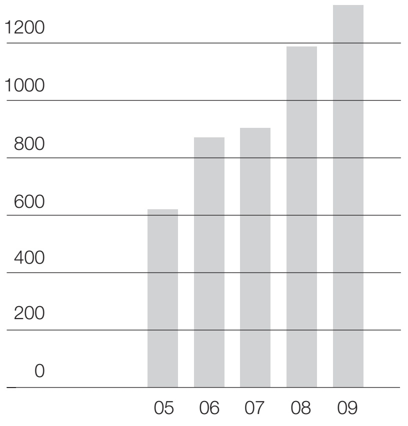
Patria

2009

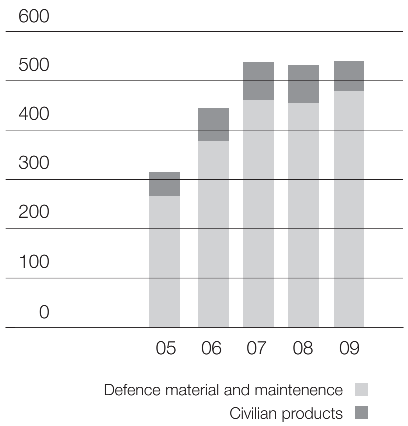
Financial Statements

Patria's Financial Statements and Annual Review
are available at www.patria.fi

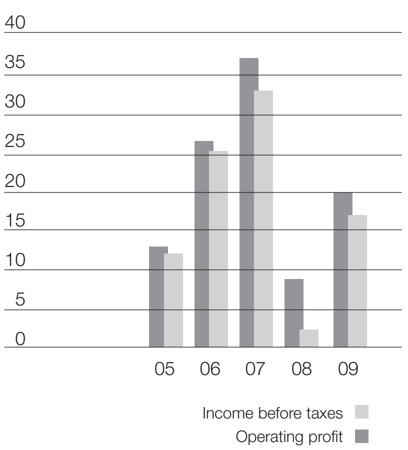
Order stock
EUR million



Net Sales by Product segment
EUR million



Operating profit and Income before taxes
EUR million



New orders and order stock

The value of new orders received during the financial period was EUR 624.4 million (EUR 863.0 million in 2008). Defence material and maintenance accounted for 89% (93%) and civilian products for 11% (7%) of the new orders. At the end of the financial period, the volume of the Group's order stock was EUR 1 315.6 million (EUR 1 192.1 million).

Net sales and profitability

The Group's net sales for January–December totalled EUR 539.5 million (EUR 534.6 million in 2008 and EUR 541.2 million in 2007). Defence material and maintenance accounted for 88% (86%) and civilian products for 12% (14%) of the net sales. Sales outside Finland accounted for 62% (55%) of the net sales.

The Group's operating profit for January–December was EUR 20.0 million (2008: EUR 8.9 million; 2007 EUR 37.3 million), 3.7% of net sales (2008: 1.7%; 2007: 6.9%).The consolidated income before taxes amounted to EUR 17.0 million (2008: EUR 2.3 million; 2007: EUR 33.5 million). The Group's return on equity was 5.8% (2008: 0.4%; 2007: 11.8%).

The profitability of the Group improved compared to the previous year. This was, however, mainly due to the fact that the recognised impairment losses on capitalised development expenses related to the Airbus A380 and A400M programs were EUR 5.8 million in 2009 compared to EUR 20.6 million in 2008. Millog Oy improved its profitability significantly as a result of its successful first operational year, but Land & Armament Business Unit's profitability in 2009 in turn was clearly lower than in 2008.

Financing and ownership

The Group's equity ratio was 43.5% (2008: 40.0%; 2007: 48.1%) and net gearing 40.8% (2008: 55.1%; 2007: 19.6%).

Consolidated liquid funds at the end of the financial period amounted to EUR 29.5 million (EUR 27.1 million). The Group's interest-bearing liabilities totalled EUR 113.4 million (EUR 130.4 million) at the end of the review period. The interest-bearing liabilities included finance lease liabilities of EUR 25.1 million (EUR 27.0 million).

The company has a total of 38 024 848 shares and one series of shares. 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

No material changes in the Group structure took place during the review period.

Capital expenditures

The Group's gross investments totalled EUR 29.7 million (EUR 28.3 million).

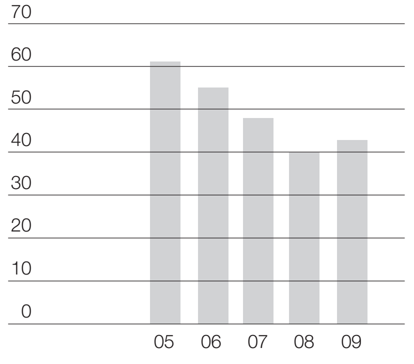
Research and development

The Group's expenditure on research and development during the financial period amounted to EUR 18.5 million (EUR 27.6 million), representing 3% (5%) of the net sales. The most significant research and development areas included development of new generation mortar systems, armoured wheeled vehicles and ammunition.

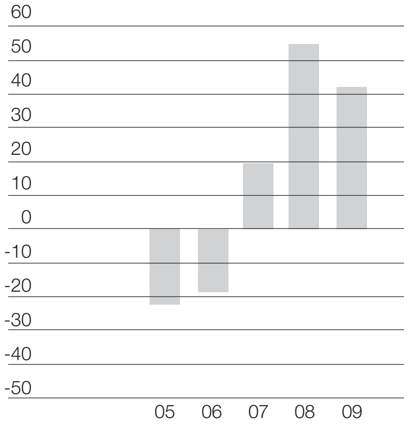
Personnel

During the financial period the Group employed an average of 3,414 (2,810) persons. At the end of the financial period the personnel totalled 3,383 (2,824).

Equity ratio
%



Net Gearing
%



The salaries and wages of Patria Group's employees are determined on the basis of local collective and individual agreements as well as employee performance and job evaluations. Basic salaries and wages are complemented by performance-based compensation systems. In 2009, the total amount of salaries and wages paid was EUR 148.4 million (2008: EUR 124.4 million; 2007: EUR 115.4 million).

Key events during the financial period

Millog Oy started the overhaul and maintenance of the Finnish Army's material and the operations have run well and according to the plan. Close to 500 persons were transferred from the Finnish Army to Millog Oy in the beginning of the year 2009.

Patria and Duro Dakovic Special Vehicles (Croatia) as Consortium partners and the Croatian Ministry of Defence signed in 2007 an agreement covering 84 Patria AMV 8x8 vehicles including an option for additional vehicles. In January 2009 the Croatian Ministry of Defence informed that it will exercise its option and order additional 42 Patria AMV vehicles for the Croatian Army.

The United Arab Emirates confirmed the decision to equip some of their patrol boats with Patria Nemo mortar systems.

In June Patria AMV vehicles were chosen by the Swedish Defence Materiel Administration (FMV) to Sweden but the Stockholm County Administrative Court decided in October that the FMV's decision to award the AWV 2014 contract to Patria must be cancelled and the public procurement proceedings be recommenced due to inadequacies in the procurement process.

The first serial production Hawk aircraft that was upgraded to glass-cockpit level was delivered to the Finnish Air Force in June.

The deliveries of Patria AMV vehicles to the Slovenian Ministry of Defence (MoD) started in June and 13 vehicles were delivered to MoD during year 2009.

In June Patria and Kongsberg Defence & Aerospace AS signed an agreement related to the Finnish Defence Force's medium range air defence missile system project. Patria will be responsible for manufacturing and assembling of the launchers. Patria will also participate in the system integration.

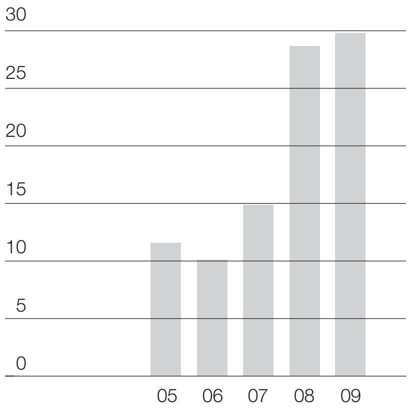
In July Patria and ThalesRaytheonSystems signed an agreement on Patria's part in the Finnish Defence Forces' medium and long range radar systems programs following the decision by the Finnish Ministry of Defence to award the supply of medium range radars and the modernisation of long range radars to ThalesRaytheonSystems. Patria, together with its subcontractors, will contribute a significant part of the program including the software design, equipment shelter rearmament and modifications.

Patria and the St. Petersburg University of Civil Aviation deployed a joint project which aims at integrating the elementary training programmes of Russian civil aviation pilots into the international training system. In mid June 2009 a first student group from the St. Petersburg University of Civil Aviation arrived to Finland to participate in this project.

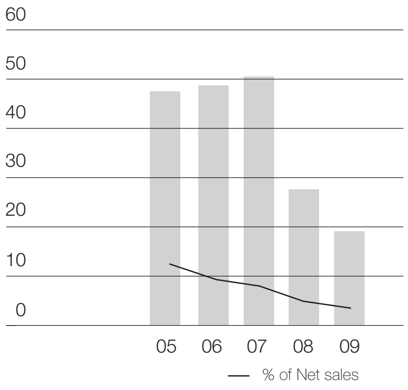
In September Patria introduced a twin-seat D-model F-18 Hornet, which was repaired and modified for the Finnish Air Force from a single-seat C-model F-18 Hornet badly damaged in a mid-air collision. The aircraft was lost on 21 January 2010 during Finnish Air Force's test flight and the Investigation Commission nominated by the Finnish Military Aviation Authority is investigating the cause of the accident.

In December Patria received an order from the Finnish Air Force for a cockpit and avionics upgrade of 18 BAES Hawk Mk66 jet trainers. Actions to maintain and return the stored aircraft fleet to flight condition are included. The upgraded trainers will be delivered during 2010-2013.

Investments
EUR million



Research and development expenses
EUR million / %



Administration

The Annual General Meeting of Patria Oyj was held on 8 April 2009.

At the Annual General Meeting Risto Virrankoski, B.Sc. (Econ.), was elected Chairman of the Board of Directors, Anneli Tuominen, former Chief Financial Officer, Paloheimo Companies was elected Vice Chairman and as members of the Board of Directors were elected Hervé Guillou, Chief Executive Officer, EADS Defence and Communications Systems, Ilkka Hollo, Lieutenant General (r.), Arto Honkaniemi, Senior Financial Counsellor, Prime Minister's Office, Ownership Steering Department (new) and Jussi Itävuori, Executive Vice President, Human Resources and Member of the EADS Executive Committee, EADS.

Furthermore, at the Annual General Meeting Mikaela Nylander, M.P., was elected Chairman of the Consultative Committee, Reijo Laitinen, M.P., was elected Vice Chairman and as members were elected Juha Hakola, M.P., Jussi Karimäki, Equipment Assembler, Patria, Markku Koli, Lieutenant General, Chief of the Defence Command, Markku Korpela, Work Planner, Patria, Tuija Nurmi, M.P., Eero Reijonen, M.P., Kari Ruokolahti, Composite Fitter, Patria, Ari Viiala, Real Estate Manager, Patria and Eeva-Liisa Virkkunen, Industrial Counsellor, Ministry of Employment and the Economy. Karimäki, Koli, Korpela, Ruokolahti and Viiala are new members.

The Annual General Meeting adopted the Financial Statements and the Consolidated Financial Statements for the financial period 1 January to 31 December 2008. It was also decided to discharge the members of the Board of Directors and the President from liability for the financial period 1 January to 31 December 2008.

Furthermore, the Annual General Meeting decided according to the Board of Directors' proposal not to pay any dividend from the distributable funds at the disposal of the Annual General Meeting, but to place the distributable funds in the retained earnings.

Ernst & Young Oy, Authorised Public Accountants, will continue as Auditors. Mr Harri Pärssinen, APA, will be the partner in charge of the audit.

Mr. Heikki Allonen, M.Sc (Eng), acted as President and CEO of Patria Oyj throughout the financial period.

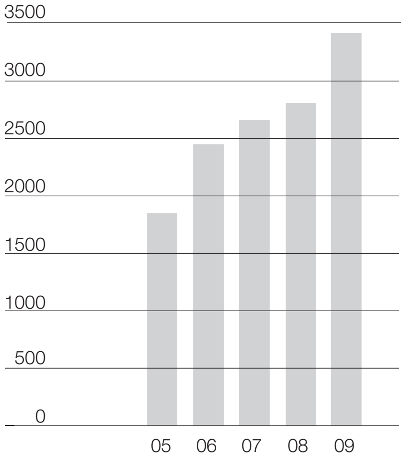
Risks and uncertainties

Patria has a risk management policy approved by the Board of Directors that defines, in addition to the objectives and general practices, the tasks and responsibilities related to risk management. Accordingly, the risk management is an integral part of the day-to-day operations and decision-making within the Group. Risk management activities cover strategic, operational and financial risks as well as safety and security risks

Patria develops, offers and delivers technically advanced products, solutions and services to its customers. Main part of the Group's sales is to defence forces, ministries, state-owned companies and major privately owned companies. The volume of the Group's international business has grown and may grow further in the future. The crisis in the financial markets and the grown uncertainty in the global economy have, however, made the operating environment much more challenging. This may result in some customers reducing, postponing or abandoning their planned procurements or requesting changes to existing contracts.

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

Personnel average



In May 2008 the National Bureau of Investigation of Finland announced its pre-trial investigations concerning former Patria Vehicles Oy's vehicle deal in Slovenia (2006) and former Patria Vammas Oy's (later Patria Weapon Systems Oy) howitzer deal in Egypt (1999) due to suspected bribery and other malpractices. During the financial period, the pre-investigation report in the Egyptian case was submitted to the relevant parties for final comments and transferred further to the state prosecutor. The pre-trial investigation related to Slovenia still continues.

Environmental policy

Patria has an environmental policy, according to which environmental aspects, impacts and risks are observed in business planning, operations and management. The majority of operational systems within Patria's Business Units currently fulfil the requirements of the ISO 14001:2004 standard for environmental issues.

Events after the financial period

No significant events have occurred after the balance sheet date.

Outlook

The net sales and the operating profit excluding non-recurring items are estimated to be on the same level in 2010 as in 2009. There are, however, risks in certain delivery projects, especially the Slovenian vehicle project, which, if materialising, may have a material adverse impact on the Group's net sales and profitability.

In general, the demand for the Group's products and services is expected to remain at a fair level in 2010. The uncertainty in the global economy has, however, made the Group's operating environment much more challenging. Customers may reduce, postpone or abandon planned procurements or request changes to existing contracts.

Board of Directors' proposal for profit distribution

The Parent Company's distributable funds totalled EUR 41 682 495.14 on 31 December 2009.

The Board of Directors proposes that from the distributable funds at the disposal of the Annual General Meeting, no dividend will be paid and that distributable funds will be placed in the retained earnings.

Annual General Meeting 2010

The Annual General Meeting of Patria Oyj will be held on 14 April 2010 in Helsinki, Finland.

Consolidated Income Statement

EUR million	Note	1-12/2009	%	1-12/2008	%
Net sales	4	**539.5**		**534.6**	
Other operating income	5	3.7		9.2	
Change in inventories of finished goods and work in progress		-2.3		-2.1	
Production for own use		0.5		3.8	
Raw materials and supplies		-175.4		-255.8	
Change in inventories		-9.9		25.4	
Services purchased		-22.5		-28.9	
Personnel expenses	7	-186.7		-157.6	
Depreciation and impairments	8	-26.6		-39.9	
Other operating expenses	5	-100.4		-80.0	
Operating profit		**20.0**	3.7 %	**8.9**	1.7 %
Financial income and expenses	9				
Interest and other financial income		0.8		1.6	
Interest and other financial expenses		-5.0		-7.5	
Exchange gains and losses		1.2		-0.6	
Income before taxes		**17.0**	3.2 %	**2.3**	0.4 %
Income taxes	10	-5.9		-1.6	
Net income		**11.1**	2.1 %	**0.7**	0.1 %
Net income attributable to minority interests		1.7		-0.5	
Net income attributable to equity shareholders		9.4		1.2	
Net income		**11.1**	2.1 %	**0.7**	0.1 %

Consolidated statement of comprehensive income				
EUR million	**1-12/2009**	**%**	**1-12/2008**	**%**
Net income	11.1		0.7	
Other comprehensive income				
Cash flow hedges	4.4		-5.9	
Change of translation difference	2.6		-4.3	
Total comprehensive income	**18.1**	3.4 %	**-9.4**	-1.8 %
Total comprehensive income attributable to minority interests	1.7		-0.5	
Total comprehensive income attributable to equity shareholders	16.4		-8.9	
Total comprehensive income	**18.1**	3.4 %	**-9.4**	-1.8 %

Consolidated Cash Flow Statement

EUR million	Note	1-12/2009	1-12/2008
Net income for the period		11.1	0.7
Depreciation and impairments	8	26.6	39.9
Other adjustments		-6.5	-15.0
Financing items		3.0	6.5
Taxes		5.9	1.6
Change in receivables		-17.5	20.6
Change in payables		19.7	-53.2
Change in inventories		2.8	-5.1
Cash flow from operations		**45.0**	**-4.0**
Interest received		0.7	1.4
Interest paid		-2.4	-4.5
Dividends received		0.1	0.1
Other financial items		0.5	-0.6
Income taxes paid		-3.7	-10.8
Cash flow from operating activities		**40.2**	**-18.5**
Other capital expenditures		-29.7	-28.3
Divested business operations		0.0	3.5
Sale of other shares		0.0	0.4
Sale of other fixed assets and other changes		0.1	3.1
Cash flow from investing activities		**-29.6**	**-21.3**
Borrowings of long-term loans		7.0	22.8
Repayments of long-term loans		-0.6	0.0
Transfers from long-term to short-term loans		-12.6	0.0
Repayments of short-term loans		-21.6	34.2
Transfers from long-term to short-term loans		12.6	0.0
Change in long-term receivables		-0.4	0.2
Dividends paid		0.0	-11.4
Other changes		7.5	-8.7
Cash flow from financing activities		**-8.1**	**37.1**
Change in liquid funds		**2.4**	**-2.8**
Change		2.4	-2.8
Liquid funds at the beginning		27.1	29.9
Liquid funds at the end of the period*	16	**29.5**	**27.1**

* Liquid funds at the end include EUR 17.6 million (EUR 17.5 million) Nammo Group's liquid funds which are not available for the Parent company.

Consolidated Balance Sheet

EUR million	Note	**31.12.2009**	**31.12.2008**
Assets			
Non-current assets			
Consolidation goodwill	11	39.1	38.4
Intangible assets	11		
Development expenses		5.3	8.9
Intangible rights		22.4	24.7
Goodwill		1.7	1.7
Other long-term expenditures		1.9	2.3
Advance payments		0.0	0.0
Tangible assets	11		
Land and water		2.8	2.8
Buildings and constructions		59.6	54.1
Machinery and equipment		37.5	29.6
Other tangible assets		0.8	0.7
Advance payments and construction in progress		2.3	7.4
Shares in associated companies	12	1.2	0.9
Other shares	13	0.5	0.4
Deferred tax receivable	10	16.1	15.2
Other receivables		1.3	0.9
Total Non-current assets		**192.4**	**188.2**
Current assets			
Inventories			
Raw materials and supplies		59.5	67.1
Work in progress		45.1	42.7
Finished goods		10.5	8.0
Advance payments		2.7	3.6
Receivables	14		
Accounts receivable	2	97.8	95.8
Receivables from associated companies	12	1.5	1.3
Other receivables		17.6	9.7
Prepaid expenses and accrued income		60.3	50.7
Derivative financial instruments	22	3.9	6.3
Current tax asset	10	3.8	2.5
Cash and bank balances	16	29.5	27.1
Total Current assets		**332.1**	**315.0**
Total Assets		**524.5**	**503.1**

EUR million	Note	31.12.2009	31.12.2008
Shareholders' equity and liabilities			
Shareholders' equity	18		
Share capital		38.0	38.0
Share issue premium fund		114.4	114.4
Revaluation fund	17	5.0	0.6
Translation differences		-11.9	-9.7
Retained earnings		44.0	40.7
Net income for the period		11.1	0.7
Equity attributable to shareholders of parent company		**200.7**	**184.8**
Minority interest		**5.2**	**2.6**
Total Shareholders' equity		**205.9**	**187.4**
Non-current liabilities			
Deferred tax liability	10	3.7	3.5
Provisions	20	36.4	20.8
Interest bearing liabilities	19	81.3	89.5
Total Non-current liabilities		**121.4**	**113.8**
Current liabilities			
Interest bearing liabilities	19	32.1	40.9
Advance payments		50.9	34.3
Accounts payable		26.5	35.6
Liabilities to associated companies	12	1.3	1.5
Other current liabilities		31.5	26.1
Accruals and deferred income	15	46.9	51.1
Derivative financial instruments	22	1.6	9.3
Current tax liability	10	6.3	3.1
Total Current liabilities		**197.2**	**201.9**
Total Shareholders' equity and liabilities		**524.5**	**503.1**

Consolidated Statement of changes in Equity

EUR million	Share capital	Share issue premium fund	Revaluation fund	Translation differences	Retained earnings	Minority interest	Total
1 Jan 2009	38.0	114.4	0.6	-9.7	41.4	2.6	187.4
Dividends paid							0.0
Other comprehensive income			4.4	-2.2	4.8		7.0
Other changes					-2.2	2.6	0.5
Net income for the period					11.1		11.1
31 Dec 2009	**38.0**	**114.4**	**5.0**	**-11.9**	**55.1**	**5.2**	**205.9**
1 Jan 2008	38.0	114.4	6.5	-3.0	50.1	0.7	206.7
Dividends paid					-11.4		-11.4
Other comprehensive income			-5.9	-6.7	2.5		-10.2
Other changes					-0.4	1.9	1.5
Net income for the period					0.7		0.7
31 Dec 2008	**38.0**	**114.4**	**0.6**	**-9.7**	**41.4**	**2.6**	**187.4**

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 (73.2%) and the European Aeronautic Defence and Space Company EADS N.V. (26.8%).

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 Industrial Holdings.

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

Basis of presentation

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

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions 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 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 are described in more detail in these accounting principles and in connection with the relevant disclosure to the financial statements.

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

Principles of consolidation

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

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

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

All intra-group transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, are eliminated.

Foreign currency transactions

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

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

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

Financial instruments

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

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

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

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

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

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

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

Revenue recognition

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

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

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

Advance payments

Net sales and interest expenses have been adjusted with the interest effect of advance payments received. Respectively purchases and interest income have been adjusted with the interest effect of advance payments paid.

Research and development costs

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

Capitalised development costs are subject to regular assessments of recoverability based on anticipated future revenues. Unamortised capitalised development costs determined to be in excess of their recoverable amounts are expensed immediately.

Income taxes

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

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

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

Grants received

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

Impairments

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

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

Leases

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

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

If the lessor maintains the ownership risks and benefits, the lease agreement is treated as an operating lease, and the lease paid on the basis of such agreement is recognised as an expense, allocated over the entire lease term.

Employee benefits

Group companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The contributions to defined contribution plans are charged to the income statement in the year to which they relate. The present value of the obligation under defined benefit plans is recorded in the balance sheet on the balance sheet date. Disability and retirement components of the Finnish Statutory Employment Pension Scheme (TyEL) have been accounted for as a defined contribution plans and unemployment component as a defined benefit plans. In calculating the Group's obligation with respect to a plan, the extent to which the cumulative unrecognized actuarial gain or loss exceeds the greater of the present value of the defined benefit obligation and the fair value of plan assets by more than 10% is identified. That excess portion is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan.

Inventories

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

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

Accounts receivable

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits, other short-term highly liquid investments. Investments in highly liquid fixed income funds are included in cash equivalents. Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

Provisions

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

Dividends

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

Segment reporting

The Group has decided not to apply the voluntary IFRS 18 standard and will not disclose financial information by segment in the financial statements.

Application of new and amended IFRS standards and IFRIC interpretations

The following standards and interpretations are mandatory during year 2009, but they do not have any material effect on the financial statements of the Group:

IFRS 2, Share-based payment – Vesting Conditions and Cancellations (Amendment)
IFRS 8, Operating Segments (see Accounting principles: Segment reporting)
IAS 1, Presentation of Financial Statements - Revised
IAS 23, Borrowing Costs –Revised
IFRIC 15, Agreements for Constructions of Real Estate
IFRIC 16, Hedges of a Net Investment in a Foreign Operation

The following standards will be effective during year 2010. They are not applied by the Group in 2009. The impacts of these standards on the Group's financial statements are being determined:
IFRS 3 Business Combinations (Revised)
IAS 27 Consolidated and Separate Financial Statements (Amendment)
IAS 39 Financial instruments: Recognition and Measurement – Eligible hedged items (Amendment)

In revised IFRS 3 the acquisition-related costs will be expensed through statement of income at time that such services are received. This is a significant difference from current practice in which such costs are included in the cost of the business combination and therefore included in the calculation of goodwill.

2. Financial risk management, capital management and insurances

Organisation of finance function and financial risk management

The Board of Directors of Patria has approved the Guidelines for Patria Group's Finance Administration, according to which treasury management and management of financial risks of the parent company and the subsidiaries are conducted.

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

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

Currency risk

Patria is exposed to risks arising from foreign exchange rate fluctuations. The most significant currency risk for the Group is the US dollar.

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

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

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

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

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

IFRS 7 Sensitivity analysis – sensitivity to USD exhange rate fluctuations

EUR million	**2009**	**2008**
Net exposure	3.8	3.6
Effect on income before taxes	0.1	0.1
Effect on equity	-0.7	-1.8

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

Interest rate risk

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

On 31 December 2009, the average interest fixing term of the liabilities was 5.9 years (2.4 years) and that of the receivables less than one month.

Interest fixing periods

EUR million	0-6 mths	6-12 mths	12-24 mths	24-36 mths	Later	Total
Finance lease liablilities					25.1	25.1
Pension loans					25.0	25.0
Loans from financial institutions	48.0				4.0	52.0
Other interest-bearing liabilities	3.1				8.2	11.2
Interest-bearing receivables	-29.5					-29.5
Total 2009	**21.6**				**62.3**	**83.9**

EUR million	0-6 mths	6-12 mths	12-24 mths	24-36 mths	Later	Total
Finance lease liablilities	14.8	2.3	0.8	1.8	7.3	27.0
Pension loans					25.0	25.0
Loans from financial institutions	56.0					56.0
Other interest-bearing liabilities	14.2				8.3	22.5
Interest-bearing receivables	-27.1					-27.1
Total 2008	**58.0**	**2.3**	**0.8**	**1.8**	**40.5**	**103.3**

On 31 December 2009, Group's interest-bearing liabilities totalled EUR 113.4 million (EUR 130.4 million) out of which EUR 60.3 million (EUR 40.5 million) was fixed rate and EUR 53.1 million (EUR 90.0 million) was floating rate. Interest-bearing receivables were EUR 29.5 million (EUR 27.1 million), all floating rate.

A sensitivity analysis in accordance with IFRS 7 and assuming a one percentage point increase in interest rates and the interest bearing liabilities and receivables in the balance sheet as of 31 December 2009, would lead to an increase in annual net interest expenses of EUR 0.2 million (EUR 1.0 million). A corresponding decrease in interest rates would result in an equal effect of opposite sign. The Group did not have any open interest derivatives on 31 December 2009.

Other market risk

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

Liquidity and refinancing risks

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

Refinancing risk is defined as a risk of a high proportion of loans or credit facilities maturing at a time when refunding is not economically or contractually feasible. The risk is minimised by balancing the maturities of loans and credit facilities.

On 31 December 2009 the average maturity of the Group's interest-bearing liabilities was 4.7 years (4.7 years).

Maturity of interest-bearing liabilities

EUR million	2010	2011	2012	2013	2014	2015-	Total
Finance lease liablilities	1.3	1.4	1.2	1.3	1.3	18.7	25.1
Pension loans	12.5	12.5					25.0
Loans from financial institutions	15.1	9.6	5.4	5.4	12.8	3.8	52.0
Other interest-bearing liabilities	3.2	0.2	0.3	0.3	0.3	7.0	11.2
Total 2009	**32.1**	**23.7**	**6.9**	**6.9**	**14.3**	**29.5**	**113.4**

EUR million	2009	2010	2011	2012	2013	2014-	Total
Finance lease liablilities	1.5	1.8	1.2	1.2	1.3	19.9	27.0
Pension loans		12.5	12.5				25.0
Loans from financial institutions	25.0		3.8	3.8	3.8	19.4	56.0
Other interest-bearing liabilitiess	14.4	0.3	0.4	0.4	0.4	6.7	22.5
Total 2008	**40.9**	**14.6**	**17.9**	**5.5**	**5.5**	**46.1**	**130.4**

As a part of its liquidity reserves on 31 December 2009, the parent company had four commercial paper programs, the unused amount totalling EUR 103.8 million (EUR 99.8 million), a EUR 60.0 million (EUR 50.0 million) unused credit facilities, as well as unused overdraft facilities totalling EUR 25.4 million (EUR 18.3 million).

Credit and counterparty risks

Patria is not exposed to significant credit risk due to the structure of customer base. Credit risks are mainly managed by agreeing in sales contracts on terms and conditions, which reduce these risks.

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

Accounts receivable by age

EUR million	2009	2008
Undue accounts receivables	81.0	64.4
Accounts receivables 1–30 days overdue	12.8	19.4
Accounts receivables 31–60 days overdue	1.2	3.5
Accounts receivables more than 60 days overdue	2.9	8.4
Total	**97.8**	**95.8**

Operational risks of the treasury functions

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

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.

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 2009 there were no significant business arrangements. In 2008 Patria Vammas Oy sold its Vammas airport snow removal equipment product rights to Hagie Manufacturing Company (USA) on 10 March. Patria Vammas Oy's ground support equipment business was sold to Laweco Maschinen- und Apparatebau GmbH (Germany) on 1 September. In 2008 there were no other significant business arrangements

4. Items related to percentage of completion method

Net sales by revenues recognition

EUR million	2009	2008
Delivery based net sales	521.9	541.3
Percentage of completion method	17.6	-6.7
Net sales Total	**539.5**	**534.6**

Projects where cost and earnings exceed billings

EUR million	2009	2008
Cost and earnings of uncompleted projects	195.8	469.4
Billings of projects	139.9	425.4
Net	**55.9**	**44.0**

Projects where billing exceed cost and earnings

EUR million	2009	2008
Cost and earnings of uncompleted projects	214.8	412.2
Billings of projects	220.5	423.5
Net	**5.6**	**11.3**

5. Other operating income and expenses

Other operating income

EUR million	2009	2008
Rental income	1.5	1.4
Capital gain on sale of fixed assets	0.0	0.1
Service revenues	0.1	0.0
Other operating income	2.0	3.5
Grants received	0.2	0.8
Acquired and divested businesses	0.0	3.4
Total	**3.7**	**9.2**

Other operating expenses

EUR million	2009	2008
Research and development	4.3	4.2
Rents	8.7	5.6
Losses on sale of fixed assets	0.0	0.2
Other operating expenses*	87.4	70.0
Total	**100.4**	**80.0**

* include other costs related to marketing and sales, external services, premises and travelling as well as IT and other miscellaneous costs.

Principal independent auditor's fees and services

EUR million	2009	2008
Audit fees	0.1	0.2
Other audit related fees	0.1	0.1
Other services	0.0	0.1
Total	**0.2**	**0.3**

6. Research and development expenses

EUR million	2009	2008
Research and development expenses, total	18.5	27.6
Research and development costs expensed during financial period	7.8	12.6

7. Personnel expenses

EUR million	2009	2008
Salaries and fees paid to member of board, Consultative committee and President and CEO	0.6	0.9
Other wages and salaries	147.8	123.5
Pension and pension insurance expenses	20.6	17.4
Other employer costs	17.7	15.8
Total	**186.7**	**157.6**

Salaries, fees and benefits paid to the President and CEO of the parent company totalled EUR 329 816 (EUR 606 323). The Chairman of the Board of Directors received a fee of EUR 40 200 and the Vice Chairman EUR 29 950. Fees paid to the other members of the Board of Directors totalled EUR 117 030, the monthly fee for each member being EUR 1 500 and the fee paid per meeting being EUR 600. The retirement age for the President and CEO of the parent company is 62 years. The retirement arrangement has been accounted as defined benefit plan and insurance has been taken to manage the arrangements.

The remuneration of the President and CEO and the other Executive Committee members for 2009 was based on a fixed monthly salary (including fringe benefits) and a performance-based compensation. There was no long term incentive program in place during 2009 and therefore the annual performance-based compensation for 2009 could equal 4.5 - 12 months salary at the most. The last measurement period of the previous long term incentive program finished at the end of 2008, based on which no compensation was paid. The Board of Directors of Patria Oyj decides on the Group's compensation schemes.

Expenses of employment benefits

EUR million	2009	2008
Pension expenses - Defined contribution plans	18.2	15.8
Pension expenses - Defined benefit plans	2.5	1.5
Total	**20.6**	**17.4**

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 Nammo's retirement arrangements have been accounted as defined benefit plans.

Pension costs according to defined benefit plan

EUR million	2009	2008
Accrued pension costs	1.8	1.2
Net acturial gains and losses	0.3	0.0
Interest cost, pension commitments	0.8	0.8
Expected return on plans' assets	-0.4	-0.4
Net pension costs	**2.5**	**1.5**

Defined benefit plans recognised in the Balance sheet

EUR million	2009	2008
Present value of unfunded obligations	2.4	0.3
Present value of funded obligations	25.3	24.3
Fair value of plan assets	-11.2	-7.8
Unrecognised actuarial gains and losses	-2.1	-5.9
Net liability in the balance sheet	**14.4**	**10.9**

8. Depreciation and impairments

Depreciation according to plan and impairments

EUR million	2009	2008
Development expenses	0.5	1.0
Intangible rights	3.9	4.0
Other long-term expenditures	0.6	0.6
Buildings and constructions	4.9	4.9
Machinery and equipment	10.8	8.5
Other tangible assets	0.2	0.1
Impairment losses, development expenses	5.8	20.6
Total	**26.6**	**39.9**

Impairment tests

The recoverable amount of a cash generating unit is determined based on value-in-use calculations. The tested cash generating units were Land & Armament and Aviation Business Units and Nammo. The calculations are based on the cash flow projections in the strategic plans approved by the management covering a three-year period. The cash flow estimates are based on existing fixed assets. Cash flows beyond the three-year period are calculated using terminal value method, where the figures for the third planning period are calculated with 0% growth and discounted using the WACC described above.

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 10.0% p.a. in 2009 (10.0% p.a. in 2008).

The calculations were also performed by using the sensitivity analysis with 5 percentage unit higher interest rates or 3 percentage unit lower operating margin levels. According to the sensitivity test, there was no need for additional goodwill impairment.

For the cash generating units there was no need for impairment.

Goodwill

EUR million	2009	2008
1 Jan	38.4	38.0
Additions	0.4	1.0
Translation differences	0.2	-0.6
31 Dec	**39.1**	**38.4**

Capitalised development expenses

An impairment loss of EUR 5.8 million (EUR 20.6 million) on Aerostructures Business Unit's capitalised development expenses related to the Airbus A380 and A400M programmes was recognised. The estimated outcome of the programmes for the Aerostructures Business Unit has weakened mainly due to delays in the programmes and increased cost.

9. Financial income and expenses

EUR million	2009	2008
Interest income		
Deposits and investments	0.3	1.4
Advance payments	0.0	0.1
Other	0.4	0.0
Other financial income	0.1	0.1
Interest expenses		
Interest bearing liabilities	-3.0	-5.0
Financial lease	-1.3	-1.1
Advance payments	0.0	-0.9
Other financial expense	-0.7	-0.4
Exchange rate difference		
Foreign exchange derivatives, non-hedge accounted	-0.7	1.9
Other	1.9	-2.5
Total	**-3.0**	**-6.5**

Aggregate foreign exchange gains and losses included in consolidated income statement:

EUR million	2009	2008
Net sales	0.8	2.1
Expenses	0.0	-0.9
Financial income and expenses	1.2	-0.6
Total	**2.0**	**0.5**

Net gains/losses include realised and unrealised gains and losses on derivative financial instruments.

Net gains/losses on derivative financial instruments included in operating profit

EUR million	2009	2008
Foreign exchange rate derivative contracts under hedge accounting	0.9	-0.7
Non-hedge accounted foreign exchange rate derivative contracts	0.0	0.1
Total	**1.0**	**-0.6**

10. Income taxes

EUR million	2009	2008
Income taxes	-8.5	-6.9
Income taxes previous period	-0.1	0.0
Change in deferred tax receivable	3.3	6.6
Change in deferred tax liability	-0.6	-1.4
Total	**-5.9**	**-1.6**

Differences between income tax expense calculated at statutory rates (26% in Finland)

EUR million	2009	2008
Income tax expense at statutory rate	-4.4	-0.6
Untaxed income	0.1	0.5
Non-deductible expenses	-3.0	-0.9
Losses carried forward	0.5	0.1
Other items	0.9	-0.7
Income taxes	**-5.9**	**-1.6**

Reconciliation of deferred tax receivables

EUR million	2009	2008
Fair value of derivative financial instruments	-0.3	1.3
Tax losses carried forward	5.3	0.0
Accruals	11.0	9.4
Pension provisions	0.0	3.0
Others	0.2	1.6
Total	**16.1**	**15.2**

EUR million	2009	2008
1 Jan	15.2	7.0
Translation difference	1.1	0.3
Income statement	3.3	6.6
Revaluation fund	-3.5	1.3
31 Dec	**16.1**	**15.2**

Reconciliation of deferred tax liabilities

EUR million	2009	2008
Fixed assets depreciation differences	1.5	1.0
Accruals	0.7	1.0
Fair value of derivative financial instruments	1.4	1.5
Total	**3.7**	**3.5**

EUR million	2009	2008
1 Jan	3.5	2.9
Income statement	0.6	1.4
Revaluation fund	-0.5	-0.8
31 Dec	**3.7**	**3.5**

11. Intangible and tangible assets

EUR million	Consolidated goodwill	Intangible assets	Tangible assets	Total
Acquisition cost 1 Jan 2009	38.4	94.0	238.9	371.3
Translation differences	0.2	-2.0	7.9	6.2
Reclassifications	0.0	0.0	0.0	0.0
Companies acquired	0.0	0.0	0.0	0.0
Additions	0.4	4.9	37.1	42.4
Disposals	0.0	-0.1	-15.9	-16.0
Acquisition cost 31 Dec 2009	39.1	96.8	268.0	403.9
Accumulated depreciation and impairment losses 1 Jan 2009	0.0	-56.4	-144.3	-200.7
Translation differences	0.0	1.5	-5.7	-4.2
Reclassifications	0.0	0.0	0.0	0.0
Companies acquired	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.7	0.8
Depreciation for the period	0.0	-5.0	-15.8	-20.8
Impairment	0.0	-5.8	0.0	-5.8
Accumulated depreciation and impairment losses 31 Dec 2009	0.0	-65.6	-165.1	-230.7
Net book value at 31 Dec 2009	**39.1**	**31.2**	**102.9**	**173.2**

EUR million	Consolidated goodwill	Intangible assets	Tangible assets	Total
Acquisition cost 1 Jan 2008	38.0	75.5	229.4	342.9
Translation differences	-0.6	1.0	-11.9	-11.4
Reclassifications	0.0	-0.6	0.0	-0.6
Companies acquired	0.0	0.0	0.0	0.0
Additions	1.0	18.1	28.2	47.3
Disposals	0.0	0.0	-6.8	-6.9
Acquisition cost 31 Dec 2008	38.4	94.0	238.9	371.3
Accumulated depreciation and impairment losses 1 Jan 2008	0.0	-30.1	-140.8	-170.9
Translation differences	0.0	0.0	9.9	9.9
Reclassifications	0.0	0.0	0.0	0.0
Companies acquired	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.1	0.2
Depreciation for the period	0.0	-5.6	-13.6	-19.2
Impairment	0.0	-20.6	0.0	-20.6
Accumulated depreciation and impairment losses 31 Dec 2008	0.0	-56.4	-144.3	-200.7
Net book value at 31 Dec 2008	**38.4**	**37.6**	**94.6**	**170.7**

Tangible and intangible assets include capitalized finance leases as follows

EUR million	Buildings and construtions	Machinery and equipment	Intangible rights	Total
Acquisition cost 31 Dec 2009	31.5	7.5	0.6	39.6
Accumulated depreciation	-6.9	-7.3	-0.6	-14.8
Net book value at 31 Dec 2009	**24.6**	**0.2**	**0.0**	**24.8**
Acquisition cost 31 Dec 2008	31.5	7.6	1.3	40.4
Accumulated depreciation	-5.6	-6.8	-0.6	-13.0
Net book value 31 Dec 2008	**25.9**	**0.8**	**0.7**	**27.4**

Intangible assets

EUR million	Development expenses	Intangible rights	Goodwill	Other long-term expenditures	Advance payments	Total
Acquisition cost 1 Jan 2009	42.0	42.3	2.9	6.7	0.0	94.0
Translation differences	0.0	-2.0	0.0	0.0	0.0	-2.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Companies acquired	0.0	0.0	0.0	0.0	0.0	0.0
Additions	2.7	2.1	0.0	0.1	0.0	4.9
Disposals	0.0	0.0	0.0	0.0	0.0	-0.1
Acquisition cost 31 Dec 2009	44.7	42.3	2.9	6.9	0.0	96.8
Accumulated depreciation and impairment losses 1 Jan 2009	-33.1	-17.6	-1.2	-4.5	0.0	-56.4
Translation differences	0.0	1.5	0.0	0.0	0.0	1.5
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Companies acquired	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation for the period	-0.5	-3.9	0.0	-0.6	0.0	-5.0
Impairment	-5.8	0.0	0.0	0.0	0.0	-5.8
Accumulated depreciation and impairment losses 31 Dec 2009	-39.4	-20.0	-1.2	-5.0	0.0	-65.6
Net book value at 31 Dec 2009	**5.3**	**22.4**	**1.7**	**1.9**	**0.0**	**31.2**

EUR million	Development expenses	Intangible rights	Goodwill	Other long-term expenditures	Advance payments	Total
Acquisition cost 1 Jan 2008	28.2	37.5	2.9	6.4	0.4	75.5
Translation differences	0.0	1.0	0.0	0.0	0.0	1.0
Reclassifications	0.0	0.0	0.0	-0.1	-0.5	-0.6
Companies acquired	0.0	0.0	0.0	0.0	0.0	0.0
Additions	13.8	3.7	0.0	0.5	0.1	18.1
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition cost 31 Dec 2008	42.0	42.3	2.9	6.7	0.0	94.0
Accumulated depreciation and impairment losses 1 Jan 2008	-11.4	-13.6	-1.2	-3.8	0.0	-30.1
Translation differences	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Companies acquired	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation for the period	-1.0	-4.0	0.0	-0.6	0.0	-5.6
Impairment	-20.6	0.0	0.0	0.0	0.0	-20.6
Accumulated depreciation and impairment losses 31 Dec 2008	-33.1	-17.6	-1.2	-4.5	0.0	-56.4
Net book value at 31 Dec 2008	**8.9**	**24.7**	**1.7**	**2.3**	**0.0**	**37.6**

Tangible assets

EUR million	Land and water	Buildings and construtions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2009	2.8	98.8	126.8	3.1	7.4	238.9
Translation differences	0.0	1.4	6.0	0.0	0.4	7.9
Reclassifications	0.0	0.1	-0.1	0.0	0.0	0.0
Companies acquired	0.0	0.0	0.0	0.0	0.0	0.0
Additions	0.0	9.6	19.3	0.2	7.9	37.1
Disposals	0.0	0.0	-2.4	0.0	-13.5	-15.9
Acquisition cost 31 Dec 2009	2.8	110.0	149.6	3.3	2.3	268.0
Accumulated depreciation and impairment losses 1 Jan 2009	0.0	-44.7	-97.2	-2.4	0.0	-144.3
Translation differences	0.0	-0.7	-5.0	0.0	0.0	-5.7
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Companies acquired	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	-0.1	0.8	0.0	0.0	0.7
Depreciation for the period	0.0	-4.9	-10.8	-0.2	0.0	-15.8
Impairment	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation and impairment losses 31 Dec 2009	0.0	-50.4	-112.1	-2.6	0.0	-165.1
Net book value at 31 Dec 2009	**2.8**	**59.6**	**37.5**	**0.8**	**2.3**	**102.9**

EUR million	Land and water	Buildings and construtions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2008	2.9	93.1	125.0	2.8	5.7	229.4
Translation differences	-0.1	-2.6	-8.6	0.0	-0.6	-11.9
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Companies acquired	0.0	0.0	0.0	0.0	0.0	0.0
Additions	0.0	8.3	11.7	0.3	7.9	28.2
Disposals	0.0	0.0	-1.3	0.0	-5.5	-6.8
Acquisition cost 31 Dec 2008	2.8	98.8	126.8	3.1	7.4	238.9
Accumulated depreciation and impairment losses 1 Jan 2008	0.0	-41.2	-97.4	-2.2	0.0	-140.8
Translation differences	0.0	1.4	8.5	0.0	0.0	9.9
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Companies acquired	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.1	0.0	0.0	0.1
Depreciation for the period	0.0	-4.9	-8.5	-0.1	0.0	-13.6
Impairment	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation and impairment losses 31 Dec 2008	0.0	-44.7	-97.2	-2.4	0.0	-144.3
Net book value at 31 Dec 2008	**2.8**	**54.1**	**29.6**	**0.7**	**7.4**	**94.6**

12. Associated companies

	Domicile	Owneship %
Engines Service Partners Svenska AB	Arboga, Sweden	19.9
EURENCO S.A.	Paris, France	19.9
Patricomp Oy	Jämsä, Finland	20.0
Patria Middle East General Trading & Contracting Company WLL	Kuwait City, Kuwait	49.0
Patria Hägglunds Oy	Tampere, Finland	50.0

Shares in associated companies

EUR million	2009	2008
1 Jan	0.9	1.0
Acquisitions and other changes	0.3	-0.1
31 Dec	**1.2**	**0.9**

Business operations with associated companies

EUR million	2009	2008
Sales to associated companies	0.9	2.9
Purchases from associated companies	0.2	0.4

Receivables and liabilities, associated companies

EUR million	2009	2008
Accounts receivables	1.0	1.1
Other receivables	0.4	0.2
Prepaid expenses and accrued income	0.0	0.0
Accounts payable	0.1	0.3
Advance payments	0.6	0.6
Other liabilities	0.6	0.6

13. Other shares

EUR million	2009	2008
Book value	0.5	0.4

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

14. Receivables

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

Prepaid expenses and accrued incom

EUR million	2009	2008
Receivables related to POC method	55.9	44.0
Other items	4.4	6.7
Total	**60.3**	**50.7**

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

15. Accruals and deferred income

Accruals and deferred income

EUR million	2009	2008
Accrued wages, salaries and social security costs	24.3	21.3
Liabilities related to POC method	5.6	11.3
Other items	17.0	18.5
Total	**46.9**	**51.1**

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

16. Liquid funds

Cash and bank receivables

EUR million	2009	2008
Cash and bank	29.5	27.1
Total	**29.5**	**27.1**

Available-for-sale investments are recognised in the Balance Sheet at their fair value. The fair values of Held-to-maturity investments do not differ essentially from the book value.

17. Financial instruments

Revaluation fund

EUR million	Forward contracts	Available-for-sale investments	Revaluation fund Total
Revaluation fund 31 Dec 2008			
Fair value	0.9		0.9
Deferred taxes	-0.2		-0.2
	0.6	0.0	0.6
Fair value changes recognized in equity	7.1		7.1
Fair value changes recognized in income statement	-1.2		-1.2
Deferred taxes	-1.5		-1.5
	4.4	0.0	4.4
Revaluation fund 31 Dec 2009			
Fair value	6.8		6.8
Deferred taxes	-1.8		-1.8
Total	5.0	0.0	5.0

Carrying amounts of financial assets and liabilities by measurement categories and fair value hierarchy

2009 EUR million	Financial assets/ liabilities at fair value through income statement Level 2	Financial assets/ liabilities at fair value through income statement Level 3	Loans and other receivables	Available for sale financial assets Level 2	Held to maturity	Other financial liabilities	Book value	Note
Non-current financial assets								
Other shares			0.1	0.3			0.5	13
Other receivables			1.3				1.3	
Current financial assets								
Accounts receivable			97.8				97.8	
Receivables from associated companies			1.5				1.5	12
Derivative financial instruments	3.9						3.9	22
Cash and bank balances			29.5				29.5	
Carrying amount by category	**3.9**	**0.0**	**130.2**	**0.3**	**0.0**	**0.0**	**134.5**	
Non-current financial liabilities								
Interest-bearing liabilities						81.3	81.3	19
Other long-term liabilities								
Current financial liabilities								
Interest-bearing liabilities						32.1	32.1	19
Accounts payable						26.5	26.5	
Liabilities to associated companies						1.3	1.3	12
Derivative financial instruments	1.5	0.1					1.6	22
Carrying amount by category	**1.5**	**0.1**	**0.0**	**0.0**	**0.0**	**141.3**	**142.8**	

2008 EUR million	Financial assets/ liabilities at fair value through income statement Level 2	Financial assets/ liabilities at fair value through income statement Level 3	Loans and other receivables	Available for sale financial assets Level 2	Held to maturity	Other financial liabilities	Book value	Note
Non-current financial assets								
Other shares			0.1	0.3			0.4	13
Other receivables			0.9				0.9	
Current financial assets								
Accounts receivable			95.8				95.8	
Receivables from associated companies			1.3				1.3	12
Derivative financial instruments	6.0	0.4					6.3	22
Cash and bank balances			27.1				27.1	
Carrying amount by category	**6.0**	**0.4**	**125.2**	**0.3**	**0.0**	**0.0**	**131.9**	
Non-current financial liabilities								
Interest-bearing liabilities						89.5	89.5	19
Other long-term liabilities								
Current financial liabilities								
Interest-bearing liabilities						40.9	40.9	19
Accounts payable						35.6	35.6	
Liabilities to associated companies						1.5	1.5	12
Derivative financial instruments	9.3	0.0					9.3	22
Carrying amount by category	**9.3**	**0.0**	**0.0**	**0.0**	**0.0**	**167.6**	**176.8**	

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). There were no transfers into or out of Level 3 during financial period.

18. Shareholders' equity

The company has a total of 38 024 848 shares and one series of shares.

Distributable funds

On 31 December 2009 the distributable funds of the parent company totalled EUR 41 682 495.14.

Dividend per share

The dividends paid in 2010 will be decided at the Annual General Meeting on 14 April 2010. This dividend payable is not reflected in these financial statements.

19. Liabilities

Maturity of interest-bearing liabilities

EUR million	2010	2011	2012	2013	2014	2015-	Total
Finance lease liablilities	1.3	1.4	1.2	1.3	1.3	18.7	25.1
Pension loans	12.5	12.5					25.0
Loans from financial institutions	15.1	9.6	5.4	5.4	12.8	3.8	52.0
Other interest-bearing liabilities	3.2	0.2	0.3	0.3	0.3	7.0	11.2
Total 2009	**32.1**	**23.7**	**6.9**	**6.9**	**14.3**	**29.5**	**113.4**

EUR million	2009	2010	2011	2012	2013	2014-	Total
Finance lease liablilities	1.5	1.8	1.2	1.2	1.3	19.9	27.0
Pension loans		12.5	12.5				25.0
Loans from financial institutions	25.0		3.8	3.8	3.8	19.4	56.0
Other interest-bearing liabilities	14.4	0.3	0.4	0.4	0.4	6.7	22.5
Total 2008	**40.9**	**14.6**	**17.9**	**5.5**	**5.5**	**46.1**	**130.4**

Fair values of long-term loans do not differ materially from the book value.

Finance Lease Liabilities

Patria has finance leasing agreements relating mainly to buildings. Agreements mature between 2017 and 2033 and capital costs of EUR 24.6 million (EUR 25.9 million) are included in Buildings and constructions; the depreciation thereon was EUR 1.3 million (EUR 1.2 million). The aggregate leasing payments amounted to EUR 2.5 million (EUR 2.2 million), the interest element being EUR 1.3 million (EUR 1.1 million).

Finance lease liabilities minimum lease payments

EUR million	**2009**	**2008**
Not later than 1 year	2.8	3.0
1–2 years	2.6	2.8
2–3 years	2.6	2.6
3–4 years	2.6	2.6
4–5 years	2.6	2.6
Later than 5 years	24.3	25.8
Future finance charges	-12.6	-12.6
Present value of minimum lease payments	**25.1**	**27.0**

Present value of minimum lease payments

EUR million	**2009**	**2008**
Not later than 1 year	1.3	1.5
1–2 years	1.4	1.8
2–3 years	1.2	1.2
3–4 years	1.3	1.2
4–5 years	1.3	1.3
Later than 5 years	18.7	19.9
Present value of minimum lease payments	**25.1**	**27.0**

20. Provisions

EUR million	2009	2008
Warranty provision	22.0	9.9
Pension provision	14.4	10.9
Total	**36.4**	**20.8**

During the warranty period the claimed faults will be corrected at Patria's expense. The warranty provisions amounted to EUR 22.0 million at the end of 2009 (EUR 9.9 million). 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.

The Group has made employees redundant based on economic reasons. Part of the employees have been made redundant to unemployment pension. The related liability has been treated as pension arrangement (IAS 19:132).

21. Commitments and contingent liabilities

Contingent liabilities

EUR million	2009	2008
Guarantees given by joint ventures	12.7	8.8
Guarantees given on behalf of associated companies	3.0	3.0
Guarantees given on behalf of others	29.5	30.7
Repurchase obligation	0.2	0.2
Total	**45.5**	**42.7**

Operating lease commitments

EUR million	2009	2008
Payments due next year	7.2	3.7
1 - 5 years	20.8	11.7
Payments due in thereafter	6.1	3.5
Total	**34.1**	**18.9**

22. Derivative instruments

Nominal values of derivative instruments

	Remaining maturities 2009			Remaining maturities 2008			
EUR million	< 1 year	1-5 years	Total	< 1 year	1-5 years	Over 5 years	Total
Derivative financial instruments designated as cash flow hedges							
Forward foreign exchange contracts							
Buy	26.2	12.0	38.2	29.5	19.7	0.9	50.1
Sell	90.3	20.3	110.7	80.2	1.7	-	81.9
Currency options							
Call	2.9	-	2.9	1.9	-	-	1.9
Put	-	-	-	2.5	-	-	2.5
Cash flow hedge	119.5	32.3	151.8	114.0	21.4	0.9	136.3
Non-hedging derivative financial instruments							
Forward foreign exchange contracts							
Buy	4.0	-	4.0	1.1	-	-	1.1
Sell	3.9	-	3.9	1.1	-	-	1.1
Currency options							
Call	0.5	-	0.5	-	-	-	0.0
Put	-	-	-	-	-	-	0.0
Non-hedging	8.3	0.0	8.3	2.2	0.0	0.0	2.2
Total	**127.8**	**32.3**	**160.1**	**116.2**	**21.4**	**0.9**	**138.5**

Fair values of derivative instruments

EUR million	Fair value 2009 < 1 year	Fair value 2009 1-5 years	Fair value 2009 Total	Fair value 2008 < 1 year	Fair value 2008 1-5 years	Fair value 2008 Over 5 years	Fair value 2008 Total
Derivative financial instruments designated as cash flow hedges							
Forward foreign exchange contracts							
Buy	-0.2	0.0	-0.2	0.3	0.9	0.1	1.3
Sell	2.5	-0.1	2.4	-3.6	-0.2	-	-3.8
Currency options							
Call	0.1	-	0.1	0.0	-	-	0.0
Put	-	-	-	-0.4	-	-	-0.4
Cash flow hedge	2.4	-0.1	2.3	-3.7	0.7	0.1	-2.9
Non-hedging derivative financial instruments							
Forward foreign exchange contracts							
Buy	-0.2	-	-0.2	0.0	-	-	0.0
Sell	0.1	-	0.1	0.0	-	-	0.0
Currency options							
Call	0.0	-	0.0	-	-	-	0.0
Put	-	-	-	-	-	-	0.0
Non-hedging	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**2.4**	**-0.1**	**2.3**	**-3.7**	**0.7**	**0.1**	**-2.9**

23. Related party transactions

Patria Oyj's subsidiaries and joint ventures

	Domicile	Ownership %
Patria Aerostructures Oy	Jämsä, Finland	100.0
Patria Aviation Oy	Jämsä, Finland	100.0
Patria Svenska AB	Sigtuna, Sweden	100.0
Patria Helicopters AB	Sigtuna, Sweden	100.0
Patria Pilot Training Oy	Helsinki, Finland	100.0
Patria Polska Sp. z o.o.	Warsaw, Poland	100.0
Patria Praha, s.r.o.	Prague, Czech Republic	100.0
Patria Czech s.r.o.	Prague, Czech Republic	100.0
Patria Vammas Oy	Sastamala, Finland	100.0
Patria Vammas AB	Uddevalla, Sweden	100.0
Vammas Eesti OÜ	Tallinn, Estonia	100.0
Patria Vammas Corporation	Delaware, USA	100.0
Windhoff Vammas Airport Equipment GmbH	Neuenkirchen, Germany	100.0
Patria Land & Armament Oy	Hämeenlinna, Finland	100.0
Kolesnik d.o.o.	Trzin, Slovenia	90.0
Patria Latvia SIA	Riga, Latvia	100.0
Millog Oy	Tampere, Finland	55.0
Nammo AS	Raufoss, Norway	50.0

2008 NOK million	Domicile	Ownership %	Assets	Liabilities	Net sales	Profit/Loss
Nammo AS	Raufoss, Norway	50.0	3 086.5	1 901.0	3 130.1	267.8

Net sales and purchases between group companies

EUR million	**2009**	**2008**
Total	24.7	40.5

The policy of internal transfer pricing is to use at arm's length 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 Executive Committee. There were no outstanding loans receivable from key management on 31 December 2009 (31 December 2008: EUR - million). Members of the Group management and their immediate circle have not had any essential business relations with the Group companies.

24. Disputes and litigations

An Austrian company which has been acting as Patria's consultant in certain countries has initiated three cases against Patria claiming, inter alia, payment of certain commissions and indemnity. The aggregate amount of these claims is EUR 9.6 million plus amounts to be specified later. In Patria's opinion the claims are groundless or premature in the current circumstances.

25. Events after the balance sheet date

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

Financial Statements of the Parent company (FAS)

Income Statement, Parent company

EUR million	Note	1-12/2009	1-12/2008
Net sales	2	8.0	9.1
Other operating income	3	7.9	5.6
Personnel expenses	4	-5.9	-5.3
Depreciation and impairments	5	-1.5	-32.7
Other operating expenses		-11.0	-9.4
Operating profit		**-2.6**	**-32.7**
Financial income and expenses	6		
Dividend income from joint venture		7.8	8.1
Interest and other financial income		3.4	6.9
Interest and other financial expenses		-2.1	-2.9
Exchange gains and losses		0.2	-0.3
Income before extraordinary items		**6.7**	**-21.0**
Extraordinary items	7	0.8	-2.7
Income before taxes		**7.5**	**-23.7**
Change in depreciation difference		0.1	-0.2
Income taxes	8	0.0	-0.1
Net income		**7.6**	**-23.9**

Cash Flow Statement, Parent company

EUR million	Note	1-12/2009	1-12/2008
Net income		6.7	-21.0
Depreciation and impairments	5	1.5	32.7
Financing items		-9.3	-11.8
Other changes		1.1	-12.8
Change in receivables		4.1	-1.1
Change in liabilities		-5.0	0.9
Cash flow from operations		**-0.9**	**-13.1**
Interests paid		-1.7	-2.1
Other financial items paid		0.2	-0.4
Dividends received		7.8	8.1
Interests received		3.9	6.5
Taxes paid		-0.7	-2.2
Cash flow from operating activities		**8.6**	**-3.2**
Acquired group companies		-1.3	-1.2
Capital expenditures		-2.0	-3.2
Sales of fixed assets		0.0	0.0
Cash flow from investing activities		**-3.3**	**-4.3**
Change in short-term loans		-18.0	15.5
Change in long-term loans		6.9	25.0
Change in short-term receivables		11.0	-46.7
Dividends paid		0.0	-11.4
Group contribution		4.2	10.6
Cash flow from financing activities		**4.1**	**-7.0**
Change in liquid funds		**9.4**	**-14.5**
Liquid funds 1 Jan		0.9	15.5
Liquid funds 31 Dec		10.3	0.9
Change in liquid funds		**9.4**	**-14.5**

Balance Sheet, Parent company

EUR million	Note	31.12.2009	31.12.2008
ASSETS			
Non-current assets			
Intangible assets	9		
Intangible rights		1.2	1.4
Tangible assets	9		
Machinery and equipment		2.4	1.7
Other tangible assets		0.0	0.0
Investments			
Shares in group companies		75.8	74.5
Receivables from group companies	10	0.0	1.3
Shares in associated and joint venture companies		49.6	49.6
Total Non-current assets		**129.0**	**128.5**
Current assets			
Receivables			
Receivables from group companies	10	125.7	145.5
Receivables from associated companies		0.0	0.0
Other receivables		2.2	0.0
Prepaid expenses and accrued income		2.6	6.2
Cash and bank balances		10.3	0.9
Total Current assets		**140.9**	**152.7**
Total Assets		**269.9**	**281.2**

EUR million	Note	31.12.2009	31.12.2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	11		
Share capital		38.0	38.0
Share issue premium fund		114.4	114.4
Retained earnings		34.1	57.9
Net income for the period		7.6	-23.9
Total Shareholders' equity		**194.1**	**186.5**
Accumulated appropriations			
Depreciation difference		0.1	0.2
Total Accumulated appropriations		**0.1**	**0.2**
Non-current liabilities			
Loans from financial institutions		6.9	-
Pension loans		12.5	25.0
Total Non-current liabilities		**19.4**	**25.0**
Current liabilities			
Loans from financial institutions		18.2	39.2
Pension loans		12.5	0.0
Accounts payable		0.4	1.1
Liabilities to group companies	10	21.1	23.0
Other current liabilities		0.3	0.2
Accruals and deferred income		3.8	6.0
Total Current liabilities		**56.3**	**69.5**
Total Shareholders' equity and liabilities		**269.9**	**281.2**

1. Accounting principles, Parent company

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

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

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

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

The assessed economic lives are as follows:
Machinery and equipment 3 to 15 years
Other tangible assets 3 to 5 years

Other tangible assets are not subject to depreciation.

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

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

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

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

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

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

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

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

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

Leasing
All leasing payments have been expensed in the income statement.

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

2. Net sales

Net sales by product segment

EUR million	2009	2008
Civilian products	8.0	9.1
Defence material and maintenance	0.0	0.0
Total	**8.0**	**9.1**

Revenues recognition

EUR million	2009	2008
Delivery based net sales	8.0	9.1
Percentage of Completion method	0.0	0.0
Total	**8.0**	**9.1**

3. Other operating income

EUR million	2009	2008
Gains on disposal of fixed assets	0.0	0.0
Service revenues	7.8	5.3
Other operating income	0.1	0.3
Total	**7.9**	**5.6**

4. Personnel expenses

EUR million	2009	2008
Salaries and fees paid to members of the Boards of Directors, Consultative Committee and President and CEO	0.6	0.9
Other wages and salaries	4.3	3.5
Pension and pension insurance costs	0.8	0.7
Other indirect personnel expenses	0.2	0.2
Total	**5.9**	**5.3**

Number of personnel, average

	2009	2008
Salaried staff	64	63
Workers	0	0
Total	**64**	**63**

5. Depreciations and impairments

EUR million	2009	2008
Depreciation according to plan		
Intangible rights	0.6	0.2
Machinery and equipment	0.9	0.4
Total	1.5	0.6
Depreciation difference	-0.1	0.2
Total depreciation	**1.4**	**0.7**
Impairments on non-current and current assets	0.0	32.2
Total depreciation and impairments	**1.5**	**32.7**

In 2008 the company has recognised impairments on non-current and current assets (shares in subsidiaries and associated companies and loans receivable from subsidiaries), totalling EUR 32.2 million.

6. Financial income and expenses within the Group

EUR million	2009	2008
Other interest and financial income	3.4	6.8
Interest and other financial expenses	-0.1	-0.6
Exchange gains and losses	-2.0	3.0
Total	**1.2**	**9.1**

Accrued interest income EUR 1.4 million on subordinated loan is not included in financial statement.

7. Extraordinary items

EUR million	2009	2008
Group contributions	0.8	-2.7
Total	**0.8**	**-2.7**

8. Direct taxes

EUR million	2009	2008
Income tax from extraordinary items	0.2	-0.7
Income tax from continuing operations	-0.2	0.7
Income taxes for previous periods	0.0	0.0
Total direct taxes	**0.0**	**-0.1**

9. Fixed assets and other non-current assets

EUR million	Acquisition cost, 1 Jan	Additions	Disposals	Accumulated depreciation, 1 Jan	Depreciation on disposals	Depreciation for the period	Net book value, 31 Dec
Intangible assets							
Intangible rights	1.9	0.4	0.0	-0.5	0.0	-0.6	1.2
Total 2009	**1.9**	**0.4**	**0.0**	**-0.5**	**0.0**	**-0.6**	**1.2**
Total 2008	0.4	1.5	0.0	-0.3	0.0	-0.2	1.4
Tangible assets							
Machinery and equipment	2.5	1.6	0.0	-0.8	0.0	-0.9	2.4
Other tangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Total 2009	**2.5**	**1.6**	**0.0**	**-0.8**	**0.0**	**-0.9**	**2.5**
Total 2008	0.9	1.7	0.0	-0.4	0.0	-0.4	1.8

10. Receivables and liabilities

EUR million	**2009**	**2008**
Short-term receivables from subsidiaries		
Accounts receivable	0.9	1.1
Loans receivable	122.9	134.0
Prepaid expenses and accrued income	1.8	10.5
Other receivables	0.0	0.0
Short-term liabilities to subsidiaries		
Accounts payable	0.0	0.4
Accruals and deferred income	0.9	5.5
Other short-term liabilities	20.2	17.2

11. Shareholders' equity

EUR million	**2009**	**2008**
Share capital 1 Jan	38.0	38.0
Share issues, registered	0.0	0.0
Share capital 31 Dec	38.0	38.0
Share issue premium fund 1 Jan	114.4	114.4
Premiums on share issues	0.0	0.0
Share issue premium fund 31 Dec	114.4	114.4
Retained earnings 1 Jan	34.1	69.3
Dividends paid	-	-11.4
Retained earnings 31 Dec	34.1	57.9
Net income	7.6	-23.9
Total shareholders' equity 31 Dec	**194.1**	**186.5**
Distributable funds		
Net income	7.6	-23.9
Non-restricted equity 31 Dec	34.1	57.9
Distributable funds	**41.7**	**34.1**

12. Commitments and contingent liabilities

EUR million	**2009**	**2008**
Guarantees given on behalf of Group companies	156.3	117.5
Guarantees given on behalf of associated companies	3.0	3.0
Other own liabilities		
Guarantees given on behalf of third party	27.9	29.3
Repurchase obligations	0.0	0.0
Total	**27.9**	**29.3**
Leasing commitments		
Payments due next year	0.3	0.4
Payments due 1 to 5 years	0.1	0.6
Payments due in thereafter	0.0	0.0
Total	**0.4**	**0.9**

13. Derivative instruments

EUR million	**2009**	**2008**
Forward foreign exchange contracts	13.8	13.5
of which covered contracts	0.0	0.0
Current value	0.1	1.2
Expire of foreign currency derivatives		
Foreign currency derivatives due next year	13.8	13.5
Foreign currency derivatives due in thereafter	0.0	0.0

Group in figures

EUR million	**2009**	**2008**	**2007**	**2006**	**2005**
Net sales	539.5	534.6	541.2	447.8	317.2
Net sales outside Finland	334.9	292.5	262.4	188.2	121.4
Net sales outside Finland, %	62	55	49	42	38
Operating profit	20.0	8.9	37.3	26.9	13.2
Operating profit, %	3.7	1.7	6.9	6.0	4.1
Income before taxes	17.0	2.3	33.5	25.6	12.3
Income before taxes, %	3.2	0.4	6.2	5.7	3.9
Return on equity, %	5.8	0.4	11.8	8.8	5.4
Return on capital employed, %	6.4	3.1	14.6	12.2	6.6
Balance sheet	524.5	503.1	515.1	483.5	410.6
Equity ratio, %	43.5	40.0	48.1	55.2	61.4
Gearing, %	40.8	55.1	19.6	-18.7	-22.4
Investments excluding acquisitions	29.7	28.3	14.9	10.1	11.6
Personnel average	3 414	2 810	2 662	2 447	1 848

Calculation of Key ratios

$$\text{Return on equity, \%} = \frac{\text{Net income}}{\text{Shareholders' equity (average)}}$$

$$\text{Return on capital employed, \%} = \frac{\text{Income before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average)}}$$

$$\text{Equity ratio, \%} = \frac{\text{Shareholders' equity}}{\text{Balance sheet total - advance payments}}$$

$$\text{Net gearing, \%} = \frac{\text{Interest-bearing liabilities - liquid funds}}{\text{Shareholders' equity}}$$

Board of Directors' proposal for profit distribution

The Parent Company's distributable funds totalled EUR 41 682 495.14 on 31 December 2009.

The Board of Directors proposes that from the distributable funds at the disposal of the Annual General Meeting, no dividend will be paid and that distributable funds will be placed in the retained earnings.

Helsinki, 12 March 2010

Risto Virrankoski
Chairman

Anneli Tuominen
Vice Chairman

Hervé Guillou

Arto Honkaniemi

Ilkka Hollo

Jussi Itävuori

Heikki Allonen
President and CEO

Auditor’s report

To the Annual General Meeting of Patria Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Patria Oyj for the financial period 1.1.2009 - 31.12.2009. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company’s accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor’s responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company’s financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company’s financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company’s financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Opinions based on assignment of the Board of Directors

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown at the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors as well as the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki March 12, 2010

Ernst & Young Oy
Authorized Public Accountant Firm

Harri Pärssinen
Authorized Public Accountant

Patria

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