Patria

Financial Statements 2011

Contents

> Board of Directors' Report

New orders and order stock

The value of new orders received during the Financial Period was EUR 456.3 million (EUR 1 017.6 million during the Operating Period in 2010). Defence material and maintenance accounted for 86% (91%) and civilian products for 14% (9%) of the new orders. At the end of December, the Group's order stock was EUR 1 626.5 million (EUR 1 787.2 million).

To enhance comparability the Board of Directors' Report includes the Group's income statement related information for the operating period of 1.1.-31.12.2010 and relating pro forma financial information (hereafter the "Operating Period") instead of the official financial period.

Net sales and profitability

The Group's net sales for the Financial Period totalled EUR 618.4 million (EUR 564.3 million during the Operating Period in 2010 and EUR 539.5 million in 2009), the increase was 9.6 percent. Defence material and maintenance accounted for 90% (88%) and civilian products for 10% (12%) of the net sales. Sales outside Finland for the Financial Period accounted for 63% (63%) of the net sales.

The Group's operating profit for the Financial Period was EUR 60.3 million, 9.7% of net sales (2010: EUR 10.5 million, 1.9%; 2009 EUR 20.0 million, 3.7%). The consolidated income before taxes for the Financial Period amounted to EUR 57.6 million (2010: EUR 7.2 million; 2009: EUR 17.0 million). The Group's return on equity for the Financial Period was 17.7% (2010: 1.7%; 2009: 5.8%).

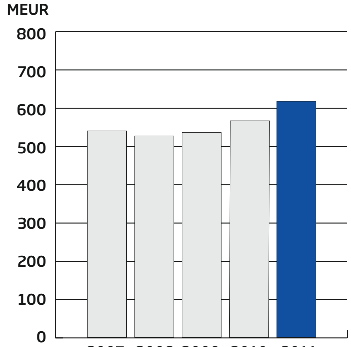
Financing and ownership

The Group's equity ratio at the end of December was 43.5% (2010: 42.2%; 2009: 43.5%) and net gearing 4.2% (2010: 7.0%; 2009: 40.8%).

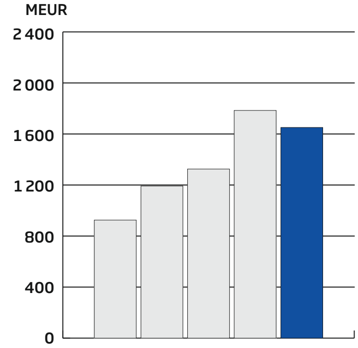
Consolidated liquid funds at the end of December amounted to EUR 62.0 million (EUR 70.6 million). The Group's interest-bearing liabilities totalled EUR 72.6 million (EUR 85.4 million) at the end of December. The interest-bearing liabilities included finance lease liabilities of EUR 26.3 million (EUR 23.8 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

Net Sales



Order stock



Finland with a 73.2% stake and European Aeronautic Defence and Space Company EADS N.V. (EADS) with a 26.8% stake.

Changes in the Group's structure

Patria Finance Oyj sold its shares in Patria Aviation Oy, Millog Oy and Nammo AS to Patria Oyj on March 2011.

Patria Aviation Oy bought the Norwegian Bardufoss based NAC Maintenance AS, specialised in helicopter and aircraft maintenance on March 2011. The company name has been changed to Patria Helicopters AS.

Patria Vammas Oy sold its shares in Vammas Eesti OÜ on September 2011 and Patria Czech s.r.o. was liquidated on 30 November 2011.

Millog Oy bought the shares of Inlog Partners Oy on 31 December 2011. The company owned at that date 38.1% of Oricopa Oy's shares. The acquisition was the first phase and after the year end Millog Oy acquired 57.2% of the shares in Oricopa Oy.

Capital expenditures

The Group's gross investments for the Financial Period totalled EUR 24.1 million (EUR 16.0 million). In addition, a total of EUR 4.8 million was spent on acquisitions.

Research and development

The Group's expenditure on research and development for the Financial Period amounted to EUR 25.7 million (EUR 31.3 million), representing 4% (5%) of the net sales. The most significant research and development areas included armoured wheeled vehicle protection, vehicle variants, turret systems, ammunition, aeronautical research, military communications, situational awareness, electronic intelligence systems and optronics. New manufacturing processes were developed in addition to the product development.

Personnel

During the Financial Period the Group employed an average of 3.430 (2010: 3.397; 2009: 3.414) persons. At the end of December the personnel totalled 3.477 (2010 : 3.357; 2009: 3.383).

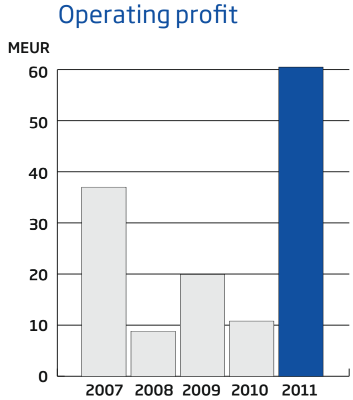
The salaries and wages of Patria Group's employees are determined on the basis of local collective and individual agreements as well as employee performance and job evaluations. Basic salaries and wages are complemented by performance-based compensation systems. In 2011, the total amount of salaries and wages paid was EUR 161.5 million (2010: EUR 153.5 million; 2009: EUR 148.4 million).

Key events during year 2011

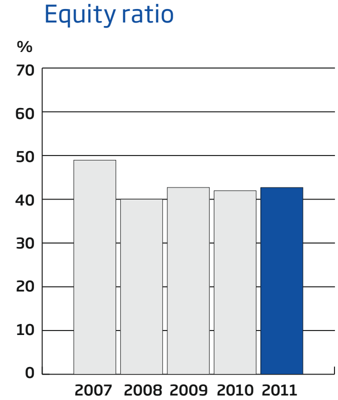
In February 2011 Patria signed a memorandum of understanding (MOU) with Al Taif Technical Services, a wholly owned subsidiary of Mubadala Development Company, and a leading provider of maintenance, repair and overhaul, and upgrade services for heavy utility vehicles and fighting platforms. The primary objective of the MOU is to serve Al Taif's existing customer, the UAE Armed Forces General Headquarters, in addition to enhance and help in the growth of the technical support services of both companies.

In February 2011 Patria and Åkers Krutbruk signed an agreement regarding the delivery of a complete protection solution for the vehicles to be delivered to the Swedish Defence Forces. Patria delivers 113 armoured wheeled vehicles (AMV's) to the Swedish Defence Forces. The agreement includes in addition an option for 113 vehicles. The deliveries will start during year 2012 and the vehicles will be in use in year 2014.

Operating profit



Equity ratio



In March 2011 Patria brought a new helicopter maintenance hangar into use in Utti, Finland. In 2010, the City of Kouvola built a 2,800-square-metre maintenance hangar, now leased by Patria. The need for maintenance space stems from the plan between Patria and the defence administration concerning the regular maintenance of helicopters.

In March 2011 Patria strengthened its position in Norway and in the Nordic helicopter maintenance by buying the Norwegian Bardufoss based NAC Maintenance AS, specialised in helicopter and aircraft maintenance. Patria aims to expand the helicopter and aircraft maintenance operations and serve the military and civilian operators especially in the northern Norway.

In May 2011 Patria Pilot Training renewed its aircraft fleet at Helsinki-Malmi airport, Finland. Patria Pilot Training has currently nine Tecnam P2002 JF training aircraft for basic flight training purposes and three Cirrus SR22 -aircraft were acquired in 2010.

In September 2011 The Finnish Defence Forces and Patria signed an agreement on ballistic protection for NH90 helicopters. Patria will design and manufacture protective equipment for NH90 helicopters, which can be installed when operations so require. Ballistic protection shields both pilots and transported personnel during airlifts. The project will be implemented during 2012–2014.

In November 2011 Patria delivered the first six modified, modern Hawk Mk 66 aircraft to the Finnish Air Force. In 2007, the Finnish Air Force purchased 18 pre-owned Hawk Mk66s from Switzerland. These supplemented the Hawk Mk 51/51A fleet purchased earlier. In 2009 this was followed by an order placed with Patria for an extensive cockpit and avionics upgrade of the aircraft. Working closely with the Finnish Air Force, Patria has assumed responsibility for the specification, design and implementation of all system integration for the modernisation project, which will span three years. Under the current programme, Patria is also responsible for developing software for the aircraft's mainframe, the Mission Computer. According to the plan, all 18 aircraft will be modernized and delivered by the end of 2013.

In December 2011 the Council of State of Finland granted an export licence for 36 Patria Nemo 120 mm mortar systems. These were selected as one of the weapon systems for the LAV II vehicles delivered by General Dynamics Land Systems - Canada as part of a Foreign Military Sales (FMS) program of the US Government. With a value of over EUR 100 million, the contract will have a major employment effect for Patria and its subcontractors. The actual deliveries will take place between 2012 and 2013.

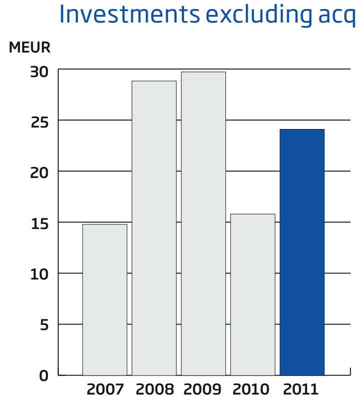
By the end of the Financial Period the Finnish Defence Forces had received ten NH90 helicopters assembled by Patria. NH90 helicopters are being assembled also for the Swedish customer.

Administration

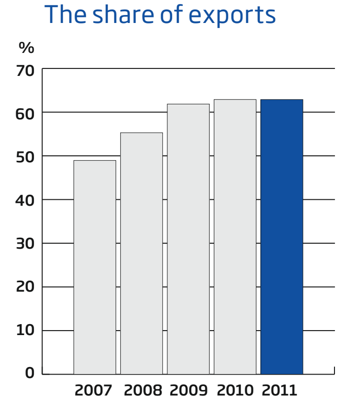
Patria Oyj's (Patria Holding Oyj until 31 May 2011) Annual General Meeting was held in Helsinki on 5 April 2011. The meeting adopted the Financial Statements and the Consolidated Financial Statements for the financial period ended 31 December 2010. It was also decided to discharge the members of the Board of Directors and the President from liability for the financial period of 2010.

Christer Granskog, MSc (Eng.) was elected as the Chairman of the Board of Directors of Patria Oyj, and Kirsi Komi, Master of Laws, was elected as the Vice Chairman. As members of the Board of Directors were elected Yvonne Eisele, Chief Financial Officer, Integrated Systems, Cassidian/EADS, Ilkka Hollo, Lieutenant General (r.), Arto Honkaniemi, Senior Financial Counsellor, Prime Minister's Office, Ownership Steering Department and

Investments excluding acquisitions



The share of exports



Jussi Itävuori, Executive Vice President, Human Resources and Member of the EADS Executive Committee, EADS.

Patria Oyj Consultative Committee was appointed as follows: Mikaela Nylander, M.P., was elected as the Chairman, Reijo Laitinen, M.P., was elected as the Vice Chairman and as members were elected Jari Grönlund, Quality Technician, Patria, Juha Hakola, M.P., Jussi Karimäki, Equipment Assembler, Patria, Markku Koli, Lieutenant General, Chief of Defence Command Finland, Juha Kuusi, System Specialist, Patria, Tuija Nurmi, M.P., Eero Reijonen, M.P., Ari Viiala, Real Estate Manager, Patria and Eeva-Liisa Virkkunen, Industrial Counsellor, Ministry of Employment and the Economy.

At the Extraordinary General Meeting of Patria Oyj held on 13 October 2011 Juha Rannikko, Chief of Defence Command Finland was elected as member of the Consultative Committee on resignation of Markku Koli.

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 Group throughout the financial year.

Risks and uncertainties

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

Patria develops, offers and delivers technically advanced products, solutions and services to its customers. Main part of the Group's sales is to defence 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 operating environment has remained challenging and this may result in some customers reducing, postponing or abandoning their planned procurements or requesting changes to existing contracts.

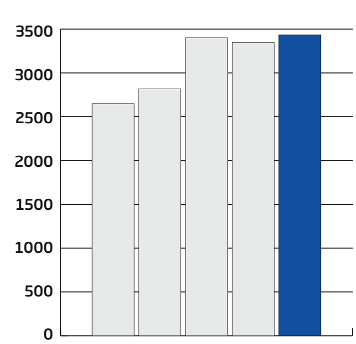
Owing to the nature of Patria's business, individual sales contracts may be large in relation to the annual net sales of the Group. They may entail product development, require extensive subcontracting and partnering and result in deliveries taking place during several years. In addition, the delivery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

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.

In 2009 the pre-investigation report in the Egyptian case was submitted to the relevant parties for final comments and transferred further to the state prosecutor. In June 2010 the state prosecutor decided to request corporate criminal liability for Patria Land & Armament Oy in the context of charges brought against the subsidiary's former manager and three other officials for aggravated bribery. In June 2011 the Pirkanmaa Distrcit Court gave the decision to dismiss the corporate fine demanded to be imposed on Patria Land Services Oy. Instead four former or present Patria employees were sentenced to conditional imprisonment related to accounting offence, aggravated accounting offence or aiding and abetting therein. All parties expressed their dissatisfaction on the decision and the processes will continue.

The pre-trial investigation report in the Slovenian case was submitted at the end of the Financial Period and the final comments of the relevant parties were submitted to the authorities.

Personnel average



During the Financial Period the National Bureau of Investigation of Finland confirmed they will expand the pre-trial investigations of Patria Vehicles Oy to cover also the vehicle deal in Croatia (2007) in accordance with their announcement made earlier. These processes will take a long period and will affect on the background for several years.

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 standard for environmental issues.

Events after the financial period

In December a corporate transaction was published announcing that in the first phase of the transactions Patria's subsidiary Millog Oy bought the shares of Inlog Partners Oy on 31 December 2011. As part of the corporate transaction the business of Insta DefSec Oy was sold to Oricopa Oy and after the year end Millog Oy acquired 57.2% of the shares in Oricopa Oy. The corporate transaction will be finalised during the first half-year 2012. Amid intensifying competition, this corporate transaction will secure the Finnish defence equipment industry's chances for success. Substantial synergy and centralisation benefits will be gained with regard to integration and modernisation projects for weapons systems, equipment, and weapon maintenance, for instance.

Outlook

The Group's net sales for 2012 is estimated to grow compared to year 2011 and operating profits will improve. Patria's operations will continue stable based on the Group's orders received in earlier years. The decline in global economy will affect Patria with delay, but the reduction in the home market and the reform of the Finnish Defence Forces will enforce Patria to start the plans to restructure its operations in the future. 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.

Board of Directors' proposal for profit distribution

The parent company's non-restricted equity on December 31, 2011 is EUR 174,532,974.20 of which the net profit for the financial period is EUR 10,626,163.60.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.27 per share be paid on the shares. Under the proposal, the total amount of dividends will be EUR 10,266,708.96. The Board of Directors further proposes that the remaining non-restricted equity, EUR 164,266,265.24 be retained and carried forward.

Annual General Meeting 2012

The Annual General Meeting of Patria Oyj will be held on 11 April 2012 in Helsinki, Finland.

Consolidated Financial Statements (IFRS)

CONSOLIDATED BALANCE SHEET

EUR million	Note	31.12.2011	31.12.2010
Assets			
Non-current assets			
Consolidation goodwill	11	45.7	40.0
Intangible assets	11		
Development expenses		3.2	4.0
Intangible rights		21.2	22.5
Goodwill		1.9	1.9
Other long-term expenditures		1.9	1.5
Advance payments		9.3	0.0
Tangible assets	11		
Land and water		3.1	3.1
Buildings and constructions		60.1	58.7
Machinery and equipment		37.2	38.6
Other tangible assets		0.2	0.8
Advance payments and construction in progress		8.6	2.4
Shares in associated companies	12	0.4	0.4
Other shares	13	0.7	0.6
Deferred tax receivable	10	22.0	24.7
Other receivables		1.9	1.6
Total Non-current assets		**217.3**	**200.9**
Current assets			
Inventories			
Raw materials and supplies		79.6	60.4
Work in progress		56.7	45.4
Finished goods		10.4	11.0
Advance payments		17.3	12.9
Receivables	14		
Accounts receivable	2	152.1	111.5
Receivables from associated companies	12	1.4	0.7
Other receivables		20.3	17.6
Prepaid expenses and accrued income		76.2	74.3
Derivative financial instruments	22	2.6	4.2
Current tax asset	10	0.9	0.6
Marketable securities	16	39.9	10.1
Cash and bank balances	16	22.1	60.5
Total current assets		**479.3**	**409.3**
Total Assets		**696.7**	**610.2**

CONSOLIDATED BALANCE SHEET

EUR million	Note	31.12.2011	31.12.2010
Shareholders' equity and liabilities			
Shareholders' equity	18		
Share capital		38.0	38.0
Revaluation fund	17	1.7	1.5
Invested non-restricted equity fund		164.1	164.1
Translation differences		-2.3	0.8
Retained earnings		0.3	-2.7
Net income for the period		39.5	3.5
Equity attributable to shareholders of parent company		**241.4**	**205.2**
Minority interest		**7.4**	**6.2**
Total Shareholders' equity		**248.8**	**211.5**
Non-current liabilities			
Deferred tax liability	10	2.6	3.9
Provisions	20	63.6	64.6
Interest bearing liabilities	19	66.6	68.1
Total Non-current liabilities		**132.7**	**136.5**
Current liabilities			
Interest bearing liabilities	19	5.9	17.3
Advance payments		105.0	89.8
Accounts payable		40.6	35.6
Liabilities to associated companies	12	19.7	20.3
Other current liabilities		38.0	37.5
Accruals and deferred income	15	95.2	54.6
Derivative financial instruments	22	1.7	1.9
Current tax liability	10	8.9	5.3
Total Current liabilities		**315.1**	**262.3**
Total Shareholders' equity and liabilities		**696.7**	**610.2**

CONSOLIDATED INCOME STATEMENT

EUR million	Note	1–12/2011	%	Pro Forma 1–12/2010	%
Net sales	4	**618.4**		**564.3**	
Other operating income	5	5.0		6.4	
Change in inventories of finished goods and work in progress		3.6		-0.7	
Production for own use		0.0		1.0	
Raw materials and supplies		-229.0		-186.7	
Change in inventories		21.9		-1.8	
Services purchased		-37.6		-26.7	
Personnel expenses	7	-203.4		-190.8	
Depreciation and value adjustments	8	-21.5		-21.4	
Other operating expenses	5	-97.1		-133.1	
Operating profit		**60.3**	9.7 %	**10.5**	1.9 %
Financial income and expenses	9				
Interest and other financial income		1.3		1.1	
Interest and other financial expenses		-3.9		-4.2	
Exchange gains and losses		-0.1		-0.1	
Income before taxes		**57.6**	9.3 %	**7.2**	1.3 %
Income taxes	10	-18.1		-3.7	
Net income		**39.5**	6.4 %	**3.5**	0.6 %
Net income attributable to minority interests		3.0		2.6	
Net income attributable to equity shareholders		36.5		0.9	
Net income		**39.5**	6.4 %	**3.5**	0.6 %
Consolidated statement of comprehensive income					
Net income		39.5		3.5	
Other comprehensive income					
Cash flow hedges		0.2		-0.5	
Change of translation difference		-1.1		4.5	
Total comprehensive income		**38.6**	6.2 %	**7.6**	1.3 %
Total comprehensive income attributable to minority interests		3.0		2.6	
Total comprehensive income attributable to equity shareholders		35.5		5.0	
Total comprehensive income		**38.6**	6.2 %	**7.6**	1.3 %

CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	1-12/2011	Pro Forma 1-12/2010
Net income for the period		39.5	3.5
Depreciation and impairments	8	21.5	21.4
Other adjustments		-21.1	-12.3
Financing items		2.7	3.3
Taxes		18.1	3.7
Change in receivables		-48.9	-34.3
Change in payables		63.2	108.1
Change in inventories		-29.7	-1.8
Cash flow from operations		**45.2**	**91.6**
Interest received		1.3	0.4
Interest paid		-1.8	-1.8
Dividends received		0.0	0.0
Other financial items		-0.7	1.2
Income taxes paid		-6.5	-3.7
Cash flow from operating activities		**37.5**	**87.8**
Acquired group companies		-4.8	0.0
Acquired associated companies and joint ventures		0.0	-0.2
Acquired business operations		0.0	-0.8
Other capital expenditures		-24.1	-16.0
Divested Group companies		0.0	0.0
Sale of other shares		0.0	0.1
Sale of other fixed assets and other changes		0.2	-5.0
Other changes and exchange rate differences		-0.1	0.0
Cash flow from investing activities		**-28.8**	**-21.9**
Change in long-term financing		0.4	0.0
Borrowings of long-term loans		0.0	15.0
Repayments of long-term loans		0.0	-11.1
Transfers from long-term to short-term loans		-4.2	-15.8
Repayments of short-term loans		0.0	-30.7
Transfers to short-term loans from long-term loans		4.2	15.8
Repayments of short-term loans		-15.8	0.0
Change in long-term receivables		0.1	-0.2
Other changes		-2.2	1.9
Liquid funds in acquired companies		0.1	0.2
Cash flow from financing activities		**-17.4**	**-24.8**
Change in liquid funds		**-8.6**	**41.1**
Change		-8.6	41.1
Liquid funds at the beginning		70.6	29.5
Liquid funds at the end of the period*	16	**62.0**	**70.6**

* Liquid funds at the end of the period include EUR 12.3 million (EUR 27.7 million) Nammo Group's liquid funds which are not available for the Parent company.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Invested non-restricted equity fund	Revaluation fund	Translation differences	Retained earnings	Minority interest	Total
1 Jan 2011	38.0	164.1	1.5	0.8	0.8	6.2	211.5
Dividends paid							0.0
Other comprehensive income			0.2	-3.1	2.0		-0.9
Other changes					-2.5	1.2	-1.2
Net income for the period					39.5		39.5
31 Dec 2011	**38.0**	**164.1**	**1.7**	**-2.3**	**39.9**	**7.4**	**248.8**

EUR million	Share capital	Invested non-restricted equity fund	Revaluation fund	Translation differences	Retained earnings	Minority interest	Total
1 Jan 2010	38.0	164.1	2.0	-1.5	-1.9	5.2	205.9
Dividends paid							0.0
Other comprehensive income			-0.5	2.3	2.3		4.1
Other changes					-3.1	1.0	-2.0
Net income for the period					3.5		3.5
31 Dec 2010	**38.0**	**164.1**	**1.5**	**0.8**	**0.8**	**6.2**	**211.5**

> Notes to the Consolidated Financial Statements

1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Description of businesses

Patria is a defence and aerospace group with international operations delivering its customers competitive solutions based on own specialist know-how and partnerships. Patria is owned by the State of Finland (73.2%) and the European Aeronautic Defence and Space Company EADS N.V. (26.8%).

The owners of Patria decided to establish Patria Holding Oyj (Patria Oyj as of 1 June 2011) on 14 April 2010 to which all the Patria Oyj (Patria Finance Oyj as of 1 June 2011) shares were transferred and internal shareholding has been eliminated using the pooling method (according to IFRS 3.2-2 – Accounting for common control business combinations).

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. Business combinations between entities under shared control are measured using the purchase prices as such acquisitions do not belong to the scope of application of IFRS 3 Business Combinations.

Foreign currency transactions

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

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

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

Financial instruments

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

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

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

Available-for-sale financial assets for example investments in mutual funds are measured at fair value and the valuation is based on quoted rates and market prices. Unlisted securities for which fair value 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, plant and equipment

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

The assessed economic lives are as follows:

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

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

Goodwill and other intangible assets

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

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

Acquired intangible assets are measured at their historical cost, less depreciation. With the exception of goodwill, the assets are depreciated over their economic life, normally three to twenty years, using the straight-line depreciation method. Development costs are depreciated using the straight-line method or in accordance with the deliveries of the end product. If the economic life exceeds twenty years, depreciation may be, case by case calculated using the straight-line depreciation method over the economic life. In aerospace industry, the time between launching of research and product development processes and commercial launching of complete products is long, as are the lifecycles of products. In addition investments in technology have a long-term effect.

Grants received

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

Impairments

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

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

Leases

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

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

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

Employee benefits

Group companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The contributions to defined contribution plans are charged to the income statement in the year to which they relate. The present value of the obligation under defined benefit plans is recorded in the balance sheet on the balance sheet date. Disability and retirement components of the Finnish Statutory Employment Pension Scheme (TyEL) have been accounted for as a defined contribution plans and unemployment component as a defined benefit plans. 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 were mandatory during year 2011, but they did not have any material effect on the financial statements of the Group:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- IAS 24 Related Party Disclosures (Revised)
- IAS 32 Financial Instruments: Presentation – Classification of Right Issues (Amendment)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The following new and amended standards and interpretations are effective in the year 2012 but they do not have any material effect on the financial statements of the Group:

- IFRS 1, First-time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- IFRS 7, Financial Instruments: Disclosures (Amendment)
- IAS 12, Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

2. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND INSURANCES

Organisation of finance function and financial risk management

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

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

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

Currency risk

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

Patria applies hedge accounting according to IAS 39 while hedging estimated future cash flows with foreign currency derivatives (cash flow hedging). Fair value changes of derivatives, which are assigned to hedge forecast transactions (cash flow hedging), are recognised in other comprehensive income to the extent that the hedge is effective. The ineffective portion of the hedging instrument is recognised immediately in the income statement. Such accumulated fair value changes are released into income in the period when the hedged cash flow affects income. The majority of the hedging instruments mature within one year. Hedge accounting is not applied to derivatives hedging balance sheet items.

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

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

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

Based on the net exposure calculation the most significant currency exposures on 31 December 2011 were in the Swedish krona (SEK), United Kingdom pound sterling (GBP) and United States dollar (USD). The currency exposures of Nammo AS are not included in the sensitivity analysis.

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS 2011

EUR million	SEK	GBP	USD
Net exposure	3.8	-0.1	-0.0
Effect on income before taxes	0.2	0.0	0.0
Effect on equity	0.3	0.1	-0.2

IFRS 7 SENSITIVITY ANALYSIS - SENSITIVITY TO EXCHANGE RATE FLUCTUATIONS

EUR million	2010
Net exposure, USD	3.5
Effect on income before taxes	0.1
Effect on equity	-0.0

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 2011, the average interest fixing term of the liabilities was 4.8 years (7.4) 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 liabilities	9.7	0.5		0.8	14.3	25.3
Pension loans					15.0	15.0
Loans from financial institutions	19.8			1.7	1.9	23.3
Other interest-bearing liabilities					7.9	7.9
Interest-bearing receivables	-62.0					-62.0
Total 2011	**-32.5**	**0.5**	**0.0**	**2.5**	**39.1**	**9.5**

INTEREST FIXING PERIODS

EUR million	0 - 6 mths	6 - 12 mths	12 - 24 mths	24 - 36 mths	Later	Total
Finance lease liabilities					23.8	23.8
Pension loans		12.5			15.0	27.5
Loans from financial institutions	22.1				3.9	26.0
Other interest-bearing liabilities					8.1	8.1
Interest-bearing receivables	-70.6					-70.6
Total 2010	**-48.4**	**12.5**	**0.0**	**0.0**	**50.7**	**14.8**

On 31 December 2011, Group's interest-bearing liabilities totalled EUR 72.6 million (85.4) out of which EUR 35.3 million (61.3) was fixed rate and EUR 37.3 million (24.0) was floating rate. Interest-bearing receivables were EUR 62.0 million (70.6) out of which EUR 22.1 million (60.5) was floating rate and EUR 39.9 million (10.1) was fixed rate.

A sensitivity analysis in accordance with IFRS 7 and assuming a one percentage point increase in interest rates and the interest bearing liabilities and receivables in the balance sheet as of 31 December 2011, would lead to an increase in annual net interest expenses of EUR 0.3 million (0.4). 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 2011.

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 2011 the average maturity of the Group's interest-bearing liabilities was 5.1 years (5.1).

MATURITY OF INTEREST-BEARING LIABILITIES

EUR million	2012	2013	2014	2015	2016	2017-	Total
Finance lease liablilities	1.5	1.5	1.5	1.5	1.5	19.0	26.3
Pension loans	3.8	3.8	3.8	3.8	0.0	0.0	15.0
Loans from financial institutions	0.5	10.6	5.3	5.3	0.5	1.1	23.3
Other interest-bearing liabilities	0.2	0.3	0.3	0.3	0.1	6.9	8.0
Total 2011	**5.9**	**16.1**	**10.8**	**10.8**	**2.0**	**27.0**	**72.6**

EUR million	2011	2012	2013	2014	2015	2016-	Total
Finance lease liablilities	1.3	1.3	1.3	1.3	1.3	17.4	23.8
Pension loans	12.5	3.8	3.8	3.8	3.8	0.0	27.5
Loans from financial institutions	3.3	10.1	5.3	5.2	0.5	1.7	26.0
Other interest-bearing liabilities	0.2	0.2	0.3	0.3	0.3	6.9	8.1
Total 2010	**17.3**	**15.4**	**10.5**	**10.5**	**5.7**	**25.9**	**85.4**

As a part of its liquidity reserves on 31 December 2011, Patria Oyj had one commercial paper program, the unused amount totalling EUR 100.0 million (100.0), a EUR 70.0 million (85.0) unused credit facilities, as well as unused overdraft facilities totalling EUR 15.6 million (15.6). These liquidity reserves do not include the reserves of Nammo AS.

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	2011	2010
Undue accounts receivables	126.7	88.8
Accounts receivables 1–30 days overdue	11.2	12.6
Accounts receivables 31–60 days overdue	5.0	2.0
Accounts receivables more than 60 days overdue	9.2	8.1
Total	**152.1**	**111.5**

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 2011 there were no significant business arrangements.

4. ITEMS RELATED TO PERCENTAGE OF COMPLETION METHOD

NET SALES BY REVENUES RECOGNITION

EUR million	2011	Pro Forma 2010
Delivery based net sales	462.2	478.1
Percentage of completion method	156.2	86.2
Net sales Total	**618.5**	**564.3**

PROJECTS WHERE COST AND EARNINGS EXCEED BILLINGS

EUR million	2011	2010
Cost and earnings of uncompleted projects	203.6	231.9
Billings of projects	130.8	163.8
Net	**72.9**	**68.0**

PROJECTS WHERE BILLING EXCEED COST AND EARNINGS

EUR million	2011	2010
Cost and earnings of uncompleted projects	389.2	218.5
Billings of projects	441.5	235.4
Net	**52.3**	**16.9**

5. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME

EUR million	2011	Pro Forma 2010
Rental income	1.5	1.5
Capital gain on sale of fixed assets	0.1	0.0
Service revenues	0.4	0.4
Other operating income	2.8	4.5
Grants received	0.1	0.0
Total	**5.0**	**6.4**

OTHER OPERATING EXPENSES

EUR million	2011	Pro Forma 2010
Research and development	2.1	1.8
Rents	10.0	8.7
Losses on sale of fixed assets	0.0	0.5
Other operating expenses*	85.0	122.2
Total	**97.1**	**133.1**

*includes 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	2011	Pro Forma 2010
Audit fees	0.3	0.1
Other audit related fees	0.0	0.1
Other services	0.0	0.0
Total	**0.3**	**0.3**

6. RESEARCH AND DEVELOPMENT EXPENSES

EUR million	2011	Pro Forma 2010
Research and development expenses, total	25.7	31.3
Research and development costs expensed during financial period	5.5	6.4

7. PERSONNEL EXPENSES

EUR million	2011	Pro Forma 2010
Salaries and fees paid to Members of Board, Consultative committee and President and CEO	0.7	0.7
Other wages and salaries	160.8	152.8
Pension and pension insurance expenses	22.5	19.3
Other employer costs	19.4	18.0
Total	**203.4**	**190.8**

COMPENSATION TO BOARD OF DIRECTORS AND ATTENDANCE AT MEETINGS

		ATTENDANCE AT MEETINGS		
1 000 EUR	**2011**	**Board**	**Audit Committee[3]**	**Nomination and Compensation Committee**
Board members 31 December 2011				
Christer Granskog, Chairman	42	11 / 11	–	7 / 7
Kirsi Komi, Vice Chairman [1]	20	7 / 7	6 / 6	–
Yvonne Eisele	24	10 / 11	3 / 4	–
Ilkka Hollo	23	11 / 11	–	–
Arto Honkaniemi	29	11 / 11	8 / 8	7 / 7
Jussi Itävuori	27	11 / 11	2/4	7 / 7
Former board members				
Anneli Tuominen, Vice Chairman[2]	9	4 / 4	2 / 2	–
Total	**175**			

[1] Starting 5 April 2011

[2] Until 5 April 2011

[3] In addition to 4 ordinary meetings, there were 4 additional Audit Committee meetings with exceptional participant composition.

	Pro Forma	ATTENDANCE AT MEETINGS		
1 000 EUR	**2010**	**Board**	**Audit Committee[3]**	**Nomination and Compensation Committee**
Board members 31 December 2010				
Christer Granskog, Chairman [1]	28	6 / 6	–	1 / 1
Anneli Tuominen, Vice Chairman	30	8 / 8	5 / 5	–
Yvonne Eisele [1]	19	5 / 6	5 / 5	–
Ilkka Hollo	23	8 / 8	–	–
Arto Honkaniemi	28	8 / 8	5 / 5	4 / 4
Jussi Itävuori	25	7 / 8	–	4 / 4
Former board members				
Risto Virrankoski, Chairman [2]	12	2 / 2	–	3 / 3
Hervé Guillou [2]	7	2 / 2	–	–
Total	**173**			

[1] Starting 14 April 2010

[2] Until 14 April 2010

COMPENSATION TO CONSULTATIVE COMMITTEE AND ATTENDANCE AT MEETINGS

1 000 EUR	2011	Attendance at meetings 2011	Pro Forma 2010	Attendance at meetings 2010
Consultative Committee members				
Mikaela Nylander, Chairman	13	3 / 4	12	1 / 4
Reijo Laitinen, Vice Chairman	8	3 / 4	8	3 / 4
Juha Hakola	7	3 / 4	7	4 / 4
Markku Koli [2]	5	1 / 3	6	2 / 4
Tuija Nurmi	6	2 / 4	7	4 / 4
Juha Rannikko [1]	1	1 / 1	–	–
Eero Reijonen	7	3 / 4	7	3 / 4
Eeva-Liisa Virkkunen	7	4 / 4	7	3 / 4
Total	**53**		**53**	

[1] Starting 13 October 2011

[2] Until 13 October 2011

In 2011: Personnel representatives Jari Grönlund, Jussi Karimäki, Juha Kuusi and Ari Viiala, participated in all Consultative Committee meetings. Separate meeting fees were not paid for their participation.

In 2010: Personnel representatives Jussi Karimäki, Markku Korpela, Kari Ruokolahti and Ari Viiala participated in all Consultative Committee meetings. Their participation was not compensated separately.

Compensation to the Board of Directors includes monthly remuneration and meeting fee EUR 600 paid to each member of the board for each meeting attended as well as for meetings of the Board committees attended.

Salaries, fees and benefits paid to the President and CEO totalled EUR 459,530 (EUR 493,113 Pro forma*). The retirement age for the President and CEO of the parent company is 62. The CEO's retirement arrangement is based on a fixed and defined contribution plan and it is complemented with an insurance policy. The cost of the arrangement was EUR 132,004 (EUR 129,361). The CEO's contract of employment may be terminated with 6 months' notice by either the CEO or the Company. In case the Company gives notice to the CEO, the company shall pay, in addition to the 6 months' salary for the notice period, an additional compensation corresponding to the amount of 12 months' salary.

The remuneration of the President and CEO and the other members of the Board of Management for 2011 were based on a fixed monthly salary (including fringe benefits) and a performance-based compensation. Annual performance-based compensation plan can provide a bonus corresponding to a maximum of 4 months' salary, except for the CEO where the maximum is 6 months according to his service contract signed in 2008. The remunerations are agreed using the 'one above' principle, and the remuneration of the CEO is agreed by the Board of Directors. The members of the Board of Management of Patria are members of a three-year performance-based Long Term Incentive Plan between 2010 and 2012 that follows the guidelines of the Finnish State ownership policy. The plan is based on annual strategic targets combined with three-year cumulative financial performance. The management's performance under the plan is assessed annually by the Board of Directors and the maximum remuneration is 100% of a participant's annual base salary per year during the program period.

All Patria employees (excluding Nammo AS) are part of a yearly bonus plan. The plan can provide at maximum a bonus corresponding to between 1,8 to 3 months' salary depending on the employee's organisational standing.

EXPENSES OF EMPLOYMENT BENEFITS

EUR million	2011	Pro Forma 2010
Pension expenses - Defined contribution plans	19.8	18.3
Pension expenses - Defined benefit plans	2.8	1.0
Total	**22.5**	**19.3**

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 and Millog Oy's additional retirement arrangement (reclassified as funded obligation in 2011) have been accounted as defined benefit plans.

PENSION COSTS ACCORDING TO DEFINED BENEFIT PLAN

EUR million	2011	2010
Accrued pension costs	2.5	0.3
Net actuarial gains and losses	0.2	0.5
Interest cost, pension commitments	0.7	0.8
Expected return on plans' assets	-0.6	-0.5
Net pension costs	**2.8**	**1.0**

DEFINED BENEFIT PLANS RECOGNISED IN THE BALANCE SHEET

EUR million	2011	2010
Present value of unfunded obligations	0.0	2.2
Present value of funded obligations	29.9	25.4
Fair value of plan assets	-14.2	-13.1
Total surplus / deficit	15.7	14.5
Unrecognised actuarial gains and losses	-1.0	-0.3
Net liability in the balance sheet	**14.7**	**14.2**

8. DEPRECIATION AND IMPAIRMENTS

DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENTS

EUR million	2011	Pro Forma 2010
Development expenses	1.1	1.2
Intangible rights	3.3	3.5
Other long-term expenditures	0.6	0.5
Buildings and constructions	5.2	4.9
Machinery and equipment	11.3	11.1
Other tangible assets	0.0	0.1
Total	**21.5**	**21.4**

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 Systems & Land Services, 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% eternal 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 9.5% p.a. in 2011 (10.1%).

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	2011	2010
1 Jan	40.0	39.1
Additions	5.1	0.2
Translation differences	0.5	0.7
31 Dec	45.7	40.0

9. FINANCIAL INCOME AND EXPENSES

EUR million	2011	Pro Forma 2010
Interest income		
Deposits and investments	1.3	0.5
Other	0.0	0.3
Other financial income	0.0	0.3
Interest expenses		
Interest bearing liabilities	-2.1	-2.2
Financial lease	-1.4	-1.3
Other financial expense	-0.4	-0.8
Exchange rate difference		
Foreign exchange derivatives, non-hedge accounted	-2.9	-2.0
Other	2.8	1.9
Total	**-2.7**	**-3.3**

AGGREGATE FOREIGN EXCHANGE GAINS AND LOSSES INCLUDED IN CONSOLIDATED INCOME STATEMENT

EUR million	2011	Pro Forma 2010
Net sales	2.7	1.6
Expenses	-0.3	-0.4
Financial income and expenses	-0.1	-0.1
Total	**2.3**	**1.1**

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	2011	Pro Forma 2010
Foreign exchange rate derivative contracts under hedge accounting	2.2	1.4
Non-hedge accounted foreign exchange rate derivative contracts	0.0	0.0
Total	**2.2**	**1.4**

10. INCOME TAXES

EUR million	2011	Pro Forma 2010
Income taxes	-15.8	-12.0
Income taxes previous period	-0.0	0.0
Change in deferred tax receivable	-2.3	8.3
Change in deferred tax liability	0.1	-0.0
Total	**-18.1**	**-3.7**

DIFFERENCES BETWEEN INCOME TAX EXPENSE CALCULATED AT STATUTORY RATES (26% IN FINLAND IN 2011, 24.5% IN 2012)

EUR million	2011	2010
Income tax expense at statutory rate	-15.0	-1.7
Untaxed income	0.0	0.0
Non-deductible expenses	-0.8	-9.9
Losses carried forward	-0.0	0.1
Effect of statutory tax rate change on deferred taxes	-1.2	0.0
Other items	-1.1	7.7
Income taxes	**-18.1**	**-3.7**

The deferred taxes of year 2011 have been calculated using the new statutory tax rate 24.5%, which will be in effect from the beginning of year 2012. The effect of the change has been booked to the income statement.

RECONCILIATION OF DEFERRED TAX RECEIVABLES

EUR million	2011	2010
Fair value of derivative financial instruments	0.0	0.0
Tax losses carried forward	0.7	3.6
Accruals	21.3	21.0
Others	0.0	0.0
	22.0	**24.7**
1 Jan	24.7	16.1
Translation difference	-0.4	-0.1
Income statement	-2.3	8.3
Revaluation fund	0.0	0.4
31 Dec	**22.0**	**24.7**

RECONCILIATION OF DEFERRED TAX LIABILITIES

EUR million	2011	2010
Fixed assets depreciation differences	0.1	0.1
Accruals	1.9	2.0
Fair value of derivative financial instruments	0.6	1.7
	2.6	**3.9**
1 Jan	3.9	3.6
Income statement	-0.1	0.0
Revaluation fund	-1.2	0.2
31 Dec	**2.6**	**3.9**

11. INTANGIBLE AND TANGIBLE ASSETS

EUR million	Consolidated goodwill	Intangible assets	Tangible assets	Total
Acquisition cost 1 Jan 2011	40.0	101.0	289.7	430.7
Translation differences	0.5	0.7	0.1	1.3
Reclassifications	-	0.2	-0.2	0.0
Companies acquired	-	0.0	0.0	0.0
Additions	5.1	11.8	28.0	45.0
Disposals	-	-0.3	-7.6	-7.8
Acquisition cost 31 Dec 2011	45.7	113.4	310.1	469.2
Accumulated depreciation and impairment losses 1 Jan 2011	-	-71.0	-186.2	-257.1
Translation differences	-	-0.1	0.1	0.0
Reclassifications	-	-	-	0.0
Companies acquired	-	-	-0.0	-0.0
Disposals	-	0.0	1.7	1.7
Depreciation for the period	-	-4.9	-16.5	-21.5
Impairment	-	-	-0.0	-0.0
Accumulated depreciation and impairment losses 31 Dec 2011	0.0	-75.9	-200.9	-276.8
Net book value at 31 Dec 2011	**45.7**	**37.5**	**109.2**	**192.4**

EUR million	Consolidated goodwill	Intangible assets	Tangible assets	Total
Acquisition cost 1 Jan 2010	39.1	96.8	268.0	403.9
Translation differences	0.7	1.6	8.5	10.9
Reclassifications	-	-	0.0	0.0
Companies acquired	-	-	0.0	0.0
Additions	0.2	2.8	17.3	20.4
Disposals	-	-0.3	-4.2	-4.5
Acquisition cost 31 Dec 2010	40.0	101.0	289.7	430.7
Accumulated depreciation and impairment losses 1 Jan 2010	-	-65.6	-165.1	-230.7
Translation differences	-	-0.3	-5.0	-5.3
Reclassifications	-	-	-	0.0
Companies acquired	-	-	-	0.0
Disposals	-	0.3	0.0	0.3
Depreciation for the period	-	-5.3	-16.1	-21.4
Impairment	-	-	-	0.0
Accumulated depreciation and impairment losses 31 Dec 2010	-	-71.0	-186.2	-257.1
Net book value at 31 Dec 2010	**40.0**	**30.0**	**103.5**	**173.6**

Tangible and intangible assets include capitalized finance leases as follows

EUR million	Buildings and constructions	Machinery and equipment	Intangible rights	Total
Acquisition cost 31 Dec 2011	35.4	6.9	0.6	43.0
Accumulated depreciation	-9.7	-6.9	-0.6	-17.2
Net book value at 31 Dec 2011	25.8	0.0	0.0	25.8
Acquisition cost 31 Dec 2010	31.5	7.5	0.6	39.6
Accumulated depreciation	-8.2	-7.5	-0.6	-16.3
Net book value 31 Dec 2010	23.3	0.1	0.0	23.4

INTANGIBLE ASSETS

EUR million	Develop-ment expenses	Intangible rights	Goodwill	Other long-term ex-penditures	Advance payments	Total
Acquisition cost 1 Jan 2011	44.7	46.3	3.2	6.8	-	101.0
Translation differences	-	0.7	-	-	-	0.7
Reclassifications	-	0.0	-	0.2	-	0.2
Companies acquired	-	0.0	-	-	-	0.0
Additions	0.0	1.8	-	0.7	9.3	11.8
Disposals	-	-0.3	-	-	-	-0.3
Acquisition cost 31 Dec 2011	44.7	48.6	3.2	7.8	9.3	113.4
Accumulated depreciation and impairment losses 1 Jan 2011	-40.7	-23.8	-1.2	-5.3	-	-71.0
Translation differences	0.2	-0.2	-	-	-	-0.1
Reclassifications	-	-	-	-	-	0.0
Companies acquired	-	-	-	-	-	0.0
Disposals	-	0.0	-	-	-	0.0
Depreciation for the period	-1.1	-3.3	-	-0.6	-	-4.9
Impairment	-	-	-	-	-	0.0
Accumulated depreciation and impairment losses 31 Dec 2011	-41.5	-27.3	-1.2	-5.9	0.0	-75.9
Net book value at 31 Dec 2011	**3.2**	**21.2**	**1.9**	**1.9**	**9.3**	**37.5**

EUR million	Develop-ment expenses	Intangible rights	Goodwill	Other long-term ex-penditures	Advance payments	Total
Acquisition cost 1 Jan 2010	44.7	42.3	2.9	6.9	-	96.8
Translation differences	-	1.6	-	0.0	-	1.6
Reclassifications	-	0.2	-	-0.2	-	0.0
Companies acquired	-	-	-	-	-	0.0
Additions	-	2.2	0.2	0.4	-	2.8
Disposals	-	0.0	-	-0.3	-	-0.3
Acquisition cost 31 Dec 2010	44.7	46.3	3.2	6.8	0.0	101.0
Accumulated depreciation and impairment losses 1 Jan 2010	39.4	-20.0	-1.2	-5.0	-	-65.6
Translation differences	-	-0.3	-	0.0	-	-0.3
Reclassifications	-	-	-	-	-	0.0
Companies acquired	-	-	-	-	-	0.0
Disposals	-	0.0	-	0.3	-	0.3
Depreciation for the period	-1.2	-3.5	0.0	-0.5	-	-5.3
Impairment	-	-	-	-	-	0.0
Accumulated depreciation and impairment losses 31 Dec 2010	-40.7	-23.8	-1.2	-5.3	0.0	-71.0
Net book value at 31 Dec 2010	**4.0**	**22.5**	**1.9**	**1.5**	**0.0**	**30.0**

TANGIBLE ASSETS

EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2011	3.1	115.4	165.3	3.5	2.4	289.7
Translation differences	0.0	0.5	-0.5	-0.0	0.2	0.1
Reclassifications	-	2.5	0.1	-2.0	-0.9	-0.2
Companies acquired	-	-	0.0	-	-	0.0
Additions	0.0	5.3	12.8	0.1	9.8	28.0
Disposals	-	-0.0	-4.7	-	-2.9	-7.6
Acquisition cost 31 Dec 2011	3.1	123.8	173.0	1.6	8.6	310.1
Accumulated depreciation and impairment losses 1 Jan 2011	-	-56.7	-126.7	-2.7	-	-186.2
Translation differences	-	-0.4	0.4	0.0	-	0.1
Reclassifications	-	-	-	-	-	0.0
Companies acquired	-	-	-0.0	-	-	-0.0
Disposals	-	-1.3	1.7	1.3	-	1.7
Depreciation for the period	-	-5.2	-11.3	-0.0	-	-16.5
Impairment	-0.0	-	-	-	-	-0.0
Accumulated depreciation and impairment losses 31 Dec 2011	-0.0	-63.6	-135.9	-1.4	0.0	-200.9
Net book value at 31 Dec 2011	**3.1**	**60.1**	**37.2**	**0.2**	**8.6**	**109.2**

EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2010	2.8	110.0	149.6	3.3	2.3	268.0
Translation differences	0.0	2.9	5.5	0.0	0.1	8.5
Reclassifications	-	0.0	0.0	-	-	0.0
Companies acquired	-	-	0.0	-	-	0.0
Additions	0.2	2.6	11.5	0.2	2.9	17.3
Disposals	0.0	0.0	-1.3	0.0	-2.9	-4.2
Acquisition cost 31 Dec 2010	3.1	115.4	165.3	3.5	2.4	289.7
Accumulated depreciation and impairment losses 1 Jan 2010	-	-50.4	-112.1	-2.6	-	-165.1
Translation differences	-	-1.5	-3.5	0.0	-	-5.0
Reclassifications	-	-	-	-	-	0.0
Companies acquired	-	-	-	-	-	0.0
Disposals	-	-	0.0	-	-	0.0
Depreciation for the period	-	-4.9	-11.1	-0.1	-	-16.1
Impairment	-	-	-	-	-	0.0
Accumulated depreciation and impairment losses 31 Dec 2010	0.0	-56.7	-126.7	-2.7	0.0	-186.2
Net book value at 31 Dec 2010	**3.1**	**58.7**	**38.6**	**0.8**	**2.4**	**103.5**

12. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

	Domicile	Ownership %
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	2011	2010
1 Jan	0.4	0.9
Acquisitions and other changes	-0.0	-0.5
31 Dec	0.4	0.4

BUSINESS OPERATIONS WITH ASSOCIATED COMPANIES

EUR million	2011	Pro Forma 2010
Sales to associated companies	1.8	2.0
Purchases from associated companies	1.3	0.5

RECEIVABLES AND LIABILITIES, ASSOCIATED COMPANIES

EUR million	2011	2010
Accounts receivables	1.2	0.4
Other receivables	0.2	0.3
Accounts payable	0.0	0.1
Advance payments	19.1	19.6
Other liabilities	0.6	0.6

13. OTHER SHARES

EUR million	2011	2010
Book value	0.7	0.6

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

14. RECEIVABLES

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

PREPAID EXPENSES AND ACCRUED INCOME

EUR million	2011	2010
Receivables related to POC method	72.9	68.0
Other items	3.3	6.2
Total	**76.2**	**74.3**

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

15. ACCRUALS AND DEFERRED INCOME

EUR million	2011	2010
Accrued wages. salaries and social security costs	30.6	26.0
Liabilities related to POC method	52.3	16.9
Other items	12.3	11.7
Total	**95.2**	**54.6**

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

16. LIQUID FUNDS

EUR million	2011	2010
Cash and bank	22.1	60.5
Held-to-maturity investments	39.9	10.1
Total	**62.0**	**70.6**

The fair values of Held-to-maturity investments do not differ materially from the book value.

17. FINANCIAL INSTRUMENTS

REVALUATION FUND

EUR million	Forward contracts	Revaluation fund Total
Revaluation fund 31 Dec 2010		
Fair value	2.1	2.1
Deferred taxes	-0.6	-0.6
	1.5	1.5
Fair value changes recognized in equity	1.7	1.7
Fair value changes recognized in income statement	-1.6	-1.6
Deferred taxes	0.1	0.1
	0.2	0.2
Revaluation fund 31 Dec 2011		
Fair value	2.2	2.2
Deferred taxes	-0.6	-0.6
Total	**1.7**	**1.7**

EUR million	Forward contracts	Revaluation fund Total
Revaluation fund 31 Dec 2009		
Fair value	6.8	6.8
Deferred taxes	-1.8	-1.8
	5.0	5.0
Fair value changes recognized in equity	-3.6	-3.6
Fair value changes recognized in income statement	-1.1	-1.1
Deferred taxes	1.2	1.2
	-3.5	-3.5
Revaluation fund 31 Dec 2010		
Fair value	2.1	2.1
Deferred taxes	-0.6	-0.6
Total	**1.5**	**1.5**

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

2011 EUR million	Financial assets/liabilities at fair value through income statement Level2	Financial assets/liabilities at fair value through income statement Level3	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			0.5	0.2			**0.7**	13
Other receivables			1.9				**1.9**	
Current financial assets								
Accounts receivable			152.1				**152.1**	
Receivables from associated companies			1.4				**1.4**	12
Derivative financial instruments	2.6						**2.6**	22
Marketable securities					39.9		**39.9**	
Cash and bank balances			22.1				**22.1**	
Carrying amount by category	**2.6**	**0.0**	**178.0**	**0.2**	**0.0**	**0.0**	**220.6**	
Non-current financial liabilities								
Interest-bearing liabilities						66.6	**66.6**	19
Other long-term liabilities							**0.0**	
Current financial liabilities								
Interest-bearing liabilities						5.9	**5.9**	19
Accounts payable						40.6	**40.6**	
Liabilities to associated companies						0.6	**0.6**	12
Derivative financial instruments	1.7						**1.7**	22
Carrying amount by category	**1.7**	**0.0**	**0.0**	**0.0**	**0.0**	**113.8**	**115.5**	

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

2010 EUR million	Financial assets/liabilities at fair value through income statement Level2	Financial assets/liabilities at fair value through income statement Level3	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			0.4	0.2			**0.6**	13
Other receivables			1.6				**1.6**	
Current financial assets								
Accounts receivable			111.5				**111.5**	
Receivables from associated companies			0.7				**0.7**	12
Derivative financial instruments	4.2						**4.2**	22
Marketable securities					10.1		**10.1**	
Cash and bank balances			60.5				**60.5**	
Carrying amount by category	**4.2**	**0.0**	**174.7**	**0.2**	**0.0**	**0.0**	**189.2**	
Non-current financial liabilities								
Interest-bearing liabilities						68.1	**68.1**	19
Other long-term liabilities								
Current financial liabilities								
Interest-bearing liabilities						17.3	**17.3**	19
Accounts payable						35.6	**35.6**	
Liabilities to associated companies						0.7	**0.7**	12
Derivative financial instruments	1.9						**1.9**	22
Carrying amount by category	**1.9**	**0.0**	**0.0**	**0.0**	**0.0**	**121.7**	**123.5**	

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

The parent company's non-restricted equity on December 31, 2011 is EUR 174,532,974.20 of which the net profit for the financial period is EUR 10,626,163.60.

Dividend per share

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.27 be paid on the shares. Under the proposal, the total amount of dividends will be EUR 10,266,708.96. The Board of Directors further proposes that the remaining non-restricted equity, EUR 164,266,265.24 be retained and carried forward.

The dividends paid for 2011 will be decided at the Annual General Meeting on 11 April 2012. This dividend payable is not reflected in these financial statements.

19. LIABILITIES

MATURITY OF INTEREST-BEARING LIABILITIES

EUR million	2012	2013	2014	2015	2016	2017-	Total
Finance lease liabilities	1.5	1.5	1.5	1.5	1.5	19.0	26.3
Pension loans	3.8	3.8	3.8	3.8	0.0	0.0	15.0
Loans from financial institutions	0.5	10.6	5.3	5.3	0.5	1.1	23.3
Other interest-bearing liabilities	0.2	0.3	0.3	0.3	0.1	6.9	8.0
Total 2011	**5.9**	**16.1**	**10.8**	**10.8**	**2.0**	**27.0**	**72.6**

EUR million	2011	2012	2013	2014	2015	2016-	Total
Finance lease liabilities	1.3	1.3	1.3	1.3	1.3	17.4	23.8
Pension loans	12.5	3.8	3.8	3.8	3.8	0.0	27.5
Loans from financial institutions	3.3	10.1	5.3	5.2	0.5	1.7	26.0
Other interest-bearing liabilities	0.2	0.2	0.3	0.3	0.3	6.9	8.1
Total 2010	**17.3**	**15.4**	**10.5**	**10.5**	**5.7**	**25.9**	**85.4**

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 25.8 million (23.3) are included in Buildings and constructions; the depreciation thereon was EUR 1.1 million (1.0). The aggregate leasing payments amounted to EUR 2.1 million (1.9), the interest element being EUR 1.0 million (0.9).

FINANCE LEASE LIABILITIES MINIMUM LEASE PAYMENTS

EUR million	2011	2010
Not later than 1 year	2.9	2.7
1-2 years	2.6	2.6
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	22.8	21.9
Future finance charges	-10.0	-11.3
Present value of minimum lease payments	**26.3**	**23.8**

PRESENT VALUE OF MINIMUM LEASE PAYMENTS

EUR million	2011	2010
Not later than 1 year	1.5	1.3
1-2 years	1.5	1.3
2-3 years	1.5	1.3
3-4 years	1.5	1.3
4-5 years	1.5	1.3
Later than 5 years	19.0	17.4
Present value of minimum lease payments	**26.3**	**23.8**

20. PROVISIONS

EUR million	2011	2010
Warranty provision	12.4	13.9
Pension provision	14.7	14.2
Other provision	36.5	36.5
Total	**63.6**	**64.6**

During the warranty period the claimed faults will be corrected at Patria's expense. The warranty provisions amounted to EUR 12.4 million (13.9) at the end of 2011. Provisions are based on best estimates on the balance sheet date. The provision for warranties covers the expenses due to the repair or replacement of products during their warranty period. The warranty liability is based on historical realised warranty costs and best estimates on the balance sheet date. The usual warranty period is two to four years. Other provision includes EUR 26.1 million (27.1) loss provisions related to ongoing deliveries.

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

21. COMMITMENTS AND CONTINGENT LIABILITIES

CONTINGENT LIABILITIES

EUR million	2011	2010
Guarantees given by joint ventures	12.5	10.3
Guarantees given on behalf of associated companies	28.8	28.3
Guarantees given on behalf of others	27.9	28.2
Repurchase obligation	0.2	0.2
Other own contingent liabilities	1.7	1.5
Total	**71.0**	**68.5**

OPERATING LEASE COMMITMENTS

EUR million	2011	2010
Payments due next year	5.2	5.0
1-5 years	18.2	14.9
Payments due in thereafter	4.9	7.6
Total	**28.3**	**27.5**

Operating lease commitments of joint ventures are not included.

22. DERIVATIVE CONTRACTS

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

EUR million	Remaining maturities 2011 < 1 year	1-5 years	Total	Remaining maturities 2010 < 1 year	1-5 years	Total
Derivative financial instruments designated as cash flow hedges						
Forward foreign exchange contracts						
Buy	54.0	2.3	**56.3**	22.4	11.1	**33.5**
Sell	78.6	31.6	**110.2**	72.3	12.8	**85.1**
Currency options						
Call	0.4	-	**0.4**	-	-	**0.0**
Put	0.4	-	**0.4**	-	-	**0.0**
Cash flow hedge	133.4	34.0	**167.3**	94.7	23.9	**118.5**
Non-hedging derivative financial instruments						
Forward foreign exchange contracts						
Buy	6.2	-	**6.2**	0.4	-	**0.4**
Sell	36.8	-	**36.8**	16.1	-	**16.1**
Currency options						
Call	-	-	**0.0**	-	-	**0.0**
Put	-	-	**0.0**	-	-	**0.0**
Non-hedging	42.9	0.0	**42.9**	16.4	0.0	**16.4**
Total	**176.3**	**34.0**	**210.3**	**111.1**	**23.9**	**135.0**

FAIR VALUES OF DERIVATIVE INSTRUMENTS

EUR million	Fair value 2011 < 1 year	1-5 years	Total	Fair value 2010 < 1 year	1-5 years	Total
Derivative financial instruments designated as cash flow hedges						
Forward foreign exchange contracts						
Buy	2.0	0.0	**2.0**	0.4	0.6	**1.0**
Sell	-0.4	-0.2	**-0.6**	1.4	0.6	**2.0**
Currency options						
Call	0.0	-	**0.0**	-	-	**0.0**
Put	-0.0	-	**-0.0**	-	-	**0.0**
Cash flow hedge	1.6	-0.2	**1.4**	1.9	1.2	**3.1**
Non-hedging derivative financial instruments						
Forward foreign exchange contracts						
Buy	0.1	-	**0.1**	0.0	-	**0.0**
Sell	0.2	-	**0.2**	-0.7	-	**-0.7**
Currency options						
Call	-	-	**0.0**	-	-	**0.0**
Put	-	-	**0.0**	-	-	**0.0**
Non-hedging	0.3	0.0	**0.3**	-0.7	0.0	**-0.7**
Total	**1.9**	**-0.2**	**1.7**	**1.2**	**1.2**	**2.4**

23. RELATED PARTY TRANSACTIONS

Patria Oyj's subsidiaries and joint ventures

Subsidiaries and joint ventures	Domicile	Ownership %
Patria Aviation Oy	Jämsä, Finland	100.0
Patria Aerostructures Oy	Jämsä, Finland	100.0
Patria Pilot Training Oy	Helsinki, Finland	100.0
Patria Svenska AB	Sigtuna, Sweden	100.0
Patria Helicopters AB	Sigtuna, Sweden	100.0
Patria Helicopters AS	Bardufoss, Norway	100.0
Patria Finance Oyj	Helsinki, Finland	100.0
Patria Land Services Oy	Hämeenlinna, Finland	100.0
Kolesnik d.o.o.	Trzin, Slovenia	90.0
Patria Polska Sp. z o.o.	Varsova, Poland	100.0
Patria Praha. s.r.o.	Praha, Czech Republic	100.0
Patria Latvia SIA	Riika, Latvia	100.0
Patria Vammas Oy	Sastamala, Finland	100.0
Patria Vammas AB	Uddevalla, Sweden	100.0
Patria Vammas Corporation	Delaware, USA	100.0
Windhoff Vammas Airport Equipment GmbH	Neuenkirchen, Germany	100.0
Patria Land Systems Oy	Hämeenlinna, Finland	100.0
Millog Oy	Tampere, Finland	55.0
Inlog Partners Oy	Tampere, Finland	100.0
Nammo AS	Raufoss, Norway	50.0

2010 NOK Million	Domicile	Ownership %	Assets	Liabilities	Net Sales	Profit/ Loss
Nammo AS	Raufoss, Norway	50.0	2 905.7	1 574.8	3 448.5	280.4

Sales and purchases between group companies

EUR million	2011	Pro Forma 2010
Total	70.3	21.7

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 Board of Management. There were no outstanding loans receivable from key management on 31 December 2011. Members of the Group management and their immediate circle have not had any essential business relations with the Group companies.

24. DISPUTES AND LITIGATIONS

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

> Group Key figures

EUR million	2011	2010	2009	2008	2007	2006
New orders	456.3	1 017.6	624.4	863.0	568.0	554.4
Order stock	1 626.5	1 787.2	1 315.6	1 192.1	907.1	873.7
Net sales	618.4	564.3	539.5	534.6	541.2	447.8
EBITDA	81.7	31.9	46.6	48.7	55.8	42.0
Operating profit	60.3	10.5	20.0	8.9	37.3	26.9
Income before taxes	57.6	7.2	17.0	2.3	33.5	25.6
Net sales outside Finland, %	63	63	62	55	49	42
Equity ratio, %	43.5	42.2	43.5	40.0	48.1	55.2
Net gearing, %	4.2	7.0	40.8	55.1	19.6	-18.7
Return on equity, %	17.7	1.7	5.8	0.4	11.8	8.8
Return on capital employed, %	16.5	3.2	6.4	3.1	14.6	12.2
Personnel average	3 430	3 397	3 414	2 810	2 662	2 447

CALCULATION OF KEY RATIOS

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

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

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

Gearing, % = $\dfrac{\text{Interest-bearing liabilities - liquid funds}}{\text{Shareholders' equity}}$

Financial Statements of the Parent company (FAS)

BALANCE SHEET, PARENT COMPANY

ASSETS

EUR million	Note	31.12.2011	31.12.2010
Non-current assets			
Investments			
Shares in group companies	8	271.9	205.3
Receivables from group companies	9	0.0	7.0
Shares in associated and joint venture companies	8	188.5	0.0
Total Non-current assets		**460.4**	**212.3**
Current assets			
Receivables from group companies	9	29.7	0.0
Prepaid expenses and accrued income		0.3	0.0
Cash and bank balances		0.0	0.0
Total Current assets		**30.0**	**0.0**
Total Assets		**490.4**	**212.4**

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	Note	31.12.2011	31.12.2010
Shareholders' equity	10		
Share capital		38.0	38.0
Invested non-restricted equity fund		164.1	164.1
Retained earnings		-0.2	0.0
Net income for the period		10.6	-0.2
Total Shareholders' equity		212.6	201.9
Accounts payable		0.0	0.0
Liabilities to group companies	9	275.2	10.3
Other current liabilities		0.8	0.0
Accruals and deferred income		1.8	0.1
Total Current liabilities		**277.9**	**10.4**
Total Shareholders' equity and liabilities		**490.4**	**212.4**

INCOME STATEMENT, PARENT COMPANY

EUR million	Note	1-12/2011	4-12/2010
Net sales	2	3.0	0.0
Other operating income	3	0.0	0.0
Personnel expenses	4	-4.1	-0.1
Other operating expenses	3	-2.1	-0.0
Operating profit		**-3.1**	**-0.1**
Financial income and expenses	5		
Dividend income from group companies		10.3	0.0
Interest and other financial income		0.0	0.0
Interest and other financial expenses		-7.0	-0.0
Income before extraordinary items		**0.2**	**-0.2**
Extraordinary items	6	10.5	0.0
Income before taxes		**10.8**	**-0.2**
Income taxes	7	-0.2	0.0
Net income		**10.6**	**-0.2**

CASH FLOW STATEMENT, PARENT COMPANY

EUR million	1-12/2011	4-12/2010
Net income	0.2	-0.2
Financing items	-3.4	0.0
Other changes	-6.4	-0.0
Change in receivables	-3.2	0.0
Change in liabilities	9.7	0.0
Cash flow from operations	**-3.0**	**-0.1**
Interests paid	-0.2	-0.0
Other financial items paid	-0.0	-0.0
Dividends received	10.3	0.0
Interests received	0.0	0.0
Taxes paid	-0.5	0.0
Cash flow from operating activities	**6.6**	**-0.2**
Acquired group companies	-66.5	0.0
Acquired associated companies	-188.5	-0.0
Direct taxes	0.0	-3.1
Cash flow from investing activities	**-255.0**	**-3.1**
Change in short-term loans	248.6	3.3
Change in short-term receivables	-0.2	0.0
Financial total	**248.4**	**3.3**
Change in liquid funds	**-0.0**	**0.0**
Liquid funds at the beginning	0.0	0.0
Liquid funds 31 Dec	0.0	0.0
Change in liquid funds	**-0.0**	**0.0**

> Notes to the Financial Statements, Parent company

1. Accounting principles, Parent company

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

Revenue recognition

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

Use of estimates

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

Fixed assets and depreciation

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

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

Other tangible assets are not subject to depreciation.

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

Financial assets

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

Foreign currency transactions

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

Derivative instruments

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

Grants received

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

Income taxes

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

Provisions

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

Employee benefits

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

Research and development costs

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

Leasing

All leasing payments have been expensed in the income statement.

Extraordinary items

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

2. NET SALES

NET SALES BY PRODUCT SEGMENT

EUR million	2011	4-12/2010
Civilian products	3.0	0.0
Total	**3.0**	**0.0**

REVENUES RECOGNITION

EUR million	2011	4-12/2010
Delivery based net sales	3.0	0.0
Total	**3.0**	**0.0**

3. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME

EUR million	2011	4-12/2010
Service revenues	0.0	0.0
Total	**0.0**	**0.0**

OTHER OPERATING EXPENSES

EUR million	2011	4-12/2010
Rental expenses	0.2	0.0
Consulting services	0.1	0.0
Travel expenses	0.3	0.0
ICT and office expenses	0.1	0.0
Public fees and permits	0.0	0.0
Sales and marketing expenses	1.2	0.0
Other operating expenses	0.2	0.0
Total	**2.1**	**0.0**

4.PERSONNEL EXPENSES

EUR million	2011	4-12/2010
Salaries and fees paid to members of the Board of Directors, Consultative Committee and President and CEO	0.7	0.1
Other wages and salaries	2.8	0.0
Pension and pension insurance costs	0.5	0.0
Other indirect personnel expenses	0.1	0.0
Total	**4.1**	**0.1**

NUMBER OF PERSONNEL, AVERAGE

	2011	4-12/2010
Salaried staff	14	0
Total	**14**	**0**

5. FINANCIAL INCOME AND EXPENSES WITHIN THE GROUP

EUR million	2011	4-12/2010
Dividend income	10.3	0.0
Other interest and financial income	0.0	0.0
Interest and other financial expenses	-7.0	-0.0
Exchange gains and losses	-0.0	0.0
Total	**3.4**	**-0.0**

6. EXTRAORDINARY ITEMS

EUR million	2011	4-12/2010
Group contributions	10.5	0.0
Total	**10.5**	**0.0**

7. DIRECT TAXES

EUR million	2011	4-12/2010
Income tax from extraordinary items	2.7	0.0
Income tax from continuing operations	-2.6	0.0
Total	**0.2**	**0.0**

8. INVESTMENTS

SHARES IN SUBSIDIARIES

EUR million	2011	2010
1.1.	205.3	0.0
Additions	66.5	205.3
Total 31.12.	271.9	205.3

SHARES IN ASSOCIATED COMPANIES

EUR million	2011	2010
1.1.	0.0	0.0
Additions	188.5	0.0
Total 31.12.	188.5	0.0

Patria Oyj bought the shares of Patria Aviation Oy, Millog Oy and Nammo AS from Patria Finance Oyj on 7 March 2011.

9. RECEIVABLES AND LIABILITIES

CURRENT RECEIVABLES FROM GROUP COMPANIES

EUR million	2011	2010
Accounts receivable	2.8	0.0
Prepaid expenses and accrued income	26.7	0.0
Other receivables	0.2	7.0
Total	**29.7**	**7.0**

PREPAID EXPENSES AND ACCRUED INCOME

EUR million	2011	2010
Taxes	0.3	0.0
Other	0.0	0.0
Total	**0.3**	**0.0**

CURRENT LIABILITIES TO GROUP COMPANIES

EUR million	2011	2010
Accounts payable	0.4	0.0
Accruals and deferred income	22.9	7.0
Other liabilities	251.9	3.3
Total	**275.2**	**10.3**

10. SHAREHOLDERS' EQUITY

EUR million	2011	2010
Share capital 1 Jan (1 Apr)	38.0	0.0
Share issues. registered	0.0	38.0
Share capital 31 Dec	38.0	38.0
Invested non-restricted equity fund 1 Jan (1 Apr)	164.1	0.0
Share issues	0.0	164.1
Invested non-restricted equity fund 31 Dec	164.1	164.1
Retained earnings 1 Jan (1 Apr)	-0.2	0.0
Retained earnings 31 Dec	-0.2	0.0
Net income	10.6	-0.2
Total shareholders' equity 31 Dec	**212.6**	**201.9**

DISTRIBUTABLE FUNDS

EUR million	2011	2010
Invested non-restricted equity fund 1 Jan (1 Apr)	164.1	164.1
Net income	10.6	-0.2
Retained earnings 31 Dec	-0.2	0.0
Distributable funds	**174.5**	**163.9**

11. COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	2011	2010
Guarantees given on behalf of Group companies	150.7	188.5
Guarantees given on own behalf	0.9	0.0
Total	**151.6**	**188.5**

LEASING COMMITMENTS

EUR million	2011	2010
Payments due next year	0.0	0.0
Payments due 1 to 5 years	0.0	0.0
Total	**0.1**	**0.0**

> Board of Directors' proposal for profit distribution

The parent company's non-restricted equity on December 31, 2011 is EUR 174,532,974.20 of which the net profit for the financial period is EUR 10,626,163.60.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.27 be paid on the shares. Under the proposal, the total amount of dividends will be EUR 10,266,708.96. The Board of Directors further proposes that the remaining non-restricted equity, EUR 164,266,265,24 be retained and carried forward.

Helsinki, 23 March 2012

Christer Granskog, Chairman
Kirsi Komi, Vice Chairman

Yvonne Eisele
Ilkka Hollo
Arto Honkaniemi
Jussi Itävuori
Heikki Allonen, President and CEO

> Auditor's Statement

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

Helsinki, 23 March 2012

Ernst & Young Oy
Authorized Public Accountant Firm

Harri Pärssinen
Authorized Public Accountant

> Risk management and internal auditing

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

Risk management and internal control are an important part of Patria's management system. They enable management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build, maintain and develop shareholder value. Risk management and internal control also help to ensure that operational and profitability targets can be achieved and loss of resources prevented. Furthermore, risk management and internal control help to ensure appropriate reporting, compliance with laws and regulations, as well as avoid damage to Patria's reputation.

Patria has a Risk management and internal control policy, approved by the Board of Directors, that specifies the tasks, objectives, components, responsibilities and authorities.

The primary responsibility for risk management and internal control lies with the business units and support functions performing the day-to-day control and risk management activities, largely through established processes and project management controls. Patria's support functions provide guidelines for risk management and internal control, and perform monitoring on different levels. The Internal Audit Function and the Auditors, security and quality auditors, as well as customers, monitor and evaluate the effectiveness of risk management and internal control.

The Board provides the ultimate oversight and direction for risk management and internal control. The Audit Committee of the Board monitors the effectiveness of risk management and internal control. The CEO is responsible for the proper functioning and monitoring of the Group's risk management and internal control. Patria also has a risk management steering group that supports the Group and business unit management in the planning, development, and implementation of risk management processes.

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

Due to the nature of Patria's business operations, individual sales agreements can be very large in relation to the Group's annual turnover. They may include product development, require extensive subcontracting and other co-operation with third parties, and result in deliveries that take place over several years. Moreover, the contents of deliveries and the forms of industrial co-operation implemented together with partners can be complex in nature. The risks and uncertainties involved in such agreements and projects are typically versatile and significant, requiring thorough assessment and management.

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

In 2011, Patria continued to implement its risk management and internal control policy, as well as launching the Internal Audit Function.

The Patria Group has appropriate insurance coverage in place. In determining the scope, arrangement, and management of such coverage, Patria is assisted by a major insurance brokerage community.

Corporate social responsibility report will be published on Patria's internet pages in June 2012.

> Corporate governance statement

Applicable legal provisions

Administration of the Patria Group is subject to the provisions of the Finnish Companies Act and other legislation relevant to the Group's operations. In addition, the Group follows other guidelines and recommendations as applicable to the handling of good corporate governance in companies in which the Finnish state is the majority shareholder. The shareholders of the Patria Group – the Finnish state and European Aeronautic Defence and Space Company EADS N.V. – have also signed a shareholders' agreement that contains certain provisions applicable to the administration of the Group.

Group organisation and administrative system

The Patria organisation is operationally divided into Business Units. The division into Business Units does not fully correspond to the Group's legal structure.

The major legal portion of the Patria Group consists of the parent company, Patria Oyj (known under the business name Patria Holding Oyj until 31 May 2011), and its wholly owned subsidiaries. In addition to wholly owned subsidiaries, the Patria Group owns 55% of Millog Oy.

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

Consultative Committee

According to the Articles of Association, Patria Oyj must have a Consultative Committee appointed by the General Meeting of Shareholders. The Articles of Association further state that the Board of Directors shall consult the Consultative Committee on matters that concern any marked curtailment or expansion of operations or any vital changes to the company's organisation, or which are otherwise of great importance to the industry that the company is engaged in, either in Finland or internationally. The Consultative Committee consists of a chairman, a vice-chairman, and a maximum of ten other members. During the financial period under review, the committee had 11 members. As a general rule, the Consultative Committee has convened four times a year. In 2011, the parent company's Consultative Committee convened four times. The average attendance of the members of the Consultative Committee was 82%.

Composition of the Board of Directors and the election procedure

According to the Articles of Association as currently in force, the Board of Directors of Patria Oyj consists of a chairman, a vice-chairman, and a minimum of three and a maximum of seven other members. In the financial period under review, the Board had six members. The General Meeting of Shareholders elects the chairman, the vice-chairman, and other Board members, and decides on their remuneration. The Board members are elected for one year at a time, their terms of office ending at the close of the first General Meeting of Shareholders held subsequent to their election. The Board of Directors meets at least eight times a year. The Board convened eleven times in 2011. The average attendance of Board members was 98 %.

Principal duties of the Board of Directors and distribution of tasks

The Board of Directors is responsible for the management of the Patria Group and the appropriate organisation of its operations, in accordance with legislation, the Articles of Association and any instructions issued by the General Meeting of Shareholders. In addition to its statutory duties, the Board's principal duty is to make decisions on the Group's strategic policy, as well as to monitor and control the Group's business operations, to ensure that the Group follows the legal provisions relevant to its operation in a commercially appropriate manner, providing added value to its owners. The Board also makes decisions on the Group's key operating principles, approving annually the Group's financial targets and operational objectives, as well as its financial statement and any interim reports. Furthermore, the Board decides on major investments and confirms the ethical values and operational principles of the Group, as well as monitoring adherence to these values. The Board also approves the broad outline of the Group's organisational and functional structure and specifies the company's dividend distribution policy.

The Board of Directors has set up a Nomination and Compensation Committee as well as an Audit Committee. The Nomination and Compensation Committee consists of three members. It prepares the Group's and the management's payroll structures, as well as any bonus and incentive systems. It also approves key appointments. The Audit Committee also consists of three members. Its task is to follow and monitor, among other operations, the implementation of the Group's internal supervision, risk management and financial reporting. No other particular distribution of tasks has been agreed upon among Board members.

The company's President and CEO and the Group management

Patria Oyj's president and CEO is responsible for managing the company's and the Patria Group's business activities and administration, in accordance with the provisions of the Companies Act and any guidelines or rules issued by the Board of Directors. The President and CEO is assisted in Group management by the Board of Management, which convenes monthly. In addition, the Group management meets as and when necessary for management purposes.

Compensation

The information of the compensation system is available in the attachment of the Financial Statement, see chapter 7. Personnel expenses.

System of supervision

In accordance with the Companies Act, the Board of Directors must ensure that the supervision of accounts and financial management has been organised appropriately. The President and CEO shall ensure that the company's accounting complies with legislation and that the financial administration is reliably organised. The Group's management is responsible for ensuring that the Group's day-to-day operations comply with all of the relevant legal provisions and Board resolutions, and that Group risk management has been organised in an appropriate manner. The Group's division into Business Units makes management work more effective and well defined, and facilitates the organisation of effective supervision. An operational reporting system has been set up for the Group's financial supervision. It produces versatile information on the Group's financial standing and development on a monthly basis. The Group has a clearly defined decision-making hierarchy for investments. The company's auditors report their observations at least once a year to the relevant business units and to the Group's financial management, as well as to the Board of Directors and the Audit Committee. The auditors also submit a statutory auditors' report to the company's shareholders.

Patria

Kaivokatu 10 A, 00100 Helsinki
info@patria.fi