Patria 100

2021 Annual Report

FINANCIAL AND GOVERNANCE

Board of Directors' Report

NEW ORDERS AND ORDER STOCK

The value of new orders received during the financial period was EUR 588.7 million (EUR 1,400.2 million in 2020). A supply contract with Latvia for 6x6 armoured personnel carriers developed under the joint development programme, also including their support and training systems had a significant impact on the value of new orders. Defence material and life cycle support accounted for 93% (97%) and civilian products for 7% (3%) of the new orders. At the end of December, the Group's order stock was EUR 1,550.3 million (EUR 1,508.2 million).

NET SALES AND PROFITABILITY

The Group's net sales for the financial period totalled EUR 547.7 million (EUR 534.1 million in 2020 and EUR 507.5 million in 2019). Defence material and life cycle support accounted for 92% (93%) and civilian products for 8% (7%) of the net sales. Sales outside Finland for the financial period accounted for 28% (25%) of the net sales.

The Group's operating profit for the financial period was EUR 61.2 million, representing 11.2% of net sales (2020: EUR 40.3 million, 7.5%; 2019: EUR 7.8 million, 1.5%).

The consolidated income before taxes for the financial period amounted to EUR 56.6 million (2020: EUR 36.7 million; 2019: EUR 3.9 million). The Group's return on equity for the financial period was 20.1% (2020: 13.8%; 2019: 1.8%).

Patria Group's financial performance and profitability for the financial year 2021 were at a strong level, despite the COVID-19 pandemic. The impact of the pandemic was moderate on Group level but had a significant impact on Patria's civil pilot training and commercial aircraft parts manufacturing business.

During the financial period Patria launched its new growth strategy aimed at ambitious growth by the end of 2025. A new operating model to support the growth strategy was also prepared during 2021, and it was put into operation at the beginning of 2022.

The decision on Finland's future F-35 fighter jets is a significant opportunity for Patria, which has been actively supporting the Finnish Defence Administration and the HX project. The main task has been to ensure national security of supply and maintenance of the equipment as well as ensure that industrial co-operation requirements are met. The fighter procurement decision will also open access to the global F-35 supply chain for Patria.

FINANCING AND OWNERSHIP

The Group's equity ratio at the end of December was 41.3% (2020: 38.8%; 2019: 39.1%) and net gearing 50.2% (2020: 72.1%; 2019: 70.8%).

Consolidated liquid funds at the end of December amounted to EUR 68.3 million (EUR 37.5 million). The Group's interest-bearing liabilities totalled EUR 211.0 million (EUR 217.7 million) at the end of December. The interest-bearing liabilities included finance lease liabilities of EUR 100.9 million (EUR 97.7 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 9.2 million (EUR 6.8 million). Capital expenditure was mainly related to facilities and equipment, IT and production. In addition, a total of EUR 2.6 million (EUR 8.0 million) was spent on acquisitions.

In October Millog Oy acquired 100% of the shares of Laivakone Oy. Ownership was transferred to Millog on 1 October 2021. Laivakone's business consists of maintenance services for ships, power plants, and industrial machinery and equipment. Its net sales in the previous financial period was EUR 1.5 million and it has 13 employees.

In February Patria established a subsidiary, called Patria Japan Ltd., in Japan.

RESEARCH AND DEVELOPMENT

The Group's expenditure on research and development for the financial period amounted to EUR 12.4 million (EUR 10.0 million), representing 2.3% (1.9%) 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 3,075 (2020: 3,003; 2019: 2,988) persons. At the end of December, the personnel totalled 3,097 (2020: 2,973; 2019: 3,055) persons.

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. The new yearly bonus plan was introduced from the beginning of 2021. In 2021, the total amount of salaries and wages paid was EUR 169.0 million (2020: EUR 162.4 million; 2019: EUR 154.1 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.

In 2021, the new Horizon 2025 growth strategy was evolved together with the personnel. The new strategy supports Patria to achieve its goal of significant and profitable growth of EUR 300 million in total sales by the end of 2025. The changes in the operating model, organization and tasks initiated by the implementation of the new strategy came into force at the beginning of 2022. The long-term work of cultural change towards

a unified Patria continues. One of the key changes was dismantlement of the former business units (excluding Millog). In the current model the Group is reorganized into three commercial divisions (Global, Finland and Millog), the Portfolio unit responsible for products and services, and the Operations unit responsible for production as a whole. At the same time, the support functions are centralized on Group level. The goal of the new strategy is to have a solidly managed, unified and strongly customer-oriented Patria.

Personnel development focused on the design of a new organizational model and new job descriptions. Further, Group-wide co-operation negotiations were held in the Group (excluding Millog). As a result, nearly 300 Patria employees were given a completely new or partially changed role starting from the beginning of 2022.

Staff and supervisors were trained virtually. In 2021, the fourth Group-level LEAP management development program ended. Due to the pandemic, the coaching was exceptionally fully virtual. Total of 25 Patria employees participated in the global program. The BOOSTing My Team coaching, which began in 2020, continued regularly and were offered to all over 200 supervisors in Patria. At the heart of interactive training were key themes for supervisor work, change management skills, and interactive exchange of ideas.

The COVID-19 pandemic had a significant impact on Patria's civilian flight training as well as the Aerostructures business, and therefore Patria had employee co-operation negotiations in its Aerostructures and Pilot Training units. For other business, the effects of the pandemic were more moderate.

In June the co-operation negotiations in the Patria's Pilot Training Oy unit ended. The negotiations concerned the entire personnel of the unit in Pirkkala, Helsinki and Córdoba locations. The negotiations resulted in the unit laying off 22 flight instructors and employees on a temporary basis during 2021. Layoffs were full-time or part-time and lasted maximum 90 days.

In August the employee co-operation negotiations in Aerostructures business unit's metal operations (Patricomp Oy) in Jämsä, Halli ended. Negotiations resulted in full-time layoff of seven persons. Other layoff measures were also implemented which came into effect in September 2021.

KEY EVENTS DURING YEAR 2021

Finland and Latvia together with Patria signed a Frame Agreement for a production phase management of the joint 6x6 armoured vehicle system. In addition, Latvia and Patria signed a supply contract comprising over 200 pieces 6x6 armoured personnel carriers developed under the joint development programme, also including their support and training systems. The vehicle deliveries will take place between 2021 and 2029. In October Patria delivered the first Patria 6x6 armoured wheeled vehicles to Latvia. Finland and Patria in turn signed a Letter of Intent on the forthcoming serial order of Finland. In December Sweden officially announced its desire to join the Finnish-led CAVS programme (Common Armoured Vehicle System). This milestone was significant for the whole programme. Extensive co-operation and network between countries will improve the mobility, cost-effectiveness, co-operation and maintenance capacity of the participating countries' land forces.

In July, as part of the European Defence Industrial Development Programme (EDIDP), Patria was selected to lead a defence industry consortium, which will develop next generation armoured platforms and upgrade existing ones to improve ground combat capabilities. The consortium includes 19 leading defence companies from different EU countries.

Patria is also involved in a joint project of three northern European states chosen by the EU as part of EDIDP to develop maritime and aerial surveillance capabilities. The Member States are Sweden, Finland and Estonia.

The EDIDP project Passive Acquisition by Digital Convergence (PADIC) started in December. The European Passive Radar Project will develop a coastal radar network system with an open architecture connecting passive digital sensors of different types.

In May Senop Oy signed an export contract with Kongsberg Defence & Aerospace AS to supply integrated Fire Distribution Centers to an international NASAMS program. Contract consists of Fire Distribution Centers integrated into Shelters and spare parts.

In June Patria was awarded a contract for the delivery of the Patria ARIS-E Electronic Support Measures (ESM) system to a European customer.

In June the Finnish Ministry of Defence announced that the CV9030 fleet will be upgraded in the coming years. In June, Millog received an order related to the mid-life upgrade work of the CV9030 infantry fighting vehicle fleet of the Finnish Defence Forces and in August Senop received an order for the development of night vision sensors for the Finnish CV9030 Infantry Fighting Vehicles. The deliveries will take place over several years.

In July the Finnish Defence Forces ordered laser sights and additional image intensifiers from Senop Oy.

In July Patria and the Kazakh airline Air Astana renewed their agreement for training of new pilots. The agreement is valid until the end of 2023.

In August Patria and the Slovak engineering company CSM Industry signed a Memorandum of Understanding related to the tender for the supply of 8x8 armoured fighting vehicles. The agreement includes co-operation in the supply and sale of eight-wheeled armoured vehicles.

In September Patria was awarded a contract for the delivery of Patria Sonac ACS Acoustic Minesweeping Systems to the Belgian and Royal Netherlands navies by Belgium Naval & Robotics, the consortium made up of ECA GROUP and Naval Group. The systems will be part of a fully integrated hardware and software minesweeping system developed by ECA GROUP.

Patria participates in a research project led by the Finnish and German Defence administrations. The research project investigates the teaming of manned and unmanned systems in various situations (MUM-T, Manned-UnManned Teaming). Patria's responsibility is to provide wireless communication with CANDL data link system (Compact Airborne Networking Data Link) between manned and unmanned aerial platforms as well as ground systems in MUM-T scenarios.

The Estonian Centre for Defence Investment (ECDI) and Patria renewed the Life Cycle Support Agreement for XA-180 and XA-188 fleets manufactured by Patria. The purpose of the new agreement is to support ECDI in the maintenance, repair, modifications as well as spare part supplies of the XA fleet. The renewed agreement is valid for the next seven years.

ADMINISTRATION

Patria Oyj's Annual General Meeting held in Helsinki on 8 April 2021 adopted the Consolidated Financial Statements for the financial period that ended on 31 December 2020. 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 2020. Furthermore, the Annual General Meeting decided, according to the Board of Directors' proposal, to distribute a dividend of EUR 0.60 per share, totally EUR 16,705,133.40.

Panu Routila, (MSc, Economics) continued as the Chairman of the Board of Directors of Patria Oyj. Harald Aarø, Executive Vice President Space and Surveillance, Kongsberg Defence & Aerospace AS; Eirik Lie, President, Kongsberg Defence & Aerospace AS; Päivi Marttila, Board Professional; Jarle Næss, Senior Vice President, Business Development, Kongsberg Defence & Aerospace AS; Ari Puheloinen, General (ret.); Gyrid Skalleberg Ingerø, Executive Vice President and Chief Financial Officer, KONGSBERG Group and Petri Vihervuori, Senior Financial Adviser, the Ownership Steering Department in the Prime Minister's Office, 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, 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.

Jari Myllykoski, Member of Parliament (Left Alliance), continued as the Chairman of Patria Oyj's Consultative Committee and Janne Sankelo, Member of Parliament (National Coalition Party) 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); Petri Peltonen, Under-Secretary of State at the Ministry of Economic Affairs and Employment; Lieutenant General Eero Pyötsiä, Chief of Defence Command 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.

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 operational 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 co-operation with third parties, and have durations of several years. Moreover, the contents of deliveries and the forms of industrial co-operation 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 are 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 2021.

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 2021 the Board of Directors, the Audit Committee and the Group Management Team received regular reports on activities and issues relating to Corporate Social Responsibility. Co-operation 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 plan.

During 2021 a new corporate responsibility management model was prepared and approved. As from the beginning of 2022, corporate responsibility is directed by the ESG Steering Group, which is coordinated by the Chief Legal Officer. In addition to the CLO, the members of the group are the heads of HR, finance and QEHS and a communications representative. Patria also has ESG working groups specialising in the environment, compliance, finance, procurement and well-being at work. As from the beginning of 2022, there is a separate Head of Compliance, who reports to the CLO and is responsible for matters related to compliance and ethics (incl. anti-corruption work).

Two-tier ethics and compliance-training for all Patria personnel is arranged every other year. In 2021 the training consists of a basic training for blue-collars and an advanced training for the management and white-collars. In addition, Patria continued training on Global Data Protection Regulation (GDPR). Trade Compliance Project in co-operation with Kongsberg won the World Export Control Review Award. In 2021, Patria became a member of the non-profit organization TRACE, whose mission is to help companies prevent corruption and promote good governance and compliance with laws and regulations.

As a result of successful work performed to improve ethical conduct, Patria was ranked in the second-highest category B in Transparency International's Defence Companies Anti-Corruption Index. Based on public information, the companies were evaluated on a scale of A–F, with A being the best.

Patria offers internal and external whistle-blowing channels enabling also anonymous reporting. A SpeakUp channel enabling anonymous reporting and dialogue was introduced in 2020. 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 and environmental actions against climate change were brought as one of the themes. In 2021 no changes were made to the themes.

In Patria environmental aspects, impacts and risks are considered in all business planning, operations and management. All Patria's major operational locations are ISO14001 certified. As an environmentally responsible company, Patria is committed to Finland's carbon neutrality goal by 2035. To achieve the set target, various measures have been engaged, including more efficient use of energy, materials and water. In 2021 Patria's environmental targets and measures to reduce the carbon footprint as well as road map for joining SBTi were defined.

Related to export license 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 continuously strives to improve its internal processes and practices by ensuring the necessary expertise in the subject area and by actively working with other industry players in identifying and applying best practices in the field. Patria also actively participates in expert industry groups engaged in a dialogue with the European Council's COARM (Working Party on Conventional Arms Exports) and the European Commission.

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 and continued as one of the main sponsors of the Finnish Biathlon Association.

EVENTS AFTER THE FINANCIAL PERIOD

In January, Millog Oy signed an agreement to acquire the entire share capital of Hämeen Diesel Oy. The ownership was transferred to Millog Oy on 3 January 2022. Hämeen Diesel Oy's business includes the repair of diesel and gasoline engines and heavy-duty machine transmissions, as well as the sale of factory-new and completely overhauled engines. The company's total sales in the previous financial year was EUR 2.4 million and the company employed 18 people.

The Finnish Defence Forces and Patria signed an agreement to acquire Patria's 6x6 vehicles as a pre-series related to the joint 6x6 vehicle programme between Latvia, Finland, Estonia and Patria. The pre-series vehicles will be in test use of the Finnish Defence Forces before the final serial order indicated by the Letter of Intent signed at the end of August 2021.

The Swedish Defence Materiel Administration (FMV) ordered from Patria an upgrade of Patria XA 202/203 (Patgb 202/203) wheeled armoured vehicles. The contract is worth approximately EUR 28 million. In total 168 vehicles will be refurbished at the Patria facilities in Hämeenlinna, Finland. The work will start immediately with the first deliveries already in 2022 and with the entire fleet upgraded by the end of 2025.

OUTLOOK

Focusing on its new growth strategy, Patria will ensure an undisturbed implementation of its new operational structure and continues to strengthen its operational efficiency as well as its 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.

With the F-35 decision, negotiations on industrial co-operation will intensify within the framework of the selected aircraft.

Patria 6x6 vehicle development programme with Finland and Latvia is proceeding as planned, and Sweden has indicated its willingness to join in order to improve the mobility of its armed forces.

BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION

The parent company's non-restricted equity on 31 December 2021 is EUR 206,441,509.87 of which the net profit for the financial period is EUR 5,776,282.30.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.90 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 25,057,700.10. The Board of Directors further proposes that the remaining non-restricted equity, EUR 181,383,809.77 be retained and carried forward.

ANNUAL GENERAL MEETING 2022

The Annual General Meeting of Patria Oyj will be held on 25 March 2022 in Helsinki, Finland.

Consolidated Financial Statements (IFRS)

Consolidated Statement of Financial position

MEUR	Note	31/12/2021	31/12/2020
Assets			
Non-current assets			
Intangible assets	11		
Intangible rights		2.7	2.9
Goodwill	8, 11	28.3	26.5
Advance payments		0.1	0.0
Tangible assets	11		
Land and water		3.9	3.4
Buildings and constructions		117.0	115.9
Machinery and equipment		23.5	25.0
Other tangible assets		0.8	0.5
Advance payments and construction in progress		0.6	0.8
Investments in joint ventures	12	222.2	190.1
Other shares	13, 16	0.2	0.2
Deferred tax assets	10	14.1	10.6
Other receivables		11.6	12.4
Long-term receivables from joint ventures	12	0.0	0.4
Total Non-current assets		**424.8**	**388.7**
Current assets			
Inventories	14		
Raw materials and supplies		49.1	46.9
Work in progress		60.2	39.7
Finished goods		2.2	2.8
Advance payments		1.3	1.8
Receivables			
Accounts receivable	2	118.5	125.6
Receivables from joint ventures	12	0.0	0.0
Other receivables		2.0	1.5
Prepaid expenses and accrued income	14	37.5	49.1
Derivative financial instruments	2	0.7	0.7
Current tax asset		0.2	0.3
Current investments		3.5	0.0
Cash and cash equivalents		64.8	37.5
Total Current assets		**340.1**	**306.0**
Total Assets		**765.0**	**694.7**

MEUR	Note	31/12/2021	31/12/2020
Shareholders' equity and liabilities			
Shareholders' equity	18		
Share capital		38.0	38.0
Fair value reserve	17	0.4	0.3
Invested non-restricted equity fund		164.1	164.1
Translation differences		-1.7	-1.7
Retained earnings		-1.3	-11.2
Net income for the period		53.6	33.6
Equity attributable to shareholders of parent company		**253.1**	**223.1**
Non-controlling interests		**31.1**	**26.8**
Total Shareholders' equity		**284.2**	**249.9**
Non-current liabilities			
Deferred tax liability	10	1.6	1.5
Pension provisions	7	7.1	7.3
Provisions	19	10.6	12.8
Interest bearing liabilities	2	166.2	115.2
Other liabilities		1.5	1.6
Total Non-current liabilities		**187.0**	**138.3**
Current liabilities			
Interest bearing liabilities	2	44.7	102.5
Advance payments		105.8	88.1
Accounts payable		54.0	40.6
Other current liabilities		25.8	18.5
Accruals and deferred income	15	63.3	55.8
Derivative financial instruments	2	0.1	1.0
Current tax liability		0.0	0.0
Total Current liabilities		**293.7**	**306.4**
Total Shareholders' equity and liabilities		**765.0**	**694.7**

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

Consolidated Income Statement

MEUR	Note	1-12/2021	%	1-12/2020	%
Net sales	4	**547.7**		**534.1**	
Other operating income	5	4.8		11.4	
Share of joint ventures result		41.4		27.0	
Change in inventories of finished goods and work in progress		18.2		-3.9	
Production for own use		0.1		0.2	
Raw materials and supplies		-156.1		-125.9	
Change in inventories of raw materials		-8.6		-3.7	
Services purchased		-82.7		-107.5	
Employee benefit expenses	7	-205.4		-194.7	
Depreciation, amortization and impairments	8	-27.3		-29.5	
Other operating expenses	5	-70.8		-67.3	
Operating profit		**61.2**	**11.2%**	**40.3**	**7.5%**
Financial income and expenses	9				
Interest and other financial income		0.7		0.4	
Interest and other financial expenses		-4.2		-4.1	
Exchange gains and losses		-1.1		0.1	
Income before taxes		**56.6**	**10.3%**	**36.7**	**6.9%**
Income taxes	10	-3.0		-3.0	
Profit for the period		**53.6**	**9.8%**	**33.6**	**6.3%**
Net income attributable to non-controlling interests		8.2		6.5	
Net income attributable to equity shareholders		45.4		27.2	
Profit for the period		**53.6**	**9.8%**	**33.6**	**6.3%**

Consolidated statement of comprehensive income

MEUR	1-12/2021	%	1-12/2020	%
Profit for the period	53.6		33.6	
Other comprehensive income				
Items that may be reclassied to profit or loss in subsequent periods				
Cash flow hedges	0.1		0.3	
Change of translation difference	0.1		1.0	
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gains/losses on defined benefit plans	0.1		1.4	
Share of comprehensive income in joint ventures	-1.9		-1.8	
Total comprehensive income	**51.9**	**9.5%**	**34.6**	**6.5%**
Total comprehensive income attributable to non-controlling interests	7.7		7.0	
Total comprehensive income attributable to equity shareholders	44.2		27.6	
Total comprehensive income	**51.9**	**9.5%**	**34.6**	**6.5%**

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

Consolidated Cash flow Statement

MEUR	Note	31/12/2021	31/12/2020
Net income for the period		53.6	33.6
Depreciation, amortization and impairments	8	27.3	29.5
Capital gains/losses		-1.1	-1.1
Other adjustments			
Share of result in joint ventures		-41.4	-26.9
Dividends received from joint ventures		10.4	4.5
Other adjustments		0.3	-4.8
Financing items		3.6	3.6
Taxes	10	3.0	3.0
Change in receivables		18.6	-16.3
Change in payables		43.4	15.9
Change in inventories		-21.6	-0.7
Cash flow from operations		**96.0**	**40.4**
Interest received		0.6	0.4
Interest paid		-2.8	-3.6
Dividends received		0.0	0.0
Other financial items		-1.4	-0.3
Income taxes paid		-6.3	-3.6
Cash flow from operating activities		**86.1**	**33.3**
Aqcuisitions, net of cash		-2.3	-7.8
Other capital expenditures		-9.2	-6.8
Divested business operations		0.5	1.0
Sale of other fixed assets and other changes		0.1	1.5
Other long-term investment, decrease		0.4	0.0
Cash flow from investing activities		**-10.4**	**-12.1**
Borrowings of long-term loans		50.0	0.0
Change in short-term financing		-60.0	9.9
Change in other loans		-14.8	-12.9
Dividends paid to equity shareholders		-16.7	-13.9
Dividends paid to non-controlling interests		-3.9	-2.9
Change in other loan receivable		1.0	0.0
Other changes		-0.5	0.3
Cash flow from financing activities		**-44.9**	**-19.5**
Change in liquid funds	2	**30.8**	**1.7**
Change		30.8	1.7
Liquid funds at the beginning of the period		37.5	35.9
Liquid funds at the end of the period		**68.3**	**37.5**
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	0.3	-1.7	22.4	223.1	26.8	249.9
Dividends paid						-16.7	-16.7		-16.7
Other comprehensive income	10								
Cash flow hedges				0.1			0.1		0.1
Change of translation difference					0.1		0.1		0.1
Actuarial gains/losses on defined benefit plans						0.1	0.1		0.1
Share of comprehensive income in joint ventures						-1.9	-1.9		-1.9
Non-controlling interests						-8.2	-8.2	4.3	-3.9
Exchange rate difference						3.0	3.0		3.0
Corrections to previous year's bookings*						-0.0	-0.0		-0.0
Net income for the period						53.6	53.6		53.6
31 Dec 2021		**38.0**	**164.1**	**0.4**	**-1.7**	**52.3**	**253.1**	**31.1**	**284.2**

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**

* IAS8 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 Arkadiankatu 2, 00100 Helsinki. Copies of the financial statements are available from Patria Group's headquarters, Arkadiankatu 2, 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 reorganization, 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 the financial year, 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.

LIQUID FUNDS

Liquid Funds comprise current investments as well as cash and cash equivalents including cash in hand and 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.

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 that took effect during the financial year did not have a material impact on the result or the financial position of the Group or on the presentation of the financial statements. Certain standards, amendments and interpretations have been published but have not taken effect. These are not expected to 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.

Patria uses derivative financial instruments to hedge the Group's exposure to foreign exchange rate and interest rate risks arising from operational, investment and financing activities in accordance with Patria's treasury policy.

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 percent exchange rate change.

The most significant currency exposures (net sales, purchases and loans) on 31 December 2021 were in the Swedish krona (SEK), and United States dollar (USD).

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS 2021

1,000 EUR	SEK	USD
Net exposure - Balance sheet items	674	-7,027
Euro strengthens / weakens 5% - Effect on income before taxes	-32 / 35	335 / -370
Net exposure - Derivatives under hedge accounting	1,621	-1,784
Euro strengthens / weakens 5% - Effect on equity	-77 / 85	135 / -149

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

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 2021

Forward foreign exchange contracts - EURUSD	MEUR 31/12/2021
Fair Value	0.1
Nominal Value	9.5
Expected time for the impact on P&L	January 2022 - June 2023
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)	1.1577

Forward foreign exchange contracts - EURSEK	31/12/2021
Fair Value	0.0
Nominal Value	-1.6
Expected time for the impact on P&L	January 2022 - December 2022
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)	10.2812

Forward foreign exchange contracts designated as cash flow hedges	31/12/2021
Derivative financial assets	0.2
Derivative financial liabilities	-0.1

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

DERIVATIVE INSTRUMENTS

2021 MEUR	Nominal value	Positive fair values	Negative fair values	Net fair value
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts	17.4	0.2	-0.1	0.1
Buy	7.7	0.2	-0.0	0.2
Sell	9.7	0.0	-0.1	-0.0
Interest rate swap	50.0	0.3		0.3
Cash flow hedge	67.4	0.6	-0.1	0.5
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	33.7	0.2	-0.0	0.1
Buy	1.1	0.0	0.0	0.0
Sell	32.6	0.1	-0.0	0.1
Non-hedging	33.7	0.2	-0.0	0.1
Total	**101.1**	**0.7**	**-0.1**	**0.6**

MEUR	2022	2023	2024	2025 -
Derivative financial assets	0.4	0.0	0.0	0.3
Derivative financial liabilities	-0.1	0.0	0.0	0.0

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**

	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

OFFSETTING OF FINANCIAL INSTRUMENTS

2021 MEUR	Gross amounts in balance sheet	Financial instruments - Related amounts not set off in the balance sheet	Net amount
Derivative financial assets	0.7	-0.1	0.6
Derivative financial liabilities	0.1	-0.1	0.0

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

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. The Group has designated all open interest rate swaps as hedging instruments. Interest arising from interest rate swaps is reported under Financial income and expenses concurrently with interest expense arising from hedged floating rate loans from financial institutions.

On 31 December 2021, the average interest fixing term of the liabilities was 3,6 years (2,8) and that of the receivables 4,18 days (one day).

INTEREST FIXING PERIODS

MEUR	0-6 mths	6-12 mths	12-24 mths	24-36 mths	Later	Total
Lease liablilities	0.4	0.3	2.1	0.6	97.6	100.9
Loans from financial institutions	60.0				50.0	110.0
Other interest-bearing liabilities		0.0	0.0			0.0
Interest-bearing receivables	-68.3					-68.3
Total 2021	**-8.0**	**0.3**	**2.1**	**0.6**	**147.6**	**142.6**

MEUR	0-6 mths	6-12 mths	12-24 mths	24-36 mths	Later	Total
Lease liablilities	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**		**96.0**	**180.2**

On 31 December 2021, Group's interest-bearing liabilities totaled EUR 211.0 million (217.7) out of which EUR 150.7 million (106.8) was fixed rate and EUR 60.3 million (110.9) was floating rate. Interest-bearing receivables were EUR 68.3 million (37.5) out of which EUR 64.8 million (37.5) was floating rate and EUR 3.5 million (0.5) was fixed rate. The Group has open interest derivatives EUR 50.0 million (0.0) on 31 December 2021.

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 2021, would lead to a decrease in annual net interest expenses of EUR 45 thousand. In the previous year the annual net interest expenses would have increased by 734 thousand euro. A corresponding decrease in interest rates would result in an equal effect of opposite sign.

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 2021 the average maturity of the Group's interest-bearing liabilities was 3.9 years (2.9). The values on the following maturity distribution table are undiscounted.

MATURITY DISTRIBUTION OF FINANCIAL INSTRUMENTS

MEUR	2022	2023	2024	2025	2026	2027-	Total
Lease liablilities	14.7	14.6	13.9	13.7	12.0	32.2	**100.9**
Loans from financial institutions	30.0	0.0	80.0	0.0	0.0	0.0	**110.0**
Other interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Derivative financial liabilities	0.1	0.0	0.0	0.0	0.0	0.0	**0.1**
Derivative financial assets	-0.4	-0.0	0.0	0.0	-0.3	0.0	**-0.7**
Interest payments	0.1	0.0	0.0	0.0	0.0	0.0	**0.1**
Total 2021	**44.6**	**14.5**	**93.9**	**13.7**	**11.6**	**32.2**	**210.5**

MEUR	2021	2022	2023	2024	2025	2026-	Total
Lease liablilities	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**

As a part of its liquidity reserves on 31 December 2021, Patria had the following unused financial reserves: committed credit and overdraft facilities totaling EUR 45.5 million (45.5) and commercial paper program totaling EUR 100.0 million (90.0).

NET DEBT

MEUR	2021	2020
Loans from financial institutions	80.0	30.0
Lease liabilities	86.2	85.2
Non-current interest-bearing liabilities	166.2	115.2
Loans from financial institutions	30.0	80.0
Issued commercial papers	0.0	10.0
Other interest bearing loans	0.0	0.0
Lease liabilities	14.7	12.5
Current interest-bearing liabilities	44.7	102.5
Interest-bearing liabilities total	211.0	217.7
Liquid funds	68.3	37.5
Net debt	142.6	180.2

CHANGE IN NET DEBT

MEUR	Loans from financial institutions	Commercial papers	Other interest bearing loans	Lease liabilities	Liquid funds	Total
Carrying value, at 1 January 2021	-110.0	-10.0	0.0	-97.7	37.5	-180.2
Change in net debt, cash:						
Change in non-current loans	-50.0		-0.0			-50.0
Change in current liabilities	50.0	10.0				60.0
Change in liquid funds					30.8	30.8
Cash flows total	**0.0**	**10.0**	**-0.0**	**0.0**	**30.8**	**40.8**
Change in net debt, non-cash:						
Increases of lease liabilities				-18.0		-18.0
Repayments of lease liabilities				14.8		14.8
Business combinations	-0.0					-0.0
Foreign exchange adjustments				0.0	-0.0	0.0
Non-cash movements, total	**-0.0**	**0.0**	**0.0**	**-3.2**	**-0.0**	**-3.2**
Carrying value, at 31 December 2021	**-110.0**	**0.0**	**-0.0**	**-100.9**	**68.3**	**-142.6**

MEUR	Loans from financial institutions	Commercial papers	Other interest bearing loans	Lease liabilities	Liquid funds	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 liquid funds					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**

Related to Lease liabilities Patria has recharge contracts regarding the next 8 years and EUR 6.5 million (7.3) 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	2021	2020
Undue accounts receivables	97.3	93.2
Accounts receivables 1–30 days overdue	1.6	6.3
Accounts receivables 31–60 days overdue	2.1	0.9
Accounts receivables more than 60 days overdue	17.5	25.1
Total	**118.5**	**125.6**

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. For the parent company and its subsidiaries in Finland Patria has also done hedging against increase in electricity prices by having fixed-price purchase agreements for electricity. Hedging is done in accordance with the Treasury's risk policy using external dealers authorized by Patria to manage the electricity purchases.

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

In October Millog Oy acquired 100% of the shares of Laivakone Oy. Ownership was transferred to Millog on 1 October 2021. Laivakone's business consists of maintenance services for ships, power plants, and industrial machinery and equipment. Its net sales in the previous financial period was EUR 1.5 million and it has 13 employees.

In February Patria established a subsidiary, called Patria Japan Ltd., in Japan.

In 2020 Millog Oy acquired 100% of the shares of Virve Tuotteet ja Palvelut Oy and Oy Western Shipyard Ltd. In addition, Patria and Latvian SIA Unitruck established a jointly owned company in Latvia. The new company, SIA Defence

Partnership Latvia is owned by Patria by 70% and Unitruck by 30%. Patria Helicopters AS in Bardufoss, Norway was sold to Kongsberg Aviation Maintenance Services AS (KAMS). Patria owns 49.9% of the shares of KAMS.

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 Laivakone Oy includes new market share, business and technical expertise as well as expected synergies.

ASSETS AND LIABILITIES

MEUR	2021	2020
Acquisition cost transferred	2.6	8.0
Acquisition cost paid in cash	2.6	8.0
Cash flow from the acquisitions		
Acquisition cost paid in cash	2.6	8.0
Liquid funds of the acquired companies	-0.3	-0.7
Cash flow from the acquisitions	**2.3**	**7.3**
Assets and liabilities of the acquired businesses		
Intangible assets	0.0	0.7
Tangible assets	0.1	0.3
Inventories	0.1	0.9
Accounts receivables and other assets	0.4	4.6
Liquid funds	0.3	0.7
Total assets	**0.9**	**7.1**
Interest-bearing loans	0.0	0.4
Other liabilities	0.1	3.3
Total liabilities	**0.2**	**3.7**
Net assets	0.7	3.3
Patria's share of net assets	0.7	3.3
Goodwill	**1.9**	**4.6**

4. Disaggregation of revenue

MEUR	2021	2020
Products	136.1	105.5
Services	411.5	428.6
Total	**547.7**	**534.1**
Performance obligation satisfied at a point in time	420.1	397.0
Performance obligation satisfied over time	127.5	137.1
Total	**547.7**	**534.1**

5. Other operating income and expenses

OTHER OPERATING INCOME

MEUR	2021	2020
Rental income	1.6	1.6
Capital gain on sale of fixed assets	0.2	1.2
Other operating income	2.7	1.8
Grants received	0.4	6.8
Total	**4.8**	**11.4**

Group was contractually exempt from the repayment of the R&D loan and the loan has been treated as grants received in 2020. Expenses related to the grants received have been incurred and expensed in previous years. There are no future expenditure arising from the obligation.

OTHER OPERATING EXPENSES

MEUR	2021	2020
Research and development	-0.3	-0.2
Rents	-14.8	-12.3
Losses on sale of fixed assets	-0.0	-0.1
Travel expenses	-4.8	-4.2
Real estate expenses	-19.1	-19.2
Other operating expenses	-31.8	-31.2
Total	**-70.8**	**-67.3**

PRINCIPAL INDEPENDENT AUDITOR'S FEES AND SERVICES

MEUR	2021	2020
Audit fees	-0.3	-0.3
Other audit related fees	-0.0	-0.1
Other services	-2.8	-0.4
Total	**-3.2**	**-0.8**

6. Research and development expenses

MEUR	2021	2020
Research and development expenses, total	-12.4	-10.0
Research and development costs expensed during financial period	-5.5	-6.3

7. Employee benefit expenses

MEUR	2021	2020
Salaries and fees paid to Members of Board, Consultative Committee and President and CEO	-1.0	-0.7
Other wages and salaries	-168.2	-161.8
Pension and pension insurance expenses	-26.2	-22.1
Other employer costs	-10.0	-10.1
Total	**-205.4**	**-194.7**

COMPENSATION TO BOARD OF DIRECTORS AND ATTENDANCE AT MEETINGS

		Attendance at meetings		
1,000 EUR	**2021**	**Board**	**Audit Committee**	**Nomination and Compensation Committee**
Board members 31 December 2021				
Panu Routila, Chairman	41	10/10		4/4
Petri Vihervuori	27	10/10	5/5	
Harald Aarø	0	10/10		3/4
Eirik Lie	0	10/10	5/5	
Päivi Marttila	27	10/10	5/5	
Jarle Næss	26	10/10		4/4
Ari Puheloinen	26	10/10		4/4
Gyrid Skalleberg Ingerø	0	10/10	5/5	
Total	**148**			

		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

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	**2021**	**Attendance at meetings**
Consultative Committee members 1 January - 31 December 2021		
Jari Myllykoski, Chairman	2	3/4
Janne Sankelo, Vice Chairman	2	4/4
Hannu Hoskonen	1	2/4
Petri Huru	2	3/4
Riitta Mäkinen	2	4/4
Petri Peltonen	2	4/4
Eero Pyötsiä	2	3/4
Total	**13**	

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

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.

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

Salaries, fees and benefits paid to the President and CEO Esa Rautalinko during 2021 totalled EUR 809,778.30 (EUR 520,667.26) consisting of

- base salary of EUR 461,760.00 (EUR 457,320.00) (including salary of EUR 461,520.00 (457,080.00) and benefits of EUR 240.00 (240.00)),
- yearly bonus for the earning period 2020 was EUR 279,720.00 (60.0% of base salary of year 2020 and 100.0% of the maximum bonus payout, which is 60.0% of base salary of year 2020) and
- EUR 68,298.30 based on years 2017-2019 and 2018-2020 long term incentive plans

The yearly bonus to be paid to the CEO Esa Rautalinko in 2022 for the earning period 2021 is EUR 279,720.00 (60.0% of base salary of year 2021 and 100.0% of the maximum bonus payout, which is 60.0% of base salary of year 2021).

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 six 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 six months' salary for the notice period, an additional compensation corresponding to the amount of 6 months' salary.

The President and CEO is assisted by the Group management team, which included in addition to the President and CEO 9 members, excluding June 10 members (10 members until 13 September 2020 and 9 members as of 13 September 2020). The salaries, fees and benefits paid to the members of the Group management team (excluding the President and CEO) totalled EUR 2,666,599.83 (EUR 1,987,758.60).

The remuneration of the President and CEO and the other members of the Board of Management for 2021 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 Group Management team of Patria as well as three other key personnel have been participants in at least one of the two separate three-year performance-based Long-Term Incentive Plans i.e. for the years 2019-2021 and 2020-2022. In addition, bonuses were paid based on the 2016-2018, 2017-2019 and 2018-2020 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 for CEO 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 of 2019-2021 program will be paid to the participants after the earning period in full by end of May 2022. The outcome of the 2018-2020 plan was 42.5% of the highest potential remuneration and was paid to the participants in one instalment in 2021. The outcome of the 2017-2019 plan was 38.0% of the highest potential remuneration and was be paid to the participants in two instalments during the years 2020 and 2021 subject to the updated terms of the plan.

The Group has made a relating cost provision in the balance sheet totalling EUR 1,649,349 (EUR 1,149,143).

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	2021	2020
Pension expenses - Defined contribution plans	-25.6	-21.6
Pension expenses - Defined benefit plans	-0.6	-0.5
Total	**-26.2**	**-22.1**

EXPENSE RECOGNISED IN PROFIT OR LOSS

MEUR	2021	2020
Service cost	-0.6	-0.5
Net interest	-0.0	-0.1
Expense recognised in profit or loss	-0.6	-0.6

STATEMENT OF FINANCIAL POSITION

MEUR	2021	2020
Defined benefit obligation	20.3	21.0
Fair value of plan assets	-13.2	-13.7
Funded status	7.1	7.3
Liability in the balance sheet	7.1	7.3

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

MEUR	2021	2020
Opening defined benefit obligation	21.0	22.1
Current service cost	0.6	0.5
Interest cost	0.1	0.2
Benefits paid	-0.6	-1.4
Actuarial gain(-) / loss (+)	-0.7	-0.4
Closing defined benefit obligation	20.3	21.0

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

MEUR	2021	2020
Opening fair value of plan assets	13.7	13.9
Interest income	0.1	0.1
Contribution paid	0.4	0.2
Benefits paid	-0.7	-1.4
Actuarial gain(+) / loss (-)	-0.2	0.9
Closing fair value of plan assets	13.2	13.7

EXPECTED CONTRIBUTION PAID IN THE NEXT FISCAL PERIOD: EXPECTED CONTRIBUTION

MEUR	Estimate 2022	2021	2020
Expected contribution	0.0	0.0	0.0

CHANGES IN OTHER COMPREHENSIVE INCOME

MEUR	2021	2020
Recognised remeasurements in other comprehensive income 1.1.	1.7	0.4
Actuarial gain(+) or loss(-) on obligation	0.7	0.4
Actuarial gain(+) or loss(-) on plan assets	-0.2	0.9
Recognised remeasurements in other comprehensive income 31.12.	2.2	1.7

PLAN ASSETS

MEUR	2021	2020
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 December 2021:

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 percent point	-1.2	-0.7	-8%	-7%
Change in salary increase, +0.5 percent point	0.0	0.0	0%	0%
Change in mortality, + 1 year in life expectancy	0.6	0.3	4%	3%
Change in benefit increase, +0.5 percent point	1.1	0.0	7%	0%
Change in Insurance Company's bonus index, +0.5 percent point	0.0	0.8	0%	8%

Census data used in this valuation is as follows:	2021	2020
Number of actives	68	69
Number of pensioners	329	299
Number of deferred	571	635
Average age actives (years)	52	50
Average remaining service time	9	10
Average serving time	9	8

Patria Belgium Engine Center SRL

MEUR	Change in defined benefit obligation	Variation
Discount Rate + 0.5%	-0.2	-7%
Salary Increase + 0.5%	0.5	18%
Inflation + 0.5%	0.2	8%

Census data used in this valuation is as follows:	2021	2020
Number of actives	100	87
Number of pensioners	5	15
Number of deferred	41	62
Average age actives (years)	44	45
Average remaining service time	15	14
Average serving time	13	17

8. Depreciation, amortization and impairments

DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENTS

MEUR	2021	2020
Intangible rights	-0.9	-0.9
Buildings and constructions	-5.3	-5.5
Buildings and constructions, IFRS 16	-12.0	-9.7
Land and water, IFRS 16	-0.1	-0.1
Machinery and equipment	-7.9	-7.9
Machinery and equipment, IFRS 16	-1.0	-1.0
Other tangible assets	-0.1	-0.0
Impairment losses, non current assets	0.0	-4.4
Total	**-27.3**	**-29.5**

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, Systems and Millog business units.

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 10.1% p.a. in 2021 (10.8%).

In 2021, the impairment testing result showed that the "value in use" in all the cash generating units were equal or more than the book value of the tested assets. Thus, no impairment of goodwill was recognized in 2021. 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 percent point) while other assumptions remain constant would lead to impairment.

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.

GOODWILL BY BUSINESS UNIT

MEUR	2021	2020
Land	8.9	8.9
Aviation	4.0	4.0
Systems	1.7	1.7
Millog	13.7	11.8
Total	**28.3**	**26.5**
1 Jan	26.5	26.2
Additions	1.9	4.6
Impairment	0.0	-4.4
31 Dec	28.3	26.5

9. Financial income and expenses

MEUR	2021	2020
Interest income		
Deposits and investments	0.1	0.1
Other	0.6	0.4
Other financial income	0.0	0.0
Interest expenses		
Interest bearing liabilities	-0.9	-1.1
Leases	-2.9	-2.6
Other financial expense	-0.4	-0.5
Exchange rate difference		
Foreign exchange derivatives, non-hedge accounted	-0.8	0.7
Other	-0.3	-0.6
Total	**-4.6**	**-3.6**

AGGREGATE FOREIGN EXCHANGE GAINS AND LOSSES INCLUDED IN CONSOLIDATED INCOME STATEMENT

MEUR	2021	2020
Net sales	0.1	0.0
Expenses	0.0	-0.2
Financial income and expenses	-1.1	0.1
Total	**-1.0**	**-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	2021	2020
Foreign exchange rate derivative contracts under hedge accounting	0.0	0.3
Non-hedge accounted foreign exchange rate derivative contracts	0.0	0.3
Total	**0.0**	**0.6**

10. Income taxes

MEUR	2021	2020
Income taxes	-6.8	-5.3
Income taxes previous period	0.0	0.1
Change in deferred tax receivable	3.9	2.3
Change in deferred tax liability	-0.1	-0.2
Total	**-3.0**	**-3.0**

TAXES RELATED TO OTHER COMPREHENSIVE INCOME

2021 MEUR	Before-tax amount	Tax	Net-of-tax amount
Cash flow hedges	0.1	-0.0	0.1
Change of translation difference	0.1	-	0.1
Actuarial gains/losses on defined benefit plans	0.5	-0.4	0.1
Share of comprehensive income in joint ventures	-2.4	0.5	-1.9
Total	**-1.7**	**0.1**	**-1.6**

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**

DIFFERENCES BETWEEN INCOME TAX EXPENSE CALCULATED AT STATUTORY RATES COMPARED TO THE INCOME STATEMENT (TAX RATE IN FINLAND 2021: 20%, 2020: 20%)

MEUR	2021	2020
Income tax expense at statutory rate	-11.1	-7.3
Effect of statutory tax rates of foreign companies	-0.0	-0.1
Untaxed income	0.0	0.2
Non-deductible expenses	0.0	-1.4
Utilization of confirmed losses	0.0	0.2
Effect of associated company result	8.3	5.4
Returns from previous tax years	0.0	0.1
Other items	-0.3	-0.1
Income taxes	-3.0	-3.0

RECONCILIATION OF DEFERRED TAX RECEIVABLES

MEUR	2021	2020
Fixed assets depreciation differences	0.4	0.5
Untaxed reserves	1.1	1.7
Tax losses carried forward	12.2	8.2
Other temporary differences	0.4	0.3
	14.1	10.6
1 Jan	10.6	8.2
Income statement	3.9	2.3
Fair value of derivative financial instruments	0.0	-0.0
Equity	-0.4	0.1
31 Dec	14.1	10.6

RECONCILIATION OF DEFERRED TAX LIABILITIES

MEUR	2021	2020
Fixed assets depreciation differences	1.5	1.4
Fair value of derivative financial instruments	0.1	0.1
	1.6	**1.5**
1 Jan	1.5	1.3
Income statement	0.1	0.2
Fair value of derivative financial instruments	0.0	0.1
31 Dec	1.6	1.5

The tax losses, for which no deferred tax assets are recognized due to the uncertainty of the utilization of the losses, amounted to EUR 31.4 million in the year of 2021 (EUR 32.3 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 2021	38.6	12.3	21.8	0.0	72.6
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	1.9	0.0	0.0	0.0	1.9
Additions	0.0	0.0	0.6	0.1	0.6
Acquisition cost 31 Dec 2021	40.4	12.3	22.4	0.1	75.1
Accumulated amortization and impairment losses 1 Jan 2021	-12.1	-12.3	-18.9	0.0	-43.2
Translation differences	0.1	0.0	0.0	0.0	0.1
Reclassifications	0.0	0.0	0.0	0.0	0.0
Amortization for the period incl. exchange rate diff. in P&L	0.0	0.0	-0.9	0.0	-0.9
Accumulated amortization and impairment losses 31 Dec 2021	-12.1	-12.3	-19.7	0.0	-44.1
Net book value at 31 Dec 2021	**28.3**	**0.0**	**2.7**	**0.1**	**31.0**
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	4.6	0.0	0.0	0.0	4.7
Additions	0.0	0.0	0.6	0.0	0.6
Acquisition cost 31 Dec 2020	38.6	12.3	21.8	0.0	72.6
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
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	-12.1	-12.3	-18.9	0.0	-43.2
Net book value at 31 Dec 2020	**26.5**	**0.0**	**2.9**	**0.0**	**29.4**

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 2021	3.6	227.8	126.4	2.1	0.8	360.6
Translation differences	-0.0	-0.2	-0.1	0.0	0.0	-0.3
Reclassifications	0.0	0.4	2.1	0.2	-2.3	0.5
Companies acquired	0.0	0.0	0.1	0.0	0.0	0.1
Scrapping	0.0	-0.2	0.0	0.0	0.0	-0.2
Additions	0.6	20.0	5.8	0.1	2.3	28.9
Disposals	0.0	-2.7	-0.3	0.0	-0.3	-3.3
Acquisition cost 31 Dec 2021	4.2	245.2	134.0	2.4	0.6	386.4
Accumulated depreciation and impairment losses 1 Jan 2021	-0.2	-111.9	-101.4	-1.6	0.0	-215.0
Translation differences	0.0	0.2	0.1	0.0	0.0	0.3
Reclassifications	0.0	0.0	-0.6	0.0	0.0	-0.5
Companies acquired	0.0	0.0	-0.0	0.0	0.0	-0.0
Scrapping	0.0	0.2	0.2	0.0	0.0	0.4
Disposals	0.0	0.7	0.1	0.0	0.0	0.7
Depreciation for the period incl. exchange rate diff. in P&L	-0.1	-17.3	-8.9	-0.1	0.0	-26.4
Accumulated depreciation and impairment losses 31 Dec 2021	-0.3	-128.2	-110.5	-1.6	0.0	-240.6
Net book value at 31 Dec 2021	**3.9**	**117.0**	**23.5**	**0.8**	**0.6**	**145.8**
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	-4.5	-1.6
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	0.8	360.6
Accumulated depreciation and impairment losses 1 Jan 2020	-0.1	-95.5	-93.8	-1.5	0.0	-190.8
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	0.0	-215.0
Net book value at 31 Dec 2020	**3.4**	**115.9**	**25.0**	**0.5**	**0.8**	**145.6**

TANGIBLE ASSETS INCLUDE CAPITALIZED FINANCE LEASES AS FOLLOWS

MEUR	Buildings and constructions	Machinery and equipment	Land and water	Total
Acquisition cost 1 Jan 2021	123.3	3.7	1.1	128.1
Translation differences	0.0	-0.0	-0.0	-0.0
Disposals	-3.2	-0.0	0.0	-3.3
Additions	18.7	1.3	0.6	20.6
Acquisition cost 31 Dec 2021	138.8	5.0	1.7	145.5
Accumulated depreciation and impairment losses 1 Jan 2021	-38.2	-1.9	-0.2	-40.2
Disposals and other changes	0.6	0.0	0.0	0.6
Depreciation for the period	-13.3	-1.0	-0.1	-14.4
Accumulated depreciation and impairment losses 31 Dec 2021	-50.9	-2.8	-0.3	-54.0
Net book value at 31 Dec 2021	**87.9**	**2.1**	**1.4**	**91.4**
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
Disposalsa 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**

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

2020

MEUR	Domicile	Ownership %	Assets	Liabilities	Net sales	Profit/Loss
Nammo AS	Raufoss, Norway	50.0	678.7	391.1	562.8	39.4

SHARES IN JOINT VENTURES

MEUR	2021	2020
1 Jan	190.1	174.1
Share of results in joint ventures	41.4	27.0
Share of comprehensive income in joint ventures	-1.9	-1.8
Dividend income	-10.4	-4.5
Exchange rate differences and other changes	2.9	-4.6
31 Dec	222.2	190.1

BUSINESS OPERATIONS WITH JOINT VENTURES

Milj.euroa	2021	2020
Sales to joint ventures	0.0	0.0

RECEIVABLES AND LIABILITIES, JOINT VENTURES

MEUR	2021	2020
Subordinated loan receivable	0.0	0.4
Accounts receivables	0.0	0.0

13. Other shares

MEUR	2021	2020
Book value	0.2	0.2

Other shares consists of shares which are not publicly traded and thus 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	2021	2020
Contract assets	33.1	44.1
Other items	4.4	5.0
Total	**37.5**	**49.1**

Other items of prepaid expenses and accrued income consists of accrued interest income and other accrued income, which are individually insignificant.

CONTRACT BALANCES

MEUR	2021	2020
Trade receivables	118.6	125.6
Contract assets	33.1	44.1
Contract liabilities		
Advances received, other	39.4	35.5
Advances received, over time	66.4	52.6
Revenue recognised in the financial period that was included in the contract liability on 1 January	8.8	4.7
Remaining performance obligations from projects and contracts under execution	373.7	225.3

15. Accruals and deferred income

MEUR	2021	2020
Accrued wages, salaries and social security costs	46.8	44.8
Other items	16.5	10.9
Total	**63.3**	**55.8**

Other items of accruals and deferred income consists of interest and other accrued expense, which are individually insignificant.

16. Financial assets valued as fair value

MEUR	Shares	Total
1 Jan 2021	0.2	0.2
Additions	0.0	0.0
31 Dec 2021	0.2	0.2
1 Jan 2020	0.2	0.2
Additions	0.0	0.0
31 Dec 2020	0.2	0.2

17. Financial instruments

FAIR VALUE RESERVE INCLUDING FORWARD CONTRACTS

MEUR	2021	2020
Fair value	0.5	0.3
Deferred taxes	-0.1	-0.1
Fair value reserve 31 Dec	**0.4**	**0.3**
Fair value changes recognized in equity	0.2	0.6
Fair value changes recognized in income statement	-0.0	-0.2
Deferred taxes	-0.0	-0.1
Change	0.1	0.3
Fair value	0.3	-0.0
Deferred taxes	-0.1	0.0
Fair value reserve 1 Jan	**0.3**	**-0.0**

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

2021 MEUR	At fair value through income statement Level 2	Measured at amortised cost	Book value	Note
Non-current financial assets				
Other shares	**0.2**		0.2	13
Current financial assets				
Accounts receivable		118.5	118.5	2
Receivables from joint ventures		0.0	0.0	12
Derivative financial instruments	0.7		0.7	2
Liquid funds		68.3	68.3	
Carrying amount by category	**0.9**	**186.9**	**187.8**	
Non-current financial liabilities				
Interest-bearing liabilities		166.2	166.2	2
Current financial liabilities				
Interest-bearing liabilities		44.7	44.7	2
Accounts payable		54.0	54.0	
Derivative financial instruments	0.1		0.1	2
Carrying amount by category	**0.1**	**265.0**	**265.1**	

2020 MEUR	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	0.7		0.7	2
Liquid funds		37.5	37.5	
Carrying amount by category	**0.9**	**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	1.0		1.0	2
Carrying amount by category	**1.0**	**258.3**	**259.3**	

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 2021 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 2021, and the fund stood at EUR 164,1 million on 31 December 2021.

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 31 December 2021, is EUR 206,441,509.87 of which the net profit for the financial period is EUR 5,776,282.30.

Dividend per share

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.90 (2020: 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 25,057,700.10 (2020: EUR 16,705,133.40). The Board of Directors further proposes that the remaining non-restricted equity, EUR 181,383,809.77 (2020: EUR 200,665,227.57) to be retained and carried forward.

The dividends paid for 2021 will be decided at the Annual General Meeting on 25 March 2022. This dividend payable is not reflected in these financial statements.

19. Provisions

MEUR	2021	2020
Warranty provision	7.5	8.3
Other provision	3.1	4.5
Total	**10.6**	**12.8**

During the warranty period the claimed faults will be corrected at Patria's expense. The warranty provisions amounted to EUR 7.5 million (EUR 8.3 million) at the end of 2021. 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	2021	2020
Guarantees given on behalf of others	3.7	4.4
Guarantees given on behalf of associate companies	15.0	14.3
Other own contingent liabilities	3.6	6.2
Total	**22.3**	**25.0**

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 Japan Ltd.	Tokyo, Japan	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
Laivakone Oy	Vantaa, Finland	100.0
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	2021	2020
Total	63.4	46.2

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 2021. 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	31/12/2021	31/12/2020
Non-current assets			
Intangible assets	8		
Intangible rights		0.4	0.4
Other long-term expenditures		0.0	0.0
Tangible assets	8		
Machinery and equipment		0.5	0.6
Other tangible assets		0.0	0.0
Advance payments and construction in progress		0.3	0.0
Investments			
Shares in group companies	9	122.8	122.8
Receivables from group companies	10	8.1	5.4
Shares in associated and joint venture companies	9	191.7	191.7
Receivables from associated and joint venture companies	10	0.0	0.4
Total Non-current assets		**323.7**	**321.3**
Current assets			
Inventories			
Raw materials and supplies		0.1	0.1
Receivables			
Receivables from group companies	10	87.7	104.4
Other receivables		0.1	0.0
Prepaid expenses and accrued income	10	2.7	2.0
Current investments		**3.5**	**0.0**
Cash and cash equivalents		59.5	21.7
Total Current Assets		**153.6**	**128.3**
Total Assets		**477.4**	**449.5**

SHAREHOLDERS' EQUITY AND LIABILITIES

MEUR	Note	31/12/2021	31/12/2020
Shareholders' equity	**11**		
Share capital		38.0	38.0
Other funds			
Reserve for invested unrestricted equity		164.1	164.1
Fair value reserve		0.3	0.0
Retained earnings		36.6	55.5
Net income for the period		5.8	-2.2
Total Shareholders' equity		**244.7**	**255.4**
Non-current liabilities			
Loans from financial institutions	12	80.0	30.0
Total Non-current liabilities		**80.0**	**30.0**
Current liabilities			
Other loans	12	0.0	10.0
Loans from financial institutions	12	30.0	80.0
Accounts payable		2.9	2.6
Liabilities to group companies	12	113.5	65.9
Deferred tax liabilities		**0.1**	**0.0**
Other current liabilities		0.2	0.5
Accruals and deferred income	12	5.9	5.2
Total Current liabilities		**152.6**	**164.2**
Total Shareholders' equity and liabilities		**477.4**	**449.5**

Income Statement, Parent company

MEUR	Note	1–12/2021	%	1–12/2020	%
Net sales	2	**23.3**		**20.0**	
Other operating income	3	2.7		2.5	
Materials and services					
Raw materials and supplies					
Purchases during the financial period		-0.6		-0.5	
Change in inventories		0.0		-0.0	
Personnel expenses	4	-10.5		-9.5	
Depreciation and value adjustments	5	-0.7		-0.9	
Other operating expenses	3	-25.2		-19.9	
Operating profit		**-10.8**	-46.3%	**-8.2**	-41.2%
Financial income and expenses	6				
Dividend income from group companies		16.7		9.3	
Dividend income from associated and joint venture companies		0.0		0.0	
Interest and other financial income		1.0		1.4	
Impairment on investments from non-curr assets		0.0		-3.2	
Interest and other financial expenses		-1.1		-1.4	
Exchange gains and losses		-0.0		-0.0	
Income before appropriations and taxes		**5.8**	24.7%	**-2.2**	-11.0%
Income taxes	7	0.0		0.0	
Net income		**5.8**	24.7%	**-2.2**	-11.0%

Cash Flow Statement, Parent company

MEUR	1–12/2021	1–12/2020
Income before appropriations and taxes	5.8	-2.2
Depreciation	0.7	0.9
Financing items	-16.6	-6.0
Other changes	0.3	-0.0
Change in receivables	3.5	8.8
Change in inventories	-0.0	0.0
Change in liabilities	-0.2	0.4
Cash flow from operations before financial items and taxes	**-6.5**	**1.9**
Interests paid	-0.9	-1.1
Other financial items	-0.2	-0.2
Dividends received	16.7	9.3
Interests received	1.0	1.4
Paid taxes	0.0	1.3
Cash flow from operating activities	**10.1**	**12.5**
Purchase of tangible and intangible assets	-0.8	-0.4
Granted loans	-2.7	-7.4
Repayments from loans	0.8	0.2
Proceeds from sale of tangible and intangible assets	0.0	0.0
Cash flow from investing activities	**-2.6**	**-7.5**
Change in short-term loans	-60.0	10.1
Proceeds from long-term loans	50.0	0.0
Change in short-term group receivables and liabilities	60.5	-4.8
Dividends paid	-16.7	-13.9
Cash flow from financing activities	**33.8**	**-8.7**
Change in liquid funds	**41.3**	**-3.8**
Liquid funds 1 Jan	21.7	25.5
Liquid funds 31 Dec	63.0	21.7
Change in liquid funds	**41.3**	**-3.8**

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. The Company's financial year is a calendar year.

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's 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.

LEASES

All lease payments have been expensed in the income statement.

APPROPRIATIONS

Appropriations include group contributions.

2. Net sales

NET SALES BY MARKET AREA

MEUR	2021	2020
Finland	23.3	19.9
Other Europe	0.0	0.1
Total	**23.3**	**20.0**

NET SALES BY PRODUCT SEGMENT

MEUR	2021	2020
Civilian products	23.3	20.0
Total	**23.3**	**20.0**

REVENUE RECOGNITION

MEUR	2021	2020
Delivery based net sales	23.3	20.0
Total net sales	**23.3**	**20.0**

3. Other operating income and expenses

OTHER OPERATING INCOME

MEUR	2021	2020
Rental Income	1.9	1.8
Other operating income	0.8	0.6
Total	**2.7**	**2.5**

OTHER OPERATING EXPENSES

MEUR	2021	2020
Research and development	-0.0	-0.0
Rents	-2.8	-2.6
Real estate expenses	-2.5	-2.1
Losses on sales of non-current assets	-0.0	0.0
Travel expenses	-0.2	-0.1
Sales and marketing expenses	-1.3	-0.4
Other operating expenses	-18.3	-14.6
Total	**-25.2**	**-19.9**

PRINCIPAL INDEPENDENT AUDITOR'S FEES AND SERVICES

MEUR	2021	2020
Audit fees	-0.1	-0.1
Other audit related fees	-0.0	-0.0
Other services	-2.8	-0.4
Total	**-2.9**	**-0.5**

4. Employee benefits and average number of personnel

MEUR	2021	2020
Salaries and fees paid to members of Board of Directors, Consultative Committee and President and CEO	-1.0	-0.7
Other wages and salaries	-7.8	-7.4
Pension and pension insurance costs	-1.4	-1.2
Other indirect personnel expenses	-0.3	-0.2
Total	**-10.5**	**-9.5**
Number of personnel, average		
Salaried staff	88	86
Total	**88**	**86**

5. Depreciation

MEUR	2021	2020
Depreciation on Intangible rights	-0.2	-0.3
Depreciation on other long-term expenditures	-0.0	-0.0
Depreciation on machinery and equipment	-0.4	-0.5
Total	**-0.7**	**-0.9**

6. Financial income and expenses

FINANCIAL INCOME

MEUR	2020	2019
Dividend income, group	16.7	9.3
Dividend income, other	0.0	0.0
Interest income, group	0.9	1.2
Interest income, other	0.1	0.2
Total	**17.7**	**10.7**

FINANCIAL EXPENSES

MEUR	2021	2020
Interest expenses, group	-0.0	-0.2
Interest expenses, other	-0.9	-1.0
Impairment on investments from non-current assets	0.0	-3.2
Other financial expenses, other	-0.2	-0.2
Total	**-1.1**	**-4.6**

In 2020, 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.

MEUR	2021	2020
Exchange rate difference		
Foreign exchange derivatives, non-hedge accounted	-0.5	0.5
Other	0.5	-0.5
Total	**-0.0**	**-0.0**

7. Income taxes

MEUR	2021	2020
Income tax from continuing operations	0.0	0.0
Income tax from appropriations	0.0	0.0
Total	**0.0**	**0.0**

MEUR	2021	2020
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 2021	7.0	0.2	7.1
Additions	0.2	0.0	0.2
Acquisition cost 31 Dec 2021	7.2	0.2	7.4
Accumulated amortization and impairment losses 1 Jan 2021	-6.6	-0.1	-6.7
Amortization for the period incl. exchange rate diff. in P&L	-0.2	-0.0	-0.2
Accumulated amortization and impairment losses 31 Dec 2021	-6.8	-0.2	-7.0
Net book value at 31 Dec 2021	**0.4**	**0.0**	**0.4**

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**

TANGIBLE ASSETS

MEUR	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2021	4.9	0.0	0.0	5.0
Reclassifications	0.3	0.0	-0.3	0.0
Additions	0.0	0.0	0.5	0.6
Disposals	-0.2	0.0	0.0	-0.2
Acquisition cost 31 Dec 2021	5.0	0.0	0.3	5.3
Accumulated depreciation and impairment losses 1 Jan 2021	-4.3	0.0	0.0	-4.3
Scrapping	0.2	0.0	0.0	0.2
Depreciation for the period incl. exchange rate diff. in P&L	-0.4	0.0	0.0	-0.4
Accumulated depreciation and impairment losses 31 Dec 2021	-4.5	0.0	0.0	-4.5
Net book value at 31 Dec 2021	**0.5**	**0.0**	**0.3**	**0.8**
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**

9. Investments

SHARES IN SUBSIDIARIES

MEUR	2021	2020
1.1.	122.8	123.3
Write-downs	0	-0.5
Total 31.12.	**122.8**	**122.8**

SHARES IN JOINT VENTURES

MEUR	2021	2020
1.1.	191.7	191.7
Total 31.12.	**191.7**	**191.7**

10. Non-current and current receivables

NON-CURRENT RECEIVABLES FROM GROUP COMPANIES

MEUR	2021	2020
Loan receivable	8.1	5.4
Total	**8.1**	**5.4**

CURRENT RECEIVABLES FROM GROUP COMPANIES

MEUR	2021	2020
Accounts receivable	0.7	0.6
Loan receivable	0.0	0.5
Other receivables	86.8	98.8
Derivative financial receivables	0.1	0.3
Accruals and deferred income	0.1	4.2
Total	**87.7**	**104.4**

CURRENT RECEIVABLES FROM ASSOCIATED COMPANIES

MEUR	2021	2020
Subordinated loan	0.0	0.4
Total	**0.0**	**0.4**

PREPAID EXPENSES AND ACCRUED INCOME

MEUR	2021	2020
Derivative financial receivables	0.7	0.7
Other receivables	2.0	1.3
Total	**2.7**	**2.0**

11. Shareholders' equity

CHANGES IN SHAREHOLDERS' EQUITY

MEUR	2021	2020
Share capital 1 Jan	38.0	38.0
Share capital 31 Dec	38.0	38.0
Invested non-restricted equity fund 1 Jan	164.1	164.1
Invested non-restricted equity fund 31 Dec	164.1	164.1
Fair value reserve 1 Jan	0.0	0.0
Change	0.3	0.0
Fair value reserve 31 Dec	0.3	0.0
Retained earnings 1 Jan	53.3	69.4
Distribution of dividends	-16.7	-13.9
Retained earnings 31 Dec	36.6	55.5
Net income	5.8	-2.2
Total shareholders' equity 31 Dec	**244.7**	**255.4**
Distributable funds		
Invested non-restricted equity fund 31 Dec	164.1	164.1
Retained earnings 31 Dec	36.6	55.5
Net income	5.8	-2.2
Distributable funds	206.4	217.4

12. Current liabilities

MATURITY OF INTEREST-BEARING LIABILITIES

MEUR	2022	2023	2024	2025	2026-	Total
Loans from financial institutions	30.0	0.0	80.0	0.0	0.0	110.0
Liabilities, group account	112.5	0.0	0.0	0.0	0.0	112.5
Total 2021	**142.5**	**0.0**	**80.0**	**0.0**	**0.0**	**222.5**

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**

INTEREST BEARING LIABILITIES

MEUR	2021	2020
Loans from financial institutions	110.0	110.0
Other loans	0.0	10.0
Total	**110.0**	**120.0**

CURRENT LIABILITIES TO GROUP COMPANIES

MEUR	2021	2020
Accounts payable	0.7	0.7
Other liabilities	112.5	64.4
Derivative financial liabilties	0.3	0.7
Accruals and deferred income	0.0	0.0
Total	**113.5**	**65.9**

ACCRUALS AND DEFERRED INCOME

MEUR	2021	2020
Accruals related to wages and salaries	4.3	3.6
Derivative financial liabilties	0.1	1.0
Other liabilities	1.5	0.6
Total	**5.9**	**5.2**

13. Financial instruments and derivative contracts

DERIVATIVE INSTRUMENTS

2021 MEUR	Nominal value	Positive fair values	Negative fair values	Net fair value
Derivative financial instruments designated as cash flow hedges				
Interest rate swap	50.0	0.3	0.0	0.3
Cash flow hedge	50.0	0.3	0.0	0.3
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	84.2	0.4	-0.3	0.1
Buy	33.5	0.2	-0.1	0.1
Sell	50.7	0.2	-0.2	-0.0
Non-hedging	84.2	0.4	-0.3	0.1
Total	**134.2**	**0.8**	**-0.3**	**0.4**

MEUR	2022	2023	2024	2025
Derivative financial assets	0.4	0.0	0.0	0.3
Derivative financial liabilities	-0.3	-0.0	0.0	0.0

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

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

2021 MEUR	At fair value through income statement Level 2	Measured at amortized cost	Book value
Non-current financial assets			
Long-term receivables from group companies		8.1	8.1
Current financial assets			
Accounts receivables from group companies		0.7	0.7
Other receivables		0.1	0.1
Other receivables from group companies	0.1	86.8	86.9
Derivative financial instruments	0.7		0.7
Current investments		3.5	3.5
Cash and cash equivalents		59.5	59.5
Carrying amount by category	**0.8**	**158.7**	**159.5**
Non-current financial liabilities			
Interest-bearing liabilities		80.0	80.0
Current financial liabilities			
Interest-bearing liabilities		30.0	30.0
Accounts payable		2.9	2.9
Accounts payable to group companies		0.7	0.7
Other current liabilities to group companies	0.3	112.5	112.8
Other current liabilities		0.2	0.2
Derivative financial instruments	0.1		0.1
Carrying amount by category	**0.3**	**226.4**	**226.7**

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 fair value through income statement".

2020 MEUR	At fair value through income statement Level 2	Measured at amortized cost	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 cash equivalents		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 fair value through income statement".

CURRENCY RISK

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 2021 were in the Swedish krona (SEK).

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS 2021

1,000 EUR	SEK
Net exposure - Balance sheet items	150
Euro strengthens / weakens 5% - Effect on income before taxes	-7 / 8
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 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

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. Patria Oyj has designated all open interest rate swaps as hedging instruments. Interest arising from interest rate swaps is reported under Financial income and expenses concurrently with interest expense arising from hedged floating rate loans from financial institutions.

On 31 December 2021, the average interest fixing term of the liabilities was 2.3 (0.61) years and that of the receivables 5.14 days (one day).

On 31 December 2021, company's interest-bearing liabilities totalled EUR 222.5 million (183.9) out of which EUR 172.5 million (173.9) was floating rate and EUR 50.0 million (10.0) was fixed rate. EUR 112.5 million (63.9) of the floating rate liabilities were from group account. Interest-bearing receivables were EUR 149.8 million (121.0) out of which EUR 146.3 million (120.5) were floating rate and EUR 3.5 million (0.5) was fixed rate. EUR 86.8 million (98.8) of the interest-bearing receivables were receivables from group account. Patria Oyj has open interest derivatives EUR 50.0 million (0.0) on 31 December 2021.

14. Commitments and contingent liabilities

COMMITMENTS AND CONTINGENT LIABILITIES

MEUR	2021	2020
Guarantees given on behalf of group companies	53.3	56.2
Guarantees given on behalf of others	0.1	0.3
Other own contingent liabilities	0.5	2.4
Total	**53.8**	**58.9**

LEASING COMMITMENTS

MEUR	2021	2020
Payments due next year	3.4	3.5
1-5 years	11.6	12.8
Payments due in thereafter	5.1	6.9
Total	**20.1**	**23.1**

Board of Directors' proposal for profit distribution

The parent company's non-restricted equity on 31 December 2021 is EUR 206,441,509.87 of which the net profit for the financial period is EUR 5,776,282.30.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.90 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 25,057,700.10. The Board of Directors further proposes that the remaining non-restricted equity, EUR 181,383,809.77 be retained and carried forward.

Helsinki, 8 March 2022

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, 8 March 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Karinen
Authorised Public Accountant

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

In 2021 Patria was operationally divided into business units. A new operating model was taken into use in the beginning of 2022 consisting of two profit and loss bearing divisions Global and Finland supported by Portfolio, responsible for products and services, and Operations, responsible for the production chain. 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 four times in 2021.

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 eight members.

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 ten times in 2021, and also made four 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 2021.

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 and CEO is assisted by the Group Management Team, which convenes monthly, and which consists of Presidents of each business function, Chief Financial Officer, Chief Legal Officer, Chief Program Officer, HX, and Chief Human Resources Officer. In addition, the Group management meets in other combinations as and when necessary for management purposes.

As from the beginning of 2022, corporate responsibility is directed by the ESG Steering Group, which is coordinated by the Chief Legal Officer. In addition to the CLO, the members of the group are the heads of HR, finance and QEHS and a communications representative. Patria also has ESG working groups specialising in the environment, compliance, finance, procurement and well-being at work.

In 2021, Patria's Chief Legal Officer also served as Chief Compliance Officer. As from the beginning of 2022, separate Head of Compliance reports to the Chief Legal Officer, and is responsible for matters related to compliance and ethics (incl. anti-corruption work).

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 Financial Statements.

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 functions are 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:

- In 2021 Patria Group's industrial participation obligations were mainly conducted by Patria's Land business unit.
- Land business unit had 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.

In the new operating model industrial participation is part of the Global Division's functions and it will be conducted according to the above-mentioned principles in 2022.

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.

In 2021, Enterprise Risk Management (ERM) operational model update work was launched in the Group. An updated operating model will be introduced in 2022.

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

31.12.2021

Panu Routila
Chairman
Since 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
Board Professional
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

31.12.2021

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 2020

Janne Sankelo
Vice Chairman
Member of Parliament
Since 2019

Riitta Mäkinen
Member
Member of Parliament
Since 2019

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

Petri Huru
Member
Member of Parliament
Since 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 2019

Jari Metsälä
Member
Manager, Product Design, Patria
Since 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

31.12.2021

Esa Rautalinko
b. 1962
President and CEO
Since 2019

Jussi Järvinen
b. 1979
President, Land
Since 2013

Birgitta Selonen
b. 1964
Chief Communications Officer
Since 2010

Ville Jaakonsalo
b. 1971
Chief Financial Officer
Since 2010

Martti Wallin
b. 1963
President, Aviation
From 1989 to June 30, 2021

Pasi Niinikoski
b. 1961
Chief Business Development Officer
Since 2006

Jonas Geust
b. 1970
President, Systems
Since 2018

Petri Hepola
b. 1965
Chief Program Officer, HX and President, Aviation since 1.7.2021
Since 2002

Ara Haikarainen
b. 1972
General Counsel, Chief Compliance Officer
Since June 1, 2021

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

Leena Orpo
b. 1962
Chief Human Resources Officer
Since 2017

Patria 100

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