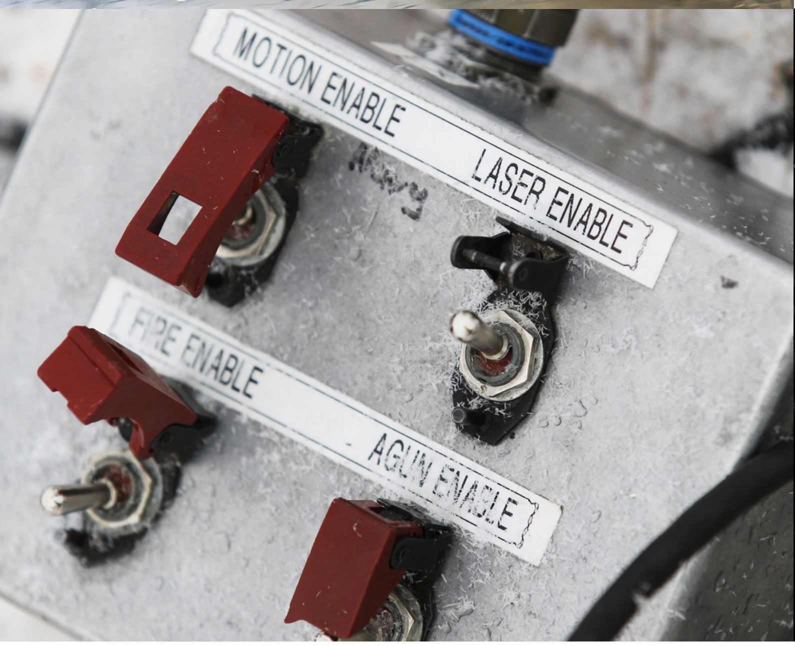
Patria

FINANCIAL STATEMENTS
2014



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Board of Directors' Report

New orders and order stock

The value of new orders received during the Financial Period was EUR 875.7 million (EUR 376.5 million in 2013*)). Defence material and life cycle support accounted for 95% (92%) and civilian products for 5% (8%) of the new orders. At the end of December, the Group's order stock was EUR 1,201.7 million (EUR 780.6 million).

Net sales and profitability

The Group's net sales for the Financial Period decreased as predicted 21.6% from 2013 and totalled EUR 462.4 million (EUR 589.5 million in 2013 and EUR 514.2 million in 2012). Defence material and maintenance accounted for 89% (93%) and civilian products for 11% (7%) of the net sales. Sales outside Finland for the Financial Period accounted for 50% (54%) of the net sales.

The Group's operating profit for the Financial Period was EUR 56.0 million, representing 12.1% of net sales (2013: EUR 87.8 million, 14.9%; 2012 EUR 78.3 million, 15.2%). The consolidated income before taxes for the Financial Period amounted to EUR 54.7 million (2013: EUR 84.7 million; 2012: EUR 75.6 million). The Group's return on equity for the Financial Period was 18.7% (2013: 21.4%; 2012: 17.9%).

Many projects important to Patria progressed well during the financial year. Deliveries of AMV vehicles to Sweden, the second life-cycle upgrade of Hornet fighters and the structural upgrade of the fighter fleet progressed as planned. In addition, a project on vehicle deliveries to South African Defence Force was launched and retrofit installations on the NH90 helicopters were started during the year. Moreover 50% owned joint venture Patria Hägglunds Oy handed over to the Finnish Defence Forces the last AMOS mortar systems to be manufactured in the mass production phase.

Financing and ownership

The Group's equity ratio at the end of December was 45.3% (2013: 56.1%; 2012: 55.8%) and net gearing 17.0% (2013: -6.3%; 2012: 8.7%).

Consolidated liquid funds at the end of December amounted to EUR 30.4 million (EUR 68.1 million). The Group's interest-bearing liabilities totalled EUR 62.6 million (EUR 47.6 million) at the end of December. The interest-bearing liabilities included finance lease liabilities of EUR 21.9 million (EUR 23.4 million).

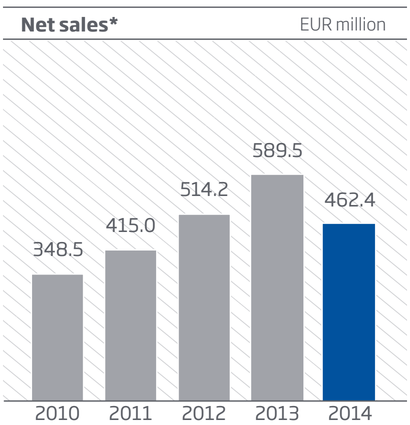
Patria Oyj and Airbus Group NV signed on 9 December 2014, an agreement under which Airbus Group NV sold its shares in Patria Oyj in three stages (26.8% in total). In connection with this transaction a portion of the Patria Oyj shares was cancelled. As a consequence of the transaction the State of Finland owns 90.4%, Governia Oy 0.025% and Patria Oyj approximately 9.6% of Patria Oyj. After conclusion of the transaction the State of Finland announced its intention to search for a new industrial partner to become a minority shareholder in Patria Oyj.

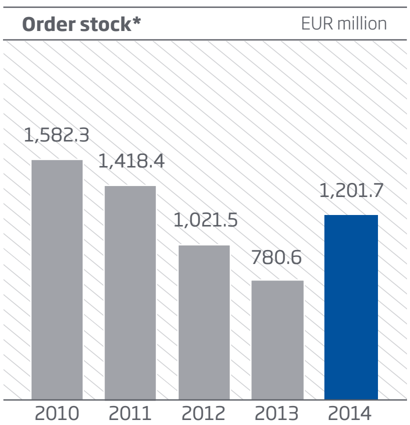
The company has one series of shares comprising of a total of 30,804,848 shares.

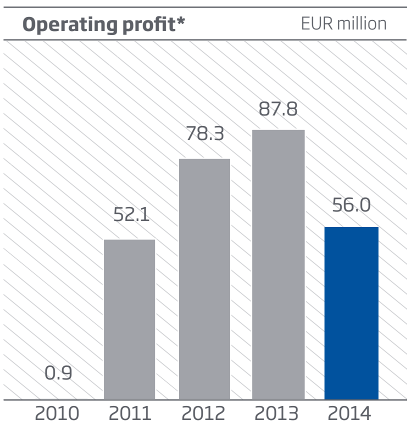
*) Nammo Group has been consolidated using the equity method starting from 1st of January 2014 instead of the proportionate method line by line used earlier. The comparative information of the year 2013 have been restated to be in line with the new consolidation method. The comparative information based on the previous consolidation method is presented in the Note 27.

Changes in the Group's structure

In November 2014, Patria Land Services Oy sold its Sastamala ammunition production facility to Nammo







Lapua Oy. With this contract in effect, the production of heavy ammunition components will continue in Sastamala. Nammo will take ownership of the Sastamala production facility, providing employment to a substantial proportion of the personnel now engaged in production.

Capital expenditures

The Group's gross investments for the Financial Period totalled EUR 8.1 million (EUR 12.5 million). There were no acquisitions in 2014. In 2013 EUR 5.2 was spent on acquisitions.

Research and development

The Group's expenditure on research and development for the Financial Period amounted to EUR 7.3 million (EUR 11.6 million), representing 1.6% (2.0%) of the net sales. The most significant research and development areas included armoured wheeled vehicles, turret systems, composite structures for aircraft, aeronautical research, data links, fire control systems, electronic intelligence, simulators and optronics.

Personnel

During the Financial Period the Group employed an average of 2,546 (2013: 2,612; 2013: 2,627) persons. At the end of December the personnel totalled 2,445 (2013: 2,583; 2012: 2,627).

The salaries and wages of Patria Group's employees are determined on the basis of local collective and individual agreements as well as employee performance and job evaluations. Basic salaries and wages are complemented by performance-based compensation systems. In 2014, the total amount of salaries and wages paid was EUR 125.0 million (2013: EUR 126.8 million; 2012: EUR 125.2 million).

During 2014, cooperation negotiations were held in Aerostructures, Systems and Land businesses. The number of redundancies in Aerostructures business was 13, in Systems 39 and 133 in Land business. The aim is to adjust the number of employees and the organisation of the businesses to correspond to the current market and employment situation and the order book, to ensure future competitiveness, and to maintain and secure strategically important functions and competences.

Key events during year 2014

In January 2014 an Industry Teaming Agreement was signed between Finland's Patria Aviation and Switzerland's Ruag Holding AG (RUAG). The two companies are collaborating to deliver life cycle support for the F/A-18 fleets of the Finnish and Swiss air forces.

In March 2014 Patria delivered four upgraded Rauma Class Fast Attack Crafts to the Finnish Navy. The upgrade of the vessels was completed at the end of 2013. Patria was the project's main supplier, responsible for overall renovation planning, subcontractor delivery co-ordination, and general integration.

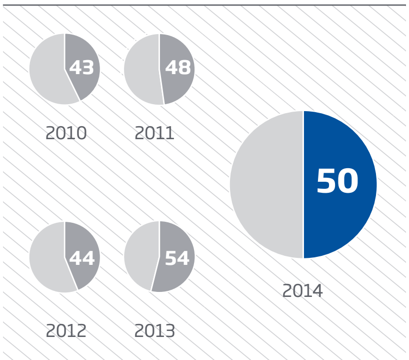
In March 2014 Patria handed over the last upgraded aircraft of the 18 ex-Swiss twin-seat Hawk Mk 66 jet trainers to the Finnish Air Force. Working in cooperation with the Air Force, Patria had responsibility for the specification, design and implementation of all system integration for the modernisation project.

In April 2014 the Kazakhstan Civil Aviation Academy and Patria Pilot Training signed an agreement on commercial pilot training. Patria is training 12 Kazakh students by the end of 2015. Upon completion of the training, the students will receive commercial pilot licences (CPL) with multi-engine and instrument ratings in compliance with the regulations of the European Aviation Safety Agency (EASA). The students will also receive full airline transport pilot theory training and Multi-crew cooperation training.

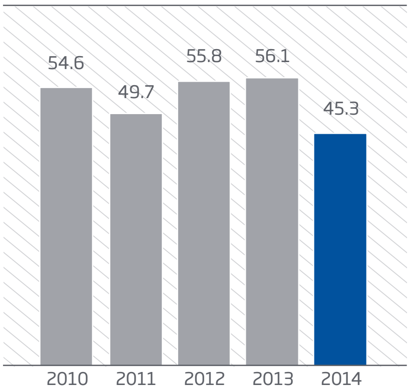
In May 2014 it was announced that Patria Pilot Training is the Finnish Aviation Authority's training partner for the Finnish Aviation Academy's 24th and 25th courses. The training content covers a private pilot's licence and night flying qualification.

In May 2014 The Finnish Defence Forces and Millog

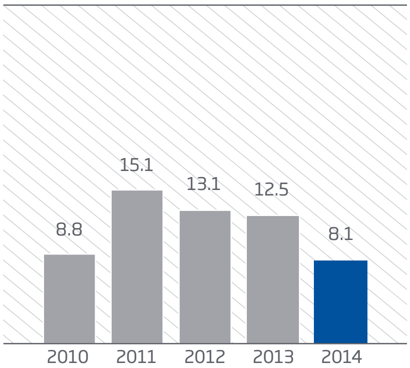
Net sales outside Finland* %



Equity ratio* %



Gross investments in fixed assets* EUR million



Oy signed an agreement on target acquisition sensors. The value of the contract is EUR 26.8 million.

Patria and the Swedish Defence Materiel Administration (FMV) signed an agreement on the support of the Swedish Armed Forces HKP16 Black Hawk helicopters' maintenance. The agreement covers the period 2015–2017 with the option for extension through 2020. Estimated value of the agreement, including options, is approximately EUR 25 million.

Patria launched a new training simulator for Patria Nemo mortar system at Eurosatory in Paris in June 2014. The training simulator provides an authentic training environment for all firing procedures enabled by Patria Nemo.

The European Land Defence Industry Group, ELDIG, is chaired by Patria since June 2014. ELDIG's presidency rotates within the ELDIG member companies every second year. ELDIG serves as a forum for the land systems industry under the AeroSpace and Defence Industries Association of Europe (ASD).

During the Financial Period the new vehicle concept launched by Patria at DSEI-exhibition in autumn 2013 has been tested and fine-tuned in very challenging tests for the future needs of customers. The new vehicle, Patria AMV^{XP} further strengthens Patria's leading armoured wheeled vehicle product offering.

In June 2014 Millog's subsidiary Oricopa Oy signed a major deal with Kongsberg Defence & Aerospace AS on the delivery of components for the communications and control system of the NASAMS surface-to-air missile system. The value of the deal is approximately EUR 25 million, the deliveries taking place between 2015 and 2017.

In September 2014 BAE Systems and Patria announced a teaming agreement to pursue a major Australian combat vehicle program.

In September 2014, Millog Oy and the Finnish Defence Forces (FDF) signed the expanded strategic partnership agreement covering the systems and material under the responsibility of the Army and Navy. The parties have agreed to expand and deepen their existing strategic partnership by transferring a larger portion of the FDF's current maintenance activities to Millog. At the same time, the parties have signed a transfer agreement under which part of the FDF's maintenance, including the related assets and personnel, will be transferred from the FDF to Millog.

The contract covers army material maintenance including wheeled and tracked vehicles, weapon systems, electronic systems and related modifications, installations and life cycle support as well as maintenance of the Navy vessels and systems. The garrison workshops and two warehouses of the Army, the maintenance centres and central warehouse of the Navy will be transferred to Millog including 330 FDF employees. The transfer will take place on January 1st, 2015. This strategic partnership agreement is valid until further notice, covering the fixed priced period from 2015 to 2020 being worth of EUR 581 million.

In November 2014 Patria handed over the first modernised XA-180 armoured personnel carrier to the Finnish Defence Forces. It is a pre-series vehicle, based on which the actual series of 70 vehicles will be modernised during 2015–2017. The contract also includes an option, whose implementation would extend to 2021, for the modernisation of 210 vehicles.

In November 2014, Rosetta space probe performed the first soft landing on a comet. Patria was responsible for the planning, building and testing of the power distribution units as well as for the design, building and structural testing of the entire probe.

In December 2014, Patria and RUAG Sweden AB announced an agreement for the sale of Patria's Space unit to become part of RUAG's Space division. The 29 employees currently working at Patria's Space unit in Tampere will be employed by the newly founded company RUAG Space Finland.

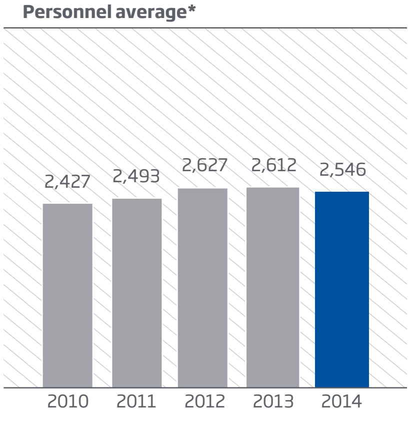
Administration

Patria Oyj's Annual General Meeting held in Helsinki on 7th April 2014 adopted the Consolidated Financial Statements for the financial period that ended on 31st December 2013. It was also resolved to discharge the members of the Board of Directors and the President from liability for the financial period of 2013. Furthermore, the Annual General Meeting resolved, according to the Board of Directors' proposal, to distribute a dividend of EUR 1.00 per share, totally EUR 38,024,848.00.

It was resolved to remove the age limitation of the Board members from the Articles of Association according to the recommendations of the Ownership Steering Department.

Christer Granskog, MSc (Eng.) continued as the Chairman of the Board of Directors of Patria Oyj, and Kirsi Komi, Master of Laws, as the Vice Chairman. Of the other members of the Board of Directors, Arto Honkaniemi, Senior Financial Counsellor, Prime Minister's Office, Ownership Steering Department, Jussi Itävuori, Senior Partner, RJI Partners Limited and Kari Rimpi, Lieutenant General retired and Head of Participation Management Maximilian Thomasius, Airbus Group continued as members. In December 2014 following Airbus's sale

Personnel average*



of its shares in Patria Oyj, Jussi Itävuori and Maximilian Thomasius resigned from the Board of Directors. No new members were nominated during the financial period. The owners of Patria Oyj decided unanimously on 19th December 2014 to change the Article 6 of the Articles of Association. After the change the Board of Directors of Patria Oyj shall have at least three (3) and at the most eight (8) board members.

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

The Nomination and Compensation Committee had, during the financial year 2014, three members: Christer Granskog, MSc (Eng.) as the chairman, Senior Financial Counsellor Arto Honkaniemi, Prime Minister´s Office, Ownership Steering Department, and Jussi Itävuori, Senior Partner, RJI Partners Limited. Jussi Itävuori resigned from his position in the Nomination and Compensation Committee simultaneously with his resignation from the Board of Directors of Patria Oyj on 11th December 2014 after Airbus Group NV sold its shares in Patria Oyj and no replacement was nominated. The Nomination and Compensation Committee prepares the compensation structures of the company management, compensation- and benefits programs and decides on the most important management nominations.

The Audit Committee had, during financial year 2014, three members: Kirsi Komi, Master of Laws (chairman), Senior Financial Counsellor Arto Honkaniemi, Prime Minister's Office, Ownership Steering Department and Maximilian Thomasius, Airbus Group. Maximilian Thomasius resigned from his position in the Audit Committee simultaneously with his resignation from the Board of Directors of Patria Oyj on 11th December 2014 after Airbus Group NV sold its shares in Patria Oyj and no replacement was nominated. The Audit Committee supervises and monitors execution and organization 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 the Compliance and Ethics issues and related activities within Patria. As regards other duties of the Board no specific sharing of such duties has been agreed upon by the Board.

Raimo Vistbacka, Master of Laws, continued as the Chairman of Patria Oyj's Consultative Committee and Thomas Blomqvist, M.P., continued as the Vice Chairman. Of the other members Jussi Karimäki, Equipment Assembler, Patria, Juha Kuusi, System Specialist, Patria, Seppo Kääriäinen, M.P., Petri Peltonen, Director General, Department of Enterprise and Innovation, Ministry of Employment and the Economy, Tuula Peltonen, workshop manager Petri Pitkänen, Patria, M.P., Juha Rannikko, Vice Admiral, Chief of Defence Command Finland and Kari Tolvanen, M.P continued as members. Ilkka Kokko, systems engineer, Patria was appointed as a new member of the Consultative Committee.

PricewaterhouseCoopers Oy, Authorised Public Accountants, was appointed as Auditor with Mr Jouko Malinen, APA, as the partner in charge.

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

Mr. Heikki Allonen, M.Sc (Eng), continued as President and CEO of Patria Group throughout the financial year.

Risks and uncertainties

Patria complies with a risk management policy approved by the Board of Directors that defines, in addition to the objectives and general practices, the tasks and responsibilities related to risk management. Risk management activities cover strategic, operational, and compliance risks as well as financial risks.

Patria develops, offers and delivers technically advanced products, solutions and services to its customers. Main part of the Group's sales is to defence sector – armed forces, ministries, state-owned companies and major publicly listed companies in the defence industry. The operating environment has remained challenging and this may result in some customers reducing, postponing or abandoning their planned procurements or requesting changes to existing contracts.

Owing to the nature of Patria's business, individual sales contracts may be large in relation to the annual net sales of the Group. They may entail product development, require extensive subcontracting and partnering and result in deliveries taking place during several years. In addition, the delivery content and the industrial set-up with the partners involved may be complex. Risks and uncertainties related to such contracts and projects, throughout their lifetime, are typically versatile and material, which requires careful assessment and management. Methods and resources to identify, assess, follow-up and manage risks and uncertainties related to ongoing and new projects have been and are being further strengthened and developed.

In May 2008 the National Bureau of Investigation of Finland announced its pre-trial investigations concerning former Patria Vehicles Oy's (currently Patria Land Services Oy) vehicle deal in Slovenia (2006) and former Patria Vammas Oy's (currently Patria Land Services Oy) howitzer deal in Egypt (1999) due to suspected bribery and other malpractices. In June 2008 the National Bureau of Investigation announced the commencement of criminal investigation also in relation to alleged bribery crimes concerning Patria Vehicles Oy's (currently Patria Land Services Oy) vehicle deal in Croatia.

In December 2012 the State Prosecutor charged six persons with aggravated bribery and/or industrial espionage in relation to the Slovenian project and demanded a corporate fine to be imposed on Patria Land Services Oy. In its judgment issued on 30th January 2014, the District Court of Kanta-Häme dismissed all bribery charges and the corporate fine claim against the company related to the Slovenian export project. The State Prosecutor has appealed against the verdict relating to four individual defendants (who are former employees of Patria) and the company. The case is pending with the

Appeal Court of Turku. The defendants, including the company, have also appealed to the Appeal Court, claiming increase to the legal expense compensations the state has been obliged to reimburse to the defendants, as well as compensation for prolonged trial. The main hearing of the case shall take place at the Appeal Court during spring 2015.

In 2012 the National Bureau of Investigation started the pre-trial investigations of the armoured vehicle deal in Croatia in 2007 between Patria Vehicles Oy (currently Patria Land Services Oy) and Croatian state. In June 2013 the State Prosecutor pressed the charges against four former Patria employees and Patria Land Services Oy for alleged aggravated bribery in connection with the Croatian armoured vehicle case. The Croatian court proceedings were held in autumn 2014.

During the Financial Period the initiated arbitration proceedings started in 2012 continued in Poland against the Polish State in a dispute related to an offset obligations and issuance of a bank guarantee related to agreements signed in 2003 concerning supply of armoured vehicles, offset obligations and manufacturing licence in Poland.

Corporate social responsibility

Patria's operations are based on and governed by laws, regulations, international agreements and Patria's own policies. The corporate social responsibility report (CSR) is an integral part of Patria's Annual Report 2014. The Board of Directors, Audit Committee and the Board of Management received regularly reports on activities and issues relating to corporate social responsibility.

The fundamental themes of corporate social responsibility are good partnership, ethical conduct, being a good employer, and environmental responsibility. Corporate Social Responsibility is the foundation of profitable and sustainable business.

For Patria, being a good partner means long term, constructive collaboration with customers, subcontractors, vendors and other stakeholders. Other stakeholders include owners, personnel, non-governmental organisations (NGOs), schools, students and the media. Good partnership means ensuring open and transparent relationships and achieving the trust and endorsement of the authorities, customers, professional employees, as well as professional, trustworthy, open and transparent collaboration satisfying to all parties. During 2014 focus was on further development of internal activities and operations in order to increase competitiveness and efficiency. Firmer controls were implemented with respect to sourcing chain management to ensure the level of ethical conduct of the suppliers. Regular meetings with NGOs were agreed upon. Main efforts were focused also on group level communication and open dialog with stakeholders to increase transparency.

Ethical conduct is an essential foundation for Patria's operations and decision making. It ensures our stakeholders' confidence in the company's operations.

Patria follows Aerospace and Defence Industries Association of Europe's (ASD) standards for ethical operations (Common Industry Standards, CIS) and supports UN's Global Compact initiative. During the financial year, Patria also signed the Global Compact initiative to enhance anti-corruption. With respect to corruption, Patria has a zero-tolerance approach.

During the financial year, steering of the company social responsibility related activities was transferred to the Board of Management from a separate steering group. Consequently transparency and dialogue increased within the group. Responsibility over ethical conduct and monitoring it was clearly documented in the Board's Audit Committee's charter. Furthermore, the Chairman of the Compensation Committee is an expert in compliance and ethical issues.

Patria's CEO has clearly communicated his requirement for zero tolerance for unethical practices in various occasions internally and externally. Patria carried out ethical on-line training for the whole personnel in Finland in addition to targeted class room trainings. In addition the training was expanded to units in Sweden and Norway and Millog. Furthermore, all new employees received ethical training. The ethical conduct reporting channels including an anonymous reporting channel were available and the Ethical Code of Conduct policy was reviewed.

Employee well-being is developed continuously. It is measured e.g. against sickness absence rates and number of work-related accidents. In order to further support work-related well-being and motivation, Patria introduced the use of the SHL Talent Measurement – tools in human resources development and recruitment.

The long term program, established in 2013 to further develop management resources, continued. The goal of the program is to identify and develop future talents for leading positions in the Business Units as well as on Group-level. Hence participants are offered motivational career development opportunities through non-traditional learning and strategy work. In addition business areas' managers have been coached to improve the quality of performance management.

Patria's environmental policy regulates that environmental impact and risks are to be considered in all business planning, operations and management. All Patria's major operational locations are covered with ISO 14001 environmental certificate.

During the financial year, Patria evaluated its management of environmental issues and related activities with respect to legislation and expectations set by various stakeholders and governed by various requirements and any foreseen changes therein. The results of this evaluation will be used to further develop management of the environmental issues within the group.

Patria's offices are well equipped with video conferencing devices. During the financial year, the number of video cameras increased, hence travelling between the group's own offices decreased. Consequently carbon dioxide emissions decreased with 19,000 kg from year 2013.

Events after the financial period

After the financial period, in January 2015 Patria and Kongsberg Defence & Aerospace AS signed a teaming agreement to pursue together a major combat vehicle and weapon system program in the Middle East region.

In January 2015 The Ministry of National Defence Republic of Poland placed an additional order for AMV 8x8 vehicles from Patria's Polish partner Rosomak S.A. Patria will deliver components for 200 vehicles for Rosomak S.A., which produces the vehicles under Patria's license. Deliveries will take place during 2015–2019. The order with a total value of some 90 MEUR, strengthens Patria's order stock, but does not generate additional work in Finland at Hämeenlinna facilities.

In January 2015 it was published that the Finnish National Police Board and a consortium comprising Patria, Portalify Oy and Codea Oy signed an agreement for the development and delivery of a Common Field Command System (KEJO) for all Finnish Public Protection and Disaster Relief (PPDR) authorities. The total value of the contract is EUR 23 million. The implementation will take place in 2015–2017 and will have a significant employment impact for all the members of the consortium. The contract strengthens the position of the organisations forming the consortium as the software and system suppliers of choice for PPRD authorities.

In 16th February 2015 the District Court of Kanta-Häme issued its judgment that sentenced two (2) former Patria employees to conditional imprisonment for aggravated giving a bribe in relation to the Croatian export project during 2005–2008. Also a corporate fine of EUR 297,000 was imposed on Patria Land Services Oy. Patria has appealed against the verdict and the process will continue in the Appeal Court.

In February 2015 Patria started employee cooperation negotiations in its Land Business Unit concerning all employees both in Hämeenlinna and Tampere. Negotiations were started due to the productional and financial reasons, as the order backlog is decreasing heavily due to the finalisation of the current delivery projects. Also reorganisation of the operations will be considered in order to ensure competitiveness and lean administration. Goal is to find alternative measures to redundancies such as reorganising work, adjusting terms of employment and lay-offs. Measures are estimated to affect at most 140 employees.

At the beginning of the year 2015, the state owner, in collaboration with Patria, began measures to find a new minority shareholder for the company. The objective is to find a strong industrial partner that will bring with it know-how, thus strengthening the company's business development and creating synergy benefits especially for the international market.

Outlook

The outlook for the Group's operations is expected to continue stable. Many of the projects already under way related to equipment life-cycle management, and the maintenance activities outsourced to Millog, are progressing as planned. In terms of orders, the situation will depend on whether certain large export projects, now at the tendering stage, are launched on international markets. The company is involved in several significant tendering processes. Internal action will be taken to increase the cost-effectiveness and flexibility of operations.

Board of Directors' proposal for profit distribution

The parent company's non-restricted equity on December 31st, 2014 is EUR 241,501,228.75 of which the net loss for the financial period is EUR -28,764,861.11.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.50 per share be paid on the shares owned by the State of Finland and Governia Oy. Under the proposal, the total amount of dividends will be EUR 13,920,944.50. The Board of Directors further proposes that the remaining non-restricted equity EUR 227,580,284.25 be retained and carried forward.

Annual General Meeting 2015

The Annual General Meeting of Patria Oyj will be held on 24th March 2015 in Helsinki, Finland.

Consolidated Financial Statements (IFRS)

CONSOLIDATED BALANCE SHEET

EUR million	Note	31.12.2014	Restated *) 31.12.2013	Restated *) 1.1.2013
Assets				
Non-current assets				
Intangible assets	11			
Development expenses		0.1	1.2	2.3
Intangible rights		2.4	3.5	4.3
Goodwill	8, 11	25.0	24.7	24.8
Other long-term expenditures		3.5	2.8	2.6
Advance payments		0.3	0.0	8.4
Tangible assets	11			
Land and water		2.2	2.2	2.2
Buildings and constructions		42.3	45.9	48.7
Machinery and equipment		18.8	21.8	19.7
Other tangible assets		0.2	0.2	0.2
Advance payments and construction in progress		2.2	1.4	2.2
Investments in joint ventures	12	139.6	140.0	142.6
Other shares	13	0.2	0.2	0.2
Deferred tax assets	10	7.3	9.5	13.5
Other receivables		7.0	7.4	0.7
Long-term receivables from joint ventures	12	0.1	0.1	0.1
Total Non-current assets		**251.1**	**260.9**	**272.4**
Current assets				
Inventories				
Raw materials and supplies		31.4	70.2	62.4
Work in progress		20.3	18.0	21.7
Finished goods		1.6	2.8	1.4
Advance payments		2.7	1.6	8.9
Receivables				
Accounts receivable	2	112.1	160.7	94.3
Receivables from joint ventures	12	2.2	1.2	6.9
Other receivables		1.5	3.6	1.9
Prepaid expenses and accrued income	14	37.1	92.8	129.5
Derivative financial instruments	22	0.3	0.3	0.3
Current tax asset	10	0.6	0.1	0.8
Financial assets at fair value through income statement	16	12.7	11.0	3.0
Cash and cash equivalents		17.7	57.1	18.5
Total Current assets		**240.1**	**419.4**	**349.7**
Total Assets		**491.3**	**680.3**	**622.1**

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

*) Nammo Group has been consolidated using the equity method starting from 1st of January 2014 instead of the proportionate method line by line used earlier. The comparative information of the year 2013 have been restated to be in line with the new consolidation method. The comparative information based on the previous consolidation method is presented in the Note 27.

EUR million	Note	31.12.2014	Restated *) 31.12.2013	Restated *) 1.1.2013
Shareholders' equity and liabilities				
Shareholders' equity	18			
Share capital		38.0	38.0	38.0
Revaluation fund	17	-0.4	0.3	0.7
Invested non-restricted equity fund		164.1	164.1	164.1
Translation differences		9.7	10.7	11.0
Retained earnings		-79.3	36.3	15.0
Net income for the period		48.1	66.6	61.3
Equity attributable to shareholders of parent company		**180.1**	**316.0**	**290.1**
Non-controlling interests		**9.2**	**8.3**	**8.2**
Total Shareholders' equity		**189.3**	**324.4**	**298.3**
Non-current liabilities				
Deferred tax liability	10	1.3	1.6	2.3
Pension provisions		4.6	2.0	2.3
Provisions	20	49.8	53.5	33.1
Interest bearing liabilities	19	29.6	35.6	41.5
Total Non-current liabilities		**85.3**	**92.7**	**79.1**
Current liabilities				
Interest bearing liabilities	19	33.0	12.0	6.1
Advance payments		73.2	94.2	72.9
Accounts payable		24.2	45.2	28.1
Liabilities to joint ventures	12	0.0	8.9	16.2
Other current liabilities		10.3	13.5	11.8
Accruals and deferred income	15	75.0	77.0	104.6
Derivative financial instruments	22	0.8	0.5	0.2
Current tax liability	10	0.2	12.0	4.8
Total Current liabilities		**216.6**	**263.2**	**244.7**
Total Shareholders' equity and liabilities		**491.3**	**680.3**	**622.1**

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

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CONSOLIDATED INCOME STATEMENT

EUR million	Note	1–12/2014	%	Restated *) 1–12/2013	%
Net sales	4	**462.4**		**589.5**	
Other operating income	5	11.5		5.5	
Share of result in joint ventures		17.0		22.2	
Change in inventories of finished goods and work in progress		1.4		-0.1	
Production for own use		0.0		0.1	
Raw materials and supplies		-146.7		-215.4	
Change in inventories of raw materials		-38.8		6.2	
Services purchased		-29.3		-70.1	
Personnel expenses	7	-154.7		-156.5	
Depreciation, amortization and impairments	8	-14.7		-16.9	
Other operating expenses	5	-52.1		-76.8	
Operating profit		**56.0**	12.1%	**87.8**	14.9%
Financial income and expenses	9				
Interest and other financial income		0.9		0.4	
Interest and other financial expenses		-2.5		-2.9	
Exchange gains and losses		0.4		-0.6	
Income before taxes		**54.7**	11.8%	**84.7**	14.4%
Income taxes	10	-6.6		-18.1	
Profit for the period		**48.1**	10.4%	**66.6**	11.3%
Net income attributable to non-controlling interests		2.6		2.6	
Net income attributable to equity shareholders		45.5		64.0	
Profit for the period		**48.1**	10.4%	**66.6**	11.3%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	1–12/2014	%	Restated *) 1–12/2013	%
Profit for the period		48.1		66.6	
Other comprehensive income					
Cash flow hedges		-0.8		-0.4	
Change of translation difference		-3.4		-17.5	
Items that will not be reclassified to profit or loss in subsequent periods					
Actuarial gains/losses on defined benefit plans		-0.3		-	
Share of comprehensive income in joint ventures		-4.0		2.3	
Total comprehensive income		**39.7**	**8.6%**	**51.0**	**8.6%**
Total comprehensive income attributable to non-controlling interests		2.3		2.6	
Total comprehensive income attributable to equity shareholders		37.4		48.3	
Total comprehensive income		**39.7**	**8.6%**	**51.0**	**8.6%**

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

*) Nammo Group has been consolidated using the equity method starting from 1st of January 2014 instead of the proportionate method line by line used earlier. The comparative information of the year 2013 have been restated to be in line with the new consolidation method. The comparative information based on the previous consolidation method is presented in the Note 27.

CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	1–12/2014	Restated *) 1–12/2013
Net income for the period		48.1	66.6
Depreciation, amortization and impairments	8	14.7	16.9
Other adjustments			
Share of result in joint ventures		-17.0	-22.2
Dividends received from joint ventures		9.8	10.1
Financing items and taxes		-4.0	-13.9
Other adjustments		0.0	2.3
Financing items		1.3	3.1
Taxes		6.6	18.1
Change in receivables		105.3	-17.8
Change in payables		-55.5	32.8
Change in inventories		36.6	-5.4
Cash flow from operations		**145.8**	**90.6**
Interest received		0.9	0.4
Interest paid		-0.7	-1.5
Dividends received		0.0	0.0
Other financial items		0.3	-0.6
Income taxes paid		-16.1	-5.9
Cash flow from operating activities		**130.1**	**83.0**
Acquired business operations		0.0	-5.2
Other capital expenditures		-8.1	-11.8
Sale of other fixed assets and other changes		0.0	0.2
Other changes and exchange rate differences		-0.2	-2.0
Cash flow from investing activities		**-8.3**	**-18.8**
Repayments of long-term loans		-4.5	-4.4
Repayments of short-term loans		0.0	-0.1
Change in short-term financing		21.0	6.0
Financial assets at fair value through income statement		-1.7	-8.0
Change in short-term loans receivable		0.0	-0.3
Dividends paid		-38.0	-19.0
Other changes		-1.9	0.2
Purchase of own shares		-136.1	0.0
Cash flow from financing activities		**-161.2**	**-25.6**
Change in liquid funds		**-39.4**	**38.6**
Change		-39.4	38.6
Liquid funds at the beginning of the period		-57.1	18.5
Liquid funds at the end of the period	16	**17.7**	**57.1**
Exchange rate difference		0.0	0.0

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

*) Nammo Group has been consolidated using the equity method starting from 1st of January 2014 instead of the proportionate method line by line used earlier. The comparative information of the year 2013 have been restated to be in line with the new consolidation method. The comparative information based on the previous consolidation method is presented in the Note 27.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Invested non-restricted equity fund	Revaluati-on fund	Translati-on diffe-rences	Retained earnings	Equity attribu-table to share-holders of parent company	Non-controlling interests	Total Sha-reholders' equity
Opening balance	38.0	164.1	0.3	10.7	102.9	316.0	8.3	324.4
Dividends paid					-38.0	-38.0		-38.0
Other comprehensive income			-0.8	-1.0	-6.6	-8.4		-8.4
Other changes					-1.5	-1.5	0.8	-0.7
Purchase of own shares					-136.1	-136.1		-136.1
Net income for the period					48.1	48.1		48.1
31 Dec 2014	**38.0**	**164.1**	**-0.4**	**9.7**	**-31.2**	**180.1**	**9.2**	**189.3**

EUR million	Share capital	Invested non-restricted equity fund	Revaluati-on fund	Translati-on diffe-rences	Retained earnings	Equity attribu-table to share-holders of parent company	Non-controlling interests	Total Sha-reholders' equity
Opening balance Restated *)	38.0	164.1	0.7	11.0	76.3	290.1	8.2	298.3
Dividends paid					-19.0	-19.0		-19.0
Other comprehensive income			-0.4	-0.3	-15.0	-15.6		-15.6
Other changes					-6.0	-6.0	0.1	-5.9
Net income for the period					66.6	66.6		66.6
31 Dec 2013 Restated *)	**38.0**	**164.1**	**0.3**	**10.7**	**102.9**	**316.0**	**8.3**	**324.4**

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

*) Nammo Group has been consolidated using the equity method starting from 1st of January 2014 instead of the proportionate method line by line used earlier. The comparative information of the year 2013 have been restated to be in line with the new consolidation method. The comparative information based on the previous consolidation method is presented in the Note 27.

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 90.4% and Governia Oy and Patria Oyj 9.6% in total.

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

Patria Oyj ("the Company") is a Finnish public limited company organised under the laws of the Republic of Finland and with its registered address at Kaivokatu 10 A, 00100 Helsinki.

BASIS OF PRESENTATION

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") effective on 31.12.2014.

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 where over 50% of the subsidiary's voting rights are controlled directly or indirectly by the parent company. Internal shareholding has been eliminated using the acquisition method. Subsidiaries acquired during the financial year are included in the consolidated financial statements from the date of their acquisition and disposed subsidiaries are included up to their date of sale.

ASSOCIATED COMPANIES

Associated companies, where Patria holds voting rights of 20–50% and in which the Group has significant influence, but not control, over the financial and operating policies, are included in the consolidated financial statements using the equity method. When Patria's share of losses exceeds the interest in the associated company, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has made a commitment to fulfil the liabilities of the associated company in question.

JOINT VENTURES

Joint ventures are entities in which a company enters into a contractual arrangement whereby it shares control over the finances and operations together with other parties. The Group's holdings in joint ventures are consolidated using the proportionate method line by line. Accordingly, Patria's consolidated financial statements include an amount of the joint ventures' assets, liabilities, revenue and expenses corresponding to the company's holding in them. Nammo Group has been consolidated using the equity method.

All intra-group transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, are eliminated. Business combinations between entities under shared control are measured using the purchase prices as such acquisitions do not belong to the scope of application of IFRS 3 Business Combinations.

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 instruments are classified as loans and other receivables, held-to-maturity investments, available-for-sale financial assets, financial liabilities at amortised cost and financial assets and liabilities at fair value through income statement.

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

Loans and receivables as well as all financial liabilities are recognised at the settlement date and measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets for example investments in mutual funds are measured at fair value and the valuation is based on quoted rates and market prices. Unlisted securities for which fair value cannot be reliably measured are recognised at cost less impairment. Fair value changes of available-for-sale investments are recognised directly in other comprehensive income. In the event such an asset is disposed of, the accumulated fair value changes are released from other comprehensive income to financial income and expenses in the income statement. Impairments are recognized in the income statement. Significant or prolonged decline in the fair value will lead to impairment write-down, which is recognised in profit and loss. Purchases and sales of available-for-sale financial assets are recognised at the settlement date.

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.

Hedge accounting is applied 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 (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 into income in the period when the hedged cash flow affects income. 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.

REVENUE RECOGNITION

Consolidated 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.

Sales and cost of sales under the long-term contracts are recorded on a percentage of completion basis. Sales and profits are recorded after considering the ratio of accumulated costs to estimated total costs to complete each contract.

Sales and cost of sales from contracts are recognised on the percentage of completion method when the outcome of the contract can be estimated reliably. A contract’s outcome can be estimated reliably when total contract revenue and the costs to complete the contract can be estimated reliably, it is probable that the economic benefits associated with the contract will flow to the Group and the stage of contract completion can be measured reliably.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as they are incurred. Development costs are capitalised when the criteria according to IAS 38 standard are met. Capitalised development expenses, comprising materials, supplies, direct labor and related overhead costs are amortised on a systematic basis over their expected useful lives.

Capitalised development costs are subject to regular 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 associated companies 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 available-for-sale 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, PLANT AND EQUIPMENT

Property, plant 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. Development costs are depreciated using the straight-line method or in accordance with the deliveries of the end product. If the economic life exceeds twenty years, depreciation may be, case by case calculated using the straight-line depreciation method over the economic life. In aerospace industry, the time between launching of research and product development processes and commercial launching of complete products is long, as are the lifecycles of products. In addition investments in technology have a long-term effect.

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

Leases, on the basis of which the Group takes over a material part of the risks and benefits related to the ownership of such assets, are classified as finance leases. Finance leases are recorded in the Balance Sheet under assets and liabilities, mainly at the time when the lease period starts, either at the fair value of the assets or the lower present value of the minimum lease payments.

The assets acquired through finance lease agreements will be depreciated as any non-current assets, either over the economic life of the assets or over a shorter lease term. Finance lease liabilities are recorded under the non-current and current interest-bearing liabilities in the Balance Sheet.

If the lessor maintains the ownership risks and benefits, the lease agreement is treated as an operating lease, and the lease paid on the basis of such agreement is recognised as an expense, allocated over the entire 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 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 labor, other direct costs and related production overheads.

ACCOUNTS RECEIVABLE

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand 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.

APPLICATION OF NEW AND AMENDED IFRS STANDARDS AND IFRIC INTERPRETATIONS

The following new and amended standards and interpretations are effective in the year 2014:

- Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendment to IFRS 10, IFRS 12 and IAS 27 – Investment entities
- IFRS 11, Joint Arrangements

IFRS 11 uses the principle of control as described in IFRS 10 to define joint control. Joint Arrangements are classified into Joint Operations and Joint Ventures. In Joint Operations the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. Joint Operations are accounted for showing each party's interest in the assets, liabilities, revenues and expenses and / or its relative share of jointly controlled assets, liabilities, revenue and expense, if any. In Joint Ventures the parties with joint control have rights to the net assets of the arrangement. Joint Ventures are accounted for using the equity method. The proportionate consolidation method is prohibited under IFRS 11. IFRS 12 requires extensive qualitative and quantitative disclosures of interests held in other entities and how control was determined. The introduction of IFRS11 reclassified Nammo Group as joint venture. The application of the standards IFRS 10 and 11 in 2014 required the comparable information to be restated i.e. 2013 financial information have been restated retrospectively. The comparable information is presented in the Notes to the Consolidated Financial Statements in note 27.

The other new and amended standards in 2014 did not have any material impact on financial statements.

The new and amended standards and interpretations effective in the year 2015 and onwards are evaluated in terms of their impact on the Group's profit for the period, financial position and presentation of the financial statements. Based on the current interpretation they will not have material impact. The most significant change for the Group will be the new revenue recognition related standard IFRS 15 - Revenue from Contracts with Customers that will replace the IAS 11 – Construction Contracts, IAS 18 - Revenue and the interpretations related to them.

2. Financial risk management, capital management and insurances

ORGANISATION OF FINANCE FUNCTION AND FINANCIAL RISK MANAGEMENT

The Board of Directors of Patria has approved the Guidelines for Patria Group's Finance Administration, 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 funding risk, credit and counterparty risk and operational risk. Subsidiaries and business units are responsible for hedging their financial risks according to Group guidelines and instructions given by Group Treasury.

CURRENCY 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 as well as highly probable forecasted cash flows (transaction position), are hedged by project or transaction by using foreign exchange derivatives. The subsidiaries are responsible for determining and hedging their exposures against Patria Finance Oyj, which makes the necessary hedging transactions with banks.

Patria applies hedge accounting according to IAS 39 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 (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 into income in the period when the hedged cash flow affects income. The majority of the hedging instruments mature within one year. Hedge accounting is not applied to derivatives hedging balance sheet items.

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 revaluation fund 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 the currency in question would have strengthened against euro on the balance sheet date. An equal weakening of the currency would result in an effect of opposite sign. The sensitivity is calculated for a five percent exchange rate change.

Based on the net exposure calculation the most significant currency exposures on 31 December 2014 were in the Swedish krona (SEK), United Kingdom pound sterling (GBP), United States dollar (USD) and Swiss franc (CHF).

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS 2014

EUR million	SEK	GBP	USD	CHF
Net exposure	1.0	0.0	-0.2	-0.0
Effect on income before taxes	0.1	0.0	-0.0	0.0
Effect on equity	0.1	0.1	-0.3	0.0

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS 2013

EUR million	SEK	GBP	USD	CHF
Net exposure	-1.2	0.0	3.4	-0.3
Effect on income before taxes	-0.1	0.0	0.2	-0.0
Effect on equity	0.1	0.0	-0.2	0.1

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.

INTEREST RATE RISK

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

On 31 December 2014, the average interest fixing term of the liabilities was 3.6 years (5.4) and that of the receivables three months.

INTEREST FIXING PERIODS

EUR million	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Finance lease liablilities	5.8	0.3	0.6	3.2	11.7	21.6
Loans from financial institutions	1.9	1.9	-	-	1.5	5.3
Other interest-bearing liabilities	-	-	-	-	5.5	5.5
Interest-bearing receivables	-30.4	-	-	-	-	-30.4
Total 2014	**-22.7**	**2.2**	**0.6**	**3.2**	**18.7**	**2.0**

INTEREST FIXING PERIODS

EUR million	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Finance lease liablilities	6.5	0.4	0.7	3.2	12.3	23.0
Loans from financial institutions	-	-	7.5	-	1.9	9.4
Other interest-bearing liabilities	-	-	-	-	5.7	5.7
Interest-bearing receivables	-68.1	-	-	-	-	-68.1
Total 2013	**-61.6**	**0.4**	**8.2**	**3.2**	**19.8**	**-30.1**

On 31 December 2014, Group's interest-bearing liabilities totalled EUR 62.6 million (47.6) out of which EUR 49.5 million (33.1) was fixed rate and EUR 13.1 million (14.5) was floating rate. Interest-bearing receivables were EUR 30.4 million (68.1) out of which EUR 17.7 million (57.1) was floating rate and EUR 12.7 million (11.0) was fixed rate.

A sensitivity analysis in accordance with IFRS 7 and assuming a one percentage point increase in interest rates and the interest bearing liabilities and receivables in the balance sheet as of 31 December 2014, would lead to an decrease in annual net interest expenses of EUR 0.05 million (0.4). A corresponding decrease in interest rates would result in an equal effect of opposite sign. Open interest derivatives totalled EUR 0.5 million (0.0) on 31 December 2014.

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 refunding is not economically or contractually feasible. The risk is minimised by balancing the maturities of loans and credit facilities.

On 31 December 2014 the average maturity of the Group's interest-bearing liabilities was 3.5 years (5.2).

MATURITY DISTRIBUTION OF FINANCIAL INSTRUMENTS

EUR million	2015	2016	2017	2018	2019	2020–	Total
Finance lease liablilities	1.5	1.5	1.5	1.5	1.5	14.5	21.9
Pension loans	3.8	-	-	-	-	-	3.8
Loans from financial institutions	27.6	0.6	0.6	0.6	0.3	0.1	29.7
Other interest-bearing liabilities	0.2	0.2	0.1	0.5	0.5	5.7	7.3
Derivative financial liabilities	0.8	-	-	-	-	-	0.8
Derivative financial assets	-0.3	-0.0	-0.0	-0.0	-	-	-0.3
Interest payments	0.5	0.4	0.4	0.4	0.3	1.9	3.9
Total 2014	**34.0**	**2.7**	**2.6**	**2.9**	**2.6**	**22.2**	**67.0**

EUR million	2014	2015	2016	2017	2018	2019–	Total
Finance lease liablilities	1.5	1.5	1.5	1.5	1.5	16.0	23.4
Pension loans	3.8	3.8	-	-	-	-	7.5
Loans from financial institutions	6.6	0.6	0.6	0.6	0.8	0.2	9.2
Other interest-bearing liabilities	0.2	0.2	0.2	0.3	0.5	6.0	7.5
Derivative financial liabilities	0.4	0.0	-	-	-	-	0.5
Derivative financial assets	-0.3	-0.0	-	-	-	-	-0.3
Interest payments	0.7	0.5	0.4	0.4	0.4	2.2	4.6
Total 2013	**12.8**	**6.5**	**2.7**	**2.8**	**3.1**	**24.4**	**52.3**

As a part of its liquidity reserves on 31 December 2014, Patria Oyj had the following unused financial reserves: commercial paper program totalling EUR 73.0 million (94.0), credit facilities totalling EUR 25.0 million (25.0), as well as overdraft facilities totalling EUR 15.5 million (15.6).

ACCOUNTS RECEIVABLE BY AGE

EUR million	2014	2013
Undue accounts receivables	85.2	123.7
Accounts receivables 1–30 days overdue	14.4	11.2
Accounts receivables 31–60 days overdue	1.3	1.8
Accounts receivables more than 60 days overdue	11.1	24.1
Total	**112.1**	**160.7**

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 risk related to investing liquid funds is managed by defining the acceptable counterparties with good credit standing as well as the maximum allowed exposure by counterparty. The Group does not have material loan receivables.

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 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 RISK

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

CAPITAL MANAGEMENT

The Group's capital management objectives are to secure the ability to continue as going concern, maintain a healthy balance sheet structure, maintain adequate financial reserves at all times, manage the maturity structure and other terms of interest bearing debt and credit lines and, at the same time, to optimize the cost of capital in order to enhance value to shareholders. The exact target for the capital structure of Patria has not been specifically defined, but the target is to ensure good credit rating and thus adequate financing possibilities to support the business units in their growth strategies. High equity ratio is considered to be a significant strength factor, due to which Patria can capitalize on possible value creating business opportunities, should such opportunities arise. When necessary, Patria can also utilize its capacity to borrowing, should interesting investment or acquisition possibilities arise. In such circumstances the amount of debt and net gearing ratio could be on a higher level for a while. 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 2014 there were no significant business arrangements.

4. Items related to percentage of completion method

EUR million	2014	2013
Products	274.4	380.0
Services	188.0	209.4
Total	**462.4**	**589.5**

EUR million	2014	2013
Delivery based net sales	234.5	280.4
Percentage of completion method invoicing	227.8	309.1
Total	**462.4**	**589.5**

EUR million	2014	2013
Aggregate amount of costs incurred and recognised profits (less losses) to date	1,184.7	1,020.5
Less progress billings and advances	-1,183.2	-961.4
Construction contracts in progress, net position	1.5	59.1
Amounts due from customers for contract work	33.9	89.5
Amounts due to customers for contract work	-32.4	-30.4
Construction contracts in progress, net position	1.5	59.1
Advances received	56.1	51.7
Construction contracts remaining order stock	301.2	267.9

5. Other operating income and expenses

OTHER OPERATING INCOME

EUR million	2014	2013
Rental income	2.7	2.3
Capital gain on sale of fixed assets	0.0	0.3
Service revenues	0.5	0.4
Other operating income	8.1	2.2
Grants received	0.2	0.3
Total	**11.5**	**5.5**

OTHER OPERATING EXPENSES

EUR million	2014	2013
Research and development	-0.6	-1.8
Rents	-7.2	-6.6
Losses on sale of fixed assets	-0.0	0.0
Travel expenses	-6.7	-5.8
Real estate expenses	-17.1	-10.4
Other operating expenses*)	-20.5	-52.2
Total	**-52.1**	**-76.8**

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

PRINCIPAL INDEPENDENT AUDITOR'S FEES AND SERVICES

EUR million	2014	2013
Audit fees	-0.2	-0.2
Other audit related fees	-0.1	-0.1
Other services	-0.0	0.0
Total	**-0.3**	**-0.3**

6. Research and development expenses

EUR million	2014	2013
Research and development expenses, total	7.3	11.6
Research and development costs expensed during financial period	5.2	7.9

7. Personnel expenses

EUR million	2014	2013
Salaries and fees paid to member of board, Consultative committee and President and CEO	0.9	0.8
Other wages and salaries	124.1	126.0
Pension and pension insurance expenses	21.3	21.0
Other employer costs	8.5	8.8
Total	**154.7**	**156.5**

COMPENSATION TO BOARD OF DIRECTORS AND ATTENDANCE AT MEETINGS

		Attendance at meetings		
1,000 EUR	**2014**	**Board**	**Audit Committee**	**Nomination and Compensation Committee**
Board members 31 December 2014				
Christer Granskog, Chairman	42	15/15	-	3/3
Kirsi Komi, Vice Chairman	32	15/15	4/4	-
Arto Honkaniemi	29	15/15	4/4	3/3
Maximilliam Thomasius [1]	34	12/14	4/4	-
Jussi Itävuori [1]	34	12/14	-	3/3
Kari Rimpi	25	15/15	-	-
Total	**196**			

[1] Until 11 December 2014

		Attendance at meetings		
1,000 EUR	**2013**	**Board**	**Audit Committee**	**Nomination and Compensation Committee**
Board members 31 December 2013				
Christer Granskog, Chairman	43	9/9	-	6/6
Kirsi Komi, Vice Chairman	29	9/9	5/5	-
Arto Honkaniemi	30	9/9	5/5	6/6
Maximilliam Thomasius [1]	17	3/6	2/2	-
Jussi Itävuori	31	9/9	-	6/6
Kari Rimpi	23	9/9	-	-
Former board members				
Peter Härtie [2]	9	3/3	2/3	-
Total	**182**			

[1] Starting 24 April 2013

[2] Until 24 April 2013

Compensation to the Board of Directors includes a monthly remuneration to Chairman EUR 2,750, Vice Chairman EUR 1,850 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. Starting April 24, 2013 meeting fee of EUR 1,200 has been paid to the Board and Committee members living abroad.

COMPENSATION TO CONSULTATIVE COMMITTEE AND ATTENDANCE AT MEETINGS

1,000 EUR	2014	Attendance at meetings 2014
Consultative Committee members 1 January - 31 December 2014		
Raimo Vistbacka, Chairman	2	3/3
Thomas Blomqvist, Vice Chairman	2	3/3
Seppo Kääriäinen	2	3/3
Petri Peltonen	2	3/3
Tuula Peltonen	2	3/3
Juha Rannikko	1	1/3
Kari Tolvanen	1	2/3
Total	**10**	

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

1,000 EUR	2013	Attendance at meetings 2013
Consultative Committee members 1 January - 31 December 2013		
Raimo Vistbacka, Chairman	2	3/3
Thomas Blomqvist, Vice Chairman	2	3/3
Seppo Kääriäinen	2	3/3
Petri Peltonen	2	3/3
Tuula Peltonen	2	3/3
Juha Rannikko	1	1/3
Kari Tolvanen	2	3/3
Total	**11**	

Personnel representatives attendance at meetings: Jari Grönlund (0/1), Ilkka Jokioja (3/3), Jussi Karimäki (3/3), Juha Kuusi (3/3) and Petri Pitkänen (2/2). 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 CEO AND MANAGEMENT

Salaries, fees and benefits paid to the President and CEO during 2014 totalled EUR 695,927 (EUR 654,580) consisting of

- base salary of EUR 360,179.07 (EUR 360,179.07) (including salary of EUR 344,279.07 and benefits of EUR 15,900.00),
- yearly bonus earning period 2013 EUR 149,114.13 (earning period 2012 of EUR 107,767.86), and
- EUR 186,633.56 based on years 2010–2012 long term incentive plan.

The yearly bonus represents 41.4% (30.4%) of the CEO's base salary and reflects a payout ratio of 69.0% (60.8%) of the maximum bonus of 60% available for the CEO for 2013.

The yearly bonus to be paid to the CEO in 2015 for the earning period 2014 is EUR 99,841.64 (27.7% of base salary of year 2014 and 46.2% of the maximum bonus payout).

Furthermore and based on the Long Term Incentive Plan 2012–2014, EUR 16,000.00 will be paid to the CEO in two instalments during 2015.

The retirement age for the President and CEO of the parent company is 62. The CEO's retirement arrangement is based on a fixed and defined contribution plan and it is complemented with an insurance policy. The cost of the arrangement was EUR 137,135 (EUR 137,135). The CEO's contract of employment may be terminated with 6 months' notice by either the CEO or the Company. In case the Company gives notice to the CEO, the company shall pay, in addition to the 6 months' salary for the notice period, an additional compensation corresponding to the amount of 12 months' salary.

The President and CEO is assisted in Group management by the Board of Management, which included 7 members. The salaries, fees and benefits paid to the members of the Board of Management totalled EUR 1,647,482.75 (EUR 1,584,024).

The remuneration of the President and CEO and the other members of the Board of Management for 2014 was 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. The remunerations are agreed using the 'one above' principle, and the remuneration of the CEO is agreed by the Board of Directors.

During the financial period the members of the Board of Management of Patria have been participants in three separate three-year performance-based Long Term Incentive Plans i.e. for the years 2012–2014, 2013–2015 and 2014–2016. Incentive plans have been set up by the Board of Directors in accordance with the respective Finnish State ownership policy.

The previous 2010–2012 plan was based on annual strategic targets combined with three-year cumulative financial performance and the highest potential remuneration was 100% of a participant's annual base salary per year during the program period. The outcome of this plan was 37 per cent of the highest potential remuneration and is paid to the participants in three instalments during the years 2013–2014 subject to the terms of the plan.

The 2012–2014, 2013–2015 and 2014–2016 plans consist of a number of strategic targets set and the financial performance of the Company over the programme period. The highest potential remuneration in each program depending on the participant's organisational standing is 40%, 50% or 60% of a participant's annual base salary per year during the whole three-year period of each program. The remunerations will be paid to the participants during three financial periods after each program has ended. The outcome of the plan is subject to the Board of Directors' approval. The company has made a relating cost provision in the balance sheet in the amount of EUR 280,000 (EUR 58,512).

All Patria employees are part of a yearly bonus plan. The plan can provide at maximum a bonus corresponding to between 1.8 to 3 months' salary depending on the employee's organisational standing.

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 has been accounted as a defined benefit plan.

EXPENSES OF EMPLOYMENT BENEFITS

EUR million	2014	2013
Pension expenses - Defined contribution plans	21.2	21.0
Pension expenses - Defined benefit plans	0.1	0.0
Total	**21.3**	**21.0**

EXPENSE RECOGNISED IN PROFIT OR LOSS

EUR million	2014	2013
Service cost	0.0	0.0
Net interest	0.1	0.0
Expense recognised in profit or loss	**0.1**	**0.0**

STATEMENT OF FINANCIAL POSITION

EUR million	2014	2013
Defined benefit obligation	9.6	2.0
Fair value of plan assets	-5.0	0.0
Funded status	4.6	2.0
Liability in the balance sheet	4.6	2.0

Changes in the present value of the defined benefit obligation are as follows:

DEFINED BENEFIT OBLIGATION (DBO)

EUR million	2014	2013
Opening defined benefit obligation	2.0	0.0
Addition of defined benefit obligation	2.2	0.0
Current service cost	0.0	0.0
Interest cost	0.2	0.0
Benefits paid	-0.1	0.0
Actuarial gain (-) / loss (+)	5.2	0.0
Past service cost	0.0	0.0
Settlements	0.0	0.0
Closing defined benefit obligation	**9.6**	**2.0**

Changes in the fair value of plan assets are as follows:

FAIR VALUE OF PLAN ASSETS

EUR million	2014	2013
Opening fair value of plan assets	0.0	0.0
Interest income	0.1	0.0
Contribution paid	0.1	0.0
Benefits paid	-0.1	0.0
Actuarial gain (+) / loss (-)	4.9	0.0
Settlements	0.0	0.0
Closing fair value of plan assets	**5.0**	**0.0**

Expected contribution paid in the next fiscal period:

EXPECTED CONTRIBUTION

EUR million	2014	2013
Expected contribution	0.0	0.0

CHANGES IN OTHER COMPREHENSIVE INCOME

EUR million	2014	2013
Recognised remeasurements in other comprehensive income in the beginning of the period	0.0	0.0
Actuarial gain (+) or loss (-) on obligation	-5.2	0.0
Actuarial gain (+) or loss (-) on plan assets	4.9	0.0
Recognised remeasurements in other comprehensive income in the end of the period	-0.3	0.0

PLAN ASSETS

	2014	2013
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 are key assumptions. The figures in the sensitivity analysis have been calculated by changing one assumption and keeping the other assumptions constant and by using the same method and the same census data which is applied when calculating defined benefit obligation and fair value of plan assets.

SENSITIVITY ANALYSIS OF ACTUARIAL ASSUMPTIONS AS OF 31.12.2014

EUR million	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	-0.6	-0.3	-8%	-7%
Change in salary increase, +0.5 percent point	0.0	0.0	0%	0%
Change in mortality, + 1 year in life expectancy	0.3	0.1	3%	3%
Change in benefit increase, +0.5 percent point	0.7	0.0	9%	0%
Change in Insurance Company's bonus index, +0.5 percent point	0.0	0.4	0%	8%

Census data used in this valuation is as follows:

CENSUS DATA

	2014
Number of actives	32
Number of pensioners	25
Number of deferred	291
Average age actives (years)	53
Average remaining service time	8
Average serving time	6

8. Depreciation and impairments

DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENTS

EUR million	2014	2013
Development expenses	-1.2	-1.1
Intangible rights	-1.8	-2.7
Goodwill	-0.4	-0.0
Other long-term expenditures	-0.7	-0.5
Buildings and constructions	-3.2	-4.1
Machinery and equipment	-7.5	-7.1
Other tangible assets	0.0	-0.0
Impairment losses, non current assets	0.0	-1.4
Total	**-14.7**	**-16.9**

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% p.a. in 2014 (10%).

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 the decrease of the cash flows (10%–40%) or the increase of the discount rate (1%–5%) while other assumptions remain constant would lead to impairment. According to the impairment test, there was no need for goodwill impairment.

GOODWILL BY BUSINESS UNIT

EUR million	2014	2013
Land	8.9	8.9
Aviation	7.8	7.7
Systems	1.7	1.7
Millog	6.6	6.3
Total	**25.0**	**24.7**

EUR million	2014	2013
1 Jan	24.7	24.8
Additions	0.0	1.4
Impairment	0.0	-1.4
Translation differences	0.3	-0.0
31 Dec	**25.0**	**24.7**

9. Financial income and expenses

EUR million	2014	2013
Interest income		
Deposits and investments	0.2	0.1
Other	0.7	0.3
Other financial income	0.0	0.0
Interest expenses		
Interest bearing liabilities	-0.7	-1.0
Financial lease	-1.3	-1.3
Other financial expense	-0.5	-0.5
Exchange rate difference		
Foreign exchange derivatives, non-hedge accounted	-2.1	-1.4
Other	2.4	0.8
Total	**-1.3**	**-3.1**

AGGREGATE FOREIGN EXCHANGE GAINS AND LOSSES INCLUDED IN CONSOLIDATED INCOME STATEMENT

EUR million	2014	2013
Net sales	0.6	-0.1
Expenses	-0.1	-0.2
Financial income and expenses	0.4	-0.6
Total	**0.8**	**-0.9**

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

EUR million	2014	2013
Foreign exchange rate derivative contracts under hedge accounting	-0.1	-0.2
Total	**-0.1**	**-0.2**

10. Income taxes

EUR million	2014	2013
Income taxes	4.3	14.9
Income taxes previous period	-0.0	-0.0
Change in deferred tax receivable	2.4	3.7
Change in deferred tax liability	-0.1	-0.5
Total	**6.6**	**18.1**

DIFFERENCES BETWEEN INCOME TAX EXPENSE CALCULATED AT STATUTORY RATES COMPARED TO THE INCOME STATEMENT (TAX RATE IN FINLAND 2014: 20.0%, 2013: 24.5%)

EUR million	2014	2013
Income tax expense at statutory rate	10.9	20.8
Effect of statutory tax rates of foreign companies	-0.1	0.1
Untaxed income	-0.0	-0.6
Non-deductible expenses	0.1	1.6
Utilization of confirmed losses	-1.2	-0.0
Fiscal losses of the period	0.3	0.0
Effect of associated company result	-3.4	-5.4
Effect of statutory tax rate change on deferred taxes	0.0	1.8
Other items	-0.1	-0.1
Income taxes	**6.6**	**18.1**

The deferred taxes have been calculated using the statutory tax rate 20.0%, which has been in effect from the beginning of year 2014. The effect of the change in tax rate has been booked to the income statement in 2013.

RECONCILIATION OF DEFERRED TAX RECEIVABLES

EUR million	2014	2013
Fixed assets depreciation differences	0.6	0.6
Untaxed reserves	4.9	6.2
Fair value of derivative financial instruments	0.1	0.0
Accruals	1.6	2.7
	7.3	9.5
1 Jan	9.5	13.5
Income statement	-2.4	-3.7
Fair value of derivative financial instruments	0.1	0.0
Equity	0.1	-0.3
31 Dec	**7.3**	**9.5**

RECONCILIATION OF DEFERRED TAX LIABILITIES

EUR million	2014	2013
Fixed assets depreciation differences	0.0	0.0
Accruals	1.3	1.6
Fair value of derivative financial instruments	0.0	0.1
	1.3	**1.6**
1 Jan	1.6	2.3
Income statement	-0.1	-0.5
Fair value of derivative financial instruments	-0.1	-0.0
Equity	-0.1	-0.1
31 Dec	**1.3**	**1.6**

11. Intangible and tangible assets

INTANGIBLE ASSETS

EUR million	Goodwill	Development expenses	Intangible rights	Other long-term expenditures	Advance payments	Total
Acquisition cost 1 Jan 2014	26.3	44.8	22.1	8.9	0.0	102.2
Translation differences	-0.2	0.0	0.0	0.0	0.0	-0.2
Scrapping	0.0	0.0	-1.0	0.0	0.0	-1.0
Additions	0.3	0.0	0.6	1.4	0.3	2.6
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition cost 31 Dec 2014	26.5	44.8	21.7	10.3	0.3	103.7
Accumulated depreciation and impairment losses 1 Jan 2014	-1.6	-43.7	-18.6	-6.1	0.0	-69.9
Translation differences	0.1	0.0	0.0	0.0	0.0	0.1
Scrapping	0.0	0.0	1.0	0.0	0.0	1.0
Depreciation for the period	-0.0	-1.1	-1.8	-0.7	0.0	-3.6
Impairment	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation and impairment losses 31 Dec 2014	-1.5	-44.8	-19.4	-6.8	0.0	-72.4
Net book value at 31 Dec 2014	**25.0**	**0.1**	**2.4**	**3.5**	**0.3**	**31.2**

EUR million	Goodwill	Development expenses	Intangible rights	Other long-term expenditures	Advance payments	Total
Acquisition cost 1 Jan 2013	27.2	44.8	20.0	8.1	8.4	108.7
Translation differences	-2.3	0.0	-0.0	-0.0	0.0	-2.3
Reclassifications	0.0	0.0	0.0	0.0	-0.0	0.0
Additions	1.4	0.0	1.1	0.8	0.0	3.3
Disposals	0.0	0.0	0.9	0.0	-8.4	-7.5
Acquisition cost 31 Dec 2013	26.3	44.8	22.1	8.9	0.0	102.2
Accumulated depreciation and impairment losses 1 Jan 2013	-0.2	-42.6	-15.7	-5.6	0.0	-64.1
Translation differences	0.1	0.0	-0.0	0.0	0.0	0.1
Disposals	0.0	0.0	-0.2	0.0	0.0	-0.2
Depreciation for the period	0.0	-1.1	-2.7	-0.5	0.0	-4.3
Impairment	-1.4	0.0	0.0	0.0	0.0	-1.4
Accumulated depreciation and impairment losses 31 Dec 2013	-1.6	-43.7	-18.6	-6.1	0.0	-69.9
Net book value at 31 Dec 2013	**24.7**	**1.2**	**3.5**	**2.8**	**0.0**	**32.2**

TANGIBLE ASSETS

EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2014	2.2	100.2	97.6	1.4	1.4	202.8
Translation differences	0.0	-0.6	-0.4	-0.0	0.0	-0.9
Reclassifications	0.0	-0.0	0.1	0.0	-0.1	0.0
Scrapping	0.0	0.0	-0.9	0.0	0.0	-0.9
Additions	0.0	0.5	4.3	0.0	4.1	8.9
Disposals	0.0	-0.0	-0.0	0.0	-3.2	-3.2
Acquisition cost 31 Dec 2014	2.2	100.1	100.7	1.5	2.2	206.6
Accumulated depreciation and impairment losses 1 Jan 2014	0.0	-54.3	-75.8	-1.3	0.0	-131.4
Translation differences	0.0	0.3	0.2	0.0	0.0	0.5
Scrapping	0.0	0.0	1.0	0.0	0.0	1.0
Depreciation for the period incl. exchance rate diff. in P&L	0.0	-3.8	-7.2	-0.0	0.0	-11.1
Accumulated depreciation and impairment losses 31 Dec 2014	0.0	-57.8	-81.9	-1.3	0.0	-141.0
Net book value at 31 Dec 2014	**2.2**	**42.3**	**18.8**	**0.2**	**2.2**	**65.6**

EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2013	2.2	99.2	88.2	1.4	2.2	193.1
Translation differences	0.0	-0.3	-0.2	-0.0	-0.0	-0.5
Reclassifications	0.0	0.0	0.0	0.0	-0.0	-0.0
Additions	0.0	1.3	9.9	0.0	3.8	15.0
Disposals	0.0	0.0	-0.2	0.0	-4.5	-4.7
Acquisition cost 31 Dec 2013	2.2	100.2	97.6	1.4	1.4	202.8
Accumulated depreciation and impairment losses 1 Jan 2013	0.0	-50.5	-68.5	-1.2	0.0	-120.1
Translation differences	0.0	0.2	0.1	0.0	0.0	0.3
Disposals	0.0	0.0	0.2	0.0	0.0	0.2
Depreciation for the period incl. exchance rate diff. in P&L	0.0	-4.0	-7.7	-0.0	0.0	-11.8
Accumulated depreciation and impairment losses 31 Dec 2013	0.0	-54.3	-75.8	-1.3	0.0	-131.4
Net book value at 31 Dec 2013	**2.2**	**45.9**	**21.8**	**0.2**	**1.4**	**71.4**

Tangible assets include capitalized finance leases as follows:

EUR million	Buildings and constructions	Machinery and equipment	Total
Acquisition cost 31 Dec 2014	36.3	6.8	43.2
Accumulated depreciation	-15.0	-6.8	-21.9
Net book value at 31 Dec 2014	**21.3**	**0.0**	**21.3**
Acquisition cost 31 Dec 2013	36.3	6.8	43.2
Accumulated depreciation	-13.5	-6.8	-20.4
Net book value at 31 Dec 2013	**22.8**	**0.0**	**22.8**

12. Joint ventures

	Domicile	Ownership %
Nammo AS	Raufoss, Norway	50.0
Patria Middle East General Trading & Contracting Company WLL	Kuwait City, Kuwait	49.0
Patria Hägglunds Oy	Tampere, Finland	50.0
Svensk Försvarslogistik AB	Stockholm, Sweden	50.0

2013 NOK million	Domicile	Ownership %	Assets	Liabilities	Net sales	Profit/Loss
Nammo AS	Raufoss, Norway	50.0	3,665.5	1,801.5	3,702.7	327.2

SHARES IN JOINT VENTURES

EUR million	2014	2013
1 Jan	140.0	142.6
Share of results in joint ventures	17.0	22.2
Share of comprehensive income in joint ventures	-4.1	2.3
Dividend income	-9.8	-10.1
Exchange rate differences and other changes	-3.5	-17.0
31 Dec	**139.6**	**140.0**

BUSINESS OPERATIONS WITH JOINT VENTURES

EUR million	2014	2013
Sales to joint ventures	22.2	19.0
Purchases from joint ventures	1.0	4.6

RECEIVABLES AND LIABILITIES, JOINT VENTURES

EUR million	2014	2013
Subordinated loan receivable	0.1	0.1
Accounts receivables	2.2	1.0
Other receivables	0.0	0.3
Accounts payable	0.0	0.3
Advance payments	0.0	8.0
Other liabilities	0.0	0.6

13. Other shares

EUR million	2014	2013
Book value	0.2	0.2

The fair value of other shares does not differ materially from the book value.

14. 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

EUR million	2014	2013
Receivables related to POC method	33.9	89.5
Other items	3.2	3.3
Total	**37.1**	**92.8**

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

15. Accruals and deferred income

EUR million	2014	2013
Accrued wages, salaries and social security costs	17.8	31.3
Liabilities related to POC method	32.4	30.4
Other items	24.8	15.3
Total	**75.0**	**77.0**

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

16. Financial assets available for sale

EUR million	Shares	Commercial papers	Total
1 Jan 2014	0.2	0.0	0.2
Commercial papers (reclassification)	0.0	12.7	12.7
Additions	0.0	0.0	0.0
31 Dec 2014	**0.2**	**12.7**	**12.9**
1 Jan 2013	0.2	0.0	0.2
Deductions	-0.0	0.0	-0.0
31 Dec 2013	**0.2**	**0.0**	**0.2**

17. Financial instruments

REVALUATION FUND INCLUDING FORWARD CONTRACTS

EUR million	
Fair value	-0.6
Deferred taxes	0.1
Revaluation fund 31 Dec 2014	**-0.4**
Fair value changes recognized in equity	-0.9
Fair value changes recognized in income statement	-0.1
Deferred taxes	0.2
Change in 2014	-0.8
Fair value	0.4
Deferred taxes	-0.1
Revaluation fund 31 Dec 2013	**0.3**
Fair value changes recognized in equity	-0.4
Fair value changes recognized in income statement	-0.2
Deferred taxes	0.1
Change in 2013	-0.4
Fair value	0.9
Deferred taxes	-0.2
Revaluation fund 31 Dec 2012	**0.7**

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

2014 EUR million	Financial assets/ liabilities at fair value through income statement Level 2	Loans and other receivables	Available for sale financial assets Level 2	Held to maturity	Other financial liabilities	Book value	Note
Non-current financial assets							
Long-term receivables from joint ventures		0.1				**0.1**	12
Other shares		0.0	0.2			**0.2**	13
Other receivables		0.6				**0.6**	
Current financial assets							
Accounts receivable		112.1				**112.1**	2
Receivables from joint ventures		2.2				**2.2**	12
Derivative financial instruments	0.3					**0.3**	22
Financial assets at fair value through income statement *)			12.7			**12.7**	16
Cash and bank balances		17.7				**17.7**	
Carrying amount by category	**0.3**	**132.8**	**12.9**	**0.0**	**0.0**	**146.0**	
Non-current financial liabilities							
Interest-bearing liabilities					29.6	**29.6**	19
Other long-term liabilities						**0.0**	
Current financial liabilities							
Interest-bearing liabilities					33.0	**33.0**	19
Accounts payable					24.2	**24.2**	
Liabilities to joint ventures						**0.0**	12
Other current liabilities						**0.0**	
Derivative financial instruments	0.8					**0.8**	22
Carrying amount by category	**0.8**	**0.0**	**0.0**	**0.0**	**86.8**	**87.6**	

*) Classification has been changed, since assets have been sold before the maturity date. 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)

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

2013 **EUR million**	Financial assets/ liabilities at fair value through income statement Level 2	Loans and other receivables	Available for sale financial assets Level 2	Held to maturity	Other financial liabilities	Book value	Note
Non-current financial assets							
Long-term interest-bearing receivables from joint ventures		0.1				**0.1**	12
Other shares		0.0	0.2			**0.2**	13
Other receivables		1.0				**1.0**	
Current financial assets							
Accounts receivable		160.7				**160.7**	2
Receivables from joint ventures		1.0				**1.0**	12
Derivative financial instruments	0.3					**0.3**	22
Financial assets at fair value through income statement				11.0		**11.0**	16
Cash and bank balances		57.1				**57.1**	
Carrying amount by category	**0.3**	**219.9**	**0.2**	**11.0**	**0.0**	**231.3**	
Non-current financial liabilities							
Interest-bearing liabilities					35.6	**35.6**	19
Other long-term liabilities						**0.0**	
Current financial liabilities							
Interest-bearing liabilities					12.0	**12.0**	19
Accounts payable					45.2	**45.2**	
Liabilities to joint ventures					0.9	**0.9**	12
Other current liabilities						**0.0**	
Derivative financial instruments	0.5					**0.5**	22
Carrying amount by category	**0.5**	**0.0**	**0.0**	**0.0**	**93.7**	**94.2**	

18. Shareholders' equity

The company has a total of 30,804,848 shares and one series of shares.

DISTRIBUTABLE FUNDS

The parent company's non-restricted equity on December 31, 2014 is EUR 241,501,228.75 of which the net loss for the financial period is EUR -28,764,861.11.

DIVIDEND PER SHARE

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.50 per share be paid on the shares owned by the State of Finland and Governia Oy. Under the proposal, the total amount of dividends will be EUR 13,920,944.50. The Board of Directors further proposes that the remaining non-restricted equity, EUR 227,580,284.25 be retained and carried forward.

The dividends paid for 2014 will be decided at the Annual General Meeting on 24 March 2015. This dividend payable is not reflected in these financial statements.

19. Liabilities

FINANCE LEASE LIABILITIES

Patria has finance leasing agreements relating mainly to buildings. Agreements mature between 2017 and 2033 and capital costs of EUR 21.3 million (22.8) are included in Buildings and constructions; the depreciation thereon was EUR 1.4 million (1.5). The aggregate leasing payments amounted to EUR 2.8 million (2.8), the interest element being EUR 1.4 million (1.4).

FINANCE LEASE LIABILITIES MINIMUM LEASE PAYMENTS

EUR million	2014	2013
Not later than 1 year	2.8	2.8
1–5 years	11.2	11.2
Later than 5 years	13.8	16.6
Total	27.8	30.6
Future finance charges	-5.9	-7.3
Present value of minimum lease payments	**21.9**	**23.4**

PRESENT VALUE OF MINIMUM LEASE PAYMENTS

EUR million	2014	2013
Not later than 1 year	1.5	1.5
1–5 years	5.9	5.9
Later than 5 years	14.5	16.0
Present value of minimum lease payments	**21.9**	**23.4**

20. Provisions

EUR million	2014	2013
Warranty provision	25.3	23.1
Other provision	24.5	30.4
Total	**49.8**	**53.5**

During the warranty period the claimed faults will be corrected at Patria's expense. The warranty provisions amounted to EUR 25.3 million (23.3) at the end of 2014. 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. The Group has made employees redundant based on economic reasons. Some of the employees have been made redundant to unemployment pension. The related liability has been treated as pension arrangement (IAS 19:132).

21. Commitments and contingent liabilities

CONTINGENT LIABILITIES

EUR million	2014	2013
Guarantees given on behalf of associated companies	2.7	11.4
Guarantees given on behalf of others	2.4	3.1
Other own contingent liabilities	3.0	2.9
Total	**8.1**	**17.4**

OPERATING LEASE COMMITMENTS

EUR million	2014	2013
Payments due next year	12.6	9.7
1–5 years	24.9	21.6
Payments due in thereafter	13.3	18.8
Total	**50.7**	**50.1**

Operating lease commitments of joint ventures are not included.

22. Derivative contracts

DERIVATIVE INSTRUMENTS

	2014			
EUR million	Nominal value	Positive fair values	Negative fair values	Net fair value
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts	15.5	0.2	-0.6	-0.4
Buy	7.7	0.2	-0.0	0.2
Sell	7.8	0.0	-0.6	-0.6
Currency options	0.0	0.0	0.0	0.0
Call	0.0	0.0	0.0	0.0
Put	0.0	0.0	0.0	0.0
Cash flow hedge	15.5	0.2	-0.6	-0.4
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	19.2	0.1	-0.2	-0.1
Buy	0.9	0.0	-0,0	0.0
Sell	18.3	0.1	-0.2	-0.1
Currency options	0.0	0.0	0.0	0.0
Call	0.0	0.0	0.0	0.0
Put	0.0	0.0	0.0	0.0
Non-hedging	19.2	0.1	-0.2	-0.1
Total	**34.7**	**0.3**	**-0.8**	**-0.5**

	2013			
EUR million	Nominal value	Positive fair values	Negative fair values	Net fair value
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts	19.5	0.3	-0.2	0.1
Buy	10.3	0.0	-0.2	-0.2
Sell	9.2	0.2	-0.0	0.2
Currency options	0.0	0.0	0.0	0.0
Call	0.0	0.0	0.0	0.0
Put	0.0	0.0	0.0	0.0
Cash flow hedge	19.5	0.3	-0.2	0.1
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	22.0	0.0	-0.2	-0.2
Buy	1.4	0.0	-0.0	-0.0
Sell	20.5	0.0	-0.2	-0.2
Currency options	0.0	0.0	0.0	0.0
Call	0.0	0.0	0.0	0.0
Put	0.0	0.0	0.0	0.0
Non-hedging	22.0	0.0	-0.2	-0.2
Total	**41.4**	**0.3**	**-0.5**	**-0.2**

OFFSETTING OF FINANCIAL INSTRUMENTS

	2014		
EUR million	**Gross amounts in balance sheet**	**Financial instruments – Related amounts not set off in the balance sheet**	**Net amount**
Derivative financial assets	0.1	0.1	0.1
Derivative financial liabilities	0.2	0.1	0.2

	2013		
EUR million	**Gross amounts in balance sheet**	**Financial instruments – Related amounts not set off in the balance sheet**	**Net amount**
Derivative financial assets	0.0	0.0	0.0
Derivative financial liabilities	0.2	0.0	0.2

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

23. Related party transactions

Patria Oyj's subsidiaries

Subsidiaries	Domicile	Ownership %
Patria Aviation Oy	Jämsä, Finland	100.0
Patria Aerostructures 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 Helicopters AS	Bardufoss, Norway	100.0
Patria Finance Oyj	Helsinki, Finland	100.0
Patria Land Services Oy	Helsinki, Finland	100.0
Patria Vammas AB	Uddevalla, Sweden	100.0
Windhoff Vammas Airport Equipment GmbH	Neuenkirchen, Germany	100.0
Patria Polska Sp. z o.o.	Warsaw, Poland	100.0
Patria Land Systems Oy	Helsinki, Finland	100.0
Patria Special Programmes Oy	Helsinki, Finland	100.0
Millog Oy	Tampere, Finland	61.8
Inlog Partners Oy	Tampere, Finland	100.0
Oricopa Oy	Orivesi, Finland	100.0
Oricopa Kiinteistöt Oy	Orivesi, Finland	100.0

NET SALES AND PURCHASES BETWEEN THE GROUP COMPANIES

EUR million	2014	2013
Total	51.9	71.3

The policy of internal transfer pricing is to use at arm's length prices.

Information concerning business operations between the Group and its joint ventures 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 Board of Management. There were no outstanding loans receivable from key management on 31 December 2014. Members of the Group management and their immediate circle have not had any essential business relations with the Group companies.

24. Disputes and litigations

An Austrian company which has been acting as Patria's consultant in certain countries has initiated two cases against Patria claiming, inter alia, payment of certain commissions and indemnity. The aggregate amount of these claims is EUR 4.3 million plus amounts to be specified later. In Patria management view is that the claims are groundless or premature in the current circumstances.

25. 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.

26. Correction related to an error in previous financial periods

In September 2013 Raskone Oy sold its 8% share of Millog Oy to Patria Oyj and Insta Group Oy, in proportion to their ownership (Patria 55% and Insta 34%) and thereby Patria Oyj owns directly or indirectly 61.8% of Millog Oy.

The Company has corrected an error in financial period 2013 retroactively in accordance with IAS 8. Correction of an error relates to the accounting treatment of the above-mentioned shares of Millog Oy acquired from the non-controlling interests. In the financial statements of previous year the consolidation asset formed in the acquisition was erroneously treated as an addition to the consolidation goodwill, although changes in the ownership related to a subsidiary, when the parent company does not lose its control, should have been treated as equity transactions.

The impact of the correction has been restated in the information presented from the period of comparison according to the table below.

EUR million	31.12.2013	Restatement	Restated 31.12.2013
Consolidated goodwill	27.0	-2.3	24.7
Retained earnings	38.5	-2.3	36.3

27. The impact of the application of IFRS 11 to the comparable information of 2013 financial period

The introduction of IFRS 11 has lead one company to be reclassified as joint venture. The application of the standards IFRS 10 and 11 in 2014 required the comparable information to be restated i.e. 2013 financial information have been restated retroactively. The comparable information relating to the application of IFRS 11 is presented in the tables below.

CONSOLIDATED INCOME STATEMENT

EUR million	31.12.2013	Restated 31.12.2013	Change
Assets			
Non-current assets			
Intangible assets			
Development expenses	1.2	1.2	0.0
Intangible rights	18.0	3.5	-14.5
Goodwill	54.9	24.7	-30.2
Other long-term expenditures	2.8	2.8	0.0
Advance payments			
Tangible assets			
Land and water	3.9	2.2	-1.7
Buildings and constructions	61.1	45.9	-15.2
Machinery and equipment	44.9	21.8	-23.2
Other tangible assets	0.2	0.2	0.0
Advance payments and construction in progress	9.2	1.4	-7.8
Investments in associated companies	0.8	140.0	139.2
Other shares	0.7	0.2	-0.5
Deferred tax assets	9.5	9.5	0.0
Other receivables	8.5	7.4	-1.1
Long-term receivables from associated companies	0.1	0.1	0.0
Total Non-current assets	**215.8**	**260.9**	**45.1**
Current assets			
Inventories			
Raw materials and supplies	94.4	70.2	-24.1
Work in progress	66.1	18.0	-48.1
Finished goods	15.5	2.8	-12.8
Advance payments	3.9	1.6	-2.2
Receivables			
Accounts receivable	201.0	160.7	-40.3
Receivables from associated companies	1.2	1.2	0.0
Other receivables	10.0	3.6	-6.4
Prepaid expenses and accrued income	92.8	92.8	0.0
Derivative financial instruments	0.9	0.3	-0.6
Current tax asset	0.1	0.1	0.0
Financial assets at fair value through income statement	11.0	11.0	0.0
Cash and cash equivalents	71.6	57.1	-14.5
Total Current assets	**568.4**	**419.4**	**-149.0**
Total Assets	**784.3**	**680.3**	**-103.9**

EUR million	31.12.2013	Restated 31.12.2013	Change
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	38.0	38.0	0.0
Share issue premium fund	0.0	0.0	0.0
Revaluation fund	-0.6	0.3	0.9
Invested non-restricted equity fund	164.1	164.1	0.0
Translation differences	-28.0	10.7	38.8
Retained earnings	75.9	36.3	-39.6
Net income for the period	66.6	66.6	0.0
Equity attributable to shareholders of parent company	**316.0**	**316.0**	**0.0**
Non-controlling interests	**10.1**	**8.3**	**-1.7**
Total Shareholders' equity	**326.1**	**324.4**	**-1.7**
Non-current liabilities			
Deferred tax liability	3.2	1.6	-1.6
Pension provisions	16.0	2.0	-14.0
Provisions	56.4	53.5	-2.9
Interest bearing liabilities	56.3	35.6	-20.7
Total Non-current liabilities	**131.9**	**92.7**	**-39.2**
Current liabilities			
Interest bearing liabilities	12.0	12.0	0.0
Advance payments	114.6	94.2	-20.4
Accounts payable	61.2	45.2	-16.0
Liabilities to joint ventures	8.9	8.9	0.0
Other current liabilities	34.0	13.5	-20.5
Accruals and deferred income	77.0	77.0	0.0
Derivative financial instruments	2.2	0.5	-1.8
Current tax liability	16.3	12.0	-4.4
Total Current liabilities	**326.2**	**263.2**	**-63.0**
Total Shareholders' equity and liabilities	**784.3**	**680.3**	**-103.9**

CONSOLIDATED INCOME STATEMENT

EUR million	1–12/2013	Restated 1–12/2013	Change
Net sales	**824.8**	**589.5**	**-235.3**
Other operating income	5.5	27.7	22.2
Change in inventories of finished goods and work in progress	-0.1	-0.1	0.0
Production for own use	0.1	0.1	0.0
Raw materials and supplies	-308.8	-215.4	93.5
Change in inventories of raw materials	15.9	6.2	-9.7
Services purchased	-70.5	-70.1	0.5
Personnel expenses	-226.3	-156.5	69.7
Depreciation, amortization and impairments	-25.4	-16.9	8.5
Other operating expenses	-118.1	-76.8	41.3
Operating profit	**97.1**	**87.8**	**-9.4**
Financial income and expenses			
Interest and other financial income	0.8	0.4	-0.4
Interest and other financial expenses	-3.1	-2.9	0.2
Exchange gains and losses	-1.2	-0.6	0.6
Income before taxes	**93.6**	**84.7**	**-8.9**
Income taxes	-27.0	-18.1	8.9
Profit for the period	**66.6**	**66.6**	**0.0**
Net income attributable to non-controlling interests	3.8	2.6	-1.2
Net income attributable to equity shareholders	62.8	64.0	1.2
Profit for the period	**66.6**	**66.6**	0.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	1–12/2013	Restated 1–12/2013	Change
Profit for the period	66.6	66.6	0.0
Other comprehensive income			
Items that may be reclassied to profit or loss in subsequent periods			
Cash flow hedges	-2.7	-0.4	2.3
Change of translation difference	-15.2	-17.5	-2.3
Items that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains/losses on defined benefit plans	2.3	0.0	-2.3
Joint ventures' share of comprehensive income	0.0	2.3	-2.3
Total comprehensive income	**51.0**	**51.0**	**0.0**
Total comprehensive income attributable to non-controlling interests	3.8	2.6	-1.2
Total comprehensive income attributable to equity shareholders	47.1	48.3	1.2
Total comprehensive income	**51.0**	**51.0**	**0.0**

CONSOLIDATED CASH FLOW STATEMENT

EUR million	1–12/2013	Restated 1–12/2013	Change
Net income for the period	66.6	66.6	0.0
Depreciation, amortization and impairments	25.4	16.9	-8.5
Other adjustments	-11.8	-23.7	-11.9
Financing items	3.5	3.1	-0.5
Taxes	27.0	18.1	-8.9
Change in receivables	3.3	-17.8	-21.0
Change in payables	14.9	32.8	17.9
Change in inventories	-8.8	-5.4	3.3
Cash flow from operations	**120.2**	**90.6**	**-29.6**
Interest received	0.8	0.4	-0.4
Interest paid	-1.7	-1.5	0.2
Other financial items	-1.2	-0.6	0.6
Income taxes paid	-14.8	-5.9	8.9
Cash flow from operating activities	**103.2**	**83.0**	**-20.2**
Acquired business operations	-9.6	-5.2	4.4
Other capital expenditures	-26.7	-11.8	14.9
Sale of other fixed assets and other changes	0.2	0.2	0.0
Other changes and exchange rate differences	5.5	-2.0	-7.5
Cash flow from investing activities	**-30.6**	**-18.8**	**11.9**
Change in long-term financing	-0.0	0.0	0.0
Repayments of long-term loans	-4.4	-4.4	-0.0
Repayments of short-term loans	0.0	-0.1	-0.1
Change in short-term financing	6.0	6.0	0.0
Financial assets in fair value through income statement	-8.0	-8.0	0.0
Change in short-term receivables	-0.1	-0.3	-0.2
Dividends paid	-19.0	-19.0	0.0
Other changes	-17.1	0.2	17.3
Cash flow from financing activities	**-42.7**	**-25.6**	**17.1**
Change in liquid funds	**29.9**	**38.6**	**8.7**
Change	29.9	38.6	8.7
Liquid funds at the beginning of the period	41.7	18.5	-23.2
Liquid funds at the end of the period	**71.6**	**57.1**	**-14.5**

Financial Statements of the Parent company (FAS)

Balance Sheet, Parent company

ASSETS

EUR million	Note	31.12.2014	31.12.2014
Non-current assets			
Investments			
Shares in group companies	8	222.0	274.9
Shares in associated and joint venture companies		188.5	188.5
Other receivables		0.0	0.0
Total Non-current assets		**410.5**	**463.4**
Current assets			
Receivables			
Accounts receivable		0.0	0.0
Receivables from group companies	9	22.7	69.9
Other receivables		0.0	0.1
Prepaid expenses and accrued income		0.2	0.1
Total Current assets		**23.0**	**70.1**
Total Assets		**433.5**	**533.5**

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	Note	31.12.2014	31.12.2014
Share capital	10		
Share capital		38.0	38.0
Other reserves			
Invested non-restricted equity fund		164.1	164.1
Retained earnings		106.2	2.9
Net income for the period		-28.8	277.3
Total Shareholders' equity		**279.5**	**482.4**
Current liabilities	9		
Accounts payable		0.1	0.2
Liabilities to group companies		150.2	40.0
Other current liabilities		0.0	0.0
Accruals and deferred income		3.6	10.9
Total Current liabilities		**154.0**	**51.1**
Total Shareholders' equity and liabilities		**433.5**	**533.5**

Income Statement, Parent company

EUR million	Note	1–12/2014	1–12/2013
Net sales	2	3.3	3.1
Other operating income	3	0.0	0.0
Purchases during the financial period		0.0	-0.0
Personnel expenses	4	-2.2	-1.9
Depreciation and value adjustments	8	-52.9	0.0
Other operating expenses	3	-5.6	-5.2
Operating profit		**-57.4**	**-4.0**
Financial income and expenses	5		
Dividend income from group companies		12.6	236.7
Interest and other financial income		0.0	0.0
Interest and other financial expenses		-1.2	-10.1
Income before extraordinary items		**-45.9**	**222.6**
Extraordinary items	6	20.1	68.0
Income before taxes		**-25.8**	**290.6**
Income taxes	7	-2.9	-13.2
Net income		**-28.8**	**277.3**

Cash Flow Statement, Parent company

EUR million	1–12/2014	1–12/2013
Income before extraordinary items	-45.9	222.6
Depreciation and value adjustments	52.9	0.0
Financing items	-11.4	-226.6
Other changes	-0.2	-9.5
Change in receivables	-0.6	1.2
Change in liabilities	112.4	6.8
Cash flow from operations	**107.1**	**-5.6**
Interests paid	-1.2	-10.1
Other financial items paid	-0.0	-0.0
Dividends received	12.6	236.7
Interests received	0.0	0.0
Taxes paid	-12.4	-3.7
Cash flow from operating activities	**106.1**	**217.3**
Acquired group companies	0.0	-3.1
Other investments	-0.0	0.0
Cash flow from investing activities	**-0.0**	**-3.1**
Change in short-term loans	0.0	-224.0
Dividends paid	-38.0	-19.0
Group contribution	68.0	28.8
Purchase of own shares	-136.1	0.0
Financial total	**-106.1**	**-214.2**
Change in liquid funds	**0.0**	**0.0**
Liquid funds 1 Jan	0.0	0.0
Liquid funds 31 Dec	0.0	0.0
Change in liquid funds	**0.0**	**0.0**

Notes to the Financial Statements, Parent company

1. Accounting principles, Parent company

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

REVENUE RECOGNITION

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

USE OF ESTIMATES

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

FIXED ASSETS AND DEPRECIATION

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

The assessed economic lives are as follows:

- Machinery and equipment 3 to 15 years
- Other tangible 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

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.

PROVISIONS

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

EMPLOYEE BENEFITS

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

RESEARCH AND DEVELOPMENT COSTS

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

LEASING

All leasing payments have been expensed in the income statement.

EXTRAORDINARY ITEMS

Extraordinary items include material transactions which are not directly related to the actual business operations, such as divestment of businesses or other major restructuring of operations.

2. Net sales

NET SALES BY PRODUCT SEGMENT

EUR million	2014	2013
Civilian products	3.3	3.1
Total	**3.3**	**3.1**

REVENUES RECOGNITION

EUR million	2014	2013
Delivery based net sales	3.3	3.1
Total	**3.3**	**3.1**

3. Other operating income and expenses

OTHER OPERATING INCOME

EUR million	2014	2013
Other operating income	0.0	0.0
Total	**0.0**	**0.0**

OTHER OPERATING EXPENSES

EUR million	2014	2013
Rental expenses	0.1	0.1
Sales and marketing expenses	0.8	1.1
Other operating expenses	4.8	4.1
Total	**5.6**	**5.2**

4. Personnel expenses

EUR million	2014	2013
Salaries and fees paid to members of the Boards of Directors, Consultative Committee and President and CEO	0.9	0.8
Other wages and salaries	0.8	0.6
Pension and pension insurance costs	0.5	0.4
Other indirect personnel expenses	0.0	0.0
Total	**2.2**	**1.9**

Number of personnel, average	2014	2013
Salaried staff	15	14
Total	**15**	**14**

5. Financial income and expenses within the Group

EUR million	2014	2013
Dividend income	12.6	236.7
Other interest and financial income	0.0	0.0
Interest and other financial expenses	-1.2	-10.1
Exchange gains and losses	-0.0	-0.0
Total	**11.4**	**226.6**

6. Extraordinary items

EUR million	2014	2013
Group contributions	20.1	68.0
Total	**20.1**	**68.0**

7. Direct taxes

EUR million	2014	2013
Income tax from extraordinary items	4.9	16.7
Income tax from continuing operations	-2.0	-3.4
Total direct taxes	**2.9**	**13.2**

8. Investments

SHARES IN SUBSIDIARIES

EUR million	2014	2013
1.1.	274.9	271.8
Additions	0.0	3.1
Write-down	-52.9	0.0
Total 31.12.	**222.0**	**274.9**

SHARES IN ASSOCIATED COMPANIES

EUR million	2014	2013
1.1.	188.5	188.5
Total 31.12.	**188.5**	**188.5**

In September 2013 Raskone Oy sold its 8% share of Millog Oy to Patria Oyj and Insta Group Oy, in proportion to their ownership (Patria 55% and Insta 34%) and thereby Patria Oyj owns directly or indirectly 61.8% of Millog Oy.

9. Receivables and liabilities

CURRENT RECEIVABLES FROM GROUP COMPANIES

EUR million	2014	2013
Accounts receivable	2.3	2.0
Prepaid expenses and accrued income	20.4	68.0
Total	**22.7**	**69.9**

PREPAID EXPENSES AND ACCRUED INCOME

EUR million	2014	2013
Taxes	0.2	0.0
Other	0.1	0.1
Total	**0.2**	**0.1**

CURRENT LIABILITIES TO GROUP COMPANIES

EUR million	2014	2013
Accounts payable	2.1	2.2
Accruals and deferred income	122.0	11.7
Other liabilities	26.1	26.1
Total	**150.2**	**40.0**

10. Shareholders' equity

EUR million	2014	2013
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
Retained earnings 1 Jan	280.3	22.0
Purchase of own shares	-136.1	0.0
Dividends paid	-38.0	-19.0
Retained earnings 31 Dec	106.2	2.9
Net income	-28.8	277.3
Total shareholders' equity 31 Dec	**279.5**	**482.4**

DISTRIBUTABLE FUNDS

EUR million	2014	2013
Invested non-restricted equity fund 1 Jan	164.1	164.1
Net income	-28.8	277.3
Retained earnings 31 Dec	106.2	2.9
Distributable funds	**241.5**	**444.3**

11. Commitments and contingent liabilities

EUR million	2014	2013
Guarantees given on behalf of Group companies	82.0	85.9
Guarantees given on own behalf	0.9	0.8
Total	**83.0**	**86.7**

LEASING COMMITMENTS

EUR million	2014	2013
Payments due next year	0.0	0.0
Payments due 1 to 5 years	0.0	0.0
Total	**0.1**	**0.1**

Board of Directors' proposal for profit distribution

The parent company's non-restricted equity on December 31, 2014 is EUR 241,501,228.75 of which the net loss for the financial period is EUR -28,764,861.11.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.50 per share be paid on the shares. Under the proposal, the total amount of dividends will be EUR 13,920,944.50. The Board of Directors further proposes that the remaining non-restricted equity, EUR 227,580,284.25 be retained and carried forward.

Helsinki, 9 March 2015

Christer Granskog
Chairman

Kirsi Komi
Vice Chairman

Arto Honkaniemi

Kari Rimpi

Heikki Allonen
President and CEO

Auditor's Statement

An Auditor's Report of the examination carried out has been presented today.

Helsinki, 9 March 2015

PricewaterhouseCoopers Oy
Authorized Public Accountant Firm

Jouko Malinen
Authorized Public Accountant

Risk management and internal control

In Patria risk management and internal control are defined as the coordinated activities to direct and control the organization with regard to risks. The objective is to provide reasonable assurance regarding the achievement of the Patria's strategic, operations, reporting and compliance objectives.

Risk management and internal control are an important part of Patria's management system and control system. Risk management and internal control also help to ensure that operational and profitability targets can be achieved and loss of resources prevented. Furthermore, risk management and internal control help to ensure appropriate reporting, compliance with laws and regulations, as well as avoid damage to Patria's reputation.

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 primary responsibility for risk management and internal control lies with the business units and Group services in their area of responsibility. Patria's Group services provide guidelines for risk management and internal control, and perform monitoring on different levels. The Internal Audit Function and the Auditors, security and quality auditors, as well as customers, monitor and evaluate the effectiveness of risk management and internal control. The Board provides the ultimate oversight and direction for risk management and internal control. The Audit Committee of the Board monitors the effectiveness of risk management and internal control.

The CEO is responsible for the proper functioning and monitoring of the Group's risk management and internal control. Patria also has a risk management steering group that supports the Group and business unit management in the planning, development, and implementation of risk management processes.

Risks are classified into strategic, operations and financial risks, caused either by external conditions and events or activities within the Group. Risk identification and assessment, as well as the planning and monitoring of risk treatment activities, are part of Patria's annual business operations planning and an integral part of the daily operations of the business units and Group services.

Twice a year, Patria's business units and Group services report their major risks to Group management. New significant risks are reported to Group management without delay, immediately after they have been identified. The most significant risks faced by the Group, together with the related risk treatment activities, are reported to the Board of Directors and the Audit Committee.

Due to the nature of Patria's business, individual sales and delivery projects can be very large in relation to the Group's annual turnover. They may include product development, require extensive subcontracting and other co-operation with third parties, and result in deliveries that take place over 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 risks related to Patria's major projects are assessed with regularity by the Risk and Revenue Recognition Board and the Board of Management, and thereafter reported to the Board of Directors.

The policies and guidelines accepted by the Board, the completing guidance given by the Group or business units as well as the organization structure of the Group and the defined authorities, responsibilities and job descriptions provide the basis for internal control. Internal control activities are part of everyday work and they are implemented in the operational processes. Internal control activities are carried out at all levels and functions of the Group.

Corporate governance

Applicable statutes, guidelines and recommendations

Administration and governance of Patria is subject to the provisions of the Finnish Companies Act and other legislation relevant to its operations. In addition, Patria follows other guidelines and recommendations concerning good corporate governance applicable to companies in which the Finnish state is the majority shareholder.

Group organisation and administrative system

Patria is operationally divided into business units. Patria Group consists of the parent company, Patria Oyj, and its wholly owned subsidiaries. In addition to the wholly owned subsidiaries, Patria owns 61.8% of Millog Oy and 50% of Nammo AS, a Norwegian company. The statutory bodies of Patria Oyj – the General Meeting of Shareholders, the Board of Directors, and the President and CEO – are responsible for the company's administration and operations.

The Group's operating activities are managed by the President and CEO, assisted by the Board of Management. Each business unit and the group services has a management group of its own. The statutory boards of wholly owned Group companies other than the parent company are only responsible for the statutory minimum duties specified in the relevant legislation. The Consultative Committee of Patria Oyj is an advisory body serving the Board of Directors and as such does not have statutory duties.

Consultative Committee

According to the Articles of Association, Patria Oyj must have a Consultative Committee appointed by 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 organization, and on issues which are otherwise of material importance to the industry that the company is engaged in, either in Finland or internationally.

The Consultative Committee consists of a chairman, a vice-chairman, and a maximum of ten other members. During the current financial period, the committee had 11 members. As a general rule, the Consultative Committee convened four times a year. In 2014, the Consultative Committee convened three times. The average attendance of the members of the Consultative Committee was 91%.

Composition of the Board of Directors and the election procedure

As per the Articles of Association, amended in December 2014, the Board of Directors of Patria Oyj consists of a minimum of three and a maximum of eight members. In the financial period under review, the Board had six members until 11 December 2014 when two members of the Board resigned as a result of Airbus Group NV selling its share of Patria Oyj. The two resigned members were not replaced with new members.

The General Meeting of Shareholders elects the chairman, the vice-chairman, 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 of Directors meets at least eight times a year. The Board convened fifteen times in 2014.The average attendance of Board members was 98%.

Principal duties of the Board of Directors and distribution of duties

The Board of Directors is responsible for the governance of Patria and the appropriate organization of Patria's operations in accordance with applicable legislation, the Articles of Association and any instructions issued by the General Meeting of Shareholders. In addition to its statutory duties, the Board's principal duty is to make decisions on the Group's strategic focus, to monitor and steer the Group's business operations, to ensure that the Group complies with legal provisions applicable to its operations and conducts business in a commercially sustainable manner, providing added value to its owner. The Board also makes decisions on the Group's key operating principles, approves annually the Group's financial targets and operational objectives, as well as its financial statement and any interim reports, and decides on material investments of the Group.

The Board confirms the ethical values and operational principles of the Group and monitors compliance with these values and principles. The Board also approves the general setup of the Group's organizational and operational structure. The Board of Directors has set up a Nomination and Compensation Committee as well as an Audit Committee. The Nomination and Compensation Committee consists of three members. It prepares the Group's and the management's payroll structures as well as any bonus and incentive systems. It also approves key appointments and nominations. The Audit Committee also consists of three members. Its responsibility is to monitor e.g. implementation of the Group's internal controls, risk management, financial reporting and it is responsible for supervising the Group's compliance and ethics related (including specifically anti-corruption related) program and activities. No other particular distribution of duties has been agreed upon among Board members.

As of 11.12.2014 the Nomination and Compensation Committee consisted of two members after the board members appointed by Airbus Group NV resigned from the Board of Directors of Patria Oyj on 11.12.2014 due to Airbus Group selling its share of Patria Oyj.

The President and CEO and the Group management

Patria Oyj's president and CEO is responsible for managing the company's and the Patria Group's business activities and administration, in accordance with the provisions of the Companies Act and any instructions and guidelines issued by the Board of Directors. The President and CEO is assisted in Group management by the Board of Management, which convenes monthly and which consists of each Business Unit's Directors, Chief Administrative Officer, General Counsel & Chief Compliance Officer, and Director of Strategy. In addition, the Group management meets in other combinations as and when necessary for management purposes.

Patria also has an Administrative Management Group chaired by the Chief Administration Officer. The purpose of the Administrative Management Group is to develop and rationalize Patria's administration and to ensure the quality and efficiency of administrative services required by Patria's business operations. The Administrative Management Group members are heads of Patria's HR, Finance, ICT, Procurement, Legal and Compliance, and Risk Management as well as Communications function.

In Patria corporate responsibility related activities and reporting are steered by Patria's Corporate Responsibility Steering Group. The Steering Group is chaired by Patria's General Counsel and Chief Compliance Officer. Patria's Ethics Officer participates in the steering group's meetings and supports the work of the Steering Group. The General Counsel and Chief Compliance Officer reports to the Audit Committee.

Compensation and benefits

Information regarding compensation and benefits of the management is available in the attachment of the Financial Statement, see chapter 4 (Personnel expenses).

Monitoring and controls

In accordance with the Companies Act, the Board of Directors is responsible for ensuring that the monitoring and controls of accounts and funds management has been organized appropriately. The president and CEO is responsible for ensuring that the company's accounting complies with legislation and that the funds management is reliably organized. Patria's management is responsible for ensuring that the Group's day-to-day operations comply with all applicable legal requirements and Board decisions, and that the Group's risk management has been organized in an appropriate manner.

The Group's division into business units increases efficiency and focus of management thereof and facilitates organization of efficient monitoring and control thereof. An operational reporting system has been set up for the Group's financial monitoring and control. It produces versatile information on the Group's financial standing and development on a monthly basis. The Group also has clearly defined decision-making authorizations related to investments.

Patria has an independent, external Internal Audit function, which evaluates and contributes to ensuring the efficiency and feasibility of risk management and internal controls, the reliability of financial reporting and the compliance of the operations, and which reports to the Audit Committee. The Internal Auditors comply with the International Standards for the Professional Practice of Internal Auditing. Internal Audit reports on its activities and findings to the Audit Committee and Patria's management. The Audit Committee confirms the audit plans annually. 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.

Contact

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