

## Press Release

27 October 2008

### INTERIM REPORT FOR JANUARY – SEPTEMBER 2008

- Net sales totalled EUR 389.2 million (EUR 369.1 million).
- Operating profit was EUR 17.7 million (EUR 24.6 million).
- The net sales in 2008 are expected to be approximately on the same level as last year, but the operating profit is estimated to be lower than in 2007.

#### Key figures

	1-9/2008	1-9/2007	1-12/2007
New orders, EUR million	<b>241.9</b>	390.8	568.0
Order stock, EUR million	<b>749.6</b>	910.6	907.1
Net sales, EUR million	<b>389.2</b>	369.1	541.2
Operating profit, EUR million	<b>17.7</b>	24.6	37.3
Income before taxes, EUR million	<b>13.9</b>	22.8	33.5
Equity ratio, %	<b>44.9</b>	46.8	48.1
Net gearing, %	<b>53.7</b>	41.3	19.6
Return on equity, %	<b>8.2</b>	13.8	11.8
Return on capital employed, %	<b>10.0</b>	15.3	14.6

Return on equity and Return on capital employed for the interim periods have been calculated for 12 month periods preceding the end of the respective interim periods.

#### President and CEO, Heikki Allonen, in conjunction with the review:

“The financial performance of the Group for the first nine months was disappointing compared to last year. This was mainly due to the weakened profitability of Land and Armament Business Unit, where certain major long term projects of importance ended in late 2007 and early 2008 and where new projects were still in the ramp-up phase during the review period.

The net sales in 2008 are expected to be approximately on the same level as last year, but the operating profit is estimated to be lower than in 2007. Furthermore, there are risks and uncertainties related to certain delivery projects of the Land & Armament and Aerostructures Business Units, which may have a negative impact on the Group’s operating profit during the remaining part of the year.

I expect the demand for the main part of the Group’s products and services to remain good and I am confident that we can continue to offer attractive and competitive solutions to our existing and new customers. The ongoing crisis in the international financial markets may, however, medium to long term impact the demand and the timing of customers’ new procurements.”

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**REVIEW FOR JANUARY – SEPTEMBER 2008****New orders and order stock**

The value of new orders received by the Group during the review period was EUR 241.9 million (EUR 390.8 million). Defence material and maintenance accounted for 79% (83%) and civilian products for 21% (17%) of the new orders. At the end of the review period, the volume of the Group's order stock was EUR 749.6 million (EUR 910.6 million).

**Net sales and profitability**

The Group's net sales for January – September totalled EUR 389.2 million (EUR 369.1 million). Defence material and maintenance accounted for 86% (86%) and civilian products for 14% (14%) of the net sales. Sales outside Finland accounted for 56% (46%) of the net sales.

The Group's operating profit for January – September was EUR 17.7 million (EUR 24.6 million), representing 4.6% (6.7%) of the net sales. The consolidated income before taxes amounted to EUR 13.9 million (EUR 22.8 million).

**Financing and ownership**

The Group's equity ratio was 44.9% (46.8%) and net gearing 53.7% (41.3%).

Consolidated liquid funds at the end of the review period amounted to EUR 12.4 million (EUR 11.2 million). The Group's interest-bearing liabilities totalled EUR 119.6 million (EUR 94.7 million) at the end of the review period. The interest-bearing liabilities included finance lease liabilities of EUR 23.0 million (EUR 24.3 million).

The shareholders of Patria Oyj are the State of Finland with a 73.2% stake and the European Aeronautic Defence and Space Company EADS N.V. (EADS) with a 26.8% stake.

**Changes in the Group's structure**

Patria Vammas Oy sold its Vammas airport snow removal equipment product rights to Hagie Manufacturing Company (USA) on 10 March.

Patria Weapon Systems Oy was merged with Patria Vehicles Oy, and accordingly Patria Weapon Systems Oy was dissolved on 31 March. Patria Vehicles Oy's company name was changed to Patria Land & Armament Oy on the same date.

Patria Vammas Oy's ground support equipment business was sold to Laweco Maschinen- und Apparatebau GmbH (Germany) on 1 September.

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### Capital expenditures

The Group's gross capital expenditures, excluding acquisitions, totalled EUR 16.6 million (EUR 8.5 million).

### Research and development

The Group's expenditure on research and development during the review period amounted to EUR 24.5 million (EUR 34.9 million), representing 6.3 % (9.5 %) of the net sales. The most significant research and development areas included development of new generation mortar systems, armoured wheeled vehicles and ammunition.

### Personnel

During the review period the Group employed an average of 2 816 (2 624) persons. At the end of the review period the personnel totalled 2 830 (2 736).

### Group management

Mr. Jorma Wiitakorpi, M.Sc (Eng), acted as President and CEO of Patria Oyj until 18 August 2008. On 18 August 2008 Mr. Heikki Allonen, M.Sc (Eng), was appointed President and CEO of Patria Oyj as of 18 August 2008. After his appointment, Mr. Heikki Allonen resigned from the Board of Directors of Patria Oyj.

### Business Segment Review

**Land Solutions Business Segment** develops and delivers advanced armoured wheeled vehicles, 120 mm mortar systems and ammunition products as well as their life-cycle support services.

The Business Segment's net sales for January – September amounted to EUR 286.4 million (EUR 276.2 million). The operating profit was EUR 19.7 million (EUR 26.3 million), representing 6.9% (9.5%) of the net sales. The decrease in operating profit compared to the previous year was due to the Land and Armament Business Unit.

In May the National Bureau of Investigation of Finland started pre-trial investigations concerning former Patria Vehicles Oy's vehicle deal in Slovenia (2006) and former Patria Vammass Oy's (later Patria Weapon Systems Oy) howitzer deal in Egypt (1999) due to suspected bribery and other malfeasances. The pre-trial investigations are still ongoing.

**Systems and Services Business Segment** provides life-cycle support services for aircraft and helicopters mainly for military and governmental customers in the Northern European region. The Business Segment also supplies pilot training and provides systems for command & control and situational awareness as well as systems integration.

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The Business Segment's net sales for January – September amounted to EUR 78.3 million (EUR 68.8 million). The operating profit was EUR 4.5 million (EUR 2.6 million), representing 5.8% (3.7%) of the net sales.

Both the Aviation and Systems Business Units contributed to the increase in net sales, but the higher operating profit resulted from the Systems Business Unit's improved performance compared to last year.

**Other Operations Business Segment** includes the Aerostructures Business Unit, which designs and manufactures advanced composite aerospace structures, Millog Oy and the Group support functions.

The Business Segment's net sales for January – September amounted to EUR 33.7 million (EUR 37.1 million). The operating profit was EUR -6.5 million (EUR -4.3 million). The decrease in operating profit was due to weaker profitability in the Aerostructures Business Unit as well as increased expenses in Millog Oy and the Group support functions.

### Outlook

The net sales in 2008 are expected to be approximately on the same level as last year, but the operating profit is estimated to be lower than in 2007. Furthermore, there are risks and uncertainties related to certain delivery projects of the Land & Armament and Aerostructures Business Units, which may have a negative impact on the Group's operating profit during the remaining part of the year.

Helsinki, 24 October 2008

Patria Oyj  
Board of Directors

This review has not been audited.

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## CONSOLIDATED INCOME STATEMENT

EUR million	1-9/2008	%	1-9/2007	%	1-12/2007	%
<b>Net sales</b>	389.2		369.1		541.2	
Costs and expenses	-358.6		-333.2		-485.4	
Depreciation	-12.9		-11.3		-18.5	
<b>Operating profit</b>	17.7	4.6	24.6	6.7	37.3	6.9
Financing income and expenses	-3.8		-1.8		-3.8	
<b>Income before taxes</b>	13.9	3.6	22.8	6.2	33.5	6.2
Taxes	-5.2		-6.3		-9.5	
<b>Net income</b>	8.7	2.2	16.5	4.5	24.1	4.4

## CONSOLIDATED BALANCE SHEET

Assets	30.9.2008	30.9.2007	31.12.2007
<b>Non-current assets</b>			
Intangible assets	94.2	85.3	83.3
Tangible assets	89.5	87.3	88.6
Investments and other non-current assets	10.1	7.8	9.9
<b>Total</b>	193.8	180.5	181.9
<b>Current assets</b>			
Inventories	113.2	131.1	129.3
Accounts receivable and other current assets	174.7	207.8	174.0
Cash and cash equivalents	12.4	11.2	29.9
<b>Total</b>	300.3	350.1	333.2
<b>Total assets</b>	494.1	530.5	515.1
<b>Shareholders' equity and liabilities</b>			
EUR million	30.9.2008	30.9.2007	31.12.2007
<b>Equity</b>	197.9	202.3	206.1
<b>Minority interest</b>	1.7	0.8	0.7
<b>Non-current liabilities</b>			
Interest-bearing liabilities	56.9	61.1	63.7
Provisions	21.1	17.4	22.1
Deferred tax liabilities	3.7	2.7	2.9
<b>Total</b>	81.7	81.2	88.7
<b>Current liabilities</b>			
Interest-bearing liabilities	62.7	33.6	6.7
Advance payments received	49.4	98.1	85.3
Accounts payable and other current liabilities	100.7	114.6	127.6
<b>Total</b>	212.8	246.3	219.7
<b>Total shareholders' equity and liabilities</b>	494.1	530.5	515.1

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### RECONCILIATION OF EQUITY

EUR million

	Share capital	Share issue premium fund	Revaluation fund	Translation differences	Retained earnings	Minority interest	Total
1.1.2008	38.0	114.4	6.5	-3.0	50.1	0.7	206.7
Dividends paid					-11.4		-11.4
Cash flow hedge			-3.2				-3.2
Change of translation difference				1.3	-4.2		-2.9
Other changes					0.7	1.0	1.7
Net income for the period					8.7		8.7
30.9.2008	38.0	114.4	3.3	-1.7	43.8	1.7	199.6

EUR million

	Share capital	Share issue premium fund	Revaluation fund	Translation differences	Retained earnings	Minority interest	Total
1.1.2007	38.0	114.4	6.8	-0.9	43.3	0.2	201.9
Dividends paid					-15.2		-15.2
Cash flow hedge			1.0				1.0
Change of translation difference				-3.2			-3.2
Other changes					1.4	0.6	2.1
Net income for the period					16.5		16.5
30.9.2007	38.0	114.4	7.8	-4.0	46.0	0.8	203.1

EUR million

	Share capital	Share issue premium fund	Revaluation fund	Translation differences	Retained earnings	Minority interest	Total
1.1.2007	38.0	114.4	6.8	-0.9	43.3	0.2	201.9
Dividends paid					-15.2		-15.2
Cash flow hedge			-0.3				-0.3
Change of translation difference				-2.1	1.7		-0.4
Other changes					-3.8	0.5	-3.3
Net income for the period					24.1		24.1
31.12.2007	38.0	114.4	6.5	-3.0	50.1	0.7	206.7

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### CONSOLIDATED CASH FLOW

EUR million	1-9/2008	1-9/2007	1-12/2007
Net income for the period	8.7	16.5	24.1
Depreciation	12.9	11.3	18.5
Other adjustments	-17.5	-6.0	-3.9
Financing items	3.8	1.8	3.8
Taxes	5.2	6.3	9.5
Change in receivables	12.0	-40.0	-3.0
Change in payables	-63.9	-14.7	-9.7
Change in inventories	3.5	-35.2	-37.3
<b>Cash flow from operations</b>	<b>-35.3</b>	<b>-59.9</b>	<b>1.9</b>
Net financial items paid	-1.8	0.1	-5.6
Income taxes paid	-2.3	-2.6	-5.5
<b>Cash flow from operating activities</b>	<b>-39.4</b>	<b>-62.4</b>	<b>-9.1</b>
Acquisitions	0.0	-40.5	-42.4
Other capital expenditures	-16.6	-8.5	-14.9
Sale of fixed assets and other changes	4.3	3.7	4.9
<b>Investments total</b>	<b>-12.3</b>	<b>-45.4</b>	<b>-52.5</b>
Change in long-term interest-bearing liabilities	-5.7	29.7	32.9
Change in long-term receivables	-0.1	-0.1	-0.4
Change in short-term interest-bearing liabilities	55.9	32.2	5.4
Dividends paid	-11.4	-15.2	-15.2
Other items	-4.4	-0.1	-3.6
<b>Financial total</b>	<b>34.2</b>	<b>46.6</b>	<b>19.1</b>
<b>Change in liquid funds</b>	<b>-17.5</b>	<b>-61.2</b>	<b>-42.5</b>
Liquid funds at the beginning	29.9	72.4	72.4
Liquid funds at the end*	12.4	11.2	29.9
<b>Change in liquid funds</b>	<b>-17.5</b>	<b>-61.2</b>	<b>-42.5</b>

### KEY FIGURES

	30.09.2008	30.09.2007	31.12.2007
Interest-bearing liabilities, EUR million	119.6	94.7	69.8
Equity ratio, %	44.9	46.8	48.1
Net gearing, %	53.7	41.3	19.6

\* Liquid funds at the end of the period include EUR 2.9 million (EUR 4.7 million) Nammo Group's liquid funds.

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## SEGMENT REPORTING

## 1. BUSINESS SEGMENTS

## Net sales

EUR million	1-9/2008	1-9/2007	1-12/2007
Land Solutions	286.4	276.2	398.0
Systems and Services	78.3	68.8	102.6
Other operations	33.7	37.1	58.6
Internal sales	-9.2	-13.1	-18.1
<b>Total</b>	<b>389.2</b>	<b>369.1</b>	<b>541.2</b>

## Operating profit

EUR million	1-9/2008	%	1-9/2007	%	1-12/2007	%
Land Solutions	19.7	6.9	26.3	9.5	43.1	10.8
Systems and Services	4.5	5.8	2.6	3.7	1.8	1.8
Other operations	-6.5		-4.3		-7.6	
<b>Total</b>	<b>17.7</b>	<b>4.6</b>	<b>24.6</b>	<b>6.7</b>	<b>37.3</b>	<b>6.9</b>

## Average number of employees

	1-9/2008	1-9/2007	1-12/2007
Patria Group	2 816	2 624	2 662

## Number of employees

	30.09.2008	30.09.2007	31.12.2007
Land Solutions	1 473	1 374	1 414
Systems and Services	991	992	987
Other operations	366	370	356
<b>Total</b>	<b>2 830</b>	<b>2 736</b>	<b>2 757</b>

## 2. GEOGRAPHICAL SEGMENTS

## NET SALES

## By destination

EUR million	1-9/2008	%	1-9/2007	%	1-12/2007	%
Finland	170.2	43.7	200.1	54.2	278.8	51.5
Other Nordic countries	43.1	11.1	49.1	13.3	60.0	11.1
Other countries	175.9	45.2	119.9	32.5	202.4	37.4
<b>Total</b>	<b>389.2</b>		<b>369.1</b>		<b>541.2</b>	

## By country of origin

EUR million	1-9/2008	%	1-9/2007	%	1-12/2007	%
Finland	242.5	62.3	239.9	65.0	347.0	64.1
Other Nordic countries*	146.1	37.5	128.6	34.9	193.4	35.7
Other countries	0.6	0.2	0.7	0.2	0.8	0.2
<b>Total</b>	<b>389.2</b>		<b>369.1</b>		<b>541.2</b>	

\* Includes Nammo Group's net sales which have not been divided by country of origin.

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## NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

## Commitments and contingent liabilities

EUR million	30.9.2008	30.9.2007	31.12.2007
<b>Guarantees of joint venture companies</b>	11.5	15.2	10.5
<b>Guarantees given on behalf of associated companies</b>	3.0	11.2	3.8
<b>Other own liabilities</b>			
Guarantees given on behalf of third parties	29.0	28.3	28.7
Repurchase obligations	0.2	0.2	0.2
<b>Leasing commitments</b>			
Payments due next year	4.0	3.8	3.6
1-5 years	21.1	13.9	14.1
Payments due thereafter	2.7	2.8	4.5
<b>Derivative instruments</b>			
Forward foreign exchange contracts	140.9	126.3	132.6
of which covered contracts	5.6	4.4	5.5
Current value	-1.1	4.2	2.8
Currency option contracts	2.5	7.0	2.9
Current value	0.0	-0.1	-0.1
<b>Expiry of foreign currency derivatives</b>			
Foreign currency derivatives due next year	118.1	104.1	99.2
Foreign currency derivatives due in 1 to 5 years	24.3	29.2	36.3
Foreign currency derivatives due thereafter	1.1	0.0	0.0

The presented financial information is construed according to the recognition and measurement rules of International Financial Reporting Standards (IFRS).

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Further information: [www.patria.fi](http://www.patria.fi)