

Patria
100

2021

Annual Report

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Patria in brief

Patria is an international provider of defence, security and aviation life cycle support services, pilot training and technology solutions. Patria provides its aerospace and military customers with equipment availability, continuous performance development as well as selected intelligence, surveillance and management system products and services. Patria's mission is to give its customers confidence in all conditions, and the vision is to be the #1 partner for critical operations on land, sea and air. Patria has several locations including Finland, Sweden, Norway, Belgium, Estonia and Spain. Patria employs approximately 3,000 professionals. Patria is owned by the State of Finland (50.1%) and Norwegian Kongsberg Defence & Aerospace AS (49.9%). Patria owns 50% of Nammo, and together these three companies form a leading Nordic defence partnership.

www.patriagroup.com

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

16.2% Aviation

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

13.8% systems

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

14.7% International Support Partnerships

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

8.5% Land

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

2.6% Aerostructures

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

44.2% Millog

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

Nammo

is an international aerospace and defence company that is headquartered in Norway. It employs around 2 700 professionals in some 30 locations in 12 countries. Nammo is one of the world's leading producers of ammunition, rocket motors and demilitarisation services for both military and civilian customers. Nammo is owned 50-50 by Patria and the State of Norway.

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OUR VALUES

WE WANT TO SUCCEED

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

OUR OPERATIONS ARE CUSTOMER ORIENTED

Cooperation guarantees the success of all parties.

TOGETHER WE CREATE SUCCESS

We give constructing feedback. We enjoy succeeding together.

Mission:
WE GIVE OUR CUSTOMERS CONFIDENCE IN ALL CONDITIONS.

Customer promise:
WHEN IF IS NOT AN OPTION.

Employer promise:
YOU MAKE THE DIFFERENCE.

Vision:
THE #1 PARTNER FOR CRITICAL OPERATIONS.

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Year 2021

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

1921

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

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

2021

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

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

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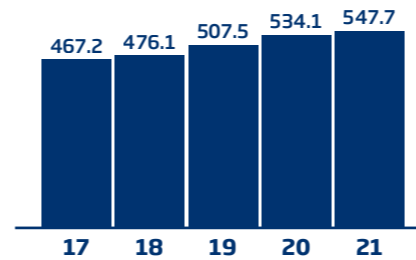
GOVERNANCE

Key figures

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

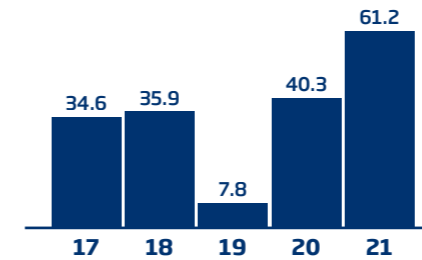
Net sales

EUR million



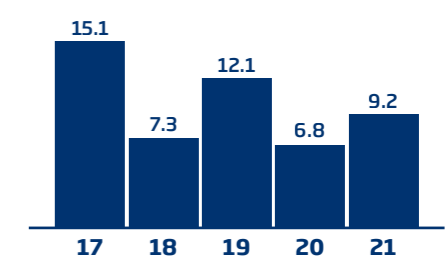
Operating profit

EUR million

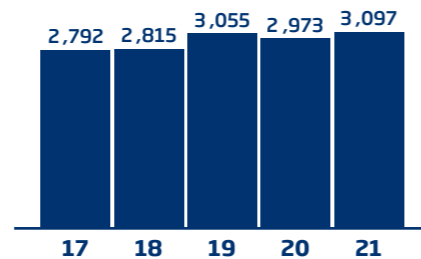


Gross investments in fixed assets

EUR million

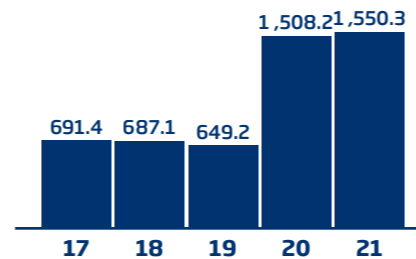


Personnel, end of period (FTE)



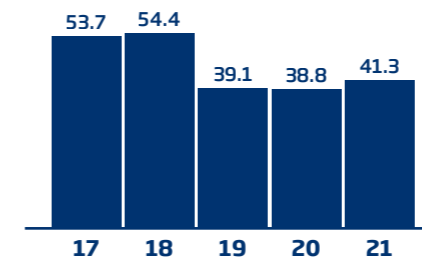
Order stock

EUR million



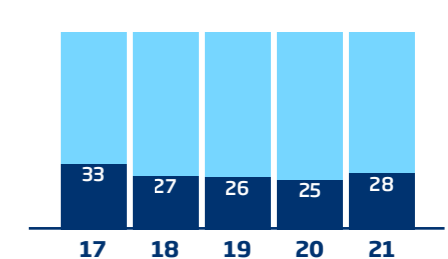
Equity ratio

%



Net sales outside Finland

%



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PRESIDENT & CEO'S REVIEW

A strong year of laying the groundwork for future growth

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

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

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

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

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

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

A breakthrough in armoured vehicles

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

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

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



Patria's financial performance in 2021 was excellent.

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

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

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

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

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

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

Thanks to the new strategy and operating model, the Group is now an even more tightly-knit whole that brings together all of Patria's products and services. Our strategy revolves around profitable growth, which we are seeking especially from international markets, such as in the maintenance and overhaul keep business and equipment deliveries.

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

Closely involved in international development projects

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

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

Setting sights on profitable growth in the future

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

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

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

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

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

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

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

Responsibility is at the heart of our business

At Patria, responsibility, reliability and openness are integral aspects of everything we do. A company that is majority-owned by the Finnish state cannot operate without good corporate citizenship. As a strategic partner to the Finnish Defence Forces, we also carry out an important task by ensuring security of supply.

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

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

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

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

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

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

100 years pave the way for the future

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

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

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

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

Esa Rautalinko

President and CEO, Patria Group

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OPERATING ENVIRONMENT

Defence development projects are being realised in Europe

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

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

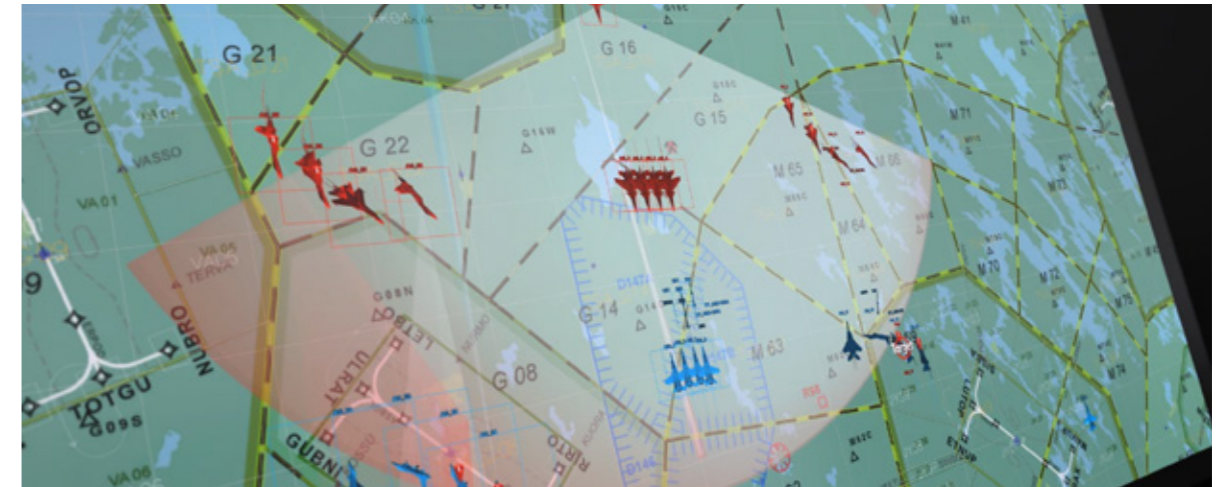
The European Defence Fund (EDF) was launched in 2021 after a long period of preparation. It is an EU-funded programme that was established to coordinate and finance investments and R&D in the European defence sector.

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

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

Patria is already involved in three projects

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



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

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

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

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

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

Data dominates technological development

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

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

Ecosystems bring together Finnish expertise

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

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



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

Debate on export licences for defence materiel

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

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

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

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

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

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Determined efforts to implement the new strategy

Strategic Partnership

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

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

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

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

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

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

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

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

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

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

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

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Aviation

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

824
Personnel

16.2%
Of Group net sales

26.6%
Of Group personnel

AVIATION

Lifecycle support services fulfil customer promises



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

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

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

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

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

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

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Military flight training is developing as planned

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

includes maintenance and servicing of the equipment required for training.

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

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

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

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

Continuous improvement in environmental issues

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

The HX project is important for the future

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

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

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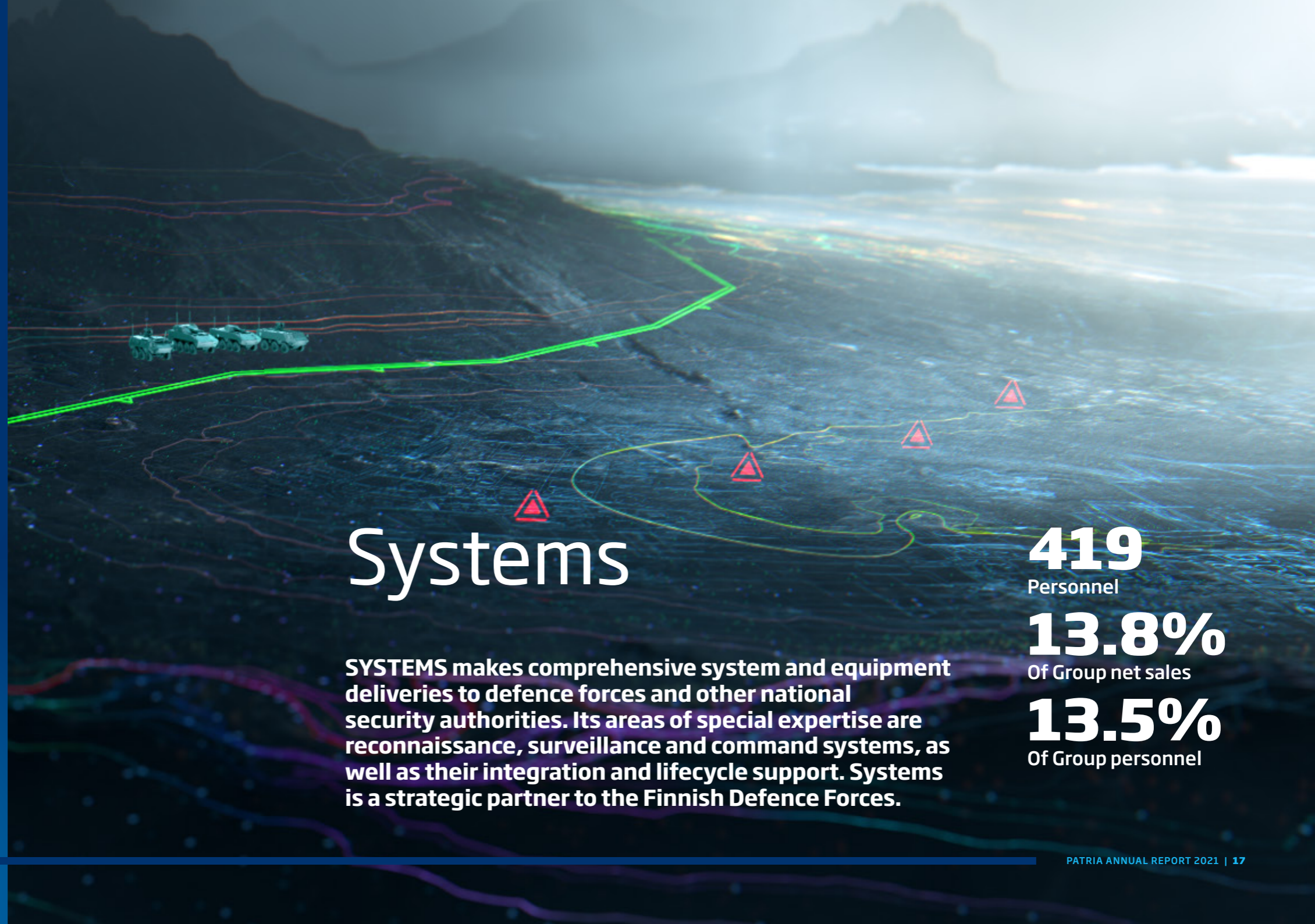
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Systems

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

419
Personnel

13.8%
Of Group net sales

13.5%
Of Group personnel

SYSTEMS

Investments in the future begin to show results

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

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

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

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

Significant orders from international markets

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

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

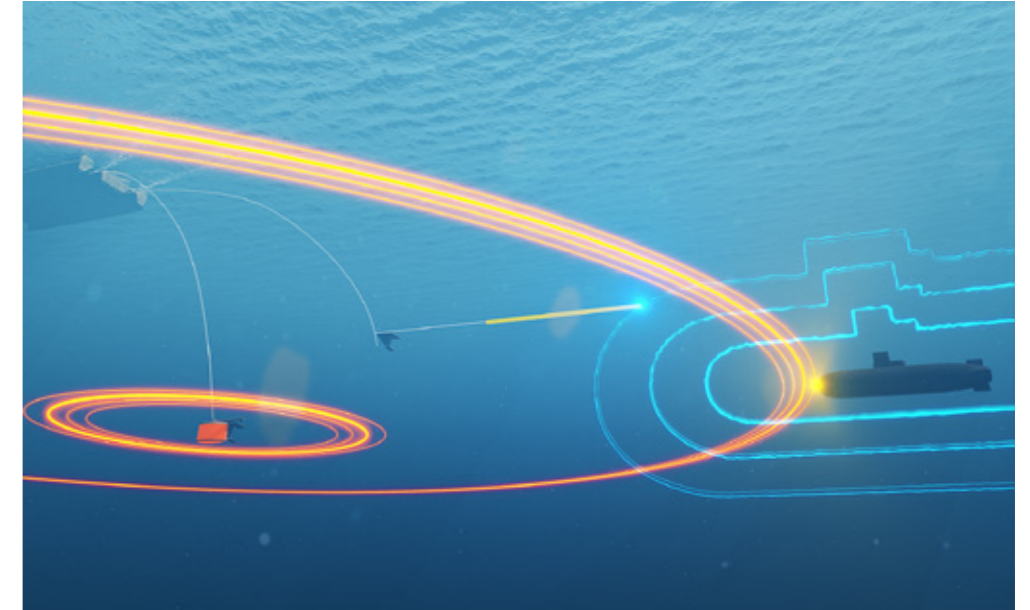
In September, Patria made an agreement with the Belgian Naval & Robotics consortium to deliver Sonac ACS acoustic minesweeping systems

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

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

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

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



The Systems business invests in international growth.

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

Patria on board research projects

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

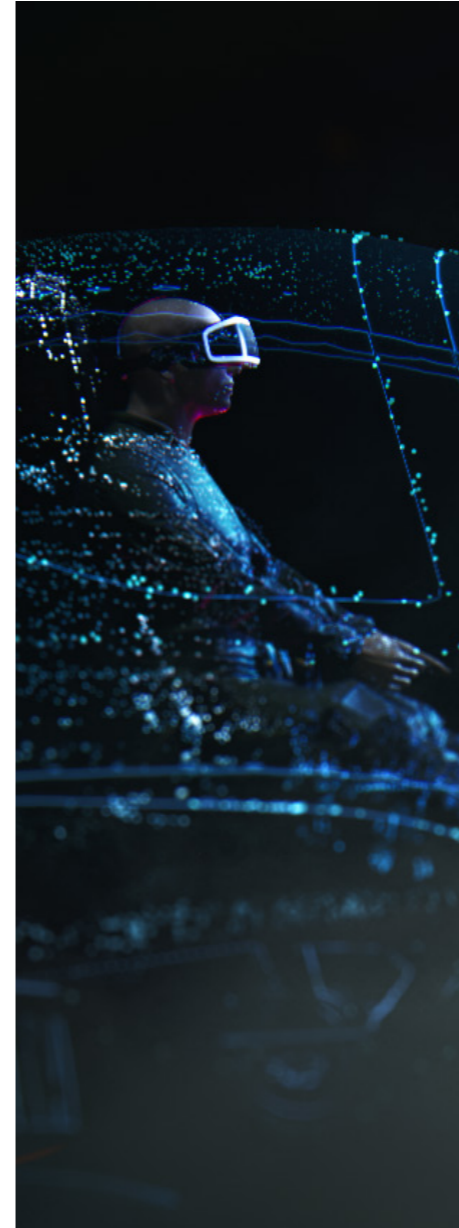
In December, in turn, the Passive Acquisition by Digital Convergence (PADIC) project was started as part of the European Defence Industrial Development Programme (EDIDP). In this project, Patria and European partners are developing the passive surveillance of the marine environment.

Cooperation with the Finnish Defence Forces deepens

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

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

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



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

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

Cooperation in future technology research projects has continued and deepened.

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

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

Investing in expertise with new recruitments

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

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

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

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International Support Partnerships

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

243
Personnel

14.7%
Of Group net sales

7.9%
Of Group personnel

INTERNATIONAL SUPPORT PARTNERSHIPS

Enhanced operating model produces results



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

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

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

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

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

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

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

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

Growing interest in Patria's services

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

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

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

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

Patria is establishing operations in Latvia according to plan

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

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

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

Responsibility is a key part of business

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

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

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Land

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

244
Personnel

8.5%
Of Group net sales

7.9%
Of Group personnel

LAND

New vehicle orders pave the way for strong growth

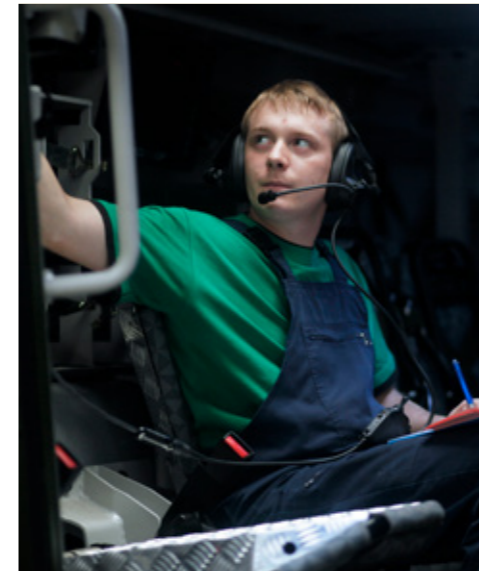
Patria will supply Latvia with more than 200 6x6 armoured vehicles in 2021-2029. A Letter of Intent was signed with Finland for the delivery of 160 vehicles. The vehicle has attracted wide international interest.

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

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

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

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



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

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

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

Tower mortar interests the US

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

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

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

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

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

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

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

Patria is involved in international development projects

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

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

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

Outlays on occupational safety are bearing fruit

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

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

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

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

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

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Aerostructures

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

123
Personnel

2.6%
Of Group net sales

4.0%
Of Group personnel

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The HX project calls for high-quality expertise

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

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

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

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

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

A major role in Finland's HX project

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

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

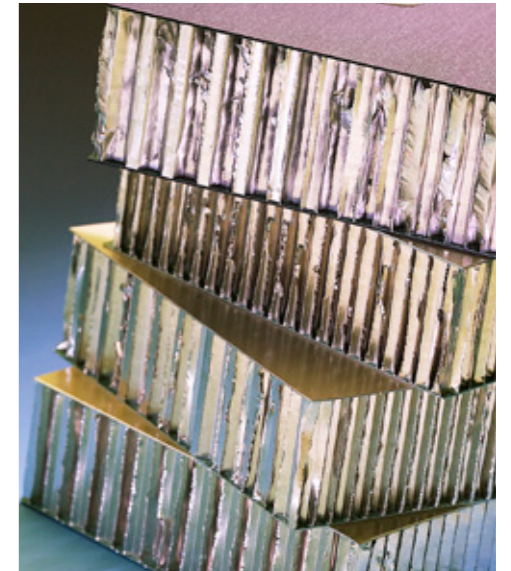
A pioneer in composite recycling

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

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

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

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



Patria is a pioneer in composite recycling.

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Millog

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

1,154
Personnel

44.2%
Of Group net sales

37.3%
Of Group personnel

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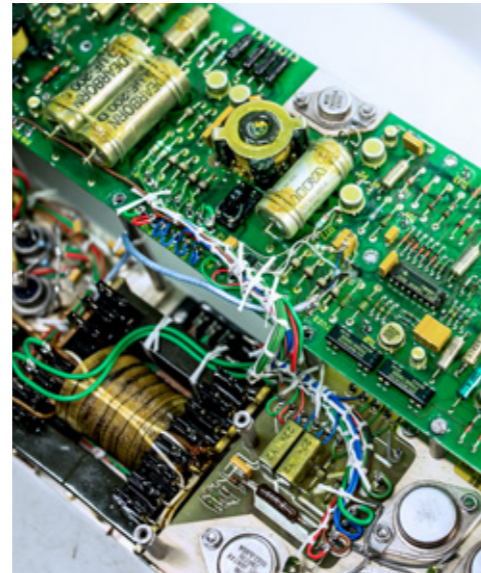
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MILLOG

Deepening the strategic partnership with the Finnish Defence Forces



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

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

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

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

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

Large projects progress as planned

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

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

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

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

A year of excellent financial performance

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

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

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

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

M&As proceed as planned

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

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

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

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

HR focuses on management and working capacity

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

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



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

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

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

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

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

Millog recruited 110 new employees during the year.

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IMAGE: TOMI TUULIRANTA

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

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

Senop lands a record number of orders

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

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

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

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

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

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Nammo

NAMMO is an international aerospace and defence company that is headquartered in Norway. It employs around 2,700 professionals in some 30 locations in 12 countries. Nammo is one of the world's leading producers of ammunition, rocket motors and demilitarisation services for both military and civilian customers. Nammo is owned 50-50 by Patria and the State of Norway.

Nammo AS publishes its own annual report and corporate responsibility report, available on the company's website at www.nammo.com.

2,598
Personnel

686.6
MEUR
Net sales

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NAMMO

Nammo has a record-breaking year

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

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

Nammo has seen substantial growth since its founding in 1998 and has steadily bolstered its presence in its main markets in Europe and North America.

In spite of the challenges posed by the coronavirus pandemic, the company's main market areas continued to develop favourably in 2021. Nammo's sales, profits, and order stock all rose to record high levels during the year, while its market share and role in security of supply have grown in its major markets. The largest driver behind its sales growth in 2021 was the rise in ammunition sales in the commercial U.S. market. Many military clients also increased their procurements.

Cooperation with the Finnish Defence Forces deepens

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

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

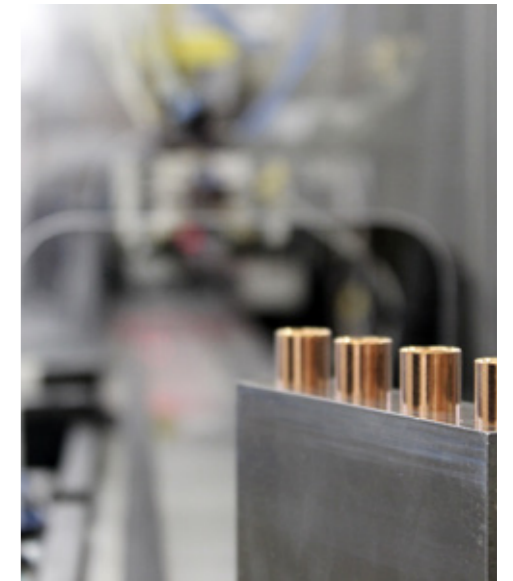
Nammo also has a security of supply partnership with the Norwegian Armed Forces.

Investing for the future

In addition to its day-to-day business, Nammo continued to make major investments in R&D in key technologies and competence that are important for the company's future development. For instance, during the report year, the company continued to make new advances in ramjet technology that enables increased range and accuracy of artillery shells and missiles. Focus areas during the year also included strengthening its internal systems and processes.

The continuous development of responsibility is also an integral aspect of all operations at Nammo. Ethics, transparency and a strong focus on preventing corruption lie at the heart of business management.

In terms of environmental responsibility, Nammo is committed to key UN Sustainable Development Goals. The company works towards their achievement with measures such reducing waste, improving efficiency in the use of energy and materials, and working to improve reducing its carbon footprint. Ahead, Nammo will also seek to influence customers to be more sustainable, which means a greater emphasis on sustainable raw materials and more circular mindset for recycling products at the end of their life.



In 2021 nammo posted a record-breaking result.

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Patria's Corporate Responsibility

Responsibility highlights 2021

Patria was ranked in the second-highest category, B, in Transparency International's Defence Companies Anti-Corruption Index 2020. Only two companies in the world attained category A.

Two-level **ethical training** was provided for all employees.

The organisational changes launched as from the beginning of 2022 were prepared in line with an inclusive and responsible model.

Patria joined the non-profit TRACE business association whose mission is to help companies prevent corruption and support the implementation of a good governance model.

Patria and Kongsberg's joint Trade Compliance project **won the World Export Control Review Award.**

An internal audit of corporate responsibility was carried out.



PRESIDENT AND CEO'S REVIEW

Patria's mindset – Responsibility, reliability and openness

At Patria, responsibility, reliability and openness are integral aspects of everything we do. A company that is majority-owned by the Finnish state cannot operate without good corporate citizenship. As a strategic partner to the Finnish Defence Forces, we also carry out an important task by ensuring security of supply.

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

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

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

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



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

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

Esa Rautalinko

President and CEO, Patria Group

Ethics, transparency and a strong focus on preventing corruption lie at the heart of our business management.

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Corporate responsibility management

As a public limited liability company, Patria Oyj's corporate governance complies with the Limited Liability Companies Act, Auditing Act, Accounting Act and any other binding legislation. For example, the Limited Liability Companies Act specifies the company's governing bodies, their roles and responsibilities, and the relationships between governing bodies. As a State majority-owned company, Patria's operations are also governed by the Government Resolution on State-Ownership Policy, the latest version of which was published in April 2020.

Patria cooperates with national and international stakeholders (such as private companies, state-owned companies, governments, officials and agencies) at many levels and in many ways (for example, as a corporate citizen, taxpayer, supplier, business partner and employer). Business and cooperation with all of these stakeholders requires high ethical norms, honesty and transparency. This collaboration is also subject to strict anti-bribery and anti-corruption regulations, and strict requirements relating to procurement practices, lobbying, sponsorship, representation, conflicts of interest, gifts and benefits. Patria has internal guidelines for these issues.

In 2021, Patria had a Corporate Responsibility Team, which was coordinated by the Vice President, Corporate Communications. This team consisted of the General Counsel/Chief Compliance Officer, the Chief Human Resources Officer, experts in finance, communications and environmental issues, and business area representatives.

The General Counsel has been responsible for compliance and ethical issues (including anti-corruption activities). Matters related to these areas were reviewed by Patria's Management Team, and the General Counsel regularly reported to both the Board of Directors and the Audit

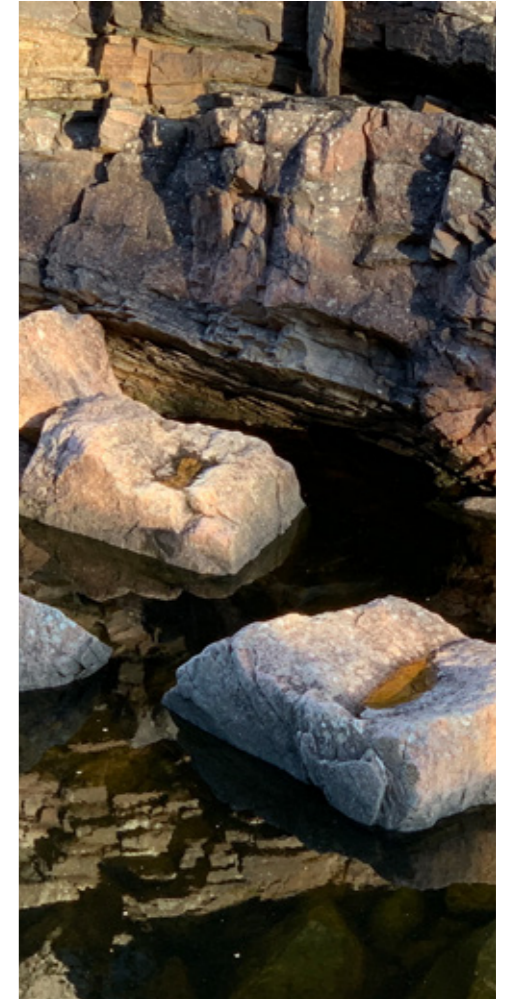
Committee. Patria's compliance and ethics action plan was approved by the Board of Directors. The Audit Committee, which is appointed by the Board of Directors, has been assigned special responsibility for supervising ethical issues and this task is listed as one of its duties in the Audit Committee Charter.

Responsibility for environmental management has been held by the working groups appointed for each business area, and these groups have reported to each business area's Management Team. Patria's Environmental Working Group has been tasked with furthering collaboration, sharing information and experiences between various business areas, and planning and reporting on the Patria Group's environmental responsibility. The Environmental Work Group was coordinated at Group level.

New ESG Management

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

In 2021, Patria's General Counsel also served as Chief Compliance Officer. As from the beginning of 2022, this work will be handled by the Head of Compliance, who reports to the General Counsel and is responsible for matters related to compliance and ethics (incl. anti-corruption work).



Corporate responsibility management as of 2022

Annual General Meeting

The Annual General Meeting is the highest organ of the company. It confirms Patria's corporate responsibility activities.

Board of Directors

- In accordance with the Government's decision-in-principle of 8 April 2020, the Board of Directors is responsible for organising corporate responsibility and integrating it with the company's strategy.
- The Board of Directors confirms the Group's ethical practices and monitors their implementation.
- The Audit Committee oversees compliance and issues related to corporate ethics.

ESG Steering Team

- The ESG Steering Team consists of CLO (Chairman of the team), CFO, CHRO, VP/ QEHS and VP, Communications and has its meetings quarterly.
- The key tasks are guiding and defining ESG principles and objectives, monitoring annual planning and progress as well as ensuring resourcing.
- The team reports ESG progress annually in GMT.

Group Management Team

- Under the leadership of the President and CEO, the Group Management Team prepares Patria's strategy and the integration of corporate responsibility within the strategy.
- The Group Management Team approves the themes and goals of corporate responsibility and monitors the achievement of the related objectives.
- GMT nominates a ESG Steering Team, which steers the ESG Working Groups.

ESG Working Groups

- The ESG working groups (5) are forming cross-functional entity: 1) Environment, 2) Compliance, Ethics and Governance, 3) Financial Performance and Tax, 4) Procurement, and 5) Occupational wellbeing.
- The working groups is responsible for preparing and maintaining the Group level ESG programme, road map and annual plan with key activities and reporting to the ESG Steering Team.
- The working groups are responsible for the coordination of the annual ESG reports.

Main themes

Patria's main responsibility themes were updated in 2020 on the basis of an international stakeholder survey. No changes were made to them in 2021. The themes correspond to policies defined by Patria's management in accordance with its new strategy. The survey was based on questions asked from external stakeholders and Patria personnel.

Patria's main responsibility themes have now been encapsulated in five categories:

- a trusted partner and security of supply,
- ethical conduct, good governance and responsible exports,
- financial performance,
- wellbeing at work, and
- environmental action against climate change.



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Responsibility programme as well as objectives and performance in 2021

2021 was characterised by the planning and building of a new operating model and organisation to support the new strategy. In addition to keeping customer promises, substantial investments were made in internal recruitment and communications about the changes. These changes were monitored with internal surveys to ensure that, for instance, communications activities could be targeted correctly. The surveys indicated that communications about the strategy were successful and the new operating model attracted favourable interest. After cooperation negotiations, a total of a total of some 300 Patria employees changed position. All nominations for the new organisation had been completed in November 2021.

With the reorganisation, a new model was also created for responsibility management, along with targeted ESG Working Groups.

Even though these changes meant that there was much to be done, Patria continued to work on its ongoing responsibility projects as well. The renewed two-level ethical training was provided for all personnel, and a stakeholder survey of Patria's corporate image was conducted. The Environmental Working Group continued to operate and decisions on environmental objectives were taken as planned. Due to pressure on resources, certain measurements and actions were pushed back to the next year. These included measuring personnel satisfaction and the survey to analyse the potential for unethical conduct.

An internal CSR audit by a third party was carried out. As a result, the action plan for 2022 was updated. One of the major observations of the audit is that Patria is strongly committed to responsibility. Suggestions for improvement concerned creating a clear management model in the new organisation and finetuning objectives and metrics.



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Responsibility program 2020-2025

THEME	LONG-TERM OBJECTIVES	LONG-TERM INDICATORS	INDICATORS FOR 2021	PERFORMANCE 2021	ACTIONS 2022
 TRUSTED PARTNER AND SECURITY OF SUPPLY	To be a sought-after and trusted partner.	Continuous improvement of the company's corporate image. A corporate image survey with particular focus on customer-centricity and cooperation.	Designing and introducing a strategic, customer-centric operating model. A stakeholder survey on corporate image focusing on customer-centricity and networking, score 4 on scale 1-5.	Customer-centricity was one of the focus areas in the planning of the new operating model. Both customer-centricity and networking received score 3.8.	New operating model with customer-specific Divisions into practise.
 ETHICAL CONDUCT, GOOD GOVERNANCE AND RESPONSIBLE EXPORT	To be a recognised ethical operator and a reliable exporter of defence materiel.	Continuous development of ethical practices. Stakeholder survey measuring ethics and responsibility.	Ethical training for all personnel. 100% completion rate.	Two-level ethical training was introduced, completion rate 90%. Trade Compliance project continued according to plan with a recognition from World Export Control Review Award.	Continuous training in topical matters. Trade Compliance project continues. Compliance team nominated and in action.
 FINANCIAL PERFORMANCE	Profitable growth in line with the Group strategy.	Strategic development. Continuous improvement in efficiency. Net sales some 900 MEUR by 2025.	Financial targets to be achieved.	Financial targets for 2021 were achieved.	Continued performance and efficiency improvements according to strategy.
 OCCUPATIONAL WELL-BEING	To offer safe and inspiring working environment for all employees. Successful transformation according to the strategy.	Results of the employee satisfaction survey. Target in Finland to achieve average level of 67.9. In other operating countries local average level.	A successful transformation process in line with strategy. Indicator: maintaining sickness absences at the current level (3%).	Transformation progressed according to plan and new organisation was nominated by November 2021. Internal communication was highly appreciated according to internal surveys. New HR system in use improving monitoring. Sickness absence was 3.3%.	Esuring that the new organisation has prerequisites to operate and the newly nominated are trained and equipped to their tasks. Employee satisfaction survey to be conducted.
 ENVIRONMENTAL ACTIONS AGAINST CLIMATE CHANGE	Reducing emissions.	Activities to enhance development according to Science Based Target Initiative (SBTi). Activities for the Global target (global warming under +1.5%).	Define and decide on SBTi targets. Measures to reduce GHG emissions.	Environmental targets were defined and approved by the GMT.	SBTi work to continue.

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Stakeholder collaboration

STAKEHOLDER COLLABORATION

A customer-centric approach and long-term partnerships are at the heart of the strategy

A customer-centric approach and long-term partnerships are the cornerstones of the new growth strategy. Patria engages in extensive stakeholder cooperation with numerous partners and handles these relationships in a professional, reliable and open way.

Patria cooperates with national and international stakeholders (such as private companies, state-owned companies, governments, officials and agencies) at many levels and in many ways (for example, as a corporate citizen, taxpayer, supplier, business partner and employer).

Business and cooperation with all of these stakeholders requires high ethical norms, honesty and transparency.

This collaboration is subject to strict anti-bribery and anti-corruption regulations, and involves requirements relating to procurement practices, lobbying, sponsorship, representation, conflicts of interest, gifts and benefits.

Patria's management, employees and partners must work and communicate with the abovementioned stakeholders in an honest, ethical and transparent manner.

They must also fully comply with all applicable legislation and regulations, and strictly adhere to Patria's Ethical Code of Conduct, including its related guidelines and practices.



Patria works in close, long-term cooperation with its stakeholders. Patria understands good partnership as professional, reliable, open and transparent collaboration that all parties can accept without reservation.

Patria manages its stakeholder relations honestly, ethically, fairly and confidentially.



Patria was ranked in the second-highest category, B, in Transparency International's Defence Companies Anti-Corruption Index 2020.

Patria does not accept any kind of deviation from these high standards of honesty, transparency, ethics and compliance.

Excellent examples of such partnership can be found in its various partnership agreements, such as the strategic partnership between Patria and the Finnish Defence Forces covering lifecycle support services for military aviation systems, and the extended partnership agreement between Millog and the Finnish Defence Forces.

A key stakeholder can be defined as follows:

- A key stakeholder has a significant impact on the organisation's result.
- Patria's business units and/or support functions are aware of what they want or need from the stakeholder.
- Patria wants to maintain and enhance its relationship with this stakeholder.
- It is not easy to replace the key stakeholder.

Every business and project also defines which stakeholders will play a key role in the success of each project. This is necessary in order to analyse their influence and significance.

It is therefore important to obtain a clear understanding of the nature and role of each stakeholder, and the impact and requirements of key stakeholders are analysed at the end of each project to develop the relationship.

Stakeholder interaction

Patria interacts with key stakeholders in a variety of different ways. Patria's stakeholder interaction is based on regular, transparent and open dialogue.

Patria has drawn up a plan for implementing stakeholder interaction on the basis of a stakeholder analysis. The main goals are to be transparent about Patria's activities and objectives, and to take even better account of stakeholders' needs. On the basis of this plan, Patria has been engaging in continual dialogue with key stakeholders during 2021.

In December 2021, Patria conducted a Group-level stakeholder survey in which stakeholders assessed the Group's operating methods, reliability and corporate image. The survey was emailed to a wide range of stakeholders. Patria's corporate image was assessed on a scale of one to five, with five being the best. The overall result was 3.82. When Patria's corporate image was last surveyed in 2020, the overall result was 3.83 (2017: 3.73).

The best assessments were given in the following areas:

- Patria represents specialist expertise
- Patria is reliable
- Patria operates in an ethical and responsible manner

Particular areas for development identified by external stakeholders were cost-effectiveness and a customer-oriented approach, which is one of the cornerstones of the new strategy.

The new divisions responsible for customer accounts conduct their own customer surveys with a view to ensuring effective relationships.

Patria's website has several feedback channels for stakeholders, one of which is anonymous. This ensures that Patria takes all its stakeholders' interests into consideration.

Other major events in 2021

Transparency International UK updates the Defence Companies Anti-corruption Index - a survey of more than a hundred companies in the international defence industry - at approximately three-year intervals. Patria was also invited to respond to the latest survey, whose results were published in February 2021. The survey assesses a wide range of responsibility topics on the basis of externally available information. Patria was placed in the second-highest category (Category B), which was also the target set by the company. The scale runs from A to F, with A being the best. This result shows that Patria is on the right track as a responsible operator in the defence sector. Various areas of corporate

social responsibility have been systematically developed with the main focus on promoting ethical practices and anti-corruption activities.

During 2021, Patria and Kongsberg continued their joint Trade Compliance project that seeks to promote business compliance. The project aims to develop operating models for the companies' export control by sharing best practices, and to improve both companies' ability to conduct international business. Patria and Kongsberg's collaborative project won the World Export Control Review Award, which recognises outstanding work, vision, best practice, commercial benefit to the company, and contribution to international security by organisations and individuals working in the fields of export control and sanctions compliance and non-proliferation.

The Trade Compliance project is an excellent example of efficient resource utilisation, expertise and innovation in the sharing of best practices in export control and working together in order to achieve even better and more effective export control programmes.

Key topics in the public eye during the review year included the 6x6 vehicle project between Finland and Latvia, in which the first ten vehicles have already been delivered to Latvia. In order to identify current topical issues, Patria uses a media tracking tool that analyses news topics, content and sources on a daily basis. Patria openly communicates about topical issues in order to further develop transparency. All press releases are published in the news section of the company's website.

The creation of a new operating model and organisation to support the company's growth strategy has also been of key importance. The operating model was implemented at the beginning of 2022 with the aim of developing a customer-centric approach and bolstering both operational efficiency and the financial result.

Patria aims to be a customer-centric market builder that fully harnesses the expertise of all Patria employees. The former business structure (excl. Millog) was dismantled. Patria is now a unified whole consisting of strong core functions - Finland, Global, Portfolio and Operations.



Patria and Kongsberg's collaborative Trade Compliance project won the World Export Control Review Award.

Responsible collaboration with stakeholders

Patria and Tampere University of Technology (TTY) have a cooperation agreement on aviation technology. Patria will provide TTY with considerable financial support for ten years. This agreement seeks to ensure the continued availability of top aviation technology expertise in Finland, and to support and bolster research in the field. TTY is the first Finnish university where students can major in aviation technology.

Patria continued its cooperation with the Finnish Aviation Museum Society, the Aviation Museum of Central Finland and the Finnish Aviation Museum, as the main sponsor for the restoration project of the VL Myrsky ('Storm') fighter plane. Young people studying at a number of technical colleges and youth workshops, in locations such as Jyväskylä and Vantaa, are also involved in the restoration project. Read more about this project at <https://www.vlmyrsky.fi/>.

Patria also continued its long-term cooperation with the Finnish Military Sport Federation. This involves promoting a sports-oriented lifestyle among young people that will continue even after their military service.

Patria has supported the Finnish national biathlon team since 2011 and continued to do so during the 2019-2020 and 2020-2021 seasons.

Patria organised a morning event for representatives of Finnish NGOs, continuing an established tradition of discussion.

Patria also donated funding for Christmas greetings for organisations in different Patria locations.

MEMBERSHIPS

Close relationships nationally and internationally

Patria is a member of the Association of Finnish Defence and Aerospace Industries (AFDA), and Patria's CEO Esa Rautalinko currently chairs this association. AFDA covers almost all defence-related industries, and has more than 120 member companies in Finland. AFDA also maintains a close relationship with the Ministry of Defence and Finnish Defence Forces. AFDA is also a member of the AeroSpace and Defence Industries Association of Europe (ASD).

In 2020, Patria joined ASD as a direct corporate member after previously being involved through AFDA. Direct membership in ASD is the best way to promote Patria's interests in dialogue with EU governing bodies and other stakeholders, in order to formulate effective policies and legislation that will promote the sector's common positions both in Europe and globally. ASD is the voice of European Aeronautics, Space, Defence and Security industries, representing more than 3,000 companies and actively supporting

the competitive development of the sector both in Europe and worldwide. It includes direct members (including 18 major European companies) and 23 national associations operating in 18 countries.

Patria is also a member of several other organisations and supports the United Nations Global Compact with annual voluntary donation. Patria is involved in the Global Compact Finland network and is a member of the Finnish Corporate Responsibility Network FIBS, AmCham Finland and the Helsinki Region Chamber of Commerce. Patria is also involved in the industry's interest groups.

Key stakeholders

Patria's key stakeholders are its owners, personnel, customers and suppliers; authorities and agencies; a variety of trade and industry organisations; NGOs; various educational establishments and their students; and the media.

Patria is a member of several organisations and supports the United Nations Global Compact with annual donations.

Stakeholder-specific financial capital flows (financial cash flows for stakeholders)

Direct economic value, EUR million			2021	2020	2019	2018
		Consolidated net sales	547.7	534.1	507.5	476.1
		Other operating income	46.2	38.4	18.0	17.7
		Financial income	0.7	0.5	0.4	0.4
Customers	Sales	Income, total	594.6	573.0	525.9	494.2
Suppliers	Goods, materials and services	Operating costs excluding depreciation and personnel expenses	299.9	308.0	305.2	274.3
Personnel	Wages, salaries and fees	Personnel expenses	205.4	194.7	186.8	171.1
Public sector	Taxes	Payments to government (taxes)	6.3	3.6	0.2	7.3
Non-profit foundations	Support and donations	Donations and other charitable payments	0.1	0.1	0.1	0.0
		Payments made to shareholders and loan providers				
Shareholders	Dividends	Dividends	16.7	13.9	13.9	16.7
Investors	Financial costs	Interest and other financial expenses	5.3	4.1	4.3	2.6
	Expenses	Distributed, total	533.9	524.5	510.5	472.0
	Sales - expenses = added value	Economic value retained for operational development	60.7	48.5	15.4	22.2
Investments		Investments in tangible and intangible assets as well as acquisitions	11.8	15.2	34.6	7.3

Patria's key stakeholders

STAKEHOLDER	INTERACTION	ASSESSMENT
Owners	Board work, General Meetings, management meetings and interaction with the owners, the stakeholder magazine, briefings, press releases, newsletters, Annual Reports, financial reviews, web sites	Feedback from the Board of Directors and the owners, feedback from the Audit Committee of the Board of Directors
Consultative Committee	Open and continuous communications, meetings, visits, bulletins, reviews, websites	Feedback from the Consultative Committee
Finnish Parliament	For example, a variety of committee hearings, bulletins, websites	Feedback
Personnel	Open and continuous communication, Group meetings, annual development conversations, personnel briefings and internal communication, intranet, personnel events, online magazine, training, occupational safety, initiatives and continuous improvement	Personnel satisfaction questionnaires, satisfaction and follow-up questionnaires of different business units, intranet questionnaires, internal feedback and discussion channels
Customers	Regular customer contact, life-cycle customer support for products, customer events and seminars, customer magazines, the internet, conferences and fairs, product documentation, newsletters, customer feedback system, customer satisfaction surveys	Customer questionnaires, feedback, QA system, audits
Suppliers	Open and active interaction between the purchasing organisation and the suppliers, the ERP system, supplier days	Suppliers evaluations, audits
Authorities	Cooperation and reporting with the authorities regarding, e.g. the environment, occupational safety and security, CSR reports, company presentations, communication and the internet	Stakeholder questionnaires, feedback
Industry and business organisations	Membership in and active involvement with industry organisations (such as AFDA, NORDEFECO, ASD, ELDIG, Federation of Finnish Technology Industries)	Interaction, meetings, stakeholder feedback, visibility
Non-governmental and other organisations	Open cooperation and meetings with non-governmental organisations, memberships, support (such as Transparency UK, the UN Global Compact, FIBS, various civic organisations in Finland), CSR reporting, other reports, sponsorships, donations (such as funding for Christmas presents for a variety of organisations in the areas in which Patria operates)	Stakeholder feedback, quantity of communication and meetings, visibility
Educational establishments, students	Offering training and working opportunities, research and development projects, guest lectures, recruitment events, general presentations, visits, seminars, supporting student activities, the internet, the social media, campaigns and open-door events	Employer image surveys, stakeholder feedback, number of recruitment event participants and questionnaires, feedback received
Media	National and international publications, magazines, online media, fairs and events, interviews, bulletins, the Patria Magazine, online magazine, the internet, the materials bank, the social media, meetings, visits, tours	Surveys, interaction, feedback, media follow-up, the reach and accuracy of messages, the tone of messages in the media, industry follow-up, social media activity and number of clicks on posts

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PATRIA AS PART OF SOCIETY

Ensuring security in all conditions

Security of supply and ensuring a secure future are the cornerstones of Patria's operation.

A secure future is founded on a country's autonomy, that is, the ability of its parliamentary machinery to make independent decisions about its affairs. This calls for a credible military defence capability, which in turn requires sound security of supply. Security of supply comes from reliable technology and engineering expertise - and this is what Patria provides. In order to ensure a secure future, Patria must have the ability to perform its duties in the spheres of maintenance and servicing, security of supply as well as manufacture and crisis preparedness, both in Finland and in other countries where the company has public-sector customers. In addition to the security component, Patria is a significant and responsible employer and taxpayer that pays dividends to its owners.

Human rights

Patria fully subscribes to and promotes the universal human rights defined in the United Nations' Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights and operates in accordance with the national legislations in which it operates. Patria views the freedom of thought, opinion, speech, religion and peaceful assembly as universal fundamental rights, along with freedom from discrimination on the basis of race, age, nationality, gender or sexual



orientation. Furthermore, Patria does not approve the use of forced labour, child labour or human trafficking.

The human rights of Patria's personnel are those of the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, as specified in national legislation.

While the sale of defence-related products is strictly regulated, Patria operates in compliance with both national legislation and international commitments in the way they are nationally applied in the Group's business countries. Patria also engages in proactive cooperation with national authorities and in carrying out adequate due diligence on its business relationships, including specific steps in its internal process to identify and assess any actual or potential adverse human rights impacts prior to a proposed business activity.

Security of supply comes from reliable technology and engineering expertise - and this is what Patria provides.

RESPONSIBLE EXPORTS

Active participation in international markets



For Patria to succeed and maintain its license to operate, compliance with all export control laws and regulations applicable to Patria's transactions is a must.

Patria is committed to compliance with all trade control and sanctions laws and regulations and strives to continuously improve its internal processes and practices, by ensuring it has the right level of skills and competences in this domain and by actively cooperating with other industry peers to identify and implement best practices.

For this purpose, Patria is engaged in cooperating with Kongsberg Group through the "Trade Compliance Project", for which it was recognised in 2021 through a World Export Control Review Award.

Patria also actively participates in expert industry groups engaged in a dialogue with the European Council's COARM (Working Party on Conventional Arms Exports) and the European Commission.

Patria continuously improves its processes and practices by actively cooperating with other industry peers to identify and implement best practices.

ETHICAL CONDUCT

Strong commitment to responsibility

Patria's ethical means of operating is described in Patria's Ethical Code of Conduct, which forms the basis of all its operations. The Ethical Code of Conduct is supplemented by other detailed guidelines and processes, as part of its Compliance Management System.

Patria operates responsibly and expects the same from both its existing and future partners. Therefore, Patria has introduced a clear process for selecting business partners, which also requires suppliers to commit to its Supplier Code of Conduct.

In 2021, Patria continued its Trade Compliance project in collaboration with Kongsberg and was awarded a prize by the World Export Control Review (WECR). The award recognises outstanding work, vision, best practice, commercial benefit to the company, and contribution to international security of organisations and individuals working in the fields of export control, sanctions compliance and non-proliferation. The Trade Compliance Project was recognised as a unique example of efficient use of resources, excellence and innovation in sharing best practice in export control and working together to achieve improved and more effective programmes for trade compliance.

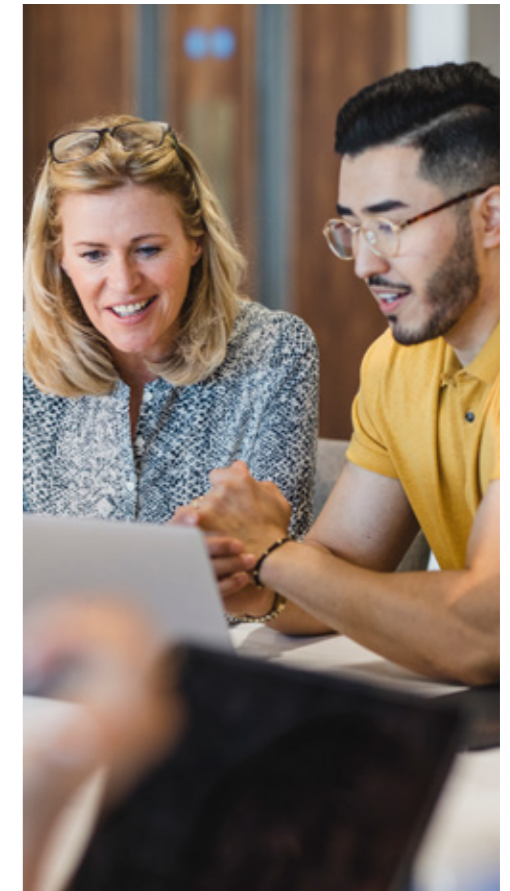
Patria has been recognised as an active actor in the industry's cooperation with public institutions and has participated in several events to contribute to the positive advancement of export controls, including the European Commission's Export Control Forum as an industry representative, in December 2021.

Patria is particularly committed to anti-bribery and corruption, an engagement which is embedded within the company's values and is both endorsed and reinforced by the company's leadership's message that bribery and corruption will not be tolerated in any form. Patria has a clear anti-bribery and anti-corruption programme that clearly applies to anyone and everyone acting on behalf of the company, including all employees, board members and employees of controlled subsidiaries. As an expression of its engagement, in December 2021, Patria decided to join the TRACE Compliance Community, a global network of companies committed to the highest standards of anti-bribery compliance.

SpeakUp, a new channel for reporting unethical conduct, was fully implemented throughout the Group. Patria also launched development work to ensure ethical conduct from suppliers and look into improvements to match expectations derived from the forthcoming EU Whistleblower Directive implementation in the countries in which it operates.

Ethical training

Ethical training is carried out according to two levels, tailored to employees' exposure and on the basis of risk: a basic training section plus a more demanding section for selected groups.





Topics include issues such as anti-corruption, gifts and hospitality, conflicts of interest, data protection and security, and harassment in the workplace. Training is mandatory for everyone and was carried out during 2021.

Classroom sessions on topical issues are arranged as necessary. Every two years, Patria measures its personnel's views on serious misconduct and other unethical conduct with the aid of an anonymous survey (the survey on the potential for serious misconduct at Patria). This survey is sent to senior management, middle management and other randomly selected employees equating to 10 per cent of all Group personnel. The next survey will be conducted in 2022.

Reporting on misconduct

Any actions that violate Patria's Ethical Code of Conduct - even if those actions were made in good faith - can cause significant long-term damage to Patria's reputation and may even lead to legal proceedings against the company and its personnel. Every employee who acts in contravention of the code will be subject to penalty measures that, when necessary, may mean termination of their employment contract.

It is impossible for the Ethical Code of Conduct and other guidelines to cover every single situation that personnel may encounter in Patria's complex operating environment. If in doubt, Patria employees are encouraged to discuss the issue with their closest supervisor or HR specialist or contact the company's compliance department for advice. All personnel are obliged to report any concerns or suspected violations of the code to their closest supervisor, the compliance department or through the tools made available for reporting purposes.

The following reporting channels can be used:

- a general email address that will send reports to the Chief Compliance Officer, or
- SpeakUp, a channel for anonymous reporting and anonymous dialogue, either online or by phone.
- external stakeholders can also make reports through the feedback channel on the Patria website.

The rights and privacy of both the whistleblower and the suspect will be protected under all circumstances. A person reporting suspected misconduct may not be subjected to any negative measures or penalties relating to their employment contract. If a person who has reported their bona fide concerns is penalised, this will result in severe consequences. When necessary, a person who has penalised a whistleblower may have their employment contract terminated. In total, 16 reports were made via the SpeakUp reporting channel in 2021 all via the internet. All cases were investigated.

DEVELOPING SUPPLY CHAINS

Reliable partnerships throughout the supply chain

Patria seeks to build reliable, fair and mutually beneficial relationships with its suppliers. The choice of suppliers is based on open and honest competition and transparent selection criteria, which include objective factors such as quality, reliability, delivery times and prices. Personal agendas have no influence on such choices. Patria requires its suppliers to abide by the ethical principles contained in its guidelines and the national legislation of the countries in which they operate. Acquisition responsibility in Patria is divided into business and group acquisition, as well as those responsible (indirect acquisitions) for group operations. On a group level, common vendor selection matters are instructed, and business units integrate them into their own guidelines. Compliance, quality, ethics and cost-effectiveness are taken into account in the supplier selection. Patria requires its suppliers to comply with the principles set out in their Supplier Code of Conduct as well as the national law of their countries of operation.

During 2021, the joint guidance for vendor selection and evaluation was refined and the implementation process got underway. Patria's Supplier Code of Conduct is available at www.patriagroup.com/about-us/supplier-chainmanagement/supplier-code-of-conduct



SECURITY OF OPERATIONS

Management of uninterrupted operation

Security of operations in Patria covers comprehensive management of corporate security and related competency development. Security and data protection reliability are especially important in critical projects. In the defence industry, corporate security plays a central role in ensuring uninterrupted operations. The purpose of Patria's Corporate Security is

- to enable Patria to conduct business in its sector with regard to its various areas of responsibility;
- to promote and ensure the attainment of Patria's business objectives by maintaining and developing security;
- to safeguard business continuity during various disturbances and exceptional circumstances by ensuring that Patria has prepared for them in advance;
- to ensure Patria's reliability as a partner to its customers, the authorities and other stakeholders;
- to maintain a level of security that ensures the protection of customers', other stakeholders' and its own information and material.

Primary responsibility for corporate security lies with Patria's business units and Group functions, which each take responsibility for matters related to their operations. Patria's corporate security division provides business units and support functions with services in the various fields of corporate security. It steers, develops and monitors

the comprehensive management of corporate security, and also maintains and develops the related competencies within Patria.

Corporate security is divided into: production security, rescue safety, preparedness and crisis management, facility security, management of misuses and non-conformities, information security, and personnel security. Patria has been granted national Facility Security Clearance. The designated national security authorities (DSA and NCSA) regularly audit Patria's level of corporate security.

Data security and protection

Patria maintains an adequate level of data security to ensure the confidentiality, integrity and usability of data concerning its business partners, customers and other stakeholders.

Patria also guarantees data security and protection when working on critical projects for partners and authorities. Patria protects trade secrets and privacy in a way that ensures business continuity even in the event of exceptional circumstances and other disruptions. Patria ensures that every employee has access to the information they require for their work. Patria respects the privacy of its staff, business partners and customers, and requires strict adherence to all applicable personal data legislation and regulations.

The most significant event of 2021 was the completion of a data protection project at Patria's Swedish subsidiary Patria Helicopters AB and an information security awareness project for all Patria personnel.

In the defence industry, corporate security plays a central role in ensuring uninterrupted operations.



Data protection project raised awareness by training and information sharing.

The project included e-trainings, webinars, news and posts in several internal channels like intranet. A security survey for all personnel was also conducted, and it is meant to be a yearly survey to determine the level of information security at Patria.

Regular data security and data protection processes were also continued, such as the development of security procedures and technical measures; the processing of security threats and reports; inventories of personal data and processing purposes; and the updating of privacy policies. Privacy policies that must be made available to Patria's stakeholders and website users have been updated and added to Patria's external websites.

It is already standard practice to take data protection into consideration in agreements, and a significant number of data protection appendices were drawn up for new service and procurement contracts. Patria ensures that the required data protection is implemented not only through contractual means, but also using a variety of guidelines and procedures. It is also essential for Patria to have adequate physical security on its premises, and particular attention is paid to the level of information security. Patria's data security is continually monitored and developed.

FINANCIAL RESPONSIBILITY AND TAX FOOTPRINT

Business in a long-term and responsible manner

Patria enhances and develops its business in a long-term and responsible manner. In its financial reporting, Patria complies with all applicable rules of accounting and financial reporting.

Patria complies with all applicable rules on accounting and financial reporting. Patria's financial reporting is based on IFRS. Under no circumstances will Patria falsify or forge financial or other documents or give misleading information.

Patria promotes fair competition in all markets in which it operates, and complies with all applicable competition law and anti-cartel legislation. Patria neither engages in nor accepts any agreements or other arrangements with competitors that would restrict competition. Patria will not exploit a dominant market position, and will always obtain the necessary permits for mergers or acquisitions.

Tax footprint

In addition to Finland, the Group operates in Belgium, Sweden, Norway, Estonia, Latvia, Poland, Spain, the United Arab Emirates and South Africa. The principle of Patria is to pay in each country the indirect and direct taxes that fall to it in accordance with local laws and regulations. Patria has no functioning corporations in low-tax countries. Patria's tax strategy is to support business solutions and ensure their proper implementation also from a tax point of view. The principle is to comply with local legislation and notification obligations.

2021	Finland	Sweden	Belgium	Latvia	Others, total	Group
Direct taxes payable for the financial year, EUR million (taxes and tax-like charges paid directly by the company)						
Income taxes (business income taxes)	5.8		1.0	0.0	0.0	6.8
Employer contributions (employer's pension and social security contributions, etc.)	2.3	1.4	2.7	0.1	0.1	6.6
Property taxes	0.3	0.0	0.2		0.0	0.5
Indirect taxes payable for the financial year, EUR million (taxes paid by the company as part of the price of the service/product and recognised as expenses)						
Other taxes	0.0					0.0
Taxes to be remitted for the financial year, EUR million (taxes that the company collects from its customers or employees which it remits to the tax authorities)						
Wage taxes (withholding, employee social security contributions, etc.)	38.7	1.5			0.5	40.7
Tax-at-source	0.1		1.8	0.1	0.2	2.2
VAT, sales	108.0	7.0	0.6	2.0	1.9	119.5
VAT, procurements	-62.1	-4.7	-1.3	-0.0	-0.3	-68.5

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**A responsible
employer**

A RESPONSIBLE EMPLOYER

Change is a joint effort

2021 was marked by the new strategy that we have been working on with personnel. The changes to our operating model, organisation and positions came into force at the beginning of 2022, and the cultural change required for a unified Patria continues.

The strategy is the biggest change in Patria's history and will affect everyone in one way or another. In 2021 an avid planning of the growth strategy implementation took place. A large team of personnel from different units, organisational levels and operating countries took part in the creation of the new operating model and organisation, which came into force at the beginning of 2022.

In 2021 change management was at the fore. This work has been guided by the change management principles that were drawn up at the outset. The importance of internal communication was recognised and it was offered on regular basis. According to the personnel feedback, it was considered to be good and comprehensive. Remote work did not enable face-to-face meetings, but on the positive side, it did provide opportunities for bringing personnel together with the aid of virtual tools supporting the goal of working together across organisational and regional boundaries.

Listening to personnel is an important part of change management and was done via a variety of surveys during the year. Activities have also been adapted on the basis of feedback.

During 2021, the strategy and its goals were presented to the personnel.



As part of the strategy work cooperation negotiations were conducted in entire Group, excluding Millog, in order to develop the operating model in cooperation with the personnel. In November 2021 all the nominations in the new organisation were finalised and published. The change meant new job descriptions for some 300 Patria employees.

HR work supports strategy implementation

Organisation and operating methods of Patria's HR management were renewed in 2021. The change sought to provide effective support for the implementation of the new strategy. Patria's HR experts have previously worked in the Group's development team and as part of business organisations. They have now been brought together as a centralised Group function. The HR development team is responsible for developing things such as competence, remuneration, joint policies, processes, and systems. The HR business partners who previously worked in business organisations are now in charge of HR support for designated functions. The Peopledesk provides immediate support and advice in urgent HR issues. Chief Human Resources Officer is a member of the Group Management Team.

HR management is guided by Patria's Group-wide HR policy and, in practical work, also by common high-level principles and processes. We also have some business-specific practices that will now become standard practice through the introduction of our updated strategy. The aim is to identify best practices and combine them for the benefit of the entire company.



Patria employs about 3,070 people in average in Finland and abroad. Approximately 92 % of them work in Finland. Average personnel turnover in the Group was 12.5% in 2021 (15.7% in 2020). Most personnel have permanent employment contracts that are valid until further notice. During the year, Patria companies in Finland hired 212 new employees on permanent contracts. 96% of personnel working in Finland fall within the scope of collective agreements. Collective agreements are not used in our other operating countries.

The impactfulness and meaningfulness of work and the desire to succeed together are the strengths of Patria's corporate culture.



CONTINUOUS COMPETENCE DEVELOPMENT

New job descriptions for 300 Patria employees

The new strategy encourages continuous competence development. In order to reach the targets, Patria needs a more robust ability to combine its understanding of customer needs and changes in the operating environment with information about Patria's offering and opportunities for developing it. Change management expertise is required not only to successfully carry out the company's own changes, but also to implement more complex customer projects. In practical projects, improving operational efficiency plays a key role in assuring high quality and resource efficiency. We will make sure that these developments are possible by training personnel and recruiting any talent required for new positions.

Patria's employer promise is to be a workplace where you make a difference. In Patria everyone can influence their own work and everyone's work plays a role in our joint success. The success is based on our personnel's high level of professionalism and everyone taking responsibility for the results of their work. Both our customers and the authorities place high demands on the quality of our work, and meeting these demands requires us to maintain our qualifications and continually develop our professional skills. Competence development helps to strengthen both working capacity and motivation and is an essential aspect of taking care of our personnel.

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2021 was an exceptional year for Patria, as HR development focused on planning our new organisational model and new job descriptions. As a result of this change, some 300 employees were given completely or partially new job descriptions from the beginning of 2022.

Virtual personnel training

Our Group-wide LEAP management training began in 2020 and ended in 2021. This programme lasted just under a year and was organised for the fourth time. Sessions were exceptionally held virtually due to the coronavirus pandemic. 25 employees took part in this programme.

BOOSTing My Team coaching sessions continued and all of Patria's 200-plus supervisors regularly attended them. This interactive supervisor training focused on the key themes of supervisory work and the exchange of ideas.

The fifth iteration of the Pro Point development programme for experts was finalised in 2021. This programme was attended by 15 Patria employees and received good feedback from participants for being an enabler of both insights and interaction.

Supervisors' role grows in transformation

At Patria, supervisory work involves leading expert teams and focuses on competence development, personnel wellbeing and effective teamwork. Patria's supervisors' task is to support and spur their teams to succeed, but team members also play an essential role being active and shouldering responsibility for the development. This mindset will be a key aspect in the sought-after cultural change.

Our focus in 2021 was to support supervisors, due to the prolonged pandemic and in order to ensure the realisation of the updated strategy.

Personnel surveys indicate that Patria employees are satisfied with supervisory work and give them good feedback. Personnel are committed to their own teams and their work. Employees expect the new strategy to increase cooperation between businesses, units, and teams.

In addition to BOOSTing My Team coaching, supervisors also receive support from the HR, assistance is usually requested in issues relating to competence, recruitment, and wellbeing at work.

COMPENSATION

Performance management steers the achievement of shared goals

Both the HR performance management model and the bonus and profit-sharing scheme were renewed in 2020 and implemented in 2021.

My Power is a new practice whose guiding principle is succeeding together. It aims to strengthen each person's own role in managing their performance and to underline team-specific success alongside personal performance. It is worth noting that, in the target setting, the performance-based bonus of about 90 per cent of Patria employees is tied to the attainment of shared team and business targets rather than personal targets. Another new feature is that instead of attending one annual development discussion, personnel will now have several guidance discussions depending on their job description. The development discussion process covers all Patria employees. By the end of April, 2021, the deadline for discussions in 2021, 88 per cent of personnel had attended the first discussions.

The purpose of the targets is to provide concrete shared goals for personnel, so that everyone can contribute to their attainment, and to challenge people to consider how they can put this into practice in their own work.

The bonus and profit-sharing scheme covers all Patria employees with permanent and fixed-term contracts. The rewards paid to most employees via the performance bonus and profit-sharing scheme total 15 % of their annual earnings. Patria has a compensation fund



Succeeding together is the guiding principle of Patria's new My Power -practice.

pursuant to the Act on Personnel Funds in place, and some Patria personnel have been investing their bonuses and profit shares in the fund since 2015.

Patria applies Technology Industries of Finland's collective agreements in Finland, and the employment contracts of 96% of personnel fall within the scope of these agreements. The compensation paid to salaried and waged employees is determined by collective agreements. The compensation paid to senior salaried employees is agreed on individually, and job evaluation is performed using the International Position Evaluation (IPE) system.

Patria is committed to respecting collective agreements and helping its employees to participate in planning and decision-making related to their own work and working environments. Thanks to this collaborative system, all disputes relating to collective agreements and employment legislation can be resolved in a controlled manner. Making local agreements has become an established practice at Patria.

**PROMOTING EQUALITY
AND DIVERSITY**

Growth strengthens diversity

Patria's goal is to create a trusting and respectful working environment that supports and values diversity. Activities are guided by values and code of conduct, and supervisors are expected to actively promote a leadership culture that is in line with them. Personnel are treated and assessed equally and in terms of the skills required by their work. As an employer, Patria is committed to treating all personnel equally and impartially. No form of harassment or discrimination is accepted.

Patria is known for its long employment relationships. Strong growth creates a need for increased recruitment, and internationalisation brings us a stream of new talent and people of varying ages and backgrounds that strengthen our diversity. The security and defence sector typically attracts men, and this has been identified as an area for development in terms of diversity - the goal is to profile Patria as an interesting workplace for women in various sectors.

As a baseline, every Patria employee should promote equality in their behaviour and actions. Everyone has the right and responsibility to intervene if any grievances are observed. Patria encourages personnel to report any suspected misconduct and offers a variety of channels for doing so. We also have an anonymous whistleblowing channel.

Patria's equality work is guided by business-specific equality plans and surveys, and equality committees are actively working to make developments.



FOCUSING ON WORKING CAPACITY AND WELLBEING AT WORK

Influence as an indicator of personnel wellbeing



Personnel satisfaction and wellbeing at work are monitored at two-year intervals using a personnel survey. As the last personnel survey was conducted in 2020, 2021 focused on improving any areas for development that had been identified. People were listened to in 2021 via several surveys conducted in connection with the strategy update. Additionally, in autumn 2021, people were asked about their experiences and wishes in relation to remote working.

The main objectives of Patria's model for supporting work capacity are to promote wellbeing and productivity at work, support personnel's working and functional capacity, and to manage sickness absences. It includes early intervention, managing risks to working capacity, and practices to support returning to work. The healthcare partners also provide with tools that support the preventive occupational healthcare by enabling monitoring of the sickness absences and working capacity risks. Occupational healthcare seeks to identify people with working capacity risks before these risks are realised, so that support can be targeted as effectively as possible.

The main goal of the working capacity support model - increased influence - was met. Patria's sickness absence figures are lower than the industry average. The average number of sickness absences in Finland in 2021 were 3.1% (3.0% in 2020). The figure in the entire Group was 3.3% in 2021.

The use of remote digital services is one of the indicators that Patria uses to measure the effectiveness of its occupational healthcare in Finland. In 2021, 53% of all appointments were carried out over the phone or virtually.

Although musculoskeletal disorders caused the most days of sickness absence, the mental stress caused by the coronavirus pandemic and prolonged remote working began to be reflected in personnel's ability to cope and there was a marked increase in absences for mental health reasons. Every Patria employee also reacted individually to our new strategy. For some, 2021 brought additional stress and uncertainty, as our future operating model, organisation and job descriptions were not yet clear, and face-to-face discussions were not possible due to the pandemic.

Supporting personnel wellbeing will be in the spotlight during 2022, and support from supervisors will be central to this. Engaging in dialogue and actively listening to people will play a key role in determining how team members are doing and how they are coping amid the change.

Zero-accident target

Patria has done a great deal of work to prevent accidents. The accident frequency rate developed in a positive direction in the Group in 2021 and stood at 2.0 (2020: 4.6).

A management model for investigating accidents that was piloted by Millog has now been introduced at Patria. Safety observations made by personnel play an important role in improving occupational safety, and every employee has a responsibility to ensure that occupational safety is realised.

As part of our new organisational model, a number of new occupational health and safety delegates started work at Patria, and they will be trained to promote safety at work during 2022. Occupational health and safety are a key component in the induction of all new employees.

Personnel receive support for retirement and when their employment with us ends. Every situation is planned individually.

Development work, in accordance with Patria's values and across organisational boundaries, continues in line with our strategic targets in 2022.

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Personnel figures 2021

	2019	2020	2021
Personnel			
Personnel average	2,988	2,990	3,075
Finland	2,757	2,754	2,841
Sweden	109	111	87
Belgium *)	77	87	106
Estonia	38	35	34
Others		4	7
Blue-collar %	43	41	41
Blue-collar in Finland %	41	41	40
White-collar %	57	59	59
Salaried in Finland %	18	18	18
Senior salaried in Finland %	41	41	42
Proportion of women %	16	16	16
Proportion of women in Finland %	16	16	16
Proportion of women in the Board	2/7	2/8	2/8
Proportion of women in Group Management Team	3/10	2/10	1/8
Education in Finland**)			
Doctoral degree %		2	1
Higher university degree %		19	19
Lower university degree %		22	22
University degree %	18		
College degree %	29		
Vocational/upper secondary school %	51	55	56
Basic education %	2	2	2

	2019	2020	2021
Employment			
Average age	45.2	45.3	45.5
Average length of service, yrs	13	13.1	14.1
Personnel turnover in Finland, average turnover % ***)	17.7	15.7	12.5
Personnel turnover in Finland, leavers %	15.4	17.8	14.3
Permanent employees	95	94.3	94.9
Part-time employees %	2.5	5.5	5.1
Health and safety			
Absenteeism attributable to sickness %	4.2	4.3	3.3
Frequency of accidents	4.1	4.6	2

*) 2019 figure is not year average as Belgium became part of the Group in June/2019.

**) Figures from international units not available. As of 2020 educational information have been available in the global HR system and divided differently as the higher and lower university degrees include former figures of University and College degrees.

***) Calculation formula has been changed fsince 2019: ((started + terminated permanent employments)/2) / personnel in average

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Environmental responsibility

ENVIRONMENTAL RESPONSIBILITY

Environmental sustainability and decreasing greenhouse gas emissions a top priority in 2021

Patria Group's environmental responsibility is guided by the Group's environmental policy, environmental legislation, and the international principles and customer requirements for environmental responsibility to which the company is committed. In 2021, Patria Group focused on its climate impact and the ways to decrease emissions.

Patria Group has committed to take concrete actions to promote sustainable development. The Group seeks to make energy and water consumption more efficient, and to have a positive impact on the recycling and responsible disposal of waste. In 2021, targets for increasing the recycling ratio of community waste and decreasing the amount of landfilled waste were set. The targets are in line with the EU Waste Directive; however, Patria Group strives for reaching the goals ahead of the legislative timeline.

In order to meet Finland's climate neutrality objective, as well as the international climate targets, Patria Group looked into ways to decrease the Group's emissions. Plans were made for proceeding to gradually use biofuels and renewable energy. Patria Group has enhanced its energy efficiency and reduced its energy use over the years and the Group aims to perform even better in the coming years.

The Environmental Work Group is in charge of Patria Group's environmental responsibility development. This group is tasked with



furthering collaboration, sharing information and experiences between various business areas, and planning and reporting on the Patria Group's environmental responsibility. An external expert organisation (Ecobio Ltd.) is responsible for the development and coordination of the Environmental Work Group and is seeking to enhance its reporting practices.

Patria reports environmental indicators for nine facilities in Finland (Tampere, Espoo, Helsinki, Hämeenlinna, Halli, Linnavuori, Pirkkala, Tikkakoski and Utti). The environmental indicators are collated using figures from the following business units: Aviation, Land, Systems and Aerostructures. In 2019, some of Aviation's operations were transferred from Pirkkala to Córdoba, Spain. So far, the reporting has only taken the fuel use in Córdoba into account, but other variables will be taken into consideration in the future.

In addition to the Finnish and Córdoba units, Patria Group added its International Support Partnership (ISP) units in Belgium, Sweden, and Estonia to the reporting scope in 2020. Therefore, the data from 2020 and 2021 is comparable, whereas the earlier years do not include ISP units as the data has not yet been available. In the future, information from previous years will be added to the environmental reporting to better indicate the real changes. The report also presents environmental data for Patria's partially owned subsidiary Millog, which operates in dozens of locations and garrisons around Finland.

In addition to the environmental indicators Patria Group has also calculated its carbon footprint for 2021. The calculation criteria and results are presented in the annual report. During 2021, Patria Group has defined targets for reducing its carbon footprint, and planned measures to reach these targets. Patria Group's long-term goal is to decrease its greenhouse gas emissions according to the Paris Agreement to limit the global warming to 1.5 degrees. In 2021, Patria also calculated the greenhouse gas emissions of its value chain (scope 3) for the first time.



Patria Group's business units have objectives that are specific to each unit and site and that consider the special characteristics of their operations and environmental impact. Patria Group also sets joint environmental objectives that are created together with the various business areas. The principles of environmental protection defined in Patria Group's environmental policy emphasise the identification and management of the environmental impact of products and services, and consider a life-cycle perspective whenever possible.

In 2021 Patria calculated the greenhouse emissions of its value chain.

ENVIRONMENTAL SYSTEMS

Certified environmental systems comply with the latest ISO 14 001:2015 standard



Patria Group's most significant production facilities feature certified environmental systems that comply with the latest ISO 14 001:2015 standard. With the aid of the environmental management system, Patria is improving the management of the environmental impact and the level of environmental protection within the Patria Group. The partly owned subsidiary Millog has certified environmental systems for all of its operations at each of its locations. Millog's operations were recertified in autumn 2019 and the renewed certificate will be valid until 2022.

With the aid of the environmental management system, Patria is improving the management of the environmental impact and the level of environmental protection.

CARBON FOOTPRINT

The big picture of
value chain mapped

Patria Group has conducted its carbon footprint calculation according to the standards and guidance described in the GHG protocol since 2018 (version 2004, amendment 2013).¹ For scope 3 emissions, a separate scope 3 emission calculation standard (2011²) and a technical guide (2013³) that supplement the GHG Protocol were also applied. Patria Group has calculated its direct and energy indirect emissions (scopes 1 and 2) 2018 onwards, whereas emissions from the value chain (scope 3) were calculated in 2021 for the first time. Emissions from the value chain were calculated for the year 2018, so 2018 can be used as a base year for tracking the emissions. In the future, all emissions (scopes 1-3) will be calculated yearly, but for now only scope 1 and 2 emissions are reported with the environmental reporting.

According to GHG Protocol, the GHG accounting and reporting can be based on the equity share and the control approaches. These organizational boundaries define which emissions belong to scopes 1 and 2 and which to scope 3. Patria Group has set the organizational boundaries under the control approach, and therefore accounts for 100 percent of the GHG emissions from operations over which it has control. In addition, the operations of Millog and ISP Estonia are included in the carbon

¹ The GHG Protocol Corporate Accounting and Reporting Standard (2004).
<https://ghgprotocol.org/corporate-standard>

² Corporate Value Chain (Scope 3) Accounting & Reporting Standard (2011).
<https://ghgprotocol.org/standards/scope-3-standard>

³ Technical Guidance for Calculating Scope 3 Emissions (2013).
<https://ghgprotocol.org/scope-3-technical-calculation-guidance>



footprint calculation. The calculation concerns operations in Finland, Sweden, Estonia, Belgium, and Spain.

Patria Group has set the operational boundaries to include scope 1 and scope 2 in the calculation but to exclude scope 3 from the Group's environmental reporting for the time being. Scope 1 consists of direct GHG emissions that occur from sources that are owned or controlled by the company, such as company owned vehicles, self-produced energy, or refrigerant leaks. Scope 2 accounts for GHG emissions from the generation of purchased electricity and heat consumed by the company. Currently, only the GHG emission calculations of 2020 and 2021 cover all Patria Group's locations and operations (ISP units included).

For scope 2, two different emission values were calculated according to the GHG-protocol: market and location-based emissions. The market-based emissions are calculated using emission factors provided by the electricity and heat suppliers. This enables consideration of the impacts specifically from the company's selected method of energy generation as opposed to location-based emission factors which are national averages and as such represent the state of the electricity and heat network on the national level. The national state is considered because fossil-based energy is usually required to ensure electrical security even if a company purchases green energy. Location-based emissions also offer a national benchmark for the environmental friendliness of the energy the company has bought.

Only market-based emissions are taken into Patria Group's carbon footprint and the location-based emissions are reported separately. If Patria Group chose to change the energy it uses to renewable, emission free energy, its market-based emissions would decrease to zero. However, location-based emissions would not change as the emission factor used in the calculation represent the national average emissions and it would be required many companies to switch to less emission intensive energy production methods for the emission factor to change.

Patria Group's carbon footprint for all the locations in 2021 was 21,755 tonnes of carbon dioxide equivalent (t CO₂e) (figure 1). Compared to previous year's carbon footprint (19,648 t CO₂e), Patria Group generated 2,107 tonnes more greenhouse gas emissions. This is partly due to corrections made for Belgium's electricity use which was reported to be incorrectly high in 2020. The adjustment decreased Patria Group's emissions from 2020 slightly.

Scope 1 emissions originate from the fuel consumption in cars and machines, and heat production in Sweden. In Belgium, self-produced energy is accounted as a scope 1 emission source, but as the electricity is produced with solar panels, the production does not create any greenhouse gas emission. There were no refrigerant leaks detected in 2021. Altogether, scope 1 emissions accounted for about 13% of all Patria Group's emissions and were 2,865 t CO₂e. Most of the emissions (87%), 18,890 t CO₂e, originated from purchased energy (scope 2), especially heat consumption.

Patria Group's GHG emissions by scope (t CO₂e)

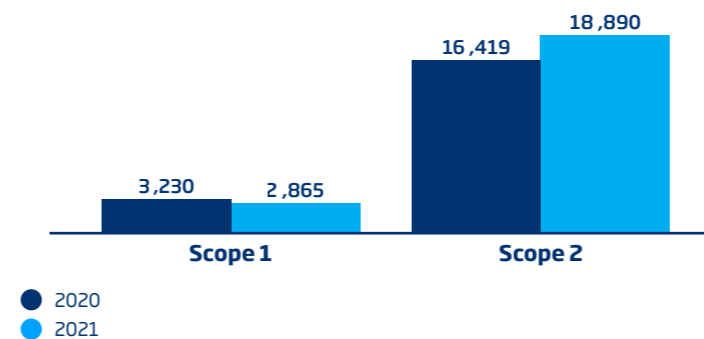
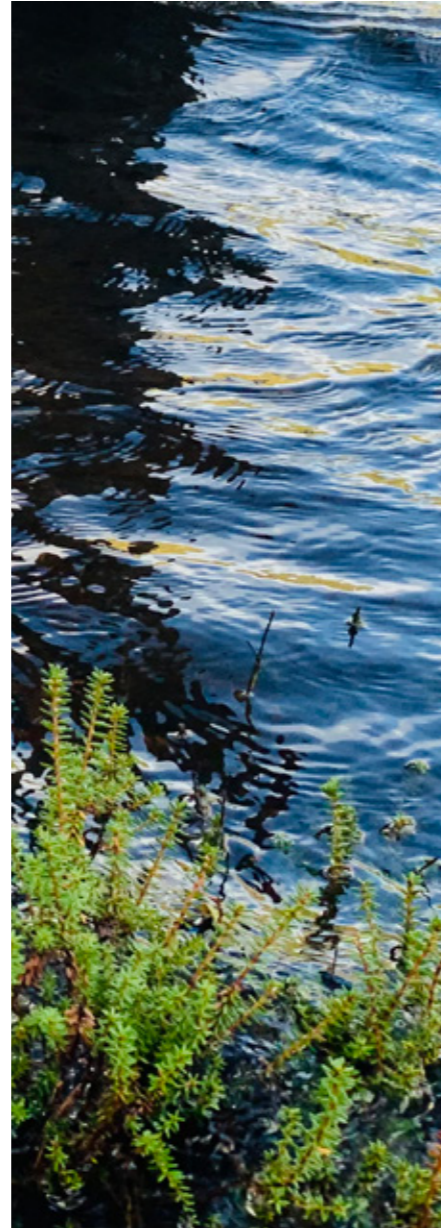


Figure 1. Patria Group's scope 1 and scope 2 emissions (t CO₂e) in 2021. All the locations are considered.



ENVIRONMENTAL INDICATORS

Energy and water consumption and waste

Three main environmental indicators are followed in Patria Group's environmental reporting: energy use, water consumption and waste. The results are reported on a Group level, but also for Patria and Millog separately, Patria meaning all the Finnish and foreign units together, but excluding Millog.

Energy consumption

Patria Group's indirect energy consumption consists of electricity and thermal energy consumption, with direct primary energy consumption deriving from fuel consumption by aircraft, vehicles, gas turbines and diesel engines.

Thermal energy and electricity consumption

The weather-normalised thermal energy consumption of properties managed by Patria and Millog increased by 4.5% in 2021. The thermal energy consumption of Patria's own operations decreased by 3.3% compared to the previous year. Specific heat consumption, which defines energy consumption in proportion to the number of heated building cubic metres, decreased in Patria's own operations by 3.3%. Number for Millog could not be calculated as cubic meters in Millog's buildings was not known.

In 2021, Patria and Millog's electricity consumption decreased by 7.3% compared to 2020. Electricity consumption of Patria's own operations

fell by 3.5%. Specific electric energy consumption, which defines energy consumption in proportion to the number of electrified building cubic metres, decreased by 10% in Patria's own operations. Number for Millog could not be calculated as cubic meters in Millog's buildings was not known.

Heat and electricity consumption in terajoules is shown in figure 2.

Heat and electricity consumption (TJ)

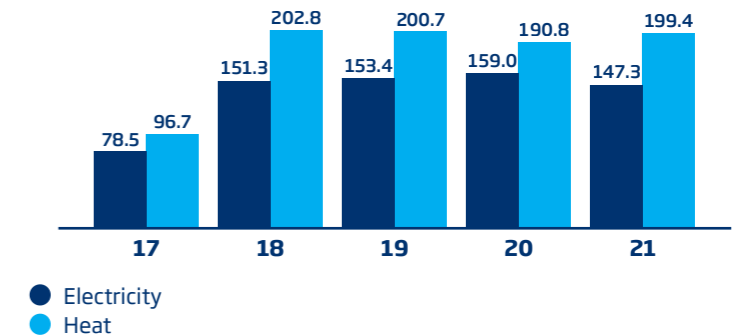


Figure 2. Patria and Millog's thermal energy and electricity consumption in terajoules, 2017-2021.

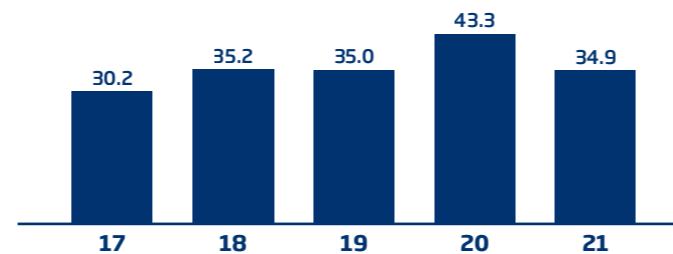
Fuel consumption

In 2021, Patria and Millog's total fuel consumption decreased by 16.8% compared to the previous year. Patria's consumption of light fuel oils fell by 4.7% but Millog's consumption rose by 44.6 percent. Patria and Millog's consumption of motor gasoline decreased by 21.3%, as did the consumption of diesel which decreased by 15.5%. Jet fuel consumption fell by 26.7% but aviation gasoline consumption rose by 6,185.7%. However, the actual fuel consumption difference in litres between 2020 and 2021 was not that dramatic. In 2020, less aviation gasoline was used than usually and the consumption reverted to normal in 2021. Fuel energy consumption in terajoules fell from 43.3 terajoules to 34.9 terajoules (figure 3).

ISP Estonia and Belgium use natural gas to produce heat. However, natural gas for heating is included in fuels as exact gas usage is known and calculating the amount of heat produced by the amount of gas would be an estimation only. Gas usage is included in scope 1 in carbon footprint calculation. In Sweden, the facilities are partly heated with light fuel oil which is also included in fuels.

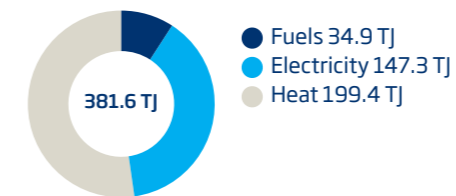
Figure 3. Fuel energy consumption in terajoules in Patria and Millog's operations, 2017-2021. In 2021 less fuels were used than in 2020.

Fuel energy (TJ)



The Finnish Defence Forces are responsible for monitoring the consumption of aviation gasoline and jet fuel used by their aircraft in military flight training and maintenance test flights. The fuel that has been consumed in Millog's maintenance runs is included in Patria's report. Millog's fuel consumption has been reported from 2018 onwards.

Energy consumption, 2021



Energy consumption, 2020

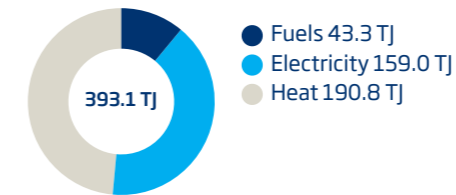


Figure 4. Breakdown of total energy consumption in terajoules in Patria and Millog's operations in 2020 and 2021.

Water consumption

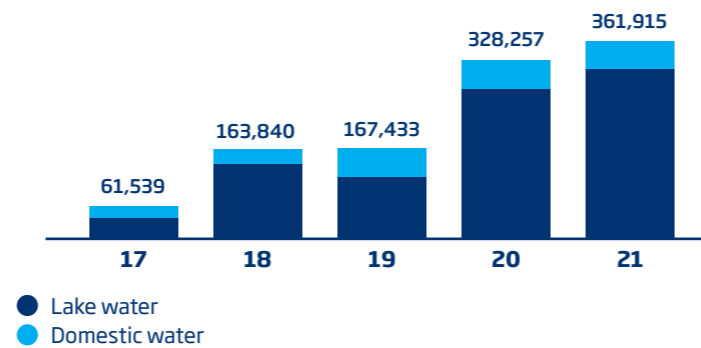
Patria Group's total water consumption (household water and lake water) increased by 10.3% in 2021 compared to 2020. Domestic water consumption decreased by 4.3% so the total water consumption increased due to lake water use in Linnavuori (figure 5). In Belgium, rainwater is also used for sanitation and washing, but as collecting rainwater does not affect water reserves, it was excluded from the reporting. The consumption of lake water in Linnavuori increased by 13.1%. Consumption varies from year to year, depending on the number and types of engines being overhauled in different years. At the Linnavuori site, lake water is used to cool engines during test runs and to dry ovens and vacuum furnaces. The used cooling water is fed back into Lake Jokinen. Lake water accounted for 85.6% of total water consumption in 2021 (figure 6).



PHOTO: I. RIIVONEN

Figure 5. Patria Group's total water consumption, 2017-2021. The use of domestic water decreased, and use of lake water increased. ISP units have been included in the numbers since 2020.

Total water usage (m³)



Water usage breakdown, 2021

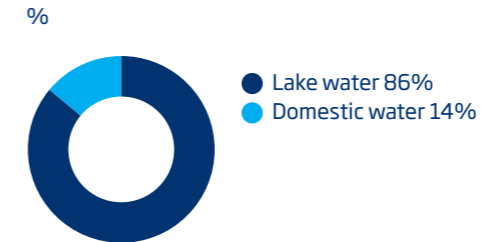


Figure 6. Breakdown of domestic and lake water use in 2021.

Waste

The Group's operations primarily generate common municipal waste, scrap metal, hazardous waste, and construction and industrial waste.

The total volume of waste generated by Patria in 2021 was approximately 937.2 tonnes, which represents a decrease of about 32.5% compared to 2020 (figure 7 a). Patria's 2021 recycling ratio was 46% of its total waste volume, compared to 31% in the previous year. Waste generated in ISP units' operations accounted for 112.5 tonnes. ISP units have been included in Patria Group's statistics from 2020 onwards.

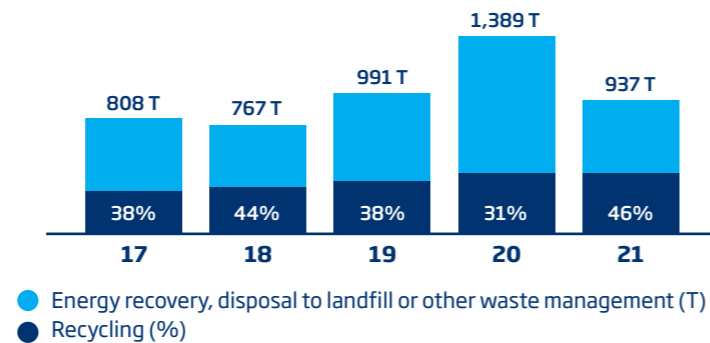
Waste generated by Millog totalled 1,569.0 tonnes, which represents a decrease of 5.2% compared to the previous year (figure 7 b). Millog's recycling rate decreased slightly, from 73.0% in 2020 to 70.0% in 2021.

65.4% of Patria's waste consisted of common waste, that is, municipal waste, construction waste and scrap metal (total 613.0 tonnes). 34.6% of the waste was hazardous (324.3 t). Waste amounts have decreased significantly compared to 2020. Common waste includes energy waste, unsorted waste, paper, cardboard, sludge, waste wood, organic waste, common electrical and electronics scrap, construction waste,

glass, plastic, brick and concrete waste, steel and aluminium scrap, and packaging metal. Hazardous waste principally consists of oily waste, wash water, sediment and other waste classified as hazardous.

Millog's common waste accounted for 88.7% (1,391.1 t) of Millog's total waste volume, and only 11.3% of it was hazardous waste (177.9 t). Common waste decreased by 6.1% compared to 2020, but hazardous waste amounts increased by 2.3%.

The total volume of waste and recycling ratio between 2017 and 2021, Patria



Volume of waste produced in 2021



The total volume of waste and recycling ratio between 2017 and 2021, Millog

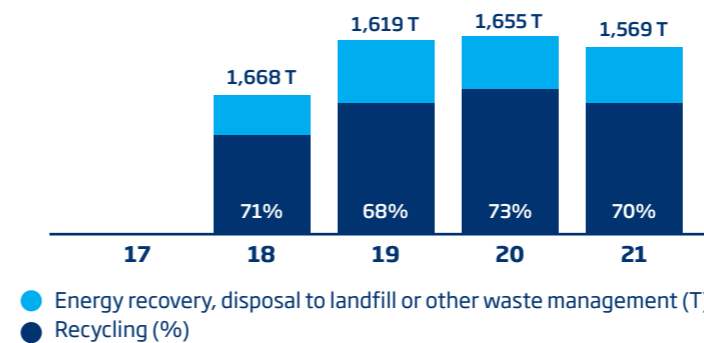


Figure 8. A breakdown of the volumes of municipal and hazardous waste generated by the Patria Group's operations in 2021. Includes waste figures for Patria and Millog.

Figure 7. Waste volumes for a) Patria and b) Millog, 2017-2021. For 2017, figures for Millog are not available.

The Patria Group's waste volume totalled about 2,506.2 tonnes, including waste figures for Patria and Millog (figure 8). The total waste volume decreased by 17.7%.

The Group seeks to raise awareness of waste utilisation and processing methods, and to promote waste recycling. In 2016, Patria began the systematic gathering of information on the utilisation and processing of waste. Information for 2014 and 2015 has also been gathered retroactively. Data collection methods were also revised during 2019. Waste data from Espoo (1-2 tonnes per annum) was retroactively added to reporting for the years 2016-2018.

In February 2020, Linnavuori Aviation unit switched to carbon neutral waste management in terms of its community waste. The company behind community waste management (Lassila & Tikanoja Oyj) calculates its carbon footprint that is generated in waste management process and the calculated greenhouse gas emissions are compensated in Gold Standard certificated forestation projects. Only the emissions that cannot be avoided by optimizing energy and fuel use, for example, are compensated, and the company strives for low emissions during the whole waste management process.

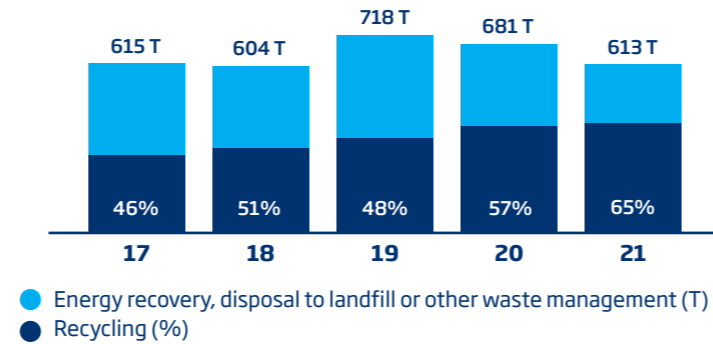
The waste usage rate (treatment methods other than landfill) was about 86% and the recycling rate about 61% for Patria and Millog. Approximately 64,6% of Patria's own municipal waste was recycled, constituting an increase of 7.3 percentage points compared to 2020 (figure 9 a). The recycling rate for Millog's municipal waste decreased by 3.5 percentage points, from 77.6% in 2020 to 74.1% in 2021 (figure 9 b). Municipal waste volumes stayed nearly the same in 2021 compared to 2020 in Patria's operations, increasing only by 5.5 tonnes. Millog's municipal waste volume decreased by 90,0 tonnes compared to the previous year.

Approximately 20% of Patria Group's hazardous waste was recycled, constituting an increase of 7 percentage points compared to 2020.



Patria's hazardous waste volumes decreased noticeably compared to the previous year (- 384.1 tonnes) and the recycling rate rose by 3 percentage points (figure 10 a). Hazardous waste produced by Millog increased 3.9 tonnes compared to 2020 and the recycling rate stayed the same as in 2020 (figure 10 b).

Municipal waste, construction waste and scrap metal, Patria



Municipal waste, construction waste and scrap metal, Millog

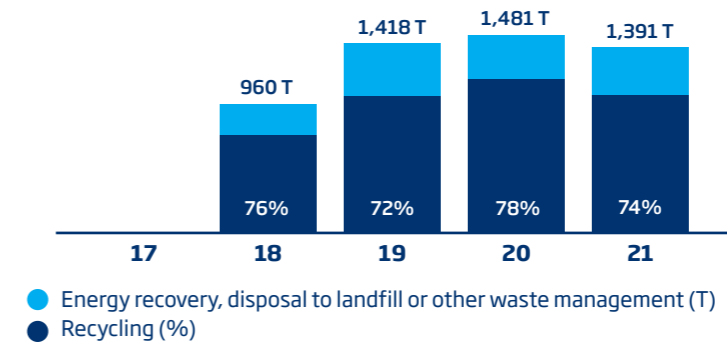
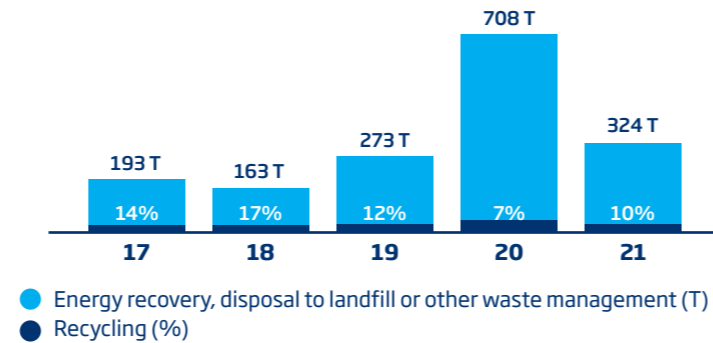


Figure 9. Municipal waste, construction waste and scrap metal recycling percentages for a) Patria and b) Millog, 2017-2021. For 2017, figures for Millog are not available.

Hazardous waste, Patria



Hazardous waste, Millog

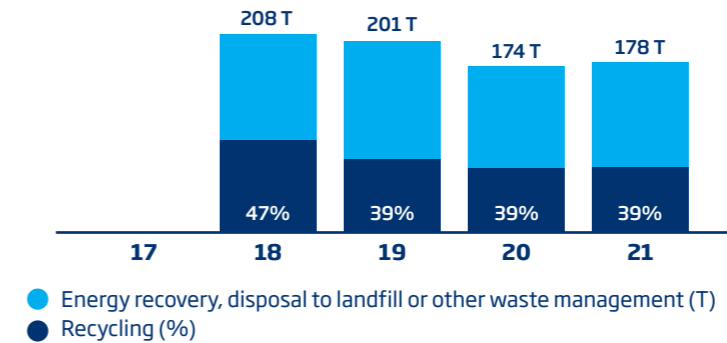


Figure 10. Hazardous waste recycling percentages for a) Patria and b) Millog, 2017-2021. For 2017, figures for Millog are not available.

GRI index

Patria's report is based on the Global Reporting Initiative's GRI Standards for sustainability reporting, the Core option. The reporting period is the calendar year, 1 January–31 December 2021, and the report is published annually.

This report provides information on the most material sustainability topics for Patria. The report takes into consideration the stakeholder views and operations' impact on the society. Our corporate responsibility report has not been externally verified.

GRI STANDARDS DISCLOSURE		LOCATION	COMMENTS
GRI 102: General disclosure (2016)			
Organizational profile			
102-1	Name of the organization	Back cover	
102-2	Activities, brands, products, and services	Annual review p. 3	
102-3	Location of headquarters	Back cover	
102-4	Location of operations	Annual review p. 3	
102-5	Ownership and legal form	Annual review p. 3, Financial and Governance p. 10	
102-6	Markets served	Annual review p. 3	
102-7	Scale of the organization	A responsible employer p. 34, Annual review p. 6, Financial and Governance p. 2	
102-8	Information on employees and other workers	A responsible employer p. 34, Financial and Governance p. 2	
102-9	Supply chain	Responsible exports p. 19, Ethical conduct p. 20, Developing supply chain p. 22	
102-10	Significant changes to the organization and its supply chain	Annual review p. 7-8	No significant changes.
102-11	Precautionary Principle or approach	Financial and Governance p. 42-43	
102-12	External initiatives	Memberships p. 15	
102-13	Membership of associations	Memberships p. 15	
Strategy			
102-14	Statement from senior decision-maker	President and CEO's review p. 5	
102-15	Key impacts, risks, and opportunities	President and CEO's review p. 5, Annual review p. 10-12, Financial and Governance p. 42-43	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	Patria as part of society p. 18, Annual review p. 4	
102-17	Mechanisms for advice and concerns about ethics	Ethical conduct p. 21	

GRI STANDARDS DISCLOSURE		LOCATION	COMMENTS
Governance structure			
102-18	Governance structure	Financial and Governance p. 38-40	
102-19	Delegating authority	Financial and Governance p. 38-40	
102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate responsibility management p. 6-7, Financial and Governance p. 38-40	
102-24	Nominating and selecting the highest governance body	Financial and Governance p. 38-40	
102-26	Role of highest governance body in setting purpose, values, and strategy	Annual review p. 12, Financial and Governance p. 38-40	
102-32	Highest governance body's role in sustainability reporting	Corporate responsibility management p. 6-7	
Stakeholder engagement			
102-40	List of stakeholder groups	Patria's key stakeholders p. 15-16	
102-41	Collective bargaining agreements	A responsible employer p. 28	
102-42	Identifying and selecting stakeholders	Stakeholder collaboration p. 12-13	
102-43	Approach to stakeholder engagement	Stakeholder collaboration p. 12-13	
102-44	Key topics and concerns raised	Patria's key stakeholders p. 15-16	
Reporting practice			
102-45	Entities included in the consolidated financial statements	GRI Index	The report content covers the entire Group, unless otherwise stated.
102-46	Defining report content and topic Boundaries	Corporate responsibility management p. 8	
102-47	List of material topics	Corporate responsibility management p. 8	
102-48	Restatements of information	GRI Index	No significant changes.
102-49	Changes in reporting	GRI Index	No significant changes.
102-50	Reporting period	GRI Index	1.1.2021-31.12.2021
102-51	Date of most recent report	GRI Index	21.4.2021
102-52	Reporting cycle	GRI Index	Annually
102-53	Contact point for questions regarding the report	GRI Index	communications@patriagroup.com
102-54	Claims of reporting in accordance with the GRI Standards	GRI Index	The report is in accordance with the GRI Core-level.
102-55	GRI content index	GRI Index	
102-56	External assurance	GRI Index	The report has not been externally assured.
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its Boundary	Corporate responsibility management p. 8	
103-2	The management approach and its components	Corporate responsibility management p. 8, Security of operations p. 23, A responsible employer p. 27-28, Environmental responsibility p. 36-37	
103-3	Evaluation of the management approach	Corporate responsibility management p. 8, Security of operations p. 23, A responsible employer p. 27-28, Environmental responsibility p. 36-37	

GRI STANDARDS DISCLOSURE		LOCATION	COMMENTS
ECONOMIC STANDARDS			
GRI 201: Economic performance (2016)			
201-1	Direct economic value generated and distributed	Annual review p. 6, Financial and Governance p. 2	
GRI 205: Anti-corruption (2016)			
205-2	Communication and training about anti-corruption policies and procedures	Ethical conduct p. 20-21	
205-3	Confirmed incidents of corruption and actions taken	Ethical conduct p. 21	No confirmed incidents of corruption in 2021.
GRI 207: Tax (2019)			
207-1	Approach to tax	Financial responsibility and tax footprint p. 25	
207-2	Tax governance, control, and risk management	Financial and Governance p. 41-42	
207-3	Stakeholder engagement and management of concerns related to tax	Stakeholder collaboration p. 12-13, Financial responsibility and tax footprint p. 25	
207-4	Country-by-country reporting	Financial responsibility and tax footprint p. 25	
ENVIRONMENTAL STANDARDS			
GRI 302: Energy (2016)			
302-1	Energy consumption within the organization	Environmental indicators p. 41-42	
302-4	Reduction of energy consumption	Environmental indicators p. 41-42	
GRI 303: Water and Effluents (2018)			
303-1	Interactions with water as a shared resource	Environmental indicators p. 43	Water is of significant relevance for Linnavuori's engine service. Otherwise, the impact is normal.
303-2	Management of water discharge-related impacts	Environmental indicators p. 43	Reported to the environmental authorities in connection with environmental permits.
303-5	Water consumption	Environmental indicators p. 43	
GRI 305: Emissions (2016)			
305-1	Direct (Scope 1) GHG emissions	Carbon footprint p. 39-40	
305-2	Energy indirect (Scope 2) GHG emissions	Carbon footprint p. 39-40	
GRI 306: Waste (2020)			
306-1	Waste generation and significant waste-related impacts	Environmental indicators p. 44-46	
306-2	Management of significant waste-related impacts	Environmental indicators p. 44-46	
306-3	Waste generated	Environmental indicators p. 44-46	
306-4	Waste diverted from disposal	Environmental indicators p. 44-46	

GRI STANDARDS DISCLOSURE		LOCATION	COMMENTS
SOCIAL STANDARDS			
GRI 401: Employment (2016)			
401-1	New employee hires and employee turnover	A responsible employer p. 38	
GRI 403: Occupational health and safety (2018)			
403-1	Occupational health and safety management system	Corporate responsibility management p. 6-7, 10, Continuous competence development p. 30, Focusing on working capacity and wellbeing at work p. 33	
403-2	Hazard identification, risk assessment, and incident investigation	Focusing on working capacity and wellbeing at work p. 33	
403-3	Occupational health services	Focusing on working capacity and wellbeing at work p. 33	In all countries, the local laws and related regulations are followed. In Finland, all employees are covered by occupational health services in principle. Finland uses Mehiläinen's extensive occupational health care, which is supported by surgery cost insurance and leisure accident insurance.
403-4	Worker participation, consultation, and communication on occupational health and safety	Focusing on working capacity and wellbeing at work p. 33	
403-5	Worker training on occupational health and safety	Focusing on working capacity and wellbeing at work p. 33	
403-6	Promotion of worker health	Focusing on working capacity and wellbeing at work p. 33	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Focusing on working capacity and wellbeing at work p. 33	
403-9	Work-related injuries	Focusing on working capacity and wellbeing at work p. 33	
GRI 404: Training and education (2016)			
404-2	Programs for upgrading employee skills and transition assistance programs	Continuous competence development p.29-30, Focusing on working capacity and wellbeing at work p. 33	
404-3	Percentage of employees receiving regular performance and career development reviews	Compensation p. 31	
GRI 406: Non-discrimination (2016)			
406-1	Incidents of discrimination and corrective actions taken	Ethical conduct p. 21, Promoting equality and diversity p. 32	We did not receive any information about incidents of discrimination through our SpeakUp channel in 2021.
GRI 415: Public policy (2016)			
415-1	Political contributions	GRI Index	See Code of Conduct
GRI 418: Customer privacy (2016)			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Security of operations p. 23-24	There were no complaints in 2021 regarding breaches of customer privacy and the destruction of customer data.

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» **FINANCIAL**

BOARD OF DIRECTORS' REPORT

CONSOLIDATED FINANCIAL
STATEMENTS (IFRS):

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NEW ORDERS AND ORDER STOCK

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

NET SALES AND PROFITABILITY

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

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

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

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

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

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

FINANCING AND OWNERSHIP

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

Consolidated liquid funds at the end of December amounted to EUR 68.3 million (EUR 37.5 million). The Group's interest-bearing liabilities totalled EUR 211.0 million (EUR 217.7 million) at the end of December. The interest-bearing liabilities included finance lease liabilities of EUR 100.9 million (EUR 97.7 million).

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

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

CAPITAL EXPENDITURE AND ACQUISITIONS

The Group's capital expenditure excluding leases for the financial period totalled EUR 9.2 million (EUR 6.8 million). Capital expenditure was mainly related to facilities and equipment, IT and production. In addition, a total of EUR 2.6 million (EUR 8.0 million) was spent on acquisitions.

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

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

RESEARCH AND DEVELOPMENT

The Group's expenditure on research and development for the financial period amounted to EUR 12.4 million (EUR 10.0 million), representing 2.3% (1.9%) of the net sales. The most significant research and development areas included new technologies, materials and systems related to mobility and aviation, as well as technologies related to sensor products and electronic warfare systems.

PERSONNEL

During the financial period the Group employed an average of 3,075 (2020: 3,003; 2019: 2,988) persons. At the end of December, the personnel totalled 3,097 (2020: 2,973; 2019: 3,055) persons.

The salaries and wages of Patria Group's employees are determined on the basis of collective and individual agreements as well as employee performance and job evaluations. Basic salaries and wages are complemented by performance-based compensation systems. All Patria employees are part of a yearly bonus plan. The new yearly bonus plan was introduced from the beginning of 2021. In 2021, the total amount of salaries and wages paid was EUR 169.0 million (2020: EUR 162.4 million; 2019: EUR 154.1 million).

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

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

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

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

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

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

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

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

KEY EVENTS DURING YEAR 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

ADMINISTRATION

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

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

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

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

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

Jari Myllykoski, Member of Parliament (Left Alliance), continued as the Chairman of Patria Oyj's Consultative Committee and Janne Sankelo, Member of Parliament (National Coalition Party) as the Vice Chairman. Hannu Hoskonen, Member of Parliament (Center Party); Petri Huru, Member of Parliament (Finns Party); Riitta Mäkinen, Member of Parliament (Social Democratic Party); Petri Peltonen, Under-Secretary of State at the Ministry of Economic Affairs and Employment; Lieutenant General Eero Pyötsiä, Chief of Defence Command and Patria's personnel representatives Jussi Karimäki, Equipment Assembler, Patria; Ilkka Kokko, Systems Engineer, Patria; Juha Kuusi, System Specialist, Patria; and Jari Metsälä, Manager, Product Design, Patria continued as members of the Consultative Committee.

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

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

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

RISKS AND UNCERTAINTIES

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

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is the foundation of Patria's profitable and sustainable business and continuance thereof. Patria's operations are based on and governed by laws, regulations, international agreements and Patria's own policies. The corporate social responsibility (CSR) report is an integral part of Patria's Annual Report 2021.

In Patria, Group Management Team is responsible for steering of the activities concerning Company Social Responsibility, and this increases transparency and dialogue within the group. Steering and monitoring of ethics and compliance related matters is clearly specified in the Board of Director's Audit Committee's charter. In 2021 the Board of Directors, the Audit Committee and the Group Management Team received regular reports on activities and issues relating

to Corporate Social Responsibility. Co-operation concerning ethics and compliance related issues as well as best practices between Patria and Kongsberg continued.

Ethical conduct is an implicit foundation for Patria's operations and decision making. It ensures the company's stakeholders' confidence in the company's operations. During the financial period ethical conduct continued to be developed according to plan.

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

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

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

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

The CSR essential themes were updated in 2020 based on an international stakeholder survey and environmental actions against climate change were brought as one of the themes. In 2021 no changes were made to the themes.

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

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

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

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

EVENTS AFTER THE FINANCIAL PERIOD

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

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

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

OUTLOOK

Focusing on its new growth strategy, Patria will ensure an undisturbed implementation of its new operational structure and continues to strengthen its operational efficiency as well as its financial performance. Patria's reliable and cost-effective lifecycle support services and top-notch products have a key role also in the future to maintain the required performance of customers' fleets in all conditions.

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

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

BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION

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

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.90 per share be paid on the shares owned by the State of Finland and Kongsberg Defence & Aerospace AS. Under the proposal, the total amount of dividends will be EUR 25,057,700.10. The Board of Directors further proposes that the remaining non-restricted equity, EUR 181,383,809.77 be retained and carried forward.

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

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

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

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Consolidated Income Statement

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

Consolidated statement of comprehensive income

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

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Consolidated Cash flow Statement

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

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Consolidated Statement of Changes in Equity

MEUR	Note	Share capital	Invested non-restricted equity fund	Fair value reserve	Translation differences	Retained earnings	Equity attributable to shareholders of parent company	Non-controlling interests	Total Shareholders' equity
Opening balance		38.0	164.1	0.3	-1.7	22.4	223.1	26.8	249.9
Dividends paid						-16.7	-16.7		-16.7
Other comprehensive income	10								
Cash flow hedges				0.1			0.1		0.1
Change of translation difference					0.1		0.1		0.1
Actuarial gains/losses on defined benefit plans						0.1	0.1		0.1
Share of comprehensive income in joint ventures						-1.9	-1.9		-1.9
Non-controlling interests						-8.2	-8.2	4.3	-3.9
Exchange rate difference						3.0	3.0		3.0
Corrections to previous year's bookings*						-0.0	-0.0		-0.0
Net income for the period						53.6	53.6		53.6
31 Dec 2021		38.0	164.1	0.4	-1.7	52.3	253.1	31.1	284.2
Opening balance		38.0	164.1	-0.0	-2.8	15.9	215.2	23.2	238.4
Dividends paid						-13.9	-13.9		-13.9
Other comprehensive income	10								
Cash flow hedges				0.3			0.3		0.3
Change of translation difference					1.0		1.0		1.0
Actuarial gains/losses on defined benefit plans						1.4	1.4		1.4
Share of comprehensive income in joint ventures						-1.8	-1.8		-1.8
Non-controlling interests						-6.5	-6.5	3.6	-2.9
Exchange rate difference						-6.1	-6.1		-6.1
Corrections to previous year's bookings*						-0.1	-0.1		-0.1
Net income for the period						33.6	33.6		33.6
31 Dec 2020		38.0	164.1	0.3	-1.7	22.4	223.1	26.8	249.9

* IASB corrections for previous periods.

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1. Accounting principles for the consolidated financial statements

DESCRIPTION OF BUSINESSES

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

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

Patria Oyj ("the Company") is a Finnish public limited company organised under the laws of the Republic of Finland and with its registered address at Arkadiankatu 2, 00100 Helsinki. Copies of the financial statements are available from Patria Group's headquarters, Arkadiankatu 2, 00100 Helsinki and www.patriagroup.com.

BASIS OF PREPARATION

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

USE OF ESTIMATES AND JUDGEMENTS

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

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

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

PRINCIPLES OF CONSOLIDATION

Subsidiaries

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

Acquired and established companies are accounted for using the purchase method of accounting. Accordingly, the purchase price and the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. In the acquisition of additional interest, where the Group already has control, the non-controlling interest is measured either at fair value or at the non-controlling interests' proportionate share of the identifiable net assets.

The difference between the purchase price, possible equity belonging to the non-controlling interests and the acquired company's net identifiable assets, liabilities and contingent liabilities measured at fair value is goodwill. Goodwill is tested for impairment at least annually. The purchase price includes the consideration paid, measured at fair value. The consideration does not include transaction costs, which are recognised in the statement of income. The transaction costs are expensed in the same financial period in which they occur, except the costs resulting from issued debt or equity instruments.

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

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

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

Associated companies and joint ventures

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

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

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

FOREIGN CURRENCY TRANSACTIONS

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

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

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

NET SALES AND REVENUE RECOGNITION

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

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

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

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

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

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

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

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

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

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

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

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RESEARCH AND DEVELOPMENT COSTS

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

INCOME TAXES

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

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

PROPERTY, PLANTS AND EQUIPMENT

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

The assessed economic lives are as follows:

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

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

GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

GRANTS RECEIVED

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

IMPAIRMENTS

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

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

LEASES

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

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

EMPLOYEE BENEFITS

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

INVENTORIES

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

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

ACCOUNTS RECEIVABLE

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

LIQUID FUNDS

Liquid Funds comprise current investments as well as cash and cash equivalents including cash in hand and bank deposits. Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

PROVISIONS

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

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DIVIDENDS

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

SEGMENT REPORTING

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

IFRS 16 LEASES

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

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

APPLICATION OF NEW AND AMENDED IFRS STANDARDS AND IFRIC INTERPRETATIONS

Patria has adopted the new standards and interpretations that took effect during the financial period and are relevant to its operations. The IFRS standards, IFRIC interpretations and amendments that took effect during the financial year did not have a material impact on the result or the financial position of the Group or on the presentation of the financial statements. Certain standards, amendments and interpretations have been published but have not taken effect. These are not expected to have a material impact on the result or the financial position of the Group or on the presentation of the financial statements.

2. Financial risk management

MAIN PRINCIPALS OF FINANCIAL RISK MANAGEMENT

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

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

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

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

CURRENCY RISKS

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

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

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

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

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

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

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

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS 2021

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

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS 2020

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

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

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

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EFFECTS OF HEDGE ACCOUNTING ON THE FINANCIAL POSITION 2021

	MEUR 31/12/2021
Forward foreign exchange contracts - EURUSD	
Fair Value	0.1
Nominal Value	9.5
Expected time for the impact on P&L	January 2022 - June 2023
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	0.1
Change in value of hedged item used to determine hedge effectiveness	-0.1
Weighted average hedged rate (including forward points)	1.1577

	31/12/2021
Forward foreign exchange contracts - EURSEK	
Fair Value	0.0
Nominal Value	-1.6
Expected time for the impact on P&L	January 2022 - December 2022
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	0.0
Change in value of hedged item used to determine hedge effectiveness	-0.0
Weighted average hedged rate (including forward points)	10.2812

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

EFFECTS OF HEDGE ACCOUNTING ON THE FINANCIAL POSITION 2020

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

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

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

DERIVATIVE INSTRUMENTS

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

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

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

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

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OFFSETTING OF FINANCIAL INSTRUMENTS

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

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

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

INTEREST RATE RISK

Fluctuations in interest rates have an effect on Group's interest expenses and income as well as fair value of interest-bearing liabilities and receivables and derivatives. The objective of interest rate risk management is to hedge against interest rate fluctuations affecting the future cash flow, result and balance sheet. Interest rate risk is managed by monitoring the average interest fixing term (duration) of receivables and liabilities as well as by using derivatives, if needed. The Group has designated all open interest rate swaps as hedging instruments. Interest arising from interest rate swaps is reported under Financial income and expenses concurrently with interest expense arising from hedged floating rate loans from financial institutions.

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

INTEREST FIXING PERIODS

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

MEUR	0-6 mths	6-12 mths	12-24 mths	24-36 mths	Later	Total
Lease liabilities	1.0	0.4	0.4		96.0	97.7
Loans from financial institutions	110.0					110.0
Other interest-bearing liabilities	10.0					10.0
Interest-bearing receivables	-37.5					-37.5
Total 2020	83.5	0.4	0.4		96.0	180.2

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

A sensitivity analysis in accordance with IFRS 7 and assuming a one percentage point increase in interest rates and the interest-bearing liabilities and receivables in the balance sheet as of 31 December 2021, would lead to a decrease in annual

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

LIQUIDITY AND REFINANCING RISKS

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

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

On 31 December 2021 the average maturity of the Group's interest-bearing liabilities was 3.9 years (2.9). The values on the following maturity distribution table are undiscounted.

MATURITY DISTRIBUTION OF FINANCIAL INSTRUMENTS

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

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

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

NET DEBT

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

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CHANGE IN NET DEBT

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

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

Related to Lease liabilities Patria has recharge contracts regarding the next 8 years and EUR 6.5 million (7.3) is booked in Other receivables.

CREDIT AND COUNTERPARTY RISKS

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

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

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

ACCOUNTS RECEIVABLE BY AGE

MEUR	2021	2020
Undue accounts receivables	97.3	93.2
Accounts receivables 1-30 days overdue	1.6	6.3
Accounts receivables 31-60 days overdue	2.1	0.9
Accounts receivables more than 60 days overdue	17.5	25.1
Total	118.5	125.6

OPERATIONAL RISKS OF THE TREASURY FUNCTIONS

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

OTHER MARKET RISKS

In addition to financial risks, Patria is exposed to price risks related to raw materials and components. The Business Units are responsible for identifying and hedging of these risks. Hedging takes primarily place by applying relevant terms and conditions to sales and purchase contracts. Patria does not use derivatives to hedge these risks. For the parent company and its subsidiaries in Finland Patria has also done hedging against increase in electricity prices by having fixed-price purchase agreements for electricity. Hedging is done in accordance with the Treasury's risk policy using external dealers authorized by Patria to manage the electricity purchases.

CAPITAL MANAGEMENT

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

INSURANCES

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

3. Acquisitions and divestments

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

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

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

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

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

ASSETS AND LIABILITIES

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

4. Disaggregation of revenue

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

5. Other operating income and expenses

OTHER OPERATING INCOME

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

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

OTHER OPERATING EXPENSES

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

PRINCIPAL INDEPENDENT AUDITOR'S FEES AND SERVICES

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

6. Research and development expenses

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

7. Employee benefit expenses

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

COMPENSATION TO BOARD OF DIRECTORS AND ATTENDANCE AT MEETINGS

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

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

¹⁾ Starting 4 February 2020

²⁾ Until 4 February 2020

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

COMPENSATION TO CONSULTATIVE COMMITTEE AND ATTENDANCE AT MEETINGS

1,000 EUR	2021	Attendance at meetings
Consultative Committee members 1 January - 31 December 2021		
Jari Myllykoski, Chairman	2	3/4
Janne Sankelo, Vice Chairman	2	4/4
Hannu Hoskonen	1	2/4
Petri Huru	2	3/4
Riitta Mäkinen	2	4/4
Petri Peltonen	2	4/4
Eero Pyötsiä	2	3/4
Total	13	

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

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

¹⁾ Starting 2 October 2020

²⁾ Until 2 October 2020

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

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

COMPENSATION TO PRESIDENT AND CEO AND MANAGEMENT

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

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

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

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

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

The remuneration of the President and CEO and the other members of the Board of Management for 2021 were based on a fixed monthly salary (including fringe benefits) and a performance-based compensation. Annual performance-based compensation plan can provide a bonus corresponding to a maximum of 50% annual salary, except for the CEO where the maximum is 60% of annual salary in case of exceptionally good performance. The remunerations are agreed using the 'one above' principle, and the remuneration of the CEO is agreed by the Board of Directors.

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

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

The remunerations of 2019-2021 program will be paid to the participants after the earning period in full by end of May 2022. The outcome of the 2018-2020 plan was 42.5% of the highest potential remuneration and was paid to the participants in one instalment in 2021. The outcome of the 2017-2019 plan was 38.0% of the highest potential remuneration and was be paid to the participants in two instalments during the years 2020 and 2021 subject to the updated terms of the plan.

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

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

PENSION OBLIGATIONS

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

Defined benefit contribution plans expose the Group to various risks which may have influence on the amount of defined benefit obligations. Such risks are changes in corporate bond yields, inflation and life expectancy. If corporate bond yields used as a reference to the discount rate change, the Group may have to change the discount rates used. This will have

an effect both on the defined benefit obligation and the recognized remeasurement in other comprehensive income. Some of the Group's defined benefit obligations are linked to general inflation and higher general inflation will increase the present value of the defined benefit obligation. The defined benefit obligations of the Group are related to producing benefits to both employed and retired personnel. Increase in life expectancy may increase the defined benefit obligation of the Group.

EXPENSES OF EMPLOYMENT BENEFITS

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

EXPENSE RECOGNISED IN PROFIT OR LOSS

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

STATEMENT OF FINANCIAL POSITION

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

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

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

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

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

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EXPECTED CONTRIBUTION PAID IN THE NEXT FISCAL PERIOD:
EXPECTED CONTRIBUTION

MEUR	Estimate 2022	2021	2020
Expected contribution	0.0	0.0	0.0

CHANGES IN OTHER COMPREHENSIVE INCOME

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

PLAN ASSETS

MEUR	2021	2020
Qualifying insurance policies	100%	100%

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

SENSITIVITY ANALYSIS

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

Sensitivity analysis of actuarial assumptions as of 31 December 2021:

Millog Oy

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

Census data used in this valuation is as follows:

	2021	2020
Number of actives	68	69
Number of pensioners	329	299
Number of deferred	571	635
Average age actives (years)	52	50
Average remaining service time	9	10
Average serving time	9	8

Patria Belgium Engine Center SRL

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

Census data used in this valuation is as follows:

	2021	2020
Number of actives	100	87
Number of pensioners	5	15
Number of deferred	41	62
Average age actives (years)	44	45
Average remaining service time	15	14
Average serving time	13	17

8. Depreciation, amortization and impairments

DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENTS

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

IMPAIRMENT TESTS

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

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

Discount rate is the weighted average pre-tax cost of capital (WACC) as defined for Patria. The components of WACC are risk-free yield rate, market risk premium, industry specific beta, cost of debt, average capital structure of the industry and a premium for asset specific risk. The WACC used in the calculations was 10.1% p.a. in 2021 (10.8%).

In 2021, the impairment testing result showed that the "value in use" in all the cash generating units were equal or more than the book value of the tested assets. Thus, no impairment of goodwill was recognized in 2021. In connection

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

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

GOODWILL BY BUSINESS UNIT

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

9. Financial income and expenses

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

AGGREGATE FOREIGN EXCHANGE GAINS AND LOSSES INCLUDED IN CONSOLIDATED INCOME STATEMENT

MEUR	2021	2020
Net sales	0.1	0.0
Expenses	0.0	-0.2
Financial income and expenses	-1.1	0.1
Total	-1.0	-0.1

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

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

MEUR	2021	2020
Foreign exchange rate derivative contracts under hedge accounting	0.0	0.3
Non-hedge accounted foreign exchange rate derivative contracts	0.0	0.3
Total	0.0	0.6

10. Income taxes

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

TAXES RELATED TO OTHER COMPREHENSIVE INCOME

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

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

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

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

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RECONCILIATION OF DEFERRED TAX RECEIVABLES

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

RECONCILIATION OF DEFERRED TAX LIABILITIES

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

The tax losses, for which no deferred tax assets are recognized due to the uncertainty of the utilization of the losses, amounted to EUR 31.4 million in the year of 2021 (EUR 32.3 million). These losses do not expire.

11. Intangible and tangible assets

INTANGIBLE ASSETS

MEUR	Goodwill	Development expenses	Intangible rights	Advance payments	Total
Acquisition cost 1 Jan 2021	38.6	12.3	21.8	0.0	72.6
Translation differences	-0.1	0.0	0.0	0.0	-0.1
Reclassifications	0.0	0.0	0.0	-0.0	0.0
Companies acquired	1.9	0.0	0.0	0.0	1.9
Additions	0.0	0.0	0.6	0.1	0.6
Acquisition cost 31 Dec 2021	40.4	12.3	22.4	0.1	75.1
Accumulated amortization and impairment losses 1 Jan 2021	-12.1	-12.3	-18.9	0.0	-43.2
Translation differences	0.1	0.0	0.0	0.0	0.1
Reclassifications	0.0	0.0	0.0	0.0	0.0
Amortization for the period incl. exchange rate diff. in P&L	0.0	0.0	-0.9	0.0	-0.9
Accumulated amortization and impairment losses 31 Dec 2021	-12.1	-12.3	-19.7	0.0	-44.1
Net book value at 31 Dec 2021	28.3	0.0	2.7	0.1	31.0
Acquisition cost 1 Jan 2020	33.9	12.3	21.2	0.1	67.4
Translation differences	0.1	0.0	0.0	0.0	0.1
Reclassifications	0.0	0.0	0.0	-0.1	-0.1
Companies acquired	4.6	0.0	0.0	0.0	4.7
Additions	0.0	0.0	0.6	0.0	0.6
Acquisition cost 31 Dec 2020	38.6	12.3	21.8	0.0	72.6
Accumulated amortization and impairment losses 1 Jan 2020	-7.6	-12.3	-18.0	0.0	-37.9
Translation differences	-0.1	0.0	0.0	0.0	-0.1
Reclassifications	0.0	0.0	0.0	0.0	0.0
Amortization for the period incl. exchange rate diff. in P&L	0.0	0.0	-0.9	0.0	-0.9
Impairment	-4.4	0.0	0.0	0.0	-4.4
Accumulated amortization and impairment losses 31 Dec 2020	-12.1	-12.3	-18.9	0.0	-43.2
Net book value at 31 Dec 2020	26.5	0.0	2.9	0.0	29.4

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MEUR	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2021	3.6	227.8	126.4	2.1	0.8	360.6
Translation differences	-0.0	-0.2	-0.1	0.0	0.0	-0.3
Reclassifications	0.0	0.4	2.1	0.2	-2.3	0.5
Companies acquired	0.0	0.0	0.1	0.0	0.0	0.1
Scrapping	0.0	-0.2	0.0	0.0	0.0	-0.2
Additions	0.6	20.0	5.8	0.1	2.3	28.9
Disposals	0.0	-2.7	-0.3	0.0	-0.3	-3.3
Acquisition cost 31 Dec 2021	4.2	245.2	134.0	2.4	0.6	386.4
Accumulated depreciation and impairment losses 1 Jan 2021	-0.2	-111.9	-101.4	-1.6	0.0	-215.0
Translation differences	0.0	0.2	0.1	0.0	0.0	0.3
Reclassifications	0.0	0.0	-0.6	0.0	0.0	-0.5
Companies acquired	0.0	0.0	-0.0	0.0	0.0	-0.0
Scrapping	0.0	0.2	0.2	0.0	0.0	0.4
Disposals	0.0	0.7	0.1	0.0	0.0	0.7
Depreciation for the period incl. exchange rate diff. in P&L	-0.1	-17.3	-8.9	-0.1	0.0	-26.4
Accumulated depreciation and impairment losses 31 Dec 2021	-0.3	-128.2	-110.5	-1.6	0.0	-240.6
Net book value at 31 Dec 2021	3.9	117.0	23.5	0.8	0.6	145.8
Acquisition cost 1 Jan 2020	3.2	213.2	119.7	1.8	3.3	341.2
Translation differences	0.0	0.4	0.1	-0.0	0.0	0.5
Reclassifications	0.0	0.3	2.3	0.3	-4.5	-1.6
Companies acquired	0.0	1.6	0.8	0.0	0.4	2.8
Scrapping	0.0	0.0	-0.0	0.0	0.0	-0.0
Additions	0.5	12.7	5.3	0.0	2.7	21.1
Disposals	-0.1	-0.4	-1.9	0.0	-1.0	-3.4
Acquisition cost 31 Dec 2020	3.6	227.8	126.4	2.1	0.8	360.6
Accumulated depreciation and impairment losses 1 Jan 2020	-0.1	-95.5	-93.8	-1.5	0.0	-190.8
Translation differences	0.0	-0.3	-0.1	0.0	0.0	-0.5
Reclassifications	0.0	-0.0	0.2	-0.0	0.0	0.2
Companies acquired	0.0	-0.9	-0.3	0.0	0.0	-1.2
Scrapping	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	1.5	0.0	0.0	1.5
Depreciation for the period incl. exchange rate diff. in P&L	-0.1	-15.2	-8.9	-0.0	0.0	-24.3
Accumulated depreciation and impairment losses 31 Dec 2020	-0.2	-111.9	-101.4	-1.6	0.0	-215.0
Net book value at 31 Dec 2020	3.4	115.9	25.0	0.5	0.8	145.6

TANGIBLE ASSETS INCLUDE CAPITALIZED FINANCE LEASES AS FOLLOWS

MEUR	Buildings and constructions	Machinery and equipment	Land and water	Total
Acquisition cost 1 Jan 2021	123.3	3.7	1.1	128.1
Translation differences	0.0	-0.0	-0.0	-0.0
Disposals	-3.2	-0.0	0.0	-3.3
Additions	18.7	1.3	0.6	20.6
Acquisition cost 31 Dec 2021	138.8	5.0	1.7	145.5
Accumulated depreciation and impairment losses 1 Jan 2021	-38.2	-1.9	-0.2	-40.2
Disposals and other changes	0.6	0.0	0.0	0.6
Depreciation for the period	-13.3	-1.0	-0.1	-14.4
Accumulated depreciation and impairment losses 31 Dec 2021	-50.9	-2.8	-0.3	-54.0
Net book value at 31 Dec 2021	87.9	2.1	1.4	91.4
Acquisition cost 1 Jan 2020	111.7	1.8	0.7	114.2
Disposals	-0.4	-0.1	-0.1	-0.6
Additions	12.0	2.0	0.5	14.5
Acquisition cost 31 Dec 2020	123.3	3.7	1.1	128.1
Accumulated depreciation and impairment losses 1 Jan 2020	-27.3	-0.8	-0.1	-28.2
Disposals and other changes	0.0	-0.0	0.0	0.0
Depreciation for the period	-10.9	-1.0	-0.1	-12.1
Accumulated depreciation and impairment losses 31 Dec 2020	-38.2	-1.9	-0.2	-40.2
Net book value at 31 Dec 2020	85.1	1.8	0.9	87.9

12. Investments in joint ventures

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

2020

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

SHARES IN JOINT VENTURES

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

BUSINESS OPERATIONS WITH JOINT VENTURES

Milj.euroa	2021	2020
Sales to joint ventures	0.0	0.0

RECEIVABLES AND LIABILITIES, JOINT VENTURES

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

13. Other shares

MEUR	2021	2020
Book value	0.2	0.2

Other shares consists of shares which are not publicly traded and thus has no observable market data available.

14. Current assets

INVENTORIES

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

RECEIVABLES

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

PREPAID EXPENSES AND ACCRUED INCOME

MEUR	2021	2020
Contract assets	33.1	44.1
Other items	4.4	5.0
Total	37.5	49.1

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

CONTRACT BALANCES

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

15. Accruals and deferred income

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

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

16. Financial assets valued as fair value

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

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17. Financial instruments

FAIR VALUE RESERVE INCLUDING FORWARD CONTRACTS

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

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

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

2020 MEUR	At fair value through income statement Level 2	Measured at amortised cost	Book value	Note
Non-current financial assets				
Long-term receivables from joint ventures		0.4	0.4	12
Other shares	0.2		0.2	13
Current financial assets				
Accounts receivable		125.6	125.6	2
Receivables from joint ventures		0.0	0.0	12
Derivative financial instruments	0.7		0.7	2
Liquid funds		37.5	37.5	
Carrying amount by category	0.9	163.5	164.4	
Non-current financial liabilities				
Interest-bearing liabilities		115.2	115.2	2
Current financial liabilities				
Interest-bearing liabilities		102.5	102.5	2
Accounts payable		40.6	40.6	
Derivative financial instruments	1.0		1.0	2
Carrying amount by category	1.0	258.3	259.3	

Financial instruments that are measured in the balance sheet at fair value are presented according to the following fair value measurement hierarchy:
 Level 1) quoted prices (unadjusted) in active markets for identical assets or liabilities,
 Level 2) inputs other than quoted price included within Level 1 are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

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18. Shareholders' equity

Share Capital: Patria Oyj share capital on 31 December 2021 stood at EUR 38,024,848.00. All issued shares have been paid up in full.

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

Other funds

Invested unrestricted equity reserve: Patria Oyj was established in 2010 and the assets were credited to the reserve of invested unrestricted equity. There were no changes in invested unrestricted equity reserve in 2021, and the fund stood at EUR 164.1 million on 31 December 2021.

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

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

Distributable funds

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

Dividend per share

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.90 (2020: EUR 0.60) per share be paid on the shares owned by the State of Finland and Kongsberg Defence & Aerospace AS. Under the proposal, the total amount of dividends will be EUR 25,057,700.10 (2020: EUR 16,705,133.40). The Board of Directors further proposes that the remaining non-restricted equity, EUR 181,383,809.77 (2020: EUR 200,665,227.57) to be retained and carried forward.

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

19. Provisions

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

During the warranty period the claimed faults will be corrected at Patria's expense. The warranty provisions amounted to EUR 7.5 million (EUR 8.3 million) at the end of 2021. Provisions are based on best estimates on the balance sheet date. The provision for warranties covers the expenses due to the repair or replacement of products during their warranty period. The warranty liability is based on historical realised warranty costs and best estimates on the balance sheet date. The usual warranty period is two to four years. Other provisions include various items, such as those related to defects in quality, litigations and offset obligations.

20. Commitments and contingent liabilities

MEUR	2021	2020
Guarantees given on behalf of others	3.7	4.4
Guarantees given on behalf of associate companies	15.0	14.3
Other own contingent liabilities	3.6	6.2
Total	22.3	25.0

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21. Related party transactions

PATRIA OYJ'S SUBSIDIARIES ARE AS FOLLOWS:

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

NET SALES AND PURCHASES BETWEEN THE GROUP COMPANIES

MEUR	2021	2020
Total	63.4	46.2

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

Information concerning business operations between the Group and its associated companies is included in Note 12.

Management's employment benefits are included in Note 7.

Key management consists of the members of the Board of Directors, CEO and other members of the Group management team. There was no outstanding loans receivable from key management on 31 December 2021. Members of the Group management and their immediate circle have not had any essential business relations with the Group companies.

22. Disputes and litigations

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

23. Events after the balance sheet date

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

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Balance Sheet, Parent company

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

SHAREHOLDERS' EQUITY AND LIABILITIES

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

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Income Statement, Parent company

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

Cash Flow Statement, Parent company

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

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1. Accounting principles, Parent company

The financial statements of the parent company have been prepared in accordance with Finnish accounting procedures and regulations. The Company's financial year is a calendar year.

REVENUE RECOGNITION

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

USE OF ESTIMATES

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

FIXED ASSETS AND DEPRECIATION

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

The assessed economic lives are as follows:

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

Other tangible assets are not subject to depreciation.

Investments in subsidiaries and other companies are measured at cost or fair value in case the fair value is less than cost.

FINANCIAL ASSETS

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

FOREIGN CURRENCY TRANSACTIONS

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

DERIVATIVE INSTRUMENTS

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

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

GRANTS RECEIVED

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

INCOME TAXES

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

INVENTORIES

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

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

PROVISIONS

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

EMPLOYEE BENEFITS

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

RESEARCH AND DEVELOPMENT COSTS

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

LEASES

All lease payments have been expensed in the income statement.

APPROPRIATIONS

Appropriations include group contributions.

2. Net sales

NET SALES BY MARKET AREA

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

NET SALES BY PRODUCT SEGMENT

MEUR	2021	2020
Civilian products	23.3	20.0
Total	23.3	20.0

REVENUE RECOGNITION

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

3. Other operating income and expenses

OTHER OPERATING INCOME

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

OTHER OPERATING EXPENSES

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

PRINCIPAL INDEPENDENT AUDITOR'S FEES AND SERVICES

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

4. Employee benefits and average number of personnel

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

5. Depreciation

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

6. Financial income and expenses

FINANCIAL INCOME

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

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

In 2020, due to the weakened financial performance and future outlook an impairment on capital loan receivable from Patria Pilot Training Oy and group company shares of Milworks OU was recognised.

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

7. Income taxes

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

MEUR	2021	2020
Income taxes	0.0	0.0
Income taxes previous period	0.0	0.0
Total	0.0	0.0

8. Intangible and tangible assets

INTANGIBLE ASSETS

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

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

TANGIBLE ASSETS

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

Acquisition cost 1 Jan 2020	4.7	0.0	0.0	4.7
Additions	0.2	0.0	0.0	0.3
Acquisition cost 31 Dec 2020	4.9	0.0	0.0	5.0

Accumulated depreciation and impairment losses 1 Jan 2020	-3.8	0.0	0.0	-3.8
Depreciation for the period incl. exchange rate diff. in P&L	-0.5	0.0	0.0	-0.5
Accumulated depreciation and impairment losses 31 Dec 2020	-4.3	0.0	0.0	-4.3
Net book value at 31 Dec 2020	0.6	0.0	0.0	0.7

9. Investments

SHARES IN SUBSIDIARIES

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

SHARES IN JOINT VENTURES

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

10. Non-current and current receivables

NON-CURRENT RECEIVABLES FROM GROUP COMPANIES

MEUR	2021	2020
Loan receivable	8.1	5.4
Total	8.1	5.4

CURRENT RECEIVABLES FROM GROUP COMPANIES

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

CURRENT RECEIVABLES FROM ASSOCIATED COMPANIES

MEUR	2021	2020
Subordinated loan	0.0	0.4
Total	0.0	0.4

PREPAID EXPENSES AND ACCRUED INCOME

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

11. Shareholders' equity

CHANGES IN SHAREHOLDERS' EQUITY

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

12. Current liabilities

MATURITY OF INTEREST-BEARING LIABILITIES

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

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

INTEREST BEARING LIABILITIES

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

CURRENT LIABILITIES TO GROUP COMPANIES

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

ACCRUALS AND DEFERRED INCOME

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

13. Financial instruments and derivative contracts

DERIVATIVE INSTRUMENTS

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

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

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

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

OFFSETTING OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

CURRENCY RISK

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

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

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

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

The most significant currency exposures on 31 December 2021 were in the Swedish krona (SEK).

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS 2021

1,000 EUR	SEK
Net exposure - Balance sheet items	150
Euro strengthens / weakens 5% - Effect on income before taxes	-7 / 8
Net exposure - Derivatives under hedge accounting	0
Euro strengthens / weakens 5% - Effect on equity	0 / 0

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS 2020

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

INTEREST RATE RISK

Fluctuations in interest rates have an effect on company's interest expenses and income as well as fair value of interest-bearing liabilities and receivables and derivatives. The objective of interest rate risk management is to hedge against interest rate fluctuations affecting the future cash flow, result and balance sheet. Interest rate risk is managed by monitoring the average interest fixing term (duration) of receivables and liabilities as well as by using derivatives, if needed. Patria Oyj has designated all open interest rate swaps as hedging instruments. Interest arising from interest rate swaps is reported under Financial income and expenses concurrently with interest expense arising from hedged floating rate loans from financial institutions.

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

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

14. Commitments and contingent liabilities

COMMITMENTS AND CONTINGENT LIABILITIES

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

LEASING COMMITMENTS

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

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Board of Directors' proposal for profit distribution

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

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.90 per share be paid on the shares owned by the State of Finland and Kongsberg Defence & Aerospace AS. Under the proposal, the total amount of dividends will be EUR 25,057,700.10. The Board of Directors further proposes that the remaining non-restricted equity, EUR 181,383,809.77 be retained and carried forward.

Helsinki, 8 March 2022

Panu Routila
Chairman

Harald Aarø

Eirik Lie

Päivi Marttila

Jarle Næss

Ari Puheloinen

Gyrid Skalleberg Ingerø

Petri Vihervuori

Esa Rautalinko
President and CEO

Auditor's Statement

A report has been given today on the audit performed.

Helsinki, 8 March 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Karinen
Authorised Public Accountant

CORPORATE GOVERNANCE

Applicable regulations, guidelines and recommendations

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

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

It also contains the company's main corporate governance principles. Patria also complies with other principles and recommendations for good governance that are applicable to companies that are majority-owned by the State. Although Patria is not a listed company, it complies with the applicable sections of the Securities Market Association's Finnish Corporate Governance Code 2020, to the extent that compliance with the Code's recommendations is appropriate for ensuring good governance and taking into account the company's ownership structure and/

or special characteristics or line of business. The most significant deviations from the Code concern Patria's process for appointing members of the Board of Directors and members' independence. This stems from the company's ownership base and other special characteristics.

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

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

Group organisation and administrative system

In 2021 Patria was operationally divided into business units. A new operating model was taken into use in the beginning of 2022 consisting of two profit and loss bearing divisions Global and Finland supported by Portfolio, responsible for products and services, and Operations, responsible for the production chain. The Patria Group consists of the parent company, Patria, and its subsidiaries. In addition to its wholly owned subsidiaries, the Patria Group owns 61.8% of Millog Oy, 50% of Nammo AS and 60% of Milworks OÜ.

Governing bodies

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

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» CORPORATE GOVERNANCE

INDUSTRIAL PARTICIPATION

RISK MANAGEMENT

BOARD OF DIRECTORS

CONSULTATIVE COMMITTEE

GROUP MANAGEMENT TEAM

Committees, the Consultative Committee, and the company's auditor.

An Extraordinary General Meeting is held when the Board of Directors deems it necessary, or if the auditor or shareholders holding at least ten per cent of all shares demand one in writing to handle a specific matter. Patria's Board of Directors consists of the Board members elected by the General Meeting. The Board of Directors handles Patria's corporate governance and the appropriate organisation of its operations.

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

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

Consultative committee

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

maximum of ten other members. The Consultative Committee had 11 members during the financial year and convened four times in 2021.

Composition, selection procedure and operation of the Board of Directors

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

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

The Board convened ten times in 2021, and also made four decisions without actually convening.

Principal duties of the Board of Directors and distribution of duties

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

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

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

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

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

Nomination and Compensation Committee

The Nomination and Compensation Committee consists of four members who do not belong to the company's operative management. These members have the experience and expertise required by the Committee's tasks. The Nomination and Compensation Committee prepares the Group's and management's payroll structures, along with any bonus and incentive systems. It also approves key appointments. The Nomination and Compensation Committee convened four times during 2021.

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- INDUSTRIAL PARTICIPATION
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Audit Committee

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

The company's President & CEO and group management

Patria's President & CEO is responsible for managing the business activities and governance of both the company and the Group in accordance with the provisions of the Limited Liability Companies Act and any guidelines or rules issued by the Board of Directors. The President and CEO is assisted by the Group Management Team, which convenes monthly, and which consists of Presidents of each business function, Chief Financial Officer, Chief Legal Officer, Chief Program Officer, HX, and Chief Human Resources Officer. In addition, the Group management meets in other combinations as and when necessary for management purposes.

As from the beginning of 2022, corporate responsibility is directed by the ESG Steering Group, which is coordinated by the Chief Legal Officer. In addition to the CLO, the members of the group are the heads of HR, finance and QEHS and a communications representative. Patria also has ESG working

groups specialising in the environment, compliance, finance, procurement and well-being at work.

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

Compensation

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

Monitoring and controls

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

A reporting system has been set up to handle the Group's financial control, and it produces diverse information about the Group's financial position and its development on a monthly basis. The Group has a clearly defined decision-making hierarchy for investments. Patria has an Internal Audit function outsourced to an independent operator. This audit evaluates and verifies the efficiency and appropriateness of the Group's risk management and internal controls, the reliability of financial reporting, and compliance with the legislation and guidelines.

Patria's internal auditors comply with the International Standards for the Professional Practice of Internal Auditing. The Internal Audit reports on its activities and findings to the Audit Committee and the President & CEO. The Audit Committee approves the internal audit plans on an annual basis. The company's auditors report their observations at least once a year to the relevant business units and to the Group's financial management, as well as to the Board of Directors and the Audit Committee. The auditors also submit a statutory auditors' report to the company's shareholders.

Industrial Participation

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

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

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

Furthermore, Patria may decide to participate in industrial participation arrangements where participation is in the business interest of Patria Group as a whole, where the value of industrial participation engagements is proportionate to the value of the main agreements or transaction, and provided that such

activities are steered and monitored by executive management with clear accountability.

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

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

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

- Applicable laws, regulations and international treaties allow industrial participation arrangements and the arrangement is in compliance with the laws and regulations.
- The arrangements are in compliance with Patria Group's ethical and compliance policies and guidelines related to industrial participation and Patria Ethical Code of Conduct and related policies and guidelines.

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

Performance of industrial participation obligations of Patria:

- In 2021 Patria Group's industrial participation obligations were mainly conducted by Patria's Land business unit.
- Land business unit had specific processes and defined roles and responsibilities concerning industrial participation activities during marketing and as well as sales activities and concerning implementation of industrial participation contracts.

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

Risk Management

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

Risk management framework

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

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

The President and CEO of Patria is responsible for the proper functioning and monitoring of risk management and

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

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

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

Internal Audit

Patria has an Internal Audit function outsourced to an independent operator, which evaluates and contributes to ensuring the efficiency

and feasibility of Patria's operations, risk management and internal control, external and internal reporting and compliance with the applicable legislation, regulations and guidelines.

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

Main risks and opportunities

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

Change in the defence industry and export licences

The international defence industry is subject to continuous change. Acquisitions and mergers are taking place, new operators are emerging, the complexity of customer requirements and utilization of new technologies is increasing, and competition is intensifying. Patria responds to the

competition by improving the anticipation and understanding of customer needs and their changes, along with developing and commercializing new competitive products, services and solutions. The export of defence material is subject to an export or transfer license, which in Finland is granted by the Ministry of Defence or, when certain conditions are met, the government. The conditions in the potential destination country may prevent the granting of an export license, or the conditions in a country to which an export license has been granted may change in such a way that the license will be cancelled temporarily or permanently.

Strategic partnerships

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

Quality and cost effectiveness of processes

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

Sales and delivery projects

Due to the nature of certain segments of Patria's business, individual sales and delivery projects can be very large in relation to the Group's annual net sales. They may include product development, require extensive subcontracting and cooperation with third parties, and have durations of several years. Moreover, the contents of deliveries and the forms of industrial cooperation

implemented together with partners can be complex in nature. The risks involved in such projects are typically versatile and significant, requiring thorough assessment and management.

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

Safeguarding and developing competencies and expertise

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

Compliance

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

also subjected to a thorough advance review, and contractual obligations concerning ethical conduct are defined for such parties.

Information and cyber security

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

Other security and accident risks

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

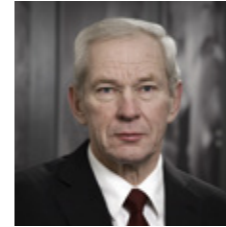
Board of Directors

31.12.2021



Panu Routila

Chairman
Since 2020



Ari Puheloinen

General, ret.
Since 2016



Jarle Næss

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



Petri Vihervuori

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



Päivi Marttila

Board Professional
Since 2016



Eirik Lie

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



Gyrid Skalleberg Ingerø

Executive Vice President and Chief
Financial Officer, KONGSBERG
Since 2018



Harald Aarø

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

Consultative Committee

31.12.2021

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

Jari Myllykoski

Chairman
Member of Parliament
Since 2020

Janne Sankelo

Vice Chairman
Member of Parliament
Since 2019

Riitta Mäkinen

Member
Member of Parliament
Since 2019

Eero Pyötsiä

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

Petri Huru

Member
Member of Parliament
Since 2019

Petri Peltonen

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

Hannu Hoskonen

Member
Member of Parliament
Since 2019

Jari Metsälä

Member
Manager, Product Design, Patria
Since 2019

Jussi Karimäki

Member
Equipment Assembler, Patria
Since 2009

Juha Kuusi

Member
System Specialist, Patria
Since 2011

Ilkka Kokko

Member
System Engineer, Patria
Since 2019

Group Management Team

31.12.2021



Esa Rautalinko

b. 1962
President and CEO
Since 2019



Jussi Järvinen

b. 1979
President, Land
Since 2013



Birgitta Selonen

b. 1964
Chief Communications Officer
Since 2010



Ville Jaakonsalo

b. 1971
Chief Financial Officer
Since 2010



Martti Wallin

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



Pasi Niinikoski

b. 1961
Chief Business Development Officer
Since 2006



Jonas Geust

b. 1970
President, Systems
Since 2018



Petri Hepola

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



Ara Haikarainen

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



Jukka Holkeri

b. 1962
President, International Support
Partnerships
Since 1988



Leena Orpo

b. 1962
Chief Human Resources Officer
Since 2017

Patria 100

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