditor. Jukka Karinen, APA, is the partner in charge of the audit.

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

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

RISKS AND UNCERTAINTIES

Patria has a risk management and internal control policy, approved by the Board of Directors, which specifies the related tasks, objectives, components, responsibilities and authorities. The Board provides the ultimate oversight and direction for risk management and internal control and has allocated main responsibility for these actions to the Audit Committee appointed by the Board. The primary responsibility for risk management and internal control lies with the business units and Patria's Group functions in their area of responsibility. The President and CEO of Patria is responsible for the proper functioning and monitoring of risk management and internal control. Patria's Group functions provide guidelines for risk management and internal control and perform monitoring on different levels. Patria's Internal Audit function as well as internal and external auditors evaluate the effectiveness of Patria's risk management and internal control. In addition, Patria's customers perform various audits and control activities to ensure compliance by Patria with the customer requirements.

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

The international defence industry is subject to continuous change. Acquisitions and mergers are taking place, new operators are emerging, the complexity of customer requirements and utilization of new technologies is increasing, and competition is intensifying. Patria responds to the competition by improving the anticipation and understanding of customer needs and their changes, along with developing and commercializing new competitive products, services and solutions. The export of defence material is subject to an export or transfer license, which in Finland is granted by the Ministry of Defence or, when certain conditions are met, the government. The conditions in the potential destination country may prevent the granting of an export license, or the conditions in a country to which an export license has been granted may change in such a way that the license will be cancelled temporarily or permanently.

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

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is the foundation of Patria's profitable and sustainable business and continuance thereof. Patria's operations are based on and governed by laws, regulations, international agreements and Patria's own policies. The corporate social responsibility (CSR) report is an integral part of Patria's Annual Report 2020.

In Patria, Group Management Team is responsible for steering of the activities concerning Company Social Responsibility, and this increases transparency and dialogue within the group. Steering and monitoring of ethics and compliance related matters is clearly specified in the Board of Director's Audit Committee's charter. In 2020 the Board of Directors, the Audit Committee and the Group Management Team received regular reports on activities and issues relating to Corporate Social Responsibility. Cooperation concerning ethics and compliance related issues as well as best practices between Patria and Kongsberg continued.

Ethical conduct is an implicit foundation for Patria's operations and decision making. It ensures the company's stakeholders' confidence in the company's operations. During the financial period ethical conduct continued to be developed according to the 18-month rolling plan. In 2020 it was decided to arrange two-tier ethics and compliance-training for all Patria personnel every other year. In 2021 the training consists of a basic training for blue-collars and an extensive training for the management and white-collars. In addition, Patria continued training on Global Data Protection Regulation (GDPR) and Trade compliance project with Kongsberg.

Patria uses an anonymous survey to analyse personnel's perception of whether there has been or could be any corruption or other serious unethical conduct. The next survey will take place in 2021.

Patria offers internal and external whistle-blowing channels enabling also anonymous reporting. In 2020 a new SpeakUp channel enabling anonymous reporting and dialogue was introduced. All the reports from different channels have been investigated according to the processes. Statistics and nature of issues concerning the reports received via these reporting channels were regularly reported to the Audit Committee.

The CSR essential themes were updated in 2020 based on an international stakeholder survey. Environmental actions against climate change were brought as a new theme and other themes' content remained the same.

In Patria environmental aspects, impacts and risks are considered in all business planning, operations and management. All Patria's major operational locations are ISO 14001 certified. Patria calculated its carbon footprint for 2020. In addition, targets for reducing the carbon footprint and measures to reach these targets were defined.

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

Patria continued to provide Tampere University of Technology with financial support for the aviation technology education. Patria also continued to promote welfare of children and youth with locally selected donations. The group also supports the restoration of the VL Myrsky, the only Finnish fighter aircraft having entered into serial production.

EVENTS AFTER THE FINANCIAL PERIOD

Transparency International published Defence Companies Anti-Corruption Index results in February 2021 according to which Patria was ranked in the second-highest category B.

OUTLOOK

With focus on its new growth strategy, Patria continues to strengthen further its operational effectiveness and financial performance. Patria's reliable and cost-effective lifecycle support services and top-notch products have a key role also in the future to maintain the required performance of customers' fleets in all conditions.

The significant HX Program for replacing the current Hornet fleet with new fighters continues, and Patria negotiates with the respective manufacturers about the industrial participation, providing an extremely important and long-standing opportunity to Patria.

Patria 6x6 vehicle programme with Finland and Latvia proceeds as planned, and Patria expects the program leading to actual vehicle system procurements during 2021. It is also foreseen that the programme will be of interest to other countries wishing to improve mobility of their armed forces.

BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION

The parent company's non-restricted equity on December 31, 2020 is EUR 217,370,360.97 of which the net loss for the financial period is EUR on 2,207,945.22.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.60 per share be paid on the shares owned by the State of Finland and Kongsberg Defence & Aerospace AS. Under the proposal, the total amount of dividends will be EUR 16,705,133.40. The Board of Directors further proposes that the remaining non-restricted equity, EUR 200,665,227.57 be retained and carried forward.

ANNUAL GENERAL MEETING 2021

The Annual General Meeting of Patria Oyj will be held on 8 April 2021 in Helsinki, Finland.

Consolidated Financial Statements (IFRS)

Consolidated balance sheet

MEUR	Note	31/12/2020	31/12/2019
Assets			
Non-current assets			
Intangible assets	11		
Intangible rights		2.9	3.2
Goodwill	8, 11	26.5	26.2
Advance payments		0.0	0.1
Tangible assets	11		
Land and water		3.4	3.2
Buildings and constructions		115.9	117.8
Machinery and equipment		25.0	25.9
Other tangible assets		0.5	0.3
Advance payments and construction in progress		0.8	2.1
Investments in joint ventures	12	190.1	174.1
Other shares	13, 16	0.2	0.2
Deferred tax assets	10	10.6	8.2
Other receivables		12.4	6.0
Long-term receivables from joint ventures	12	0.4	0.4
Total Non-current assets		**388.7**	**367.5**
Current assets			
Inventories	14		
Raw materials and supplies		46.9	41.8
Work in progress		39.7	43.1
Finished goods		2.8	2.8
Advance payments		1.8	2.6
Receivables			
Accounts receivable	2	125.6	101.9
Receivables from joint ventures	12	0.0	0.0
Other receivables		1.5	1.8
Prepaid expenses and accrued income	14	49.1	52.1
Derivative financial instruments	2	0.7	0.2
Current tax asset		0.3	1.6
Cash and cash equivalents		37.5	35.9
Total Current assets		**306.0**	**283.9**
Total Assets		**694.7**	**651.4**

MEUR	Note	31/12/2020	31/12/2019
Shareholders' equity and liabilities			
Shareholders' equity	18		
Share capital		38.0	38.0
Fair value reserve	17	0.3	-0.0
Invested non-restricted equity fund		164.1	164.1
Translation differences		-1.7	-2.8
Retained earnings		-11.2	11.4
Net income for the period		33.6	4.5
Equity attributable to shareholders of parent company		**223.1**	**215.2**
Non-controlling interests		**26.8**	**23.2**
Total Shareholders' equity		**249.9**	**238.4**
Non-current liabilities			
Deferred tax liability	10	1.5	1.3
Pension provisions	7	7.3	8.2
Provisions	19	12.8	17.7
Interest-bearing liabilities	2	115.2	76.5
Other liabilities		1.6	0.0
Total Non-current liabilities		**138.3**	**103.7**
Current liabilities			
Interest-bearing liabilities	2	102.5	128.1
Advance payments		88.1	60.1
Accounts payable		40.6	53.9
Other current liabilities		18.5	17.4
Accruals and deferred income	15	55.8	49.2
Derivative financial instruments	2	1.0	0.4
Current tax liability		0.0	0.0
Total Current liabilities		**306.4**	**309.2**
Total Shareholders' equity and liabilities		**694.7**	**651.4**

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

Consolidated income statement

MEUR	Note	1-12/2020	%	1-12/2019	%
Net sales	4	**534.1**		**507.5**	
Other operating income	5	11.4		3.6	
Share of joint ventures result		27.0		14.4	
Change in inventories of finished goods and work in progress		-3.9		7.3	
Production for own use		0.2		3.2	
Raw materials and supplies		-125.9		-133.2	
Change in inventories of raw materials		-3.7		-10.1	
Services purchased		-107.5		-99.5	
Employee benefit expenses	7	-194.7		-186.8	
Depreciation, amortization and impairments	8	-29.5		-25.7	
Other operating expenses	5	-67.3		-72.8	
Operating profit		**40.3**	**7.5%**	**7.8**	**1.5%**
Financial income and expenses	9				
Interest and other financial income		0.4		0.2	
Interest and other financial expenses		-4.1		-4.3	
Exchange gains and losses		0.1		0.2	
Income before taxes		**36.7**	**6.9%**	**3.9**	**0.8%**
Income taxes	10	-3.0		0.6	
Profit for the period		**33.6**	**6.3%**	**4.5**	**0.9%**
Net income attributable to non-controlling interests		6.5		4.9	
Net income attributable to equity shareholders		27.2		-0.4	
Profit for the period		**33.6**	**6.3%**	**4.5**	**0.9%**

Consolidated statement of comprehensive income

MEUR	1-12/2020	%	1-12/2019	%
Profit for the period	33.6		4.5	
Other comprehensive income				
Items that may be reclassied to profit or loss in subsequent periods				
Cash flow hedges	0.3		-0.1	
Change of translation difference	1.0		-0.6	
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gains/losses on defined benefit plans	1.4		-1.0	
Share of comprehensive income in joint ventures	-1.8		-0.5	
Total comprehensive income	**34.6**	**6.5%**	**2.2**	**0.4%**
Total comprehensive income attributable to non-controlling interests	7.0		4.5	
Total comprehensive income attributable to equity shareholders	27.6		-2.3	
Total comprehensive income	**34.6**	**6.5%**	**2.2**	**0.4%**

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

Consolidated cash flow statement

MEUR	Note	1-12/2020	1-12/2019
Net income for the period		33.6	4.5
Depreciation, amortization and impairments	8	29.5	25.7
Capital gains/losses		-1.1	-0.1
Other adjustments			
Share of result in joint ventures		-26.9	-14.4
Dividends received from joint ventures		4.5	6.2
Other adjustments		-4.8	0.1
Financing items		3.6	4.1
Taxes	10	3.0	-0.6
Change in receivables		-16.3	-0.8
Change in payables		15.9	8.5
Change in inventories		-0.7	-5.3
Cash flow from operations		**40.4**	**28.0**
Interest received		0.4	0.2
Interest paid		-3.6	-3.8
Dividends received		0.0	0.0
Other financial items		-0.3	-0.4
Income taxes paid		-3.6	-0.2
Cash flow from operating activities		**33.3**	**23.8**
Acquisitions, net of cash		-7.8	-15.8
Other capital expenditures		-6.8	-14.8
Divested business operations		1.0	0.0
Sale of other fixed assets and other changes		1.5	0.1
Cash flow from investing activities		**-12.1**	**-30.5**
Borrowings of long-term loans		0.0	9.9
Change in short-term financing		9.9	50.9
Change in other loans		-12.9	-9.4
Dividends paid to equity shareholders		-13.9	-13.9
Dividends paid to non-controlling interests		-2.9	-2.6
Other changes		0.3	-0.4
Cash flow from financing activities		**-19.5**	**34.5**
Change in liquid funds	2	**1.7**	**27.8**
Change		1.7	27.8
Liquid funds at the beginning of the period		35.9	8.1
Liquid funds at the end of the period		**37.5**	**35.9**
Exchange rate difference		0.0	-0.0

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

Consolidated Statement of Changes in Equity

MEUR	Note	Share capital	Invested non-restricted equity fund	Fair value reserve	Translation differences	Retained earnings	Equity attributable to shareholders of parent company	Non-controlling interests	Total Shareholders' equity
Opening balance		38.0	164.1	-0.0	-2.8	15.9	215.2	23.2	238.4
Dividends paid						-13.9	-13.9		-13.9
Other comprehensive income	10								
Cash flow hedges				0.3			0.3		0.3
Change of translation difference					1.0		1.0		1.0
Actuarial gains/losses on defined benefit plans						1.4	1.4		1.4
Share of comprehensive income in joint ventures						-1.8	-1.8		-1.8
Non-controlling interests						-6.5	-6.5	3.6	-2.9
Exchange rate difference						-6.1	-6.1		-6.1
Corrections to previous year's bookings*						-0.1	-0.1		-0.1
Net income for the period						33.6	33.6		33.6
31 Dec 2020		**38.0**	**164.1**	**0.3**	**-1.7**	**22.4**	**223.1**	**26.8**	**249.9**

MEUR	Note	Share capital	Invested non-restricted equity fund	Fair value reserve	Translation differences	Retained earnings	Equity attributable to shareholders of parent company	Non-controlling interests	Total Shareholders' equity
Opening balance		38.0	164.1	0.1	-2.2	30.4	230.4	21.0	251.4
Dividends paid						-13.9	-13.9		-13.9
Other comprehensive income	10								
Cash flow hedges				-0.1			-0.1		-0.1
Change of translation difference					-0.6		-0.6		-0.6
Actuarial gains/losses on defined benefit plans						-1.0	-1.0		-1.0
Share of comprehensive income in joint ventures						-0.5	-0.5		-0.5
Non-controlling interests						-4.9	-4.9	2.3	-2.6
Exchange rate difference						1.3	1.3		1.3
Corrections to previous year's bookings*						0.0	0.0		0.0
Net income for the period						4.5	4.5		4.5
31 Dec 2019		**38.0**	**164.1**	**-0.0**	**-2.8**	**15.9**	**215.2**	**23.2**	**238.4**

* IAS 8 corrections for previous periods.

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

Notes to the Consolidated Financial Statements

1. Accounting principles for the consolidated financial statements

DESCRIPTION OF BUSINESSES

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

The operations of Patria Oyj and its subsidiaries (together "Patria" or the "Group") are organised into three business segments: Land Solutions, Systems and Services and Other Operations.

Patria Oyj ("the Company") is a Finnish public limited company organised under the laws of the Republic of Finland and with its registered address at Kaivokatu 10 A, 00100 Helsinki. Copies of the financial statements are available from Patria Group's headquarters, Kaivokatu 10 A, FI-00100 Helsinki and www.patriagroup.com.

BASIS OF PREPARATION

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

USE OF ESTIMATES AND JUDGEMENTS

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

Accounting estimates and judgements are employed in the financial statements to determine reported amounts, including the realizability of certain assets, the useful lives of tangible and intangible assets, income taxes, inventories, provisions, pension obligations and impairment of goodwill and other items. The basis for the estimates and judgements are described in more detail in these accounting principles and in connection with the relevant disclosure to the financial statements.

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

PRINCIPLES OF CONSOLIDATION

Subsidiaries

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

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

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

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

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

Associated companies and joint ventures

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

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

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

FOREIGN CURRENCY TRANSACTIONS

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

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

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

NET SALES AND REVENUE RECOGNITION

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

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

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

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

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

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

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

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

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

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

At the end of 2019, Patria had no costs to obtain or fulfil contracts capitalized under IFRS 15.

RESEARCH AND DEVELOPMENT COSTS

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

INCOME TAXES

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

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

PROPERTY, PLANTS AND EQUIPMENT

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

The assessed economic lives are as follows:

- Buildings 10 to 30 years
- Machinery and equipment 3 to 15 years
- Other tangible assets 3 to 20 years

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

GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

GRANTS RECEIVED

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

IMPAIRMENTS

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

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

LEASES

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

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

EMPLOYEE BENEFITS

Group companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The contributions to defined contribution plans are charged to the income statement in the year to which they relate. The present value of the obligation under defined benefit plans is recorded in the balance sheet at fair value on the balance sheet date. Disability and retirement components of the Finnish Statutory Employment Pension Scheme (TyEL) have been accounted for as a defined contribution plans and unemployment component as a defined benefit plans.

INVENTORIES

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

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

ACCOUNTS RECEIVABLE

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank deposits. Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

PROVISIONS

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

DIVIDENDS

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

SEGMENT REPORTING

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

IFRS 16 LEASES

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

The group did not have sale and leaseback transactions during the financial year 2020.

Application of new and amended IFRS standards and IFRIC interpretations

Patria has adopted the new standards and interpretations that took effect during the financial period and are relevant to its operations. The IFRS standards, IFRIC interpretations and amendments thereto that took effect in 2020 did not have a material impact on the result or the financial position of the Group or on the presentation of the financial statements.

2. Financial risk management

MAIN PRINCIPALS OF FINANCIAL RISK MANAGEMENT

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

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

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

CURRENCY RISKS

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

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

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

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

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

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

The most significant currency exposures (net sales, purchases and loans) on 31 December 2020 were in the Swedish krona (SEK), and United States dollar (USD).

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS 2020

1,000 EUR	SEK	USD
Net exposure - Balance sheet items	748	833
Euro strengthens / weakens 5% - Effect on income before taxes	-36 / 39	-40 / 44
Net exposure - Derivatives under hedge accounting	0	-11 658
Euro strengthens / weakens 5% - Effect on equity	0 / 0	550 / -608

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS 2019

1,000 EUR	SEK	USD
Net exposure - Balance sheet items	1 579	8
Euro strengthens / weakens 5% - Effect on income before taxes	-75 / 83	0 / 0
Net exposure - Derivatives under hedge accounting	5 672	-5 313
Euro strengthens / weakens 5% - Effect on equity	-268 / 297	406 / -441

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

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

EFFECTS OF HEDGE ACCOUNTING ON THE FINANCIAL POSITION 2020

Forward foreign exchange contracts - EURUSD	**MEUR 31/12/2020**
Fair Value	0.1
Nominal Value	16.3
Expected time for the impact on P&L	January 2021 – December 2022
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	0.1
Change in value of hedged item used to determine hedge effectiveness	-0.1
Weighted average hedged rate (including forward points)	1.2039

Forward foreign exchange contracts - EURSEK	**31/12/2020**
Fair Value	0.1
Nominal Value	-1.5
Expected time for the impact on P&L	January 2021 – July 2023
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	-0.2
Change in value of hedged item used to determine hedge effectiveness	0.2
Weighted average hedged rate (including forward points)	10.6975

Forward foreign exchange contracts designated as cash flow hedges	**31/12/2020**
Derivative financial assets	0.4
Derivative financial liabilities	-0.3

EFFECTS OF HEDGE ACCOUNTING ON THE FINANCIAL POSITION 2019

Forward foreign exchange contracts - EURUSD	**MEUR 31/12/2019**
Fair Value	0.0
Nominal Value	15.9
Expected time for the impact on P&L	January 2020 – February 2023
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	-0.0
Change in value of hedged item used to determine hedge effectiveness	0.0
Weighted average hedged rate (including forward points)	1.1324

Forward foreign exchange contracts - EURSEK	**31/12/2019**
Fair Value	0.1
Nominal Value	5.7
Expected time for the impact on P&L	January 2020 – October 2022
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	0.1
Change in value of hedged item used to determine hedge effectiveness	-0.1
Weighted average hedged rate (including forward points)	10.7192

Forward foreign exchange contracts designated as cash flow hedges	**31/12/2019**
Derivative financial assets	0.2
Derivative financial liabilities	-0.1

DERIVATIVE INSTRUMENTS

2020 MEUR	**Nominal value**	**Positive fair values**	**Negative fair values**	**Net fair value**
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts	32.7	0.4	-0.3	0.1
Buy	5.9	0.1	-0.2	-0.1
Sell	26.8	0.3	-0.1	0.2
Cash flow hedge	32.7	0.4	-0.3	0.1
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	31.1	0.3	-0.7	-0.4
Buy	3.4	0.1	-0.0	0.0
Sell	27.7	0.3	-0.7	-0.4
Non-hedging	31.1	0.3	-0.7	-0.4
Total	**63.8**	**0.7**	**-1.0**	**-0.3**

MEUR	**2021**	**2022**	**2023**	**2024**
Derivative financial assets	**0.6**	**0.1**	**0.0**	**0.0**
Derivative financial liabilities	**-1.0**	**-0.0**	**0.0**	**0.0**

2019 MEUR	**Nominal value**	**Positive fair values**	**Negative fair values**	**Net fair value**
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts	23.2	0.2	-0.1	0.1
Buy	9.1	0.0	-0.1	-0.1
Sell	14.0	0.2	-0.0	0.2
Cash flow hedge	23.2	0.2	-0.1	0.1
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	30.4	0.0	-0.4	-0.4
Buy	3.5	0.0	-0.0	-0.0
Sell	26.9	0.0	-0.4	-0.4
Non-hedging	**30.4**	**0.0**	**-0.4**	**-0.4**
Total	**53.5**	**0.2**	**-0.4**	**-0.2**

MEUR	**2020**	**2021**	**2022**	**2023**
Derivative financial assets	0.1	0.0	0.0	0.0
Derivative financial liabilities	-0.4	-0.0	-0.0	0.0

OFFSETTING OF FINANCIAL INSTRUMENTS

2020 MEUR	Gross amounts in balance sheet	Financial instruments - Related amounts not set off in the balance sheet	Net amount
Derivative financial assets	0.7	-0.5	0.2
Derivative financial liabilities	1.0	-0.5	0.5

2019 MEUR			
Derivative financial assets	0.2	-0.2	0.0
Derivative financial liabilities	0.4	-0.2	0.2

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

INTEREST RATE RISK

Fluctuations in interest rates have an effect on Group's interest expenses and income as well as fair value of interest-bearing liabilities and receivables and derivatives. The objective of interest rate risk management is to hedge against interest rate fluctuations affecting the future cash flow, result and balance sheet. Interest rate risk is managed by monitoring the average interest fixing term (duration) of receivables and liabilities as well as by using derivatives, if needed.

On 31 December 2020, the average interest fixing term of the liabilities was 2.8 years (3.1) and that of the receivables one day.

INTEREST FIXING PERIODS

MEUR	0-6 mths	6-12 mths	12-24 mths	24-36 mths	Later	Total
Lease liabilities	1.0	0.4	0.4		96.0	97.7
Loans from financial institutions	110.0					110.0
Other interest-bearing liabilities	10.0					10.0
Interest-bearing receivables	-37.5					-37.5
Total 2020	**83.5**	**0.4**	**0.4**	**0.0**	**96.0**	**180.2**
Lease liabilities	1.2	0.1	0.6	0.6	85.4	88.0
Loans from financial institutions	30.2					30.2
Other interest-bearing liabilities	86.4					86.4
Interest-bearing receivables	-35.9					-35.9
Total 2019	**81.9**	**0.1**	**0.6**	**0.6**	**85.4**	**168.7**

On 31 December 2020, Group's interest-bearing liabilities totalled EUR 217.7 million (204.6) out of which EUR 106.8 million (173.0) was fixed rate and EUR 110.9 million (31.6) was floating rate. Interest-bearing receivables were EUR 37.5 million (35.9) out of which EUR 37.5 million (35.9) was floating rate.

A sensitivity analysis in accordance with IFRS 7 and assuming a one percentage point increase in interest rates and the interest-bearing liabilities and receivables in the balance sheet as of 31 December 2020, would lead to an increase in annual net interest expenses of EUR 734 thousand (43). A corresponding decrease in interest rates would result in an equal effect of opposite sign. The Group didn't have any open interest derivatives (0.0) on 31 December 2020.

LIQUIDITY AND REFINANCING RISKS

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

Refinancing risk is defined as a risk of a high proportion of loans or credit facilities maturing at a time when refinancing may be difficult, or its terms are unattractive. The risk is minimised by balancing the maturities of loans and credit facilities.

On 31 December 2020 the average maturity of the Group's interest-bearing liabilities was 2.9 years (3.2). The values on the following maturity distribution table are undiscounted.

MATURITY DISTRIBUTION OF FINANCIAL INSTRUMENTS

MEUR	2021	2022	2023	2024	2025	2026 -	Total
Lease liabilities	12.5	12.0	11.9	11.6	11.4	38.3	97.7
Loans from financial institutions	80.0	30.0	0.0	0.0	0.0	0.0	110.0
Other interest-bearing liabilities	10.0	0.0	0.0	0.0	0.0	0.0	10.0
Derivative financial liabilities	1.0	0.0	0.0	0.0	0.0	0.0	1.0
Derivative financial assets	-0.6	-0.1	0.0	0.0	0.0	0.0	-0.7
Interest payments	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Total 2020	**103.0**	**42.0**	**11.9**	**11.6**	**11.4**	**38.3**	**218.1**

MEUR	2020	2021	2022	2023	2024	2025 -	Total
Lease liabilities	11.5	11.0	10.7	10.7	10.6	33.5	88.0
Loans from financial institutions	30.2	0.0	0.0	0.0	0.0	0.0	30.2
Other interest-bearing liabilities	86.4	0.0	0.0	0.0	0.0	0.0	86.4
Derivative financial liabilities	0.4	0.0	0.0	0.0	0.0	0.0	0.4
Derivative financial assets	-0.1	-0.0	-0.0	0.0	0.0	0.0	-0.2
Interest payments	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Total 2019	**128.5**	**11.0**	**10.7**	**10.7**	**10.6**	**33.5**	**205.0**

As a part of its liquidity reserves on 31 December 2020, Patria had the following unused financial reserves: committed credit and overdraft facilities totalling EUR 45.5 million (45.5) and commercial paper program totalling EUR 90.0 million (20.0).

NET DEBT

MEUR	2020	2019
Loans from financial institutions	30.0	0.0
Lease liabilities	85.2	76.5
Non-current interest-bearing liabilities	115.2	76.5
Loans from financial institutions	80.0	30.2
Issued commercial papers	10.0	79.9
Other interest-bearing loans	0.0	6.5
Lease liabilities	12.5	11.5
Current interest-bearing liabilities	102.5	128.1
Interest-bearing liabilities total	217.7	204.6
Cash and cash equivalents	37.5	35.9
Net debt	180.2	168.7

CHANGE IN NET DEBT

MEUR	Loans from financial institutions	Commercial papers	Other interest-bearing loans	Lease liabilities	Cash and cash equivalents	Total
Carrying value, at 1 January 2020	-30.2	-79.9	-6.5	-88.0	35.9	-168.7
Change in net debt, cash:						
Change in non-current loans	-30.0					-30.0
Change in current liabilities	-49.9	69.9				20.1
Change in cash and cash equivalents					1.7	1.7
Cash flows total	-79.8	69.9	0.0	0.0	1.7	-8.2
Change in net debt, non-cash:						
Termination of other interest-bearing loans			6.5			6.5
Increases of lease liabilities				-10.9		-10.9
Repayments of lease liabilities				1.3		1.3
Foreign exchange adjustments				-0.0	-0.0	-0.1
Non-cash movements, total	0.0	0.0	6.5	-9.7	0.0	-3.2
Carrying value, at 31 December 2020	-110.0	-10.0	0.0	-97.7	37.5	-180.2

MEUR	Loans from financial institutions	Commercial papers	Other interest-bearing loans	Lease liabilities	Cash and cash equivalents	Total
Carrying value, at 1 January 2019	-20.6	-29.0	-6.7	-96.8	8.1	-145.0
Change in net debt, cash:						
Repayments of non-current loans	0.3		0.2			0.5
Change in current liabilities	-9.9	-50.9				-60.8
Change in cash and cash equivalents					27.8	27.8
Cash flows total	-9.6	-50.9	0.2	0.0	27.8	-32.5
Change in net debt, non-cash:						
Increases of lease liabilities				-2.7		-2.7
Repayments of lease liabilities				11.6		11.6
Business combinations				-0.1		-0.1
Foreign exchange adjustments					0.0	0.0
Non-cash movements, total	0.0	0.0	0.0	8.7	0.0	8.8
Carrying value, at 31 December 2019	-30.2	-79.9	-6.5	-88.0	35.9	-168.7

Related to Lease liabilities Patria has recharge contracts regarding the next 8 years and EUR 7.3 million is booked in Other receivables.

CREDIT AND COUNTERPARTY RISKS

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

Credit risk related to investing liquid funds is managed by defining the acceptable counterparties with good credit rating as well as the maximum allowed exposure by counterparty. The Group does not have material loan receivables. The maximum risk of sales receivables and investments is the full nominal value of those contracts.

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

ACCOUNTS RECEIVABLE BY AGE

MEUR	2020	2019
Undue accounts receivables	93.2	62.9
Accounts receivables 1–30 days overdue	6.3	4.0
Accounts receivables 31–60 days overdue	0.9	4.7
Accounts receivables more than 60 days overdue	25.1	30.4
Total	**125.6**	**101.9**

OPERATIONAL RISKS OF THE TREASURY FUNCTIONS

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

OTHER MARKET RISKS

In addition to financial risks, Patria is exposed to price risks related to raw materials and components. The Business Units are responsible for identifying and hedging of these risks. Hedging takes primarily place by applying relevant terms and conditions to sales and purchase contracts. Patria does not use derivatives to hedge these risks.

CAPITAL MANAGEMENT

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

INSURANCES

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

3. Acquisitions and divestments

Millog Oy signed a contract in December 2019 for the purchase of the entire share capital of Virve Tuotteet ja Palvelut Oy from Erillisverkot Group. Ownership was transferred to Millog Oy on 2 January 2020 and Virve Tuotteet ja Palvelut Oy continued to operate as an independent subsidiary under Millog's ownership. The business activities of Virve Tuotteet ja Palvelut Oy include the sale and maintenance of terminal equipment for terrestrial trunked radio (TETRA) networks. The company was founded in 2007. Its net sales for the previous financial period totalled EUR 5.5 million. The company has 8 employees.

In February Patria and SIA Unitruck established a jointly owned company in Latvia. The new company, SIA Defence Partnership Latvia, owned by Patria 70% and Unitruck 30%, will provide maintenance, repair, overhaul, system integration services and logistical operations to the Latvian National Armed Forces. The new company is located in Cesis, Latvia.

In February Patria ISP Oy acquired 100% of shares of Milrem Latvia SIA and Milrem Lithuania UAB from Milrem LCM OÜ. The acquired companies were named Patria Latvia SIA and Patria Lithuania UAB.

Patria Helicopters AS was sold to Kongsberg Aviation Maintenance Services (KAMS) on 1 July 2020. Patria owns 49,9% of the shares of KAMS. Patria Helicopters AS has 27 employees and a one-stop shop for maintenance, repair and overhaul services specialised in the maintenance of helicopters in Bardufoss, Norway.

In October Millog Oy acquired 100% of the shares of Oy Western Shipyard Ltd from APX Metalli Ltd. Western Shipyard's business includes docking and repairs of ships and floating structures. Company's net sales in the previous financial period was EUR 16.3 million and has 34 employees.

The following table summarise the amounts for the acquisition cost paid, the cash flow from the acquisition and the amounts of the acquired assets and liabilities recognised at the acquisition date. Goodwill related to the acquisition of Virve Tuotteet Palvelut Oy and Oy Western Shipyard Ltd includes new market share, business and technical expertise as well as expected synergies.

ASSETS AND LIABILITIES

MEUR	2020	2019
Acquisition cost transferred	8.0	22.7
Acquisition cost paid in cash	8.0	22.7
Cash flow from the acquisitions		
Acquisition cost paid in cash	8.0	19.8
Cash and cash equivalents of the acquired companies	-0.7	-4.0
Cash flow from the acquisitions	7.3	15.8
Assets and liabilities of the acquired businesses		
Intangible assets	0.7	1.4
Tangible assets	0.3	6.9
Inventories	0.9	18.8
Accounts receivables and other assets	4.6	11.3
Cash and cash equivalents	0.7	4.2
Total assets	7.1	42.7
Interest-bearing loans	0.4	0.6
Other liabilities	3.3	19.4
Total liabilities	3.7	20.1
Net assets	3.3	22.7
Patria's share of net assets	3.3	22.7
Goodwill	4.6	0.0

4. Disaggregation of revenue

MEUR	2020	2019
Products	105.5	128.7
Services	428.6	378.8
Total	534.1	507.5
Performance obligation satisfied at a point in time	397.0	383.4
Performance obligation satisfied over time	137.1	124.1
Total	**534.1**	**507.5**

5. Other operating income and expenses

OTHER OPERATING INCOME

MEUR	2020	2019
Rental income	1.6	1.4
Capital gain on sale of fixed assets	1.2	0.1
Other operating income	1.8	1.9
Grants received*	6.8	0.1
Total	**11.4**	**3.6**

* Group was contractually exempt from the repayment of the R&D loan and the loan has been treated as grants received. Expenses related to the grants received have been expensed in previous years and there are no future expenditure arising from the obligation.

OTHER OPERATING EXPENSES

MEUR	2020	2019
Research and development	-0.2	-0.1
Rents	-12.3	-11.7
Losses on sale of fixed assets	-0.1	0.0
Travel expenses	-4.2	-9.2
Real estate expenses	-19.2	-18.7
Other operating expenses*	-31.2	-33.1
Total	**-67.3**	**-72.8**

* includes other costs related to marketing and sales, external services as well as IT and other miscellaneous costs

PRINCIPAL INDEPENDENT AUDITOR'S FEES AND SERVICES

MEUR	2020	2019
Audit fees	-0.3	-0.3
Other audit related fees	-0.1	-0.0
Other services	-0.4	-0.1
Total	**-0.8**	**-0.4**

6. Research and development expenses

MEUR	2020	2019
Research and development expenses, total	-10.0	-8.7
Research and development costs expensed during financial period	-6.3	-7.6

7. Employee benefit expenses

MEUR	2020	2019
Salaries and fees paid to Members of Board, Consultative Committee and President and CEO	-0.7	-0.4
Other wages and salaries	-161.8	-153.7
Pension and pension insurance expenses	-22.1	-24.8
Other employer costs	-10.1	-7.9
Total	**-194.7**	**-186.8**

COMPENSATION TO BOARD OF DIRECTORS AND ATTENDANCE AT MEETINGS

		Attendance at meetings		
1,000 EUR	**2020**	**Board**	**Audit Committee**	**Nomination and Compensation Committee**
Board members 31 December 2020				
Panu Routila, Chairman [1]	37	8/8		4/4
Petri Vihervuori, Chairman [2]	27	9/9	4/4	
Harald Aarø	0	9/9		4/4
Eirik Lie	0	9/9	4/4	
Päivi Marttila	26	9/9	4/4	
Jarle Næss	26	9/9		4/4
Ari Puheloinen	26	9/9		4/4
Gyrid Skalleberg Ingerø	0	8/9	4/4	
Total	**142**			

[1] Starting 4 February 2020
[2] Until 4 February 2020

		Attendance at meetings		
1,000 EUR	**2019**	**Board**	**Audit Committee**	**Nomination and Compensation Committee**
Board members 31 December 2019				
Petri Vihervuori, Chairman [1]	47	11/11	4/4	3/3
Esa Rautalinko, Chairman [2]	17	4/4		1/1
Harald Aarø	0	11/11		3/4
Eirik Lie	0	11/11	3/4	
Päivi Marttila	27	11/11	4/4	
Jarle Næss	27	11/11		4/4
Ari Puheloinen	36	11/11		4/4
Gyrid Skalleberg Ingerø	0	9/11	3/4	
Total	**153**			

[1] Starting 29 May 2019
[2] Until 29 May 2019

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

COMPENSATION TO CONSULTATIVE COMMITTEE AND ATTENDANCE AT MEETINGS

1,000 EUR	2020	Attendance at meetings
Consultative Committee members 1 January - 31 December 2020		
Jari Myllykoski, Chairman [1]	0	0/0
Jussi Saramo, Chairman [2]	2	3/3
Janne Sankelo, Vice Chairman	1	2/3
Hannu Hoskonen	1	2/3
Petri Huru	2	3/3
Riitta Mäkinen	1	2/3
Petri Peltonen	2	3/3
Eero Pyötsiä	2	3/3
Total	**10**	

[1] Starting 2 October 2020
[2] Until 2 October 2020

Personnel representatives attendance at meetings: Jussi Karimäki (3/3), Juha Kuusi (3/3), Ilkka Kokko (3/3) and Jari Metsälä (2/3). Separate meeting fees were not paid for their participation.

1,000 EUR	2019	Attendance at meetings
Consultative Committee members 1 January - 31 December 2019		
Jussi Saramo, Chairman [1]	1	1/1
Sinuhe Wallinheimo, Chairman [2]	3	4/4
Janne Sankelo, Vice Chairman [1]	1	1/1
Markus Mustajärvi, Vice Chairman [2]	2	3/4
Hannu Hoskonen [1]	1	1/1
Petri Huru [1]	1	1/1
Riitta Mäkinen [1]	1	1/1
Mika Kari [2]	2	4/4
Timo Kivinen [4]	2	3/3
Petri Peltonen	2	4/5
Eero Pyötsiä [3]	1	1/2
Mikko Savola [2]	2	4/4
Raimo Vistbacka [2]	2	4/4
Total	**18**	

[1] Starting 2 October 2019
[2] Until 2 October 2019
[3] Starting 26 August 2019
[4] Until 26 August 2019

Personnel representatives attendance at meetings: Jussi Karimäki (4/5), Juha Kuusi (5/5), Ilkka Kokko (4/4), Jari Metsälä (3/4), Petri Pitkänen (1/1) and Tomi Virtanen (0/1). Separate meeting fees were not paid for their participation.

*) Starting 27 March 2019 Ilkka Kokko and Jari Metsälä replaced Petri Pitkänen and Tomi Virtanen as members of the Consultative Committee.

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

COMPENSATION TO PRESIDENT AND CEO AND MANAGEMENT

Esa Rautalinko was appointed as President and CEO of Patria Group and he started in this position on 1 July 2019. Salaries, fees and benefits paid to the President and CEO Esa Rautalinko during 2020 totalled EUR 520,667.26 (EUR 222,000.00) consisting of

- base salary of EUR 457,320.00 (EUR 222,000.00) (including salary of EUR 457,080.00 (221,880.00) and benefits of EUR 240.00 (120.00).
- yearly bonus for the earning period 2019 was EUR 54,489.46 (23.4% of pro rata base salary of year 2019 and 39.0% of the maximum bonus payout, which is 60% of pro rata base salary of year 2019) and
- EUR 8,857.80 based on years 2017–2019 long-term incentive plan.

The yearly bonus to be paid to the CEO Esa Rautalinko in 2021 for the earning period 2020 is EUR 279,720.00 (60.0% of base salary of year 2020 and 100.0% of the maximum bonus payout, which is 60% of base salary of year 2020).

The retirement age for the President and CEO of the parent company follows the statutory pension rules. The President and CEO has no additional retirement arrangement. The President and CEO's contract of employment may be terminated with 6 months' notice by either the President and CEO or the Company. In case the Company gives notice to the President and CEO, the company shall pay, in addition to the 6 months' salary for the notice period, an additional compensation corresponding to the amount of 6 months' salary.

The President and CEO is assisted in Group management by the Group management team, which included in addition to the President and CEO 10 members until 13 September 2020 and 9 members as of 13 September 2020 (as of 1 January and until 30 June 2019 9 members and as of 1 July 2019 10). The salaries, fees and benefits paid to the members of the Group management team (excluding the President and CEO) totalled EUR 1,987,758.60 (EUR 2,023,746.48).

The remuneration of the President and CEO and the other members of the Board of Management for 2020 were based on a fixed monthly salary (including fringe benefits) and a performance-based compensation. Annual performance-based compensation plan can provide a bonus corresponding to a maximum of 50% annual salary, except for the CEO where the maximum is 60% of annual salary in case of exceptionally good performance. The remunerations are agreed using the 'one above' principle, and the remuneration of the CEO is agreed by the Board of Directors.

During the financial period the members of the Board of Management of Patria as well as eight other key personnel have been participants in at least one of the three separate three-year performance-based Long-Term Incentive Plans i.e. for the years 2018–2020, 2019–2021 and 2020–2022. In addition, bonuses were paid based on the 2015–2017, 2016–2018 and 2017–2019 incentive plans during the financial period. Incentive plans have been set up by the Board of Directors in accordance with the respective Finnish State ownership policy.

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

The remunerations will be paid to the participants during three financial periods after each program has ended. The outcome of the 2017–2019 plan was 38.0% of the highest potential remuneration and will be paid to the participants in three instalments during the years 2020, 2021 and 2022 subject to the terms of the plan. (The outcome of the 2016–2018 plan was 25.0% of the highest potential remuneration and will be paid to the participants in three instalments during the years 2019, 2020 and 2021 subject to the terms of the plan.) The Group has made a relating cost provision in the balance sheet totalling EUR 1,149,143 (EUR 544,460).

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

PENSION OBLIGATIONS

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

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

EXPENSES OF EMPLOYMENT BENEFITS

MEUR	2020	2019
Pension expenses - Defined contribution plans	-21.6	-24.6
Pension expenses - Defined benefit plans	-0.5	-0.2
Total	**-22.1**	**-24.8**

EXPENSE RECOGNISED IN PROFIT OR LOSS

MEUR	2020	2019
Service cost	-0.5	-0.2
Net interest	-0.1	-0.1
Expense recognised in profit or loss	-0.6	-0.3

STATEMENT OF FINANCIAL POSITION

MEUR	2020	2019
Defined benefit obligation	21.0	22.1
Fair value of plan assets	-13.7	-13.9
Funded status	7.3	8.2
Liability in the balance sheet	7.3	8.2

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION ARE AS FOLLOWS: DEFINED BENEFIT OBLIGATION (DBO)

MEUR	2020	2019
Opening defined benefit obligation	22.1	13.2
Addition of defined benefit obligation	0.0	7.0
Current service cost	0.5	0.2
Interest cost	0.2	0.3
Benefits paid	-1.4	-1.2
Actuarial gain(-) / loss (+)	-0.4	2.5
Closing defined benefit obligation	21.0	22.1

CHANGES IN THE FAIR VALUE OF PLAN ASSETS ARE AS FOLLOWS: FAIR VALUE OF PLAN ASSETS

MEUR	2020	2019
Opening fair value of plan assets	13.9	9.1
Addition of fair value of plan assets	0.0	4.1
Interest income	0.1	0.2
Contribution paid	0.2	0.1
Benefits paid	-1.4	-1.2
Actuarial gain(+) / loss (-)	0.9	1.4
Closing fair value of plan assets	13.7	13.9

EXPECTED CONTRIBUTION PAID IN THE NEXT FISCAL PERIOD: EXPECTED CONTRIBUTION

MEUR	Estimate 2021	2020	2019
Expected contribution	0.0	0.0	0.1

CHANGES IN OTHER COMPREHENSIVE INCOME

MEUR	2020	2019
Recognised remeasurements in other comprehensive income 1.1.	0.4	1.5
Actuarial gain(+) or loss(-) on obligation	0.4	-2.5
Actuarial gain(+) or loss(-) on plan assets	0.9	1.4
Recognised remeasurements in other comprehensive income 31.12.	1.7	0.4

PLAN ASSETS

MEUR	2020	2019
Qualifying insurance policies	100%	100%

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

SENSITIVITY ANALYSIS

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

SENSITIVITY ANALYSIS OF ACTUARIAL ASSUMPTIONS AS OF 31.12.2020 MILLOG OY

MEUR	Change in defined benefit obligation	Change in plan assets	Change in defined benefit obligation, %	Change in plan assets, %
Change in discount rate, +0.5 percentage point	-1.2	-0.8	-8%	-8%
Change in salary increase, +0.5 percentage point	0.0	0.0	0%	0%
Change in mortality, + 1 year in life expectancy	0.5	0.3	3%	3%
Change in benefit increase, +0.5 percentage point	1.0	0.0	7%	0%
Change in Insurance Company's bonus index, +0.5 percentage point	0.0	0.9	0%	9%

Census data used in this valuation is as follows:	2020	2019
Number of actives	69	83
Number of pensioners	299	259
Number of deferred	635	721
Average age actives (years)	50	51
Average remaining service time	10	9
Average serving time	8	7

Belgium Engine Center SRL

MEUR	Change in defined benefit obligation	Variation
Discount Rate + 0.5%	-0.5	-7%
Salary Increase + 0.5%	0.8	12%
Inflation + 0.5%	0.4	6%

Census data used in this valuation is as follows:	**2020**	**2019**
Number of actives	87	87
Number of pensioners	15	23
Number of deferred	62	62
Average age actives (years)	45	45
Average remaining service time	14	14
Average serving time	17	17

8. Depreciation and impairments

DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENTS

MEUR	2020	2019
Intangible rights	-0.9	-0.9
Buildings and constructions	-5.5	-5.4
Buildings and constructions, IFRS 16	-9.7	-9.9
Land and water, IFRS 16	-0.1	-0.1
Machinery and equipment	-7.9	-6.9
Machinery and equipment, IFRS 16	-1.0	-0.8
Other tangible assets	-0.0	-0.0
Impairment losses, non-current assets	-4.4	-1.6
Total	**-29.5**	**-25.7**

IMPAIRMENT TESTS

The recoverable amount of a cash generating unit is determined based on value-in-use calculations. The tested cash generating units were Land, Aviation, International Support Partnerships -business unit's Baltics segment, Systems and Millog.

The calculations are based on the cash flow projections in the strategic plans approved by the management covering a three-year period. The assumptions related to the price and cost level development used in the strategic plans and cash flow estimates of the business units are based on the management's estimates of the development of markets. Previous actual development has been taken into consideration while evaluating the assumptions used in the calculations. The cash flow estimates are based on existing fixed assets. Cash flows beyond the period approved by management are calculated using terminal value method, where the figures for the final planning period are calculated with 0% eternal growth and discounted using the WACC described below.

Discount rate is the weighted average pre-tax cost of capital (WACC) as defined for Patria. The components of WACC are risk-free yield rate, market risk premium, industry specific beta, cost of debt, average capital structure of the industry and a premium for asset specific risk. The WACC used in the calculations was 10.8% p.a. in 2020 (10.8%).

In 2020, the impairment testing result showed that the "value in use" in ISP Baltics and Aviation cash generating units were less than the book value of the tested assets, and thus an impairment of goodwill (valued at fair value) EUR 4.3 million was recognized in 2020. In 2019 ISP Norway, ISP Baltics and Aerostructures cash generating units were less than the book value of the tested assets, and thus an impairment of goodwill (valued at fair value) EUR 1.6 million was recognized in 2019.

In connection with the impairment testing a sensitivity analysis was performed in which the cash flows of the cash generating units were decreased and the discount rates were increased. Based on the performed sensitivity analysis it seems unlikely that a reasonably possible change in cash flows (10%–20%) or in the discount rate (1–3 percentage point) while other assumptions remain constant would lead to impairment.

GOODWILL BY BUSINESS UNIT

MEUR	2020	2019
Land	8.9	8.9
Aviation	4.0	4.8
ISP, Baltics	0.0	3.5
Systems	1.7	1.7
Millog	11.8	7.2
Total	**26.5**	**26.2**
1 Jan	26.2	28.0
Additions	4.6	0.0
Impairment	-4.4	-1.6
Translation differences	0.0	-0.2
31 Dec	26.5	26.2

9. Financial income and expenses

MEUR	2020	2019
Interest income		
Deposits and investments	0.1	0.0
Other	0.4	0.1
Other financial income	0.0	0.0
Interest expenses		
Interest-bearing liabilities	-1.1	-1.2
Leases	-2.6	-2.6
Other financial expense	-0.5	-0.5
Exchange rate difference		
Foreign exchange derivatives, non-hedge accounted	0.7	0.1
Other	-0.6	0.1
Total	**-3.6**	**-3.9**

AGGREGATE FOREIGN EXCHANGE GAINS AND LOSSES INCLUDED IN CONSOLIDATED INCOME STATEMENT

MEUR	2020	2019
Net sales	0.0	-0.0
Expenses	-0.2	-0.1
Financial income and expenses	0.1	0.2
Total	**-0.1**	**0.1**

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

NET GAINS/LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS INCLUDED IN OPERATING PROFIT

MEUR	2020	2019
Foreign exchange rate derivative contracts under hedge accounting	0.3	0.0
Non-hedge accounted foreign exchange rate derivative contracts	0.3	0.0
Total	**0.6**	**0.0**

10. Income taxes

MEUR	2020	2019
Income taxes	-5.3	-4.1
Income taxes previous period	0.1	0.1
Change in deferred tax receivable	2.3	4.5
Change in deferred tax liability	-0.2	0.1
Total	**-3.0**	**0.6**

TAXES RELATED TO OTHER COMPREHENSIVE INCOME

2020 MEUR	Before-tax amount	Tax	Net-of-tax amount
Cash flow hedges	0.4	-0.1	0.3
Change of translation difference	1.0	-	1.0
Actuarial gains/losses on defined benefit plans	1.3	0.1	1.4
Share of comprehensive income in joint ventures	-2.3	0.5	-1.8
Total	**0.4**	**0.5**	**0.9**

2019 MEUR	Before-tax amount	Tax	Net-of-tax amount
Cash flow hedges	-0.1	0.0	-0.1
Change of translation difference	-0.6	-	-0.6
Actuarial gains/losses on defined benefit plans	-1.1	0.1	-1.0
Share of comprehensive income in joint ventures	-0.7	0.1	-0.5
Total	**-2.5**	**0.2**	**-2.3**

DIFFERENCES BETWEEN INCOME TAX EXPENSE CALCULATED AT STATUTORY RATES COMPARED TO THE INCOME STATEMENT (TAX RATE IN FINLAND 2020: 20%, 2019: 20%)

MEUR	2020	2019
Income tax expense at statutory rate	-7.3	-1.1
Effect of statutory tax rates of foreign companies	-0.1	-0.1
Untaxed income	0.2	0.1
Non-deductible expenses	-1.4	-0.0
Utilization of confirmed losses	0.2	-0.1
Fiscal losses of the period	0.0	-1.1
Effect of associated company result	5.4	2.9
Effect of statutory tax rate change on deferred taxes	0.0	-0.0
Returns from previous tax years	0.1	0.1
Other items	-0.1	0.1
Income taxes	-3.0	0.6

RECONCILIATION OF DEFERRED TAX RECEIVABLES

MEUR	2020	2019
Fixed assets depreciation differences	0.5	0.5
Untaxed reserves	1.7	2.7
Fair value of derivative financial instruments	0.0	0.0
Tax losses carried forward	8.2	4.9
Other temporary differences	0.3	0.2
	10.6	**8.2**
1 Jan	8.2	2.9
Translation difference	0.0	0.0
Income statement	2.3	4.5
Fair value of derivative financial instruments	-0.0	0.0
Acquired companies	0.0	0.7
Equity	0.1	0.0
31 Dec	10.6	8.2

RECONCILIATION OF DEFERRED TAX LIABILITIES

MEUR	2020	2019
Fixed assets depreciation differences	1.4	1.3
Fair value of derivative financial instruments	0.1	0.0
	1.5	**1.3**
1 Jan	1.3	1.4
Income statement	0.2	-0.1
Fair value of derivative financial instruments	0.1	-0.0
31 Dec	1.5	1.3

The tax losses, for which no deferred tax assets are recognized due to the uncertainty of the utilization of the losses, amounted to EUR 32.3 million in the year of 2020 (EUR 29.5 million). These losses do not expire.

11. Intangible and tangible assets

INTANGIBLE ASSETS

MEUR	Goodwill	Development expenses	Intangible rights	Advance payments	Total
Acquisition cost 1 Jan 2020	33.9	12.3	21.2	0.1	67.4
Translation differences	0.1	0.0	0.0	0.0	0.1
Reclassifications	0.0	0.0	0.0	-0.1	-0.1
Companies acquired	0.0	0.0	0.0	0.0	0.0
Additions	0.0	0.0	0.6	0.0	0.6
Acquisition cost 31 Dec 2020	34.0	12.3	21.8	0.0	68.0
Accumulated amortization and impairment losses 1 Jan 2020	-7.6	-12.3	-18.0	0.0	-37.9
Translation differences	-0.1	0.0	0.0	0.0	-0.1
Reclassifications	0.0	0.0	0.0	-0.0	-0.0
Companies acquired	4.6	0.0	0.0	0.0	4.6
Amortization for the period incl. exchange rate diff. in P&L	0.0	0.0	-0.9	0.0	-0.9
Impairment	-4.4	0.0	0.0	0.0	-4.4
Accumulated amortization and impairment losses 31 Dec 2020	-7.5	-12.3	-18.9	-0.0	-38.6
Net book value at 31 Dec 2020	**26.5**	**0.0**	**2.9**	**0.0**	**29.4**
Acquisition cost 1 Jan 2019	33.9	12.3	19.4	0.2	65.8
Translation differences	-0.0	0.0	0.0	0.0	-0.0
Reclassifications	0.0	0.0	0.5	-0.3	0.2
Companies acquired	0.0	0.0	2.5	0.0	2.5
Scrapping	0.0	0.0	-1.8	0.0	-1.8
Additions	0.0	0.0	0.5	0.2	0.8
Acquisition cost 31 Dec 2019	33.9	12.3	21.2	0.1	67.4
Accumulated amortization and impairment losses 1 Jan 2019	-5.9	-12.3	-17.8	0.0	-35.9
Translation differences	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0
Companies acquired	0.0	0.0	-1.1	0.0	-1.1
Scrapping	0.0	0.0	1.8	0.0	1.8
Amortization for the period incl. exchange rate diff. in P&L	-0.2	0.0	-0.9	0.0	-1.1
Impairment	-1.6	0.0	0.0	0.0	-1.6
Accumulated amortization and impairment losses 31 Dec 2019	-7.6	-12.3	-18.0	0.0	-37.9
Net book value at 31 Dec 2019	**26.2**	**0.0**	**3.2**	**0.1**	**29.5**

TANGIBLE ASSETS

MEUR	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2020	3.2	213.2	119.7	1.8	3.3	341.2
Translation differences	0.0	0.4	0.1	-0.0	-0.0	0.5
Reclassifications	0.0	0.3	2.3	0.3	-3.3	-0.4
Companies acquired	0.0	1.6	0.8	0.0	0.4	2.8
Scrapping	0.0	0.0	-0.0	0.0	0.0	-0.0
Additions	0.5	12.7	5.3	0.0	2.7	21.1
Disposals	-0.1	-0.4	-1.9	0.0	-1.0	-3.4
Acquisition cost 31 Dec 2020	3.6	227.8	126.4	2.1	2.0	361.8
Accumulated depreciation and impairment losses 1 Jan 2020	-0.1	-95.5	-93.8	-1.5	-1.2	-192.0
Translation differences	0.0	-0.3	-0.1	0.0	0.0	-0.5
Reclassifications	0.0	-0.0	0.2	-0.0	0.0	0.2
Companies acquired	0.0	-0.9	-0.3	0.0	0.0	-1.2
Scrapping	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	1.5	0.0	0.0	1.5
Depreciation for the period incl. exchange rate diff. in P&L	-0.1	-15.2	-8.9	-0.0	0.0	-24.3
Accumulated depreciation and impairment losses 31 Dec 2020	-0.2	-111.9	-101.4	-1.6	-1.2	-216.2
Net book value at 31 Dec 2020	**3.4**	**115.9**	**25.0**	**0.5**	**0.8**	**145.6**
Acquisition cost 1 Jan 2019	2.2	125.9	96.1	1.8	2.0	228.0
Adoption of IFRS 16 standard	0.7	75.5	1.3	0.0	0.0	77.5
Translation differences	0.0	-0.2	-0.1	0.0	0.0	-0.2
Reclassifications	0.1	1.9	6.4	0.0	-6.4	2.0
Companies acquired	0.3	7.8	12.2	0.0	1.8	22.1
Scrapping	0.0	-0.6	-1.4	-0.0	0.0	-2.0
Additions	0.0	3.2	5.3	0.0	6.7	15.1
Disposals	0.0	-0.3	-0.1	0.0	-0.8	-1.3
Acquisition cost 31 Dec 2019	3.2	213.2	119.7	1.8	3.3	341.2
Accumulated depreciation and impairment losses 1 Jan 2019	0.0	-75.2	-75.7	-1.5	-1.2	-153.6
Translation differences	0.0	0.1	0.1	0.0	0.0	0.2
Reclassifications	0.0	-1.5	0.1	-0.0	-0.0	-1.4
Companies acquired	0.0	-4.1	-11.3	0.0	0.0	-15.4
Scrapping	0.0	0.6	1.4	0.0	0.0	2.0
Disposals	0.0	0.0	-0.7	0.0	0.0	-0.7
Depreciation for the period incl. exchange rate diff. in P&L	-0.1	-15.4	-7.7	-0.0	0.0	-23.2
Accumulated depreciation and impairment losses 31 Dec 2019	-0.1	-95.5	-93.8	-1.5	-1.2	-192.0
Net book value at 31 Dec 2019	**3.2**	**117.8**	**25.9**	**0.3**	**2.1**	**149.2**

TANGIBLE ASSETS INCLUDE CAPITALIZED FINANCE LEASES AS FOLLOWS

MEUR	Buildings and constructions	Machinery and equipment	Land and water	Total
Acquisition cost 1 Jan 2020	111.7	1.8	0.7	114.2
Disposals	-0.4	-0.1	-0.1	-0.6
Additions	12.0	2.0	0.5	14.5
Acquisition cost 31 Dec 2020	123.3	3.7	1.1	128.1
Accumulated depreciation and impairment losses 1 Jan 2020	**-27.3**	**-0.8**	**-0.1**	**-28.2**
Disposals and other changes	0.0	-0.0	0.0	0.0
Depreciation for the period	-10.9	-1.0	-0.1	-12.1
Accumulated depreciation and impairment losses 31 Dec 2020	-38.2	-1.9	-0.2	-40.2
Net book value at 31 Dec 2020	**85.1**	**1.8**	**0.9**	**87.9**
Acquisition cost 31 Dec 2019	111.7	1.8	0.7	114.2
Additions	-27.3	-0.8	-0.1	-28.2
Net book value at 31 Dec 2019	**84.4**	**0.9**	**0.7**	**86.0**

12. Investments in joint ventures

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

2019

EUR million	Domicile	Ownership %	Assets	Liabilities	Net sales	Profit/Loss
Nammo AS	Raufoss, Norway	50.0	631.5	350.0	515.1	19.5

SHARES IN JOINT VENTURES

MEUR	2020	2019
1 Jan	174.1	164.5
Share of results in joint ventures	27.0	14.4
Share of comprehensive income in joint ventures	-1.8	-0.5
Acquisitions	0.0	0.1
Dividend income	-4.5	-6.2
Exchange rate differences and other changes	-4.6	1.7
31 Dec	190.1	174.1

BUSINESS OPERATIONS WITH JOINT VENTURES

MEUR	2020	2019
Sales to joint ventures	0.0	0.0

RECEIVABLES AND LIABILITIES, JOINT VENTURES

MEUR	2020	2019
Subordinated loan receivable	0.4	0.4
Accounts receivables	0.0	0.0

13. Other shares

MEUR	2020	2019
Book value	0.2	0.2

Other shares consists of shares which has no observable market data available.

14. Current assets

INVENTORIES

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

RECEIVABLES

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

PREPAID EXPENSES AND ACCRUED INCOME

MEUR	2020	2019
Contract assets	44.1	48.8
Other items	5.0	3.3
Total	**49.1**	**52.1**

Other items of prepaid expenses and accrued income consists of accrued interest income and other accrued income, but no amounts which are individually significant.

CONTRACT BALANCES

MEUR	2020	2019
Trade receivables	125.6	101.9
Contract assets	44.1	48.8
Contract liabilities		
Advances received, other	35.5	31.5
Advances received, over time	52.6	28.6
Revenue recognised in the financial period that was included in the contract liability on 1 January	4.7	2.7
Remaining performance obligations from projects and contracts under execution	225.3	269.4

15. Accruals and deferred income

MEUR	2020	2019
Accrued wages, salaries and social security costs	44.8	39.2
Other items	10.9	10.0
Total	**55.8**	**49.2**

Other items of accruals and deferred income consists of interest and other accrued expense, but no amounts which are individually significant.

16. Financial assets valued as fair value

MEUR	Shares	Total
1 Jan 2020	0.2	0.2
Additions	0.0	0.0
31 Dec 2020	0.2	0.2
1 Jan 2019	0.2	0.2
Exchange rate differences and other changes	0.0	0.0
31 Dec 2019	**0.2**	**0.2**

17. Financial instruments

FAIR VALUE RESERVE INCLUDING FORWARD CONTRACTS

MEUR	2020	2019
Fair value	0.3	-0.0
Deferred taxes	-0.1	0.0
Fair value reserve 31 Dec	**0.3**	**-0.0**
Fair value changes recognized in equity	0.6	-0.1
Fair value changes recognized in income statement	-0.2	-0.0
Deferred taxes	-0.1	0.0
Change	0.3	-0.1
Fair value	-0.0	0.1
Deferred taxes	0.0	-0.0
Fair value reserve 1 Jan	**-0.0**	**0.1**

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES AND FAIR VALUE HIERARCHY

2020 MEUR	At fair value through other comprehensive income Level 2	At fair value through income statement Level 2	Measured at amortised cost	Book value	Note
Non-current financial assets					
Long-term receivables from joint ventures			0.4	0.4	12
Other shares		0.2		0.2	13
Current financial assets					
Accounts receivable			125.6	125.6	2
Receivables from joint ventures			0.0	0.0	12
Derivative financial instruments	0.4	0.3		0.7	2
Cash and bank balances			37.5	37.5	
Carrying amount by category	**0.4**	**0.5**	**163.5**	**164.4**	
Non-current financial liabilities					
Interest-bearing liabilities			115.2	115.2	2
Current financial liabilities					
Interest-bearing liabilities			102.5	102.5	2
Accounts payable			40.6	40.6	
Derivative financial instruments	0.3	0.7		1.0	2
Carrying amount by category	**0.3**	**0.7**	**258.3**	**259.3**	

2019 MEUR	At fair value through other comprehensive income Level 2	At fair value through income statement Level 2	Measured at amortised cost	Book value	Note
Non-current financial assets					
Long-term receivables from joint ventures			0.4	0.4	12
Other shares		0.2	0.0	0.2	13
Current financial assets					
Accounts receivable			101.9	101.9	2
Receivables from joint ventures			0.0	0.0	12
Derivative financial instruments	0.2	0.0		0.2	2
Cash and bank balances			35.9	35.9	
Carrying amount by category	**0.2**	**0.2**	**138.2**	**138.5**	
Non-current financial liabilities					
Interest-bearing liabilities			76.5	76.5	2
Current financial liabilities					
Interest-bearing liabilities			128.1	128.1	2
Accounts payable			53.9	53.9	
Derivative financial instruments	0.1	0.4		0.4	2
Carrying amount by category	**0.1**	**0.4**	**258.6**	**259.0**	

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

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

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

18. Shareholders' equity

Share Capital: Patria Oyj share capital on 31 December 2020 stood at EUR 38,024,848.00. All issued shares have been paid up in full.

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

OTHER FUNDS

Invested unrestricted equity reserve: Patria Oyj was established in 2010 and the assets were credited to the reserve of invested unrestricted equity. There were no changes in invested unrestricted equity reserve in 2020, and the fund stood at EUR 164,1 million on 31 December 2020.

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

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

DISTRIBUTABLE FUNDS

The parent company's non-restricted equity on December 31, 2020 is EUR 217,370,360.97 of which the net loss for the financial period is EUR on 2,207,945.22.

DIVIDEND PER SHARE

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.60 (2019: EUR 0.50) per share be paid on the shares owned by the State of Finland and Kongsberg Defence & Aerospace AS. Under the proposal, the total amount of dividends will be EUR 16,705,133.40 (2019: EUR 13,920,944.50). The Board of Directors further proposes that the remaining non-restricted equity, EUR 200,665,227.57 (2019: EUR 219,578,306.19) be retained and carried forward.

The dividends paid for 2020 will be decided at the Annual General Meeting on 8 April 2021. This dividend payable is not reflected in these financial statements.

19. Provisions

MEUR	2020	2019
Warranty provision	8.3	9.6
Other provision	4.5	8.1
Total	12.8	17.7

During the warranty period the claimed faults will be corrected at Patria's expense. The warranty provisions amounted to EUR 8.3 million (EUR 9.6 million) at the end of 2020. Provisions are based on best estimates on the balance sheet date. The provision for warranties covers the expenses due to the repair or replacement of products during their warranty period. The warranty liability is based on historical realised warranty costs and best estimates on the balance sheet date. The usual warranty period is two to four years. Other provisions include various items, such as those related to defects in quality, litigations and offset obligations.

20. Commitments and contingent liabilities

MEUR	2020	2019
Guarantees given on behalf of others	4.4	4.2
Guarantees given on behalf of associate companies	14.3	0.0
Other own contingent liabilities	6.2	8.1
Total	**25.0**	**12.3**

21. Related party transactions

PATRIA OYJ'S SUBSIDIARIES ARE AS FOLLOWS:

Subsidiaries	Domicile	Ownership %
Patria Aviation Oy	Jämsä, Finland	100.0
Patria Aerostructures Oy	Jämsä, Finland	100.0
Patricomp Oy	Jämsä, Finland	100.0
Patria Pilot Training Oy	Helsinki, Finland	100.0
Patria Svenska AB	Sigtuna, Sweden	100.0
Patria Helicopters AB	Sigtuna, Sweden	100.0
Patria ISP Oy	Helsinki, Finland	100.0
Patria Belgium Engine Center SRL	Herstal, Belgium	100.0
Patria Latvia SIA	Riga, Latvia	100.0
SIA Defence Partnership Latvia	Cesis, Latvia	70.0
Patria Lithuania UAB	Vilnius, Lithuania	100.0
Patria Land Oy	Helsinki, Finland	100.0
Patria Land Middle East Limited	Abu Dhabi, United Arab Emirates	100.0
Patria Land Sverige AB	Stockholm, Sweden	100.0
Patria Land Systems SA (Pty) Ltd	Pretoria, South Africa	100.0
Patria Polska Sp. z o.o.	Warsaw, Poland	100.0
Millog Oy	Tampere, Finland	61.8
Oricopa Kiinteistöt Oy	Orivesi, Finland	100.0
Senop Oy	Kangasala, Finland	100.0
Virve Tuotteet ja Palvelut Oy	Espoo, Finland	100.0
Oy Western Shipyard Ltd	Salo, Finland	100.0
Milworks OÜ	Tallinn, Estonia	60.0

NET SALES AND PURCHASES BETWEEN THE GROUP COMPANIES

MEUR	2020	2019
Total	46.2	42.3

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

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

Key management consists of the members of the Board of Directors, CEO and other members of the Group management team. There was no outstanding loans receivable from key management on 31 December 2020. Members of the Group management and their immediate circle have not had any essential business relations with the Group companies.

22. Disputes and litigations

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

23. Events after the balance sheet date

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

Financial Statements of the Parent company (FAS)

Balance Sheet, Parent company

ASSETS

MEUR	Note	31/12/2020	31/12/2019
Assets			
Intangible assets	8		
Intangible rights		0.4	0.6
Other long-term expenditures		0.0	0.1
Tangible assets	8		
Machinery and equipment		0.6	0.9
Other tangible assets		0.0	0.0
Advance payments and construction in progress		0.0	0.0
Investments			
Shares in group companies	9	122.8	123.3
Receivables from group companies	10	5.4	0.7
Shares in associated and joint venture companies	9	191.7	191.7
Receivables from associated and joint venture companies	10	0.4	0.4
Total Non-current assets		**321.3**	**317.6**
Inventories			
Raw materials and supplies		0.1	0.1
Receivables			
Receivables from group companies	10	104.4	114.0
Other receivables		0.0	0.0
Prepaid expenses and accrued income	10	2.0	2.3
Cash and bank balances		21.7	25.5
Total Current Assets		**128.3**	**141.9**
Total Assets		**449.5**	**459.5**

SHAREHOLDERS' EQUITY AND LIABILITIES

MEUR	Note	31/12/2020	31/12/2019
Shareholders' equity and liabilities	11		
Share capital		38.0	38.0
Other funds			
Reserve for invested unrestricted equity		164.1	164.1
Retained earnings		55.5	64.7
Net income for the period		-2.2	4.8
Total Shareholders' equity		**255.4**	**271.5**
Loans from financial institutions	12	30.0	0.0
Total Non-current liabilities		**30.0**	**0.0**
Other loans	12	10.0	79.9
Loans from financial institutions	12	80.0	30.0
Accounts payable		2.6	1.9
Liabilities to group companies	12	65.9	71.3
Other current liabilities		0.5	1.7
Accruals and deferred income	12	5.2	3.2
Total Current liabilities		**164.2**	**188.0**
Total Shareholders' equity and liabilities		**449.5**	**459.5**

Income Statement, Parent company

MEUR	Note	1-12/2020	%	1-12/2019	%
Net sales	2	**20.0**		**23.4**	
Other operating income	3	2.5		1.7	
Materials and services					
Raw materials and supplies					
Purchases during the financial period		-0.5		-1.4	
Change in inventories		-0.0		-0.0	
Personnel expenses	4	-9.5		-8.0	
Depreciation and value adjustments	5	-0.9		-1.0	
Other operating expenses	3	-19.9		-20.8	
Operating profit		**-8.2**	**-41.2%**	**-6.2**	**-26.5%**
Financial income and expenses	6				
Dividend income from group companies		9.3		10.5	
Dividend income from associated and joint venture companies		0.0		0.0	
Interest and other financial income		1.4		2.5	
Impairment on investments from non-curr assets		-3.2		0.0	
Interest and other financial expenses		-1.4		-2.1	
Exchange gains and losses		-0.0		0.1	
Income before appropriations and taxes		**-2.2**	**-11.0%**	**4.8**	**20.3%**
Income taxes	7	0.0		0.0	
Net income		**-2.2**	**-11.0%**	**4.8**	**20.3%**

Cash Flow Statement, Parent company

MEUR	1-12/2020	1-12/2019
Income before appropriations and taxes	-2.2	4.8
Depreciation	0.9	1.0
Financing items	-6.0	-10.9
Other changes	-0.0	0.1
Change in receivables	8.8	-6.4
Change in inventories	0.0	0.0
Change in liabilities	0.4	2.5
Cash flow from operations before financial items and taxes	**1.9**	**-9.0**
Interests paid	-1.1	-1.9
Other financial items	-0.2	-0.1
Dividends received	9.3	10.5
Interests received	1.4	2.5
Paid taxes	1.3	3.5
Cash flow from operating activities	**12.5**	**5.4**
Purchase of tangible and intangible assets	-0.4	-0.5
Granted loans	-7.4	-1.2
Repayments from loans	0.2	1.3
Proceeds from sale of investments	0.0	0.0
Cash flow from investing activities	**-7.5**	**-0.4**
Change in short-term loans	10,1	60,9
Repayment of long-term loans	0,0	-0,2
Change in short-term receivables and liabilities	-4,8	-38,8
Dividends paid	-13,9	-13,9
Paid and received group contributions	0,0	8,7
Cash flow from financing activities	**-8,7**	**16,7**
Change in liquid funds	**-3.8**	**21,8**
Liquid funds 1 Jan	25.5	3,7
Liquid funds 31 Dec	21.7	25,5
Change in liquid funds	**-3.8**	**21,8**

Notes to the Financial Statements, Parent company

1. Accounting principles, Parent company

The financial statements of the parent company have been prepared in accordance with Finnish accounting procedures and regulations.

REVENUE RECOGNITION

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

USE OF ESTIMATES

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

FIXED ASSETS AND DEPRECIATION

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

The assessed economic lives are as follows:

- Machinery and equipment 3 to 15 years
- Other intangible assets 3 to 5 years

Other tangible assets are not subject to depreciation.
Investments in subsidiaries and other companies are measured at cost or fair value in case the fair value is less than cost.

FINANCIAL ASSETS

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

FOREIGN CURRENCY TRANSACTIONS

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

DERIVATIVE INSTRUMENTS

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

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

GRANTS RECEIVED

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

INCOME TAXES

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

INVENTORIES

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

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

PROVISIONS

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

EMPLOYEE BENEFITS

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

RESEARCH AND DEVELOPMENT COSTS

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

LEASING

All leasing payments have been expensed in the income statement.

APPROPRIATIONS

Appropriations include group contributions.

2. Net sales

NET SALES BY MARKET AREA

MEUR	2020	2019
Finland	19.9	23.3
Other Europe	0.1	0.0
Total	**20.0**	**23.4**

NET SALES BY PRODUCT SEGMENT

MEUR	2020	2019
Civilian products	20.0	23.4
Total	**20.0**	**23.4**

REVENUE RECOGNITION

MEUR	2020	2019
Delivery based net sales	20.0	23.4
Total net sales	**20.0**	**23.4**

3. Other operating income and expenses

OTHER OPERATING INCOME

MEUR	2020	2019
Rental Income	1.8	1.7
Other operating income	0.6	0.0
Total	**2.5**	**1.7**

OTHER OPERATING EXPENSES

MEUR	2020	2019
Research and development	-0.0	-0.0
Rents	-2.6	-2.6
Real estate expenses	-2.1	-2.2
Travel expenses	-0.1	-0.5
Sales and marketing expenses	-0.4	-1.4
Other operating expenses	-14.6	-14.2
Total	**-19.9**	**-20.8**

PRINCIPAL INDEPENDENT AUDITOR'S FEES AND SERVICES

MEUR	2020	2019
Audit fees	-0.1	-0.1
Other audit related fees	-0.0	-0.0
Other services	-0.4	-0.0
Total	**-0.5**	**-0.1**

4. Employee benefits and average number of personnel

MEUR	2020	2019
Salaries and fees paid to members of Board of Directors, Consultative Committee and President and CEO	-0.7	-0.4
Other wages and salaries	-7.4	-6.3
Pension and pension insurance costs	-1.2	-1.1
Other indirect personnel expenses	-0.2	-0.2
Total	**-9.5**	**-8.0**
Number of personnel, average		
Salaried staff	86	86
Total	**86**	**86**

5. Depreciation

MEUR	2020	2019
Depreciation on Intangible rights	-0.3	-0.4
Depreciation on other Intangible rights	-0.0	-0.0
Depreciation on machinery and equipment	-0.5	-0.6
Total	**-0.9**	**-1.0**

6. Financial income and expenses

FINANCIAL INCOME

MEUR	2020	2019
Dividend income, group	9.3	10.5
Dividend income, other	0.0	0.0
Interest income, group	1.2	2.4
Interest income, other	0.2	0.1
Total	**10.7**	**13.0**

FINANCIAL EXPENSES

MEUR	2020	2019
Interest expenses, group	-0.2	-1.2
Interest expenses, other	-1.0	-0.8
Impairment on investments from non-curr assets	-3.2	0.0
Other financial expenses, other	-0.2	-0.1
Total	**-4.6**	**-2.1**

Due to the weakened financial performance and future outlook an impairment on capital loan receivable from Patria Pilot Training Oy and group company shares of Milworks OÜ was recognised during the financial period.

MEUR	2020	2019
Exchange gains and losses	-0.0	0.1
Total	**-0.0**	**0.1**

7. Direct taxes

MEUR	2020	2019
Income tax from continuing operations	0.0	0.0
Income tax from appropriations	0.0	0.0
Total	**0.0**	**0.0**

MEUR	2020	2019
Income taxes	0.0	0.0
Income taxes previous period	0.0	0.0
Total	**0.0**	**0.0**

8. Intangible and tangible assets

INTANGIBLE ASSETS

MEUR	Intangible rights	Other long-term expenditures	Total
Acquisition cost 1 Jan 2020	6.9	0.2	7.0
Reclassifications	-0.0	0.0	-0.0
Additions	0.1	0.0	0.1
Acquisition cost 31 Dec 2020	7.0	0.2	7.1
Accumulated amortization and impairment losses 1 Jan 2020	-6.3	-0.1	-6.4
Reclassifications	0.0	0.0	0.0
Amortization for the period incl. exchange rate diff. in P&L	-0.3	-0.0	-0.4
Accumulated amortization and impairment losses 31 Dec 2020	-6.6	-0.1	-6.7
Net book value at 31 Dec 2020	**0.4**	**0.0**	**0.4**

MEUR	Intangible rights	Other long-term expenditures	Total
Acquisition cost 1 Jan 2019	6.5	0.2	6.6
Additions	0.4	0.0	0.4
Acquisition cost 31 Dec 2019	6.9	0.2	7.0
Accumulated amortization and impairment losses 1 Jan 2019	-5,8	-0,1	-5,9
Amortization for the period incl. exchange rate diff. in P&L	-0,4	-0,0	-0,5
Accumulated amortization and impairment losses 31 Dec 2019	-6,3	-0,1	-6,4
Net book value at 31 Dec 2019	**0,6**	**0,1**	**0,6**

TANGIBLE ASSETS

MEUR	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2020	4.7	0.0	0.0	4.7
Additions	0.2	0.0	0.0	0.3
Acquisition cost 31 Dec 2020	4.9	0.0	0.0	5.0
Accumulated depreciation and impairment losses 1 Jan 2020	-3.8	0.0	0.0	-3.8
Depreciation for the period incl. exchange rate diff. in P&L	-0.5	0.0	0.0	-0.5
Accumulated depreciation and impairment losses 31 Dec 2020	-4.3	0.0	0.0	-4.3
Net book value at 31 Dec 2020	**0.6**	**0.0**	**0.0**	**0.7**
Acquisition cost 1 Jan 2019	4.6	0.0	0.0	4.6
Additions	0.1	0.0	0.0	0.1
Disposals	0.0	0.0	0.0	0.0
Acquisition cost 31 Dec 2019	4.7	0.0	0.0	4.7
Accumulated depreciation and impairment losses 1 Jan 2019	-3.3	0.0	0.0	-3.3
Disposals	0.0	0.0	0.0	0.0
Depreciation for the period incl. exchange rate diff. in P&L	-0.6	0.0	0.0	-0.6
Accumulated depreciation and impairment losses 31 Dec 2019	-3.8	0.0	0.0	-3.8
Net book value at 31 Dec 2019	**0.9**	**0.0**	**0.0**	**0.9**

9. Investments

SHARES IN SUBSIDIARIES

MEUR	2020	2019
1 Jan	123.3	123.3
Disposals	0.0	-0.0
Write-downs	-0.5	0.0
Total 31 Dec	**122.8**	**123.3**

SHARES IN JOINT VENTURES

MEUR	2020	2019
1 Jan	191.7	191.7
Total 31 Dec	191.7	191.7

10. Current receivables

NON-CURRENT RECEIVABLES FROM GROUP COMPANIES

MEUR	2020	2019
Loan receivable	5.4	0.7
Total	**5.4**	**0.7**

CURRENT RECEIVABLES FROM GROUP COMPANIES

MEUR	2020	2019
Accounts receivable	0.6	14.8
Loan receivable	0.5	0.7
Other receivables	98.8	98.4
Derivative financial receivables	0.3	0.1
Accruals and deferred income	4.2	0.0
Total	104.4	114.0

CURRENT RECEIVABLES FROM ASSOCIATED COMPANIES

MEUR	2020	2019
Subordinated loan	0.4	0.4
Total	**0.4**	**0.4**

PREPAID EXPENSES AND ACCRUED INCOME

MEUR	2020	2019
Taxes	0.0	1.3
Derivative financial receivables	0.7	0.2
Other receivables	1.3	0.9
Total	**2.0**	**2.3**

11. Shareholders' equity

CHANGES IN SHAREHOLDERS' EQUITY

MEUR	2020	2019
Share capital 1 Jan	38.0	38.0
Share capital 31 Dec	38.0	38.0

MEUR	2020	2019
Invested non-restricted equity fund 1 Jan	164.1	164.1
Invested non-restricted equity fund 31 Dec	164.1	164.1
Retained earnings 1 Jan	69.4	78.6
Distribution of dividends	-13.9	-13.9
Retained earnings 31 Dec	55.5	64.7
Net income	-2.2	4.8
Total shareholders' equity 31 Dec	**255.4**	**271.5**
Distributable funds		
Invested non-restricted equity fund 31 Dec	164.1	164.1
Retained earnings 31 Dec	55.5	64.7
Net income	-2.2	4.8
Distributable funds	217.4	233.5

12. Current liabilities

MATURITY OF INTEREST-BEARING LIABILITIES

MEUR	2021	2022	2023	2024	2025-	Total
Loans from financial institutions	80.0	30.0	0.0	0.0	0.0	110.0
Liabilities, group account	63.9	0.0	0.0	0.0	0.0	63.9
Other interest-bearing liabilities	10.0	0.0	0.0	0.0	0.0	10.0
Total 2020	**153.9**	**30.0**	**0.0**	**0.0**	**0.0**	**183.9**

MEUR	2020	2021	2022	2023	2024-	Total
Loans from financial institutions	30.0	0.0	0.0	0.0	0.0	30.0
Liabilities, group account	68.4	0.0	0.0	0.0	0.0	68.4
Other interest-bearing liabilities	79.9	0.0	0.0	0.0	0.0	79.9
Total 2019	**178.3**	**0.0**	**0.0**	**0.0**	**0.0**	**178.3**

INTEREST-BEARING LIABILITIES

MEUR	2020	2019
Loans from financial institutions	110.0	30.0
Other loans	10.0	79.9
Total	**120.0**	**109.9**

CURRENT LIABILITIES TO GROUP COMPANIES

MEUR	2020	2019
Accounts payable	0,7	0,3
Other liabilities	64,4	70,9
Derivative financial liabilities	0,7	0,2
Accruals and deferred income	0,0	0,0
Total	**65,9**	**71,3**

ACCRUALS AND DEFERRED INCOME

MEUR	2020	2019
Accruals related to wages and salaries	3.6	2.2
Derivative financial liabilties	1.0	0.4
Other liabilities	0.6	0.6
Total	**5.2**	**3.2**

13. Financial Instruments and derivative contracts

DERIVATIVE INSTRUMENTS

2020 MEUR	Nominal value	Positive fair values	Negative fair values	Net fair value
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	88.3	1.0	-1.7	-0.7
Buy	36.3	0.2	-1.0	-0.8
Sell	51.9	0.9	-0.8	0.1
Non-hedging	88.3	1.0	-1.7	-0.7
Total	**88.3**	**1.0**	**-1.7**	**-0.7**

MEUR	2021	2022	2023	2024
Derivative financial assets	0.9	0.1	0.0	0.0
Derivative financial liabilities	-1.6	-0.1	0.0	0.0

2019 MEUR	Nominal value	Positive fair values	Negative fair values	Net fair value
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	81.3	0.3	-0.6	-0.4
Buy	29.2	0.1	-0.1	0.0
Sell	52.1	0.1	-0.5	-0.4
Non-hedging	81.3	0.3	-0.6	-0.4
Total	**81.3**	**0.3**	**-0.6**	**-0.4**

MEUR	2020	2021	2022	2023
Derivative financial assets	0.2	0.0	0.0	0.0
Derivative financial liabilities	-0.6	-0.0	-0.0	0.0

OFFSETTING OF FINANCIAL INSTRUMENTS

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

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES AND FAIR VALUE HIERARCHY

2020 MEUR	At fair value through income statement Level 2	Measured at amortized coat	Book value
Non-current financial assets			
Long-term receivables from group companies		8.1	8.1
Long-term receivables from joint ventures		0.4	0.4
Current financial assets			
Accounts receivables from group companies		0.6	0.6
Other receivables		0.0	0.0
Other receivables from group companies	0.3	99.3	99.6
Derivative financial instruments	0.7		0.7
Cash and bank balances		21.7	21.7
Carrying amount by category	**1.0**	**130.0**	**131.0**
Non-current financial liabilities			
Interest-bearing liabilities		30.0	30.0
Current financial liabilities			
Interest-bearing liabilities		90.0	90.0
Accounts payable		2.6	2.6
Accounts payable to group companies		0.7	0.7
Other current liabilities to group companies	0.7	64.4	65.1
Other current liabilities		0.5	0.5
Derivative financial instruments	1.0		1.0
Carrying amount by category	**1.7**	**188.2**	**190.0**

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

2019 MEUR	At fair value through income statement Level 2	Measured at amortized coat	Book value
Non-current financial assets			
Long-term receivables from group companies		0.7	0.7
Long-term receivables from joint ventures		0.4	0.4
Current financial assets			
Receivables from group companies*	0.1	113.9	114.0
Derivative financial instruments*	0.2		0.2
Cash and bank balances		25.5	25.5
Carrying amount by category	**0.3**	**140.5**	**140.7**
Current financial liabilities			
Interest-bearing liabilities		109.9	109.9
Accounts payable		1.9	1.9
Liabilities to group companies*	0.2	68.6	68.8
Derivative financial instruments*	0.4		0.4
Carrying amount by category	**0.6**	**180.4**	**181.1**

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

CURRENCY RISKS

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

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

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

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

The most significant currency exposures on 31 December 2020 were in the Swedish krona (SEK).

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS 2020

1,000 EUR	SEK
Net exposure - Balance sheet items	-913
Euro strengthens / weakens 5% - Effect on income before taxes	43 / -48
Net exposure - Derivatives under hedge accounting	0
Euro strengthens / weakens 5% - Effect on equity	0 / 0

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS 2019

1,000 EUR	SEK
Net exposure - Balance sheet items	-34
Euro strengthens / weakens 5% - Effect on income before taxes	2 / -2
Net exposure - Derivatives under hedge accounting	0
Euro strengthens / weakens 5% - Effect on equity	0 / 0

INTEREST RATE RISK

Fluctuations in interest rates have an effect on company's interest expenses and income as well as fair value of interest-bearing liabilities and receivables and derivatives. The objective of interest rate risk management is to hedge against interest rate fluctuations affecting the future cash flow, result and balance sheet. Interest rate risk is managed by monitoring the average interest fixing term (duration) of receivables and liabilities as well as by using derivatives, if needed.

On 31 December 2020, the average interest fixing term of the liabilities was 0.61 (0.12) years and that of the receivables one day (one day).

On 31 December 2020, company's interest-bearing liabilities totalled EUR 183.9 million (178.3) out of which EUR 173.9 million (98.4) was floating rate and EUR 10.0 million (79.9) was fixed rate. EUR 63.9 million (68.4) of the floating rate liabilities were from group account. Interest-bearing receivables were EUR 121.0 million (124.6) out of which EUR 120.5 million (123.9) were floating rate and EUR 0.5 million (0.7) was fixed rate. EUR 98.8 million (98.4) of the interest-bearing receivables were receivables from group account.

14. Commitments and contingent liabilities

COMMITMENTS AND CONTINGENT LIABILITIES

MEUR	2020	2019
Guarantees given on behalf of group companies	56.2	70.3
Guarantees given on behalf of others	0.3	0.4
Other own contingent liabilities	2.4	3.6
Total	**58.9**	**74.3**

LEASING COMMITMENTS

MEUR	2020	2019
Payments due next year	3.5	3.1
1–5 years	12.8	10.9
Payments due in thereafter	6.9	9.0
Total	**23.1**	**23.0**

Board of Directors' proposal for profit distribution

The parent company's non-restricted equity on December 31, 2020 is EUR 217,370,360.97 of which the net loss for the financial period is EUR on 2,207,945.22.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.60 per share be paid on the shares owned by the State of Finland and Kongsberg Defence & Aerospace AS. Under the proposal, the total amount of dividends will be EUR 16,705,133.40. The Board of Directors further proposes that the remaining non-restricted equity, EUR 200,665,227.57 be retained and carried forward.

Helsinki, 10 March 2021

Panu Routila Chairman	Harald Aarø
Eirik Lie	Päivi Marttila
Jarle Næss	Ari Puheloinen
Gyrid Skalleberg Ingerø	Petri Vihervuori
Esa Rautalinko President and CEO	

AUDITOR'S STATEMENT

A report has been given today on the audit performed.

Helsinki, 10 March 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Karinen
Authorised Public Accountant

CORPORATE GOVERNANCE

Applicable regulations, guidelines and recommendations

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

For example, the Limited Liability Companies Act specifies the company's governing bodies, their roles and responsibilities, and the relationships between governing bodies. The Limited Liability Companies Act is also important for shareholders' rights, as it contains regulations on the rights granted by shares and the exercising of those rights. It also contains the company's main corporate governance principles.

Patria also complies with other principles and recommendations for good governance that are applicable to companies that are majority-owned by the State. Although Patria is not a listed company, it complies with the applicable sections of the Securities Market Association's Finnish Corporate Governance Code 2020, to the extent that compliance with the Code's recommendations is appropriate for ensuring good governance, and taking into account the company's ownership structure and/or special characteristics or line of business. The most significant deviations from the Code concern Patria's process for appointing members of the Board of Directors and members' independence. This stems from the company's ownership base and other special characteristics.

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

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

Group organisation and administrative system

Patria is operationally divided into business areas. The Patria Group consists of the parent company, Patria, and its subsidiaries. In addition to its wholly owned subsidiaries, the Patria Group owns 61.8% of Millog Oy, 50% of Nammo AS and 60% of Milworks OÜ.

Governing bodies

Patria's highest decision-making body is the General Meeting, at which shareholders exercise their decision-making authority. The tasks of the General Meeting include matters specified in legislation and Patria's Article of Association, such as deciding on the fees paid to members of the Board of Directors and its Committees, the Consultative Committee, and the company's auditor.

An Extraordinary General Meeting is held when the Board of Directors deems it necessary, or if the auditor or shareholders holding at least ten per cent of all shares demand one in writing to handle a specific matter.

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

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

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

Consultative committee

According to its Articles of Association, Patria Oyj must have a Consultative Committee appointed by the General Meeting. Patria's Articles of Association further state that the Board of Directors must consult the Consultative Committee on matters that concern any marked curtailment or expansion of operations or any vital changes to the company's organisation, or which are otherwise of great importance to the line of business that the company is engaged in, either in Finland or internationally. The Consultative Committee consists of a chair, a vice-chair, and a maximum of ten other members. The Consultative Committee had 11 members during the financial year and convened three times in 2020.

Composition, selection procedure and operation of the Board of Directors

According to Patria's Articles of Association, the Board of Directors should consist of a chair, a vice-chair, and a minimum of three and a maximum of seven other members. During the financial year, the Board of Directors consisted of seven members until 4th of February 2020 and eight members after that.

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

The Board convened eight times in 2020, and also made two decisions without actually convening.

Principal duties of the Board of Directors and distribution of duties

The Board of Directors is responsible for Patria's corporate governance and the appropriate organisation of its operations in accordance with applicable legislation, the company's Articles of Association, and any instructions issued by the General Meeting. The Board of Directors appoints the President & CEO, and supervises his actions.

In addition to its statutory tasks, the Board of Directors' main task is to decide on the Group's strategic policies.

The Board of Directors steers and supervises the Group's various businesses, to ensure that the Group complies with applicable regulations and operates in a commercially appropriate manner that generates added value for shareholders. The Board therefore makes decisions on the Group's key operating principles, and annually approves the Group's financial targets, operational objectives, Financial Statements, and any interim reports. It also decides on any significant investments.

The Board confirms the Group's ethical values and operational principles, and monitors compliance with these values and principles. The Board also approves the general setup of the Group's organisational and operational structure. Its task is to promote the interests of both the Group and its stakeholders. The Board has appointed an Audit Committee and a Nomination and Compensation Committee.

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

Nomination and Compensation Committee

The Nomination and Compensation Committee consists of four members who do not belong to the company's operative management. These members have the experience and expertise required by the Committee's tasks. The Nomination and Compensation Committee prepares the Group's and management's payroll structures, along with any bonus and incentive systems. It also approves key appointments. The Nomination and Compensation Committee convened four times during 2020. The Board confirms the Group's ethical values and operational principles, and monitors compliance with these values and principles.

Audit Committee

The Audit Committee consists of four members who do not belong to the company's operative management. These members have the experience and expertise required by the Committee's tasks. The Audit Committee supervises and monitors matters such as the implementation of the Group's internal controls, risk management and financial reporting. It is also tasked with supervising the Group's financial reporting, the drawing up of its Financial Statements, and matters related to compliance and ethics. The Audit Committee convened four times during 2020.

The company's President & CEO and group management

Patria's President & CEO is responsible for managing the business activities and governance of both the company and the Group in accordance with the provisions of the Limited Liability Companies Act and any guidelines or rules issued by the Board of Directors. The President & CEO is assisted in this task by the Group Management Team, which convenes monthly. The Group Management Team consists of the Presidents of Patria's business areas; the Chief Business Development Officer; the CFO; The Chief Program Officer, HX; the Chief Officers of Corporate Communications and Human Resources; and the General Counsel, who is also responsible for compliance and ethics. Group management also meets in other combinations as and when necessary.

Patria's Corporate Social Responsibility Steering Group is in charge of CSR activities and reporting. This group is coordinated by the Chief Communications Officer. Patria's Ethics Officer attends the steering group's meetings and supports its work.

The General Counsel also acts as the Chief Compliance Officer. In this role, the General Counsel reports to the Audit Committee on compliance and ethics issues.

Compensation

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

Monitoring and controls

In accordance with the Limited Liability Companies Act, the Board of Directors must ensure that the supervision of accounting and financial management has been appropriately organised. The President & CEO must ensure that the company's accounting complies with legislation and that financial administration has been reliably organised. Patria's management is responsible for ensuring that the Group's routine operations comply with all of the relevant legal provisions and Board resolutions, and that Group risk management has been organised in an appropriate manner. The Presidents of Patria's business units are responsible for operative business. They are also members of the Group's Management Team, which enhances and clarifies leadership and leads to more effectively organised internal controls.

A reporting system has been set up to handle the Group's financial control, and it produces diverse information about the Group's financial position and its development on a monthly basis. The Group has a clearly defined decision-making hierarchy for investments. Patria has an Internal Audit function outsourced to an independent operator. This audit evaluates and verifies the efficiency and appropriateness of the Group's risk management and internal controls, the reliability of financial reporting, and compliance with the legislation and guidelines. Patria's internal auditors comply with the International Standards for the Professional Practice of Internal Auditing. The Internal Audit reports on its activities and findings to the Audit Committee and the President & CEO. The Audit Committee approves the internal audit plans on an annual basis. The company's auditors report their observations at least once a year to the relevant business units and to the Group's financial management, as well as to the Board of Directors and the Audit Committee. The auditors also submit a statutory auditors' report to the company's shareholders.

Industrial Participation

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

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

In its export activities, Patria may participate in direct or indirect industrial participation arrangements and activities where (and to the extent that) such are required by the specific government procuring defence equipment from Patria, and where such activities and arrangements create and add value directly (activities related to performance of the main agreement) or indirectly (activities unrelated to performance of the main agreement).

Furthermore, Patria may decide to participate in industrial participation arrangements where participation is in the business interest of Patria Group as a whole, where the value of industrial participation engagements is proportionate to the value of the main agreements or transaction, and provided that such activities are steered and monitored by executive management with clear accountability.

Industrial participation arrangements and activities comply with the regulations and practices of the countries in question. These industrial participation arrangements may also include externally created industrial participation activities as well as actions on behalf of other entities having industrial participation liabilities when this is possible under applicable rules and policies. Mutual abatements or swaps of industrial participations are also possible, where performed under applicable regulations and with consent of relevant authorities and agreements.

Patria's industrial participation obligations are duly reported to management, board of directors and Audit Committee nominated by Board of Directors of Patria Oyj.

The absolute requirements for all industrial participation arrangements and activities are the following:

- Applicable laws, regulations and international treaties allow industrial participation arrangements and the arrangement is in compliance with the laws and regulations.
- The arrangements are in compliance with Patria Group's ethical and compliance policies and guidelines related to industrial participation and Patria Ethical Code of Conduct and related policies and guidelines.
- The arrangement is acceptable and subject to applicable integrity due diligence on any and all business partners and vendors related to such industrial participation arrangements and transactions, with special focus on ensuring anti-corruption and anti-bribery.
- Patria conducts a thorough legal analysis of the applicable industrial participation regulations in the specific country in question to mitigate legal risks and to ensure compliance of Patria's industrial participation activities.
- All the relevant financial and non-financial risks are assessed and mitigated.

Performance of industrial participation obligations of Patria:

- Patria Group's industrial participation obligations are conducted materially within Patria's Land business unit (estimated presently at 95% of Patria Group's industrial participation-related obligations).
- Land business unit has specific processes and defined roles and responsibilities concerning industrial participation activities during marketing and as well as sales activities and concerning implementation of industrial participation contracts.

Risk Management

Risk management and internal control are an important part of Patria's management and control systems. Risk management and internal control also help to ensure that operational and profitability targets can be achieved. Furthermore, risk management and internal control contribute to ensuring appropriate reporting, compliance with laws and regulations and to protecting Patria's reputation.

Risk management framework

Patria has a risk management and internal control policy, approved by the Board of Directors, which specifies the related tasks, objectives, components, responsibilities and authorities. The Board provides the ultimate oversight and direction for risk management and internal control and has allocated main responsibility for these actions to the Audit Committee appointed by the Board.

The primary responsibility for risk management and internal control lies with the business units and Patria's Group functions in their area of responsibility.

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

Risk is understood as the effect of uncertainty, negative or positive, on objectives of Patria's operations, profitability and other areas. Risk management is a process which ensures that the risks and opportunities are identified, assessed and treated in an appropriate way and extensively enough. Risk management helps to ensure achievement of the objectives and avoidance of losses to the resources. Risk management in Patria is based on the COSO ERM framework, ISO 31000 standard and industry specific standards and requirements.

Internal Audit

Patria has an Internal Audit function outsourced to an independent operator, which evaluates and contributes to ensuring the efficiency and feasibility of Patria's operations, risk management and internal control, external and internal reporting and compliance with the applicable legislation, regulations and guidelines.

The Audit Committee confirms the internal audit plan annually. In addition, the Audit Committee and the Board may, from time to time, instruct the Internal Audit function to perform specific audits or other control actions. The findings of the Internal Audit function are regularly reported to the Audit Committee and to the management of Patria.

Main risks and opportunities

Key areas and issues in Patria's businesses, operations and risk management that may cause or be exposed to risks and opportunities are described below. Financial risks are discussed in the notes to the Financial statements.

Change in the defence industry and export licences

The international defence industry is subject to continuous change. Acquisitions and mergers are taking place, new operators are emerging, the complexity of customer requirements and utilization of new technologies is increasing, and competition is intensifying. Patria responds to the competition by improving the anticipation and understanding of customer needs and their changes, along with developing and commercializing new competitive products, services and solutions. The export of defence material is subject to an export or transfer license, which in Finland is granted by the Ministry of Defence or, when certain conditions are met, the government. The conditions in the potential destination country may prevent the granting of an export license, or the conditions in a country to which an export license has been granted may change in such a way that the license will be cancelled temporarily or permanently.

Strategic partnerships

Building strategic partnerships with key customers, contractors and suppliers is important for the success of Patria. Patria constantly seeks to identify new business opportunities and create, maintain and develop strategic partnerships.

Quality and cost effectiveness of processes

Effective and flexible processes and improved cost competitiveness are also required for the success of Patria. Patria works continuously and systematically to develop processes and improve cost competitiveness.

Sales and delivery projects

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

The management of projects and project risks is constantly being developed and enhanced.

Safeguarding and developing competencies and expertise

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

Compliance

Patria is committed to ethical conduct, compliance with the laws and regulations of the countries in which it operates, and adherence to its agreements and commitments. Patria invests considerable effort in ensuring the ethics and compliance of operations through communications, guidelines and processes for ethical conduct, as well as regular training. As Patria's operating environment is complex and Patria operates in many countries and under different jurisdictions and complex regulations, violations may occur despite Patria's good intentions and efforts to ensure ethical operations. Violations may result in financial losses and damage to Patria's reputation. Patria's ethical principles have been detailed in the Patria Ethical Code of Conduct guideline, which defines the ethical principles applied to Patria and all of its employees and directors. Adherence to ethical guidelines is monitored internally and non-conformities are investigated and dealt with. Patria's business partners and critical suppliers are also subjected to a thorough advance review, and contractual obligations concerning ethical conduct are defined for such parties.

Information and cyber security

Management and handling of secret and confidential information of Patria and third parties is a significant part of Patria's operations, and may make Patria a target for cyber-attacks, among other phenomena. It would be highly detrimental to Patria and other information owners if such secret or confidential information were accessed or abused by an unauthorized party. Patria maintains a high level of information security and continuously works to improve it even further.

Other security and accident risks

Patria's business units and Group functions regularly assess personnel risks, environmental risks and other accident risks within the framework of the Group's management systems and normal operations. Based on the assessments, annual development programs are defined and executed for ensuring the security and continuity of operations.

Board of Directors

31.12.2020

Panu Routila
Chairman
Since February 2020

Ari Puheloinen
General, ret.
Since 2016

Jarle Næss
Senior Vice President Business Development, Kongsberg Defence & Aerospace
Since 2018

Petri Vihervuori
Senior Financial Adviser, the Ownership Steering Department in the Prime Minister's Office, State representative
Since 2018

Päivi Marttila
CEO, Sievi Capital plc
Since 2016

Eirik Lie
Executive Vice President, KONGSBERG and President, Kongsberg Defence & Aerospace
Since 2017

Gyrid Skalleberg Ingerø
Executive Vice President and Chief Financial Officer, KONGSBERG
Since 2018

Harald Aarø
Executive Vice President,
Space and Surveillance,
Kongsberg Defence & Aerospace
Since 2016

Consultative Committee

31.12.2020

According to the Articles of Association, Patria Oyj must have a Consultative Committee appointed by the Finnish Parliament and the General Meeting of Shareholders. The Articles of Association further state that the Board of Directors shall consult the Consultative Committee on matters that concern major decrease or increase of operational activities, material changes in the company's organisation, and on issues which are otherwise of material importance to the industry that the company is engaged in, either in Finland or internationally.

Jari Myllykoski
Chairman
Member of Parliament
Since November 2020

Janne Sankelo
Vice Chairman
Member of Parliament
Since October 2019

Riitta Mäkinen
Member
Member of Parliament
Since October 2019

Eero Pyötsiä
Member
Chief of Defence Command, Lieutenant General, Finland
Since August 2019

Petri Huru
Member
Member of Parliament
Since October 2019

Petri Peltonen
Member
Under-Secretary of State at the Ministry of Employment and the Economy
Since 2012

Hannu Hoskonen
Member
Member of Parliament
Since October 2019

Jari Metsälä
Member
Manager, Product Design, Patria
Since March 2019

Jussi Karimäki
Member
Equipment Assembler, Patria
Since 2009

Juha Kuusi
Member
System Specialist, Patria
Since 2011

Ilkka Kokko
Member
System Engineer, Patria
Since 2019

Group Management Team

31.12.2020

Esa Rautalinko
b. 1962
President and CEO
Since 2019

Ville Jaakonsalo
b. 1971
Chief Financial Officer
Since 2010

Jonas Geust
b. 1970
President, Systems
Since 2018

Jukka Holkeri
b. 1962
President, International Support Partnerships
Since 1988

Jussi Järvinen
b. 1979
President, Land
Since 2013

Martti Wallin
b. 1963
President, Aviation
Since 1989

Petri Hepola
b. 1965
Chief Program Officer, HX
Since 2002

Leena Olkkonen
b. 1962
Chief Human Resources Officer
Since 2017

Birgitta Selonen
b. 1964
Chief Communications Officer
Since 2010

Pasi Niinikoski
b. 1961
Chief Business Development Officer
Since 2006

Patria 100

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