
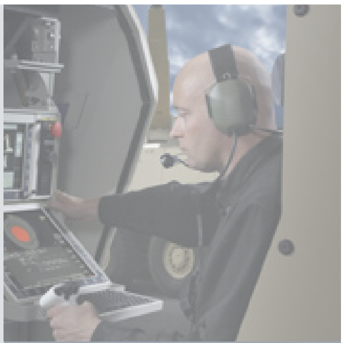
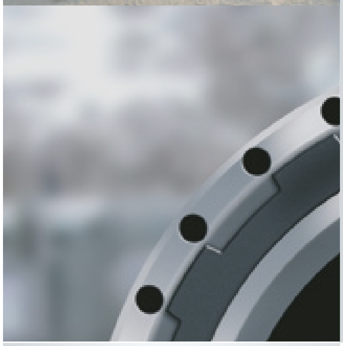

Patria

FINANCIAL REVIEW 2015






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Board of Directors' Report

New orders and order stock

The value of new orders received during the Financial Period was EUR 299.0 million (EUR 875.7 million in 2014). The amount of new orders in 2014 was exceptionally large due to the strategic partnership agreement signed between Millog Oy and The Finnish Defence Forces. Defence material and life cycle support accounted for 92% (95%) and civilian products for 8% (5%) of the new orders. At the end of December, the Group's order stock was EUR 1 056.4 million (EUR 1 201.7 million).

Net sales and profitability

The Group's net sales for the Financial Period decreased as predicted 7.5% from 2014 and totalled EUR 427.7 million (EUR 462.0 million in 2014 and EUR 589.5 million in 2013). Defence material and maintenance accounted for 93% (89%) and civilian products for 7% (11%) of the net sales. Sales outside Finland for the Financial Period accounted for 31% (50%) of the net sales.

The Group's operating profit for the Financial Period was EUR 46.8 million, representing 10.9% of net sales (2014: EUR 56.0 million, 12.1%; 2013: EUR 87.8 million, 14.9%). The consolidated income before taxes for the Financial Period amounted to EUR 44.4 million (2014: EUR 54.7 million; 2013: EUR 84.7 million). The Group's return on equity for the Financial Period was 19.0% (2014: 18.7%; 2013: 21.4%).

During the financial period many projects and partnership projects important for the future of the Group proceeded. One important change involved was when both Finnish Army repair shops and Navy maintenance centres were integrated into the Group and part of Millog Business Unit. The State of Finland as the owner, in collaboration with the management and the board of the company, explored opportunities for finding an industrial partner for Patria and thereby opening up new business opportunities for the company.

During the financial year, and in its latter half in particular, signs of revival were evident in the defence industry market due to the erosion of global security. At the same time, the global economy continued its decline and increasing competition in many markets prolonged some ongoing tenders.

Financing and ownership

The Group's equity ratio at the end of December was 49.8% (2014: 45.3%; 2013: 56.1%) and net gearing 15.9% (2014: 17.0%; 2013: -6.3%).

Consolidated liquid funds at the end of December amounted to EUR 8.0 million (EUR 30.4 million). The Group's interest-bearing liabilities totalled EUR 42.1 million (EUR 62.6 million) at the end of December. The interest-bearing liabilities included finance lease liabilities of EUR 22.9 million (EUR 21.9 million).

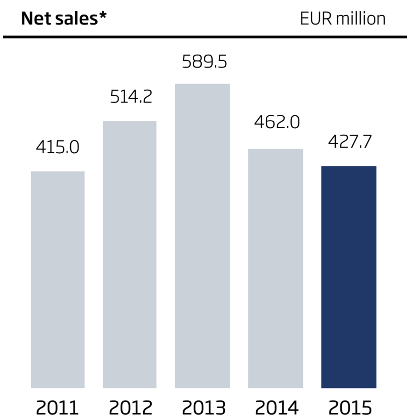
The shareholders of Patria Oyj are the State of Finland with 90.4% stake, Governia Oy with 0.025% stake and Patria Oyj with approximately 9.6% stake.

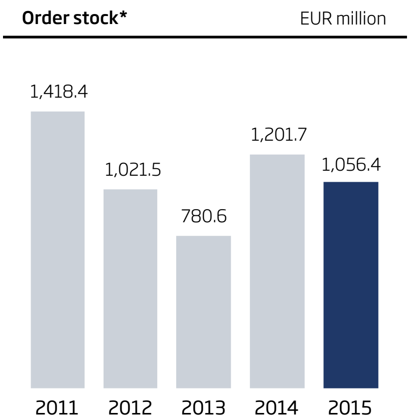
The company has one series of shares comprising a total of 30,804,848 shares.

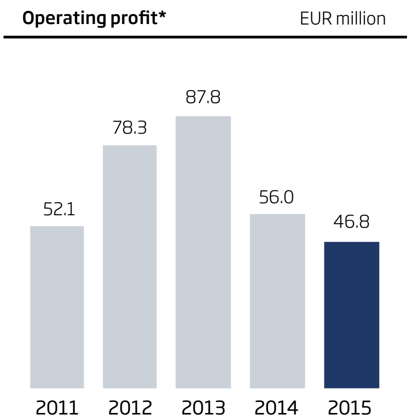
Changes in the Group's structure

In May 2015, Patria and RUAG Sweden AB, a subsidiary of the Swiss company RUAG AG, concluded an agreement on the space unit of Patria becoming part of RUAG's space business. The 29 employees of Patria's Space unit in Tampere were transferred to the newly founded company RUAG Space Finland.

In December 2015, Millog Oy focused its sensor technology development and demanding system integration production to Oricopa Oy, and Millog's group structure was also simplified. After the structural changes, the Millog group consists of Millog Oy and its two fully owned subsidiaries, Oricopa Oy (as of 11 January 2016, Senop Oy) and Oricopa Kiinteistöt Oy.







* The years 2011–2013 pro forma due to the change of Nammo's consolidation method. From the year 2014 onwards, in Patria's financial statements, Nammo is consolidated using the equity method.

Capital expenditures

The Group's gross investments for the Financial Period totalled EUR 23.9 million (EUR 8.1 million). There were no acquisitions in 2015.

Research and development

The Group's expenditure on research and development for the Financial Period amounted to EUR 7.3 million (EUR 7.3 million), representing 1.7% (1.6%) of the net sales. The most significant research and development areas included armoured wheeled vehicles, turret systems, composite structures for aircraft and their manufacturing processes, aeronautical research, data links, fire control systems, electronic intelligence, simulators and optronics.

Personnel

During the Financial Period the Group employed an average of 2,806 (2014: 2,546; 2013: 2,612) persons. At the end of December the personnel totalled 2,754 (2014: 2,445; 2013: 2,583). The increase in the number of personnel is mainly due to the Finnish Army repair shops and Navy maintenance centres employees becoming part of the Group's Millog Business Unit.

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. All Patria employees are part of a yearly bonus plan. In 2015, the total amount of salaries and wages paid was EUR 138.2 million (2014: EUR 125.0 million; 2013: EUR 126.8 million).

During the Financial Period, cooperation negotiations were held in Aerostructures and Land business units. The aim was to adjust the organisation of the business units to correspond to the current market, to ensure future competitiveness, and to maintain and secure strategically important functions and competences.

Patria conducted employee cooperation negotiations in its Land business unit in February 2015 involving all employees. The resulting need for staff cuts was 55 clerical workers and 19 employees. In addition, 10 production employees were temporarily laid off at the end of the year.

Patria conducted employee cooperation negotiations in its Aerostructures business unit in May 2015 involving all employees. The staff reduction need was defined as nine persons. This will include both temporary and permanent layoffs. Furthermore, almost all personnel were temporarily laid off for a maximum of four weeks, in addition to which 15 people were placed on part-time layoffs.

In March 2015, Patria carried out a personnel survey which was completed by 82% of the personnel. According to the survey, Patria's strengths are the personnel's satisfaction with their superiors and high commitment, team spirit and occupational safety. The majority of the respondents feel that they have enough scope to operate and are treated fairly. They are also proud of their work and the employment is long-term. They feel that their occupational environment is secure. As per the survey, clear areas in need of development include trust in the company's ability to develop and be renewed, employees own development needs, presence of the management and communication. The implementation of corrective measures was monitored by each business unit.

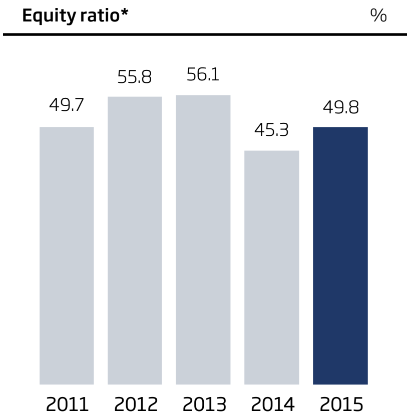
Key events during year 2015

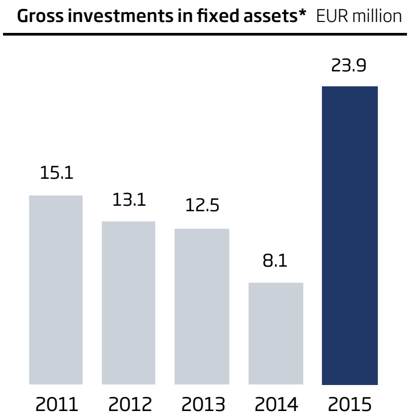
In January 2015, Patria and Kongsberg Defence & Aerospace AS signed a partnership agreement on participation in certain projects focusing on the delivery of important vehicle and weapon systems to the Middle East.

Poland's Ministry of Defence placed an additional order for AMV 8x8 vehicles from Patria's Polish partner, Rosomak S.A. Patria will deliver component kits for approximately 200 vehicles to Rosomak S.A. for assembly under Patria licence. The deliveries will take place during 2015–2019. The order is worth EUR 90 million.

The Finnish National Police Board, Patria, Portalify Oy and Codea Oy signed an agreement for the delivery of a Common Field Command System (KEJO) for all Finnish Public Protection and Disaster Relief (PPDR) authorities. It will be implemented in 2015–2017. The total value of the agreement is approximately EUR 23 million.

In February, Patria participated in the international defence and security industry's International Defence Exhibition and Con-





* The years 2011–2013 pro forma due to the change of Nammo's consolidation method. From the year 2014 onwards, in Patria's financial statements, Nammo is consolidated using the equity method.

ference (IDEX 2015) held in Abu Dhabi, the United Arab Emirates. Patria presented the Patria AMV armoured wheeled vehicle, the Nemo training simulator and Millog's optronics products.

In March, Patria and the Finnish Defence Forces signed a strategic partnership agreement on the provision of life-cycle services for military aviation systems. It covers life-cycle support services for the Finnish Defence Forces' military aircraft and aviation systems, for example the F/A-18 Hornet fighters of the Finnish Air Force and the NH90 transport helicopters of the Finnish Army, and related systems.

In April, the Kazakhstan Civil Aviation Academy and Patria signed a continuation agreement on the provision of commercial pilot training for a second group of students. Patria Pilot training will train 14 Kazakh students by the end of 2016.

In June, a decision was made to locate the Patria Pilot Training flight school at Tampere–Pirkkala airport and to found a new aviation training centre there. Operations in the new facilities currently under construction will begin in May 2017.

The Finnish Defence Forces received the last, i.e. the 20th NH90 helicopter. The initial assembly was completed, and the project will continue as a retrofit project in which the helicopters in primary configuration will be fitted to the final operational configuration.

In September, Patria and BAE Systems Australia have offered an armoured vehicle integrated with a combat proven turret as the solution that will meet the Australian Army's mounted combat reconnaissance requirements.

Patria exhibited the latest member of the Patria AMV product family, Patria AMVXP IFV variant at DSEI event in London. Also, the Patria Nemo training simulator was featured, and Millog's HUSKY night vision devices were presented.

In October, Patria Helicopters AB signed a contract for the delivery of NH90 spare parts to the Swedish Armed Forces. The total value of the agreement is approximately EUR 9.1 million.

In November, Patria Pilot Training completed training of the first group of Kazakh students in co-operation with the Kazakhstan Civil Aviation Academy. The students have received commercial pilot training according to European Aviation Safety Agency´s (EASA) regulations.

Patria and Rauma Marine Constructions (RMC) agreed to collaborate in the implementation of the Finnish Defence Forces' Squadron 2020 project. Such collaboration will enable the construction of vessels, the optimisation of weapons systems and the future maintenance and upgrading of vessels based on Finnish know-how and experience.

In December, the Finnish Defence Forces placed an order with Patria for the upgrade of seven Hawk Mk51 jet trainers' avionics systems. Patria has already upgraded the cockpits and avionics systems of Hawk Mk51A and Hawk Mk66 aircraft, and now the same modifications will be implemented in Hawk Mk51s during the next two years.

Patria delivered the last NH90 helicopter to Sweden under the NH90 assembly agreement concluded in 2001, and correspondingly, Finland received the first NH90 helicopter under the NH90-retrofit agreement concluded in 2013.

Administration

Patria Oyj's Annual General Meeting held in Helsinki on 24 March 2015 adopted the Consolidated Financial Statements for the financial period that ended on 31st December 2014. It was also resolved to discharge the members of the Board of Directors and the President from liability for the financial period of 2014. Furthermore, the Annual General Meeting resolved, according to the Board of Directors' proposal, to distribute a dividend of EUR 0.50 per share, totally EUR 13,920,944.50.

Christer Granskog, MSc (Eng.) continued as the Chairman of the Board of Directors of Patria Oyj, and Kirsi Komi, Master of Laws, as the Vice Chairman. Kari Rimpi, Lieutenant General retired continued as member. Sari Helander, CFO, Posti Group Oyj and Marko Hyvärinen, Financial Counsellor, Prime Minister's Office, Ownership Steering Department, were elected as the new members of the Board of Directors.

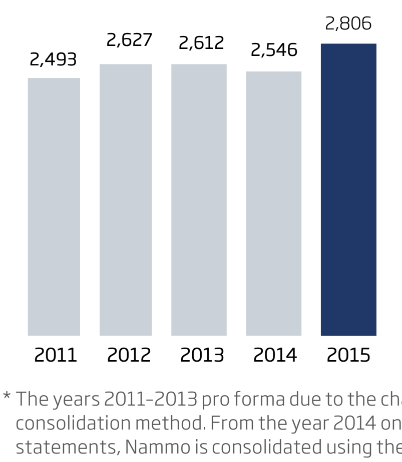
Patria Oyj's Board has nominated a Nomination and Compensation Committee and an Audit Committee to assist the Board.

The Nomination and Compensation Committee had, during the financial year 2015, three members: Christer Granskog, MSc (Eng.) as the chairman, Kari Rimpi, Lieutenant General retired and Marko Hyvärinen, Financial Counsellor, Prime Minister's Office, Ownership Steering Department. The Nomination and Compensation Committee prepares the compensation structures of the company management, compensation- and benefits programs and decides on the most important management nominations.

The Audit Committee had, during financial year 2015, three members: Kirsi Komi, Master of Laws (chairman), Sari Helander, CFO, Posti Group Oyj and Marko Hyvärinen, Financial Counsellor, Prime Minister's Office, Ownership Steering Department. The Audit Committee supervises and monitors execution and organization of internal controls within the Patria Group, risk management and financial reporting as well as preparation of the financial statements. In addition to this, the Audit Committee is responsible for supervising and monitoring of the Compliance and Ethics issues and related activities within Patria. As regards other duties of the Board, no specific sharing of such duties has been agreed upon by the Board.

Raimo Vistbacka, Master of Laws, continued as the Chairman of Patria Oyj's Consultative Committee and Thomas Blomqvist, M.P., continued as the Vice Chairman. Of the other members Jussi Karimäki, Equipment Assembler, Patria, Juha Kuusi, System Specialist, Patria, Seppo Kääriäinen, M.P., Petri Peltonen, Director General, Department of Enterprise and Innovation, Ministry of Employment and the Economy, Tuula Peltonen, M.P., Petri Pitkänen, Workshop Manager, Patria, Juha Rannikko, Vice

Personnel average*



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Admiral, Chief of Defence Command Finland and Kari Tolvanen, M.P continued as members. Eero Järvinen, Armoured Vehicle Mechanic, Patria was appointed as a new member of the Consultative Committee.

Patria Oyj's Additional Annual General Meeting held in Helsinki on 4 November 2015 appointed the new composition of Patria's Consultative Committee. Sinuhe Wallinheimo, M.P., was appointed as the Chairman and Kalle Hyötynen, member of Tampere City Council, as the Vice Chairman. Mika Kari, M.P., Mikko Savola, M.P. and Kari Takanen Rear Admiral, Navy Commander were appointed as new members of the Consultative Committee. Petri Peltonen, Director General, Department of Enterprise and Innovation, Ministry of Employment and the Economy, Raimo Vistbacka, Master of Laws, Eero Järvinen, Armoured Vehicle Mechanic, Patria, Jussi Karimäki, Equipment Assembler, Patria, Juha Kuusi, System Specialist, Patria and Petri Pitkänen, Workshop Manager Patria, continued as members.

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

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

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

Risks and uncertainties

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

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

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

The National Bureau of Investigation of Finland has conducted its pre-trial investigations concerning former Patria Vehicles Oy's (currently Patria Land Services Oy) vehicle deals in Slovenia and Croatia. The State Prosecutor has pressed charges against former Patria employees for aggravated bribery in relation to the both export projects and demanded a corporate fine to be imposed on Patria Land Services Oy.

Related to the Slovenian export project in year 2006, the Turku Court of Appeal dismissed all charges on 30 June 2015. The State Prosecutor had accused former Patria employees of aggravated bribery in relation to the Slovenian project and demanded that a corporate fine be imposed on Patria Land Services Oy. The District Court had previously dismissed all charges. The Court of Appeal raised the amount of legal expenses ordered to be paid by the State of Finland for proceedings in the District Court and obliged the State to reimburse the legal fees of Patria Land Services Oy and other defendants also in the Court of Appeal.

In 16 February 2015 the District Court of Kanta-Häme issued its judgment sentencing two former Patria employees to conditional imprisonment for aggravated giving a bribe in relation to the Croatian export project during 2005–2008. Also a corporate fine of EUR 297,000 was imposed on Patria Land Services Oy. Patria appealed against the verdict and the process continued in the Appeal Court in autumn 2015. After the financial period in February 2016, the Turku Court of Appeal in its decision overturned the earlier judgment by the District Court and dismissed all bribery charges and corporate fine related to the Croatian export project. The state was ordered to compensate Patria for legal costs and the prolonged trial. The deadline for requesting a right of appeal is 18 April 2016.

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

Corporate social responsibility

Patria's operations are based on and governed by laws, regulations, international agreements and Patria's own policies. The corporate social responsibility report (CSR) is an integral part of Patria's Annual Report 2015. The Board of Directors, Audit Committee and the Board of Management received regularly reports on activities and issues relating to corporate social responsibility.

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

For Patria, being a good partner means long term, constructive collaboration with customers, subcontractors, vendors and other stakeholders. Other stakeholders include owners, personnel, non-governmental organisations (NGOs), schools, students and the media. Good partnership means ensuring open and transparent relationships and achieving the trust and endorsement of the authorities, customers, professional employees, as well as professional, trustworthy, open and transparent collaboration satisfying to all parties. During 2015 development of internal activities and operations was continued in order to increase competitiveness and efficiency. Firmer controls were implemented with respect to sourcing chain management so as to ensure the level of ethical conduct of the suppliers. Regular meetings with NGOs were agreed upon. Main efforts were focused also on group level communication and open dialogue with stakeholders to increase transparency.

Ethical conduct is an essential foundation for Patria's operations and decision making. It ensures our stakeholders' confidence in the company's operations. During the financial period ethical conduct continued to develop. In April 2015 Transparency International UK published the Defence Companies Anti-Corruption Index 2015 study, in which Patria's ranking was increased compared to a previous study in 2012.

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

The Board of Management is responsible for steering of the company social responsibility related activities, which increase transparency and dialogue within the group. Responsibility for ethical conduct and monitoring is clearly documented in the Board's Audit Committee's charter.

Patria's CEO has clearly communicated his requirement for zero tolerance for unethical practices in various occasions internally and externally. Patria carried out ethical on-line training for the whole personnel in Finland in addition to targeted class room training sessions. Furthermore, all new employees received ethical training. The ethical conduct reporting channels including an anonymous reporting channel were available.

Employee well-being is developed continuously. It is measured e.g. against sickness absence rates and number of work-related accidents.

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

Patria's environmental policy regulates that environmental impact and risks are to be considered in all business planning, operations and management. All Patria's major operational locations are covered with ISO14001 environmental certificate.

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

As part of Society's Commitment to Sustainable Development, coordinated by the Ministry of the Environment, Patria pledged to develop the energy efficiency of the real estate property it manages and to further enhance occupational safety in order to reduce the number of accidents at work.

Events after the financial period

After the financial year, in January 2016, Patria received an order for Patria AMV 8x8 wheeled vehicles from the UAE Armed Forces, a continuation of collaboration between the UAE Armed Forces and Patria. The vehicles are manufactured by Patria's partner in Poland on a tight schedule.

In February 2016, the Turku Court of Appeal in its decision overturned the earlier judgment by the District Court and dismissed all bribery charges and corporate fine related to the Croatian export project. The state was ordered to compensate Patria for legal costs and the prolonged trial. The deadline for requesting a right of appeal is 18 April 2016.

Outlook

The outlook for the Group's operations is expected to continue stable and the net sales for the year 2016 are expected to grow. Patria's domestic main customer, The Finnish Defence Forces, have significant projects in progress. These projects are extremely important to Patria and to Finland's entire defence industry and its future. The development of the order stock depends on whether certain large export projects, now at the tendering stage, are launched on international markets in Australia and in the Middle East. Internal action will be taken to increase the cost-effectiveness and flexibility of operations.

The process to look for an industrial partner to become a minority shareholder in Patria started by the State of Finland is estimated to be completed during the first half of 2016. The goal is to find an industrial partner for Patria opening new opportunities for further development of the company's business especially in the international markets.

Board of Directors' proposal for profit distribution

The parent company's non-restricted equity on December 31, 2015 is EUR 242,123,803.98 of which the net profit for the financial period is EUR 14,543,519.73.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.50 per share be paid on the shares owned by the State of Finland and Governia Oy. Under the proposal, the total amount of dividends will be EUR 13,920,944.50. The Board of Directors further proposes that the remaining non-restricted equity, EUR 228,202,859.48 be retained and carried forward.

Annual General Meeting 2016

The Annual General Meeting of Patria Oyj will be held on 6 April 2016 in Helsinki, Finland.

Consolidated Financial Statements (IFRS)

Consolidated Balance Sheet

EUR million	Note	31.12.2015	31.12.2014
Assets			
Non-current assets			
Intangible assets	11		
Development expenses		0.0	0.1
Intangible rights		2.0	2.4
Goodwill	8, 11	25.0	25.0
Other long-term expenditures		3.4	3.5
Advance payments		0.0	0.3
Tangible assets	11		
Land and water		2.3	2.2
Buildings and constructions		47.7	42.3
Machinery and equipment		18.6	18.8
Other tangible assets		0.2	0.2
Advance payments and construction in progress		7.5	2.2
Investments in joint ventures	12	149.2	139.6
Other shares	13	0.2	0.2
Deferred tax assets	10	6.2	7.3
Other receivables		7.2	7.0
Long-term receivables from joint ventures	12	0.1	0.1
Total Non-current assets		**269.7**	**251.1**
Current assets			
Inventories			
Raw materials and supplies		42.4	31.4
Work in progress		22.4	20.3
Finished goods		1.4	1.6
Advance payments		7.9	2.7
Receivables			
Accounts receivable	2	102.1	112.1
Receivables from joint ventures	12	1.5	2.2
Other receivables		1.9	1.5
Prepaid expenses and accrued income	14	18.0	37.1
Derivative financial instruments	22	0.3	0.3
Current tax asset		0.3	0.6
Financial assets at fair value through income statement	16	0.0	12.7
Cash and cash equivalents		8.0	17.7
Total Current assets		**206.1**	**240.1**
Total Assets		**475.8**	**491.3**

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

EUR million	Note	31.12.2015	31.12.2014
Shareholders' equity and liabilities			
Shareholders' equity	18		
Share capital		38.0	38.0
Revaluation fund	17	-1.2	-0.4
Invested non-restricted equity fund		164.1	164.1
Translation differences		10.0	9.7
Retained earnings		-47.9	-79.3
Net income for the period		38.4	48.1
Equity attributable to shareholders of parent company		**201.4**	**180.1**
Non-controlling interests		**12.5**	**9.2**
Total Shareholders' equity		**213.9**	**189.3**
Non-current liabilities			
Deferred tax liability	10	1.6	1.3
Pension provisions	7	4.0	4.6
Provisions	20	42.4	49.4
Interest bearing liabilities	2, 19	29.8	29.6
Total Non-current liabilities		**77.8**	**84.9**
Current liabilities			
Interest bearing liabilities	2, 19	12.3	33.0
Advance payments		45.1	73.2
Accounts payable		20.1	24.2
Liabilities to joint ventures	12	0.9	0.0
Other current liabilities		12.8	10.3
Accruals and deferred income	15	91.0	75.3
Derivative financial instruments	22	0.9	0.8
Current tax liability		0.9	0.2
Total Current liabilities		**184.1**	**217.0**
Total Shareholders' equity and liabilities		**475.8**	**491.3**

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

Consolidated Income Statement

EUR million	Note	1–12/2015	%	1–12/2014	%
Net sales	4	**427.7**		**462.0**	
Other operating income	5	7.6		11.5	
Share of result in joint ventures		12.8		17.0	
Change in inventories of finished goods and work in progress		1.7		1.4	
Production for own use		3.1		0.0	
Raw materials and supplies		-131.5		-146.7	
Change in inventories of raw materials		11.8		-38.8	
Services purchased		-36.8		-29.3	
Employee benefit expenses	7	-170.0		-154.7	
Depreciation, amortization and impairments	8	-14.0		-14.7	
Other operating expenses	5	-65.6		-51.7	
Operating profit		**46.8**	10.9%	**56.0**	12.1%
Financial income and expenses	9				
Interest and other financial income		0.1		0.9	
Interest and other financial expenses		-2.4		-2.5	
Exchange gains and losses		-0.1		0.4	
Income before taxes		**44.4**	10.4%	**54.7**	11.8%
Income taxes	10	-6.0		-6.6	
Profit for the period		**38.4**	9.0%	**48.1**	10.4%
Net income attributable to non-controlling interests		4.7		2.6	
Net income attributable to equity shareholders		33.7		45.5	
Profit for the period		**38.4**	9.0%	**48.1**	10.4%

Consolidated Statement Of Comprehensive Income

EUR million	1–12/2015	%	1–12/2014	%
Profit for the period	38.4		48.1	
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods				
Cash flow hedges	-0.8		-0.8	
Change of translation difference	0.3		-3.4	
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gains/losses on defined benefit plans	0.6		-0.3	
Share of comprehensive income in joint ventures	0.7		-4.0	
Total comprehensive income	**39.2**	9.2%	**39.7**	8.6%
Total comprehensive income attributable to non-controlling interests	4.9		2.3	
Total comprehensive income attributable to equity shareholders	34.3		37.4	
Total comprehensive income	**39.2**	9.2%	**39.7**	8.6%

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

Consolidated Cash Flow Statement

EUR million	Note	1–12/2015	1–12/2014
Net income for the period		38.4	48.1
Depreciation, amortization and impairments	8	14.0	14.7
Other adjustments			
Share of result in joint ventures		-12.8	-17.0
Dividends received from joint ventures		5.4	9.8
Financing items and taxes		-3.0	-4.0
Other adjustments		0.1	0.0
Financing items		2.2	1.3
Taxes	10	6.0	6.6
Change in receivables		24.3	105.3
Change in payables		-15.4	-55.5
Change in inventories		-18.8	36.6
Cash flow from operations		**40.5**	**145.8**
Interest received		0.2	0.9
Interest paid		-0.6	-0.7
Other financial items		-0.4	0.3
Income taxes paid		-3.4	-16.1
Cash flow from operating activities		**36.3**	**130.1**
Other capital expenditures		-21.3	-8.1
Sale of other fixed assets and other changes		0.9	0.0
Other changes and exchange rate differences		-0.2	-0.2
Cash flow from investing activities		**-20.6**	**-8.3**
Repayments of long-term loans		-0.7	-4.5
Change in short-term financing		-20.8	21.0
Financial assets at fair value through income statement		12.7	-1.7
Dividends paid to equity shareholders		-13.9	-38.0
Dividends paid to non-controlling interests		-1.5	-1.8
Other changes		-1.0	-0.1
Purchase of own shares		0.0	-136.1
Cash flow from financing activities		**-25.3**	**-161.2**
Change in liquid funds		**-9.6**	**-39.4**
Change		-9.6	-39.4
Liquid funds at the beginning of the period		17.7	57.1
Liquid funds at the end of the period		**8.0**	**17.7**
Exchange rate difference		0.0	0.0

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

Reconciliation of Equity

EUR million	Share capital	Invested non-restricted equity fund	Revaluation fund	Translation differences	Retained earnings	Equity attributable to shareholders of parent company	Non-controlling interests	Total Shareholders' equity
Opening balance	38.0	164.1	-0.4	9.7	-31.2	180.1	9.2	189.3
Dividends paid					-13.9	-13.9		-13.9
Other comprehensive income			-0.8	0.3	1.3	0.8		0.8
Non-controlling interests					-4.9	-4.9	3.3	-1.5
Exchange rate difference					1.0	1.0		1.0
Corrections to previous year's bookings					-0.1	-0.1		-0.1
Net income for the period					38.4	38.4		38.4
31 Dec 2015	**38.0**	**164.1**	**-1.2**	**10.0**	**-9.5**	**201.4**	**12.5**	**213.9**

EUR million	Share capital	Invested non-restricted equity fund	Revaluation fund	Translation differences	Retained earnings	Equity attributable to shareholders of parent company	Non-controlling interests	Total Shareholders' equity
Opening balance	38.0	164.1	0.3	10.7	102.9	316.0	8.3	324.4
Dividends paid					-38.0	-38.0		-38.0
Other comprehensive income			-0.8	-1.0	-6.6	-8.4		-8.4
Other changes					-1.5	-1.5	0.8	-0.7
Purchase of own shares					-136.1	-136.1		-136.1
Net income for the period					48.1	48.1		48.1
31 Dec 2014	**38.0**	**164.1**	**-0.4**	**9.7**	**-31.2**	**180.1**	**9.2**	**189.3**

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

Notes to the Consolidated Financial Statements

1. Accounting principles for the consolidated financial statements

DESCRIPTION OF BUSINESSES

Patria is a defence and aerospace group with international operations delivering its customers competitive solutions based on own specialist know-how and partnerships. Patria is owned by the State of Finland 90.4% and Governia Oy and Patria Oyj 9.6% in total.

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

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

BASIS OF PRESENTATION

The Consolidated Financial Statements of Patria have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union including International Accounting Standards ("IAS") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") effective on 31.12.2015.

USE OF ESTIMATES AND JUDGEMENTS

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

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

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

PRINCIPLES OF CONSOLIDATION

Subsidiaries

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

Associated companies

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

Joint ventures

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

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

FOREIGN CURRENCY TRANSACTIONS

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

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

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

REVENUE RECOGNITION

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

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

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

RESEARCH AND DEVELOPMENT COSTS

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

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

INCOME TAXES

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

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

PROPERTY, PLANTS AND EQUIPMENT

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

The assessed economic lives are as follows:
- Buildings 10 to 30 years
- Machinery and equipment 3 to 15 years
- Other tangible assets 3 to 20 years

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

GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

GRANTS RECEIVED

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

IMPAIRMENTS

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

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

LEASES

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

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

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

EMPLOYEE BENEFITS

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

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. Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

PROVISIONS

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

DIVIDENDS

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

SEGMENT REPORTING

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

APPLICATION OF NEW AND AMENDED IFRS STANDARDS AND IFRIC INTERPRETATIONS

The new and amended standards in 2015 did not have any material impact on financial statements.

The new and amended standards in 2016 are not expected to have any material impact on financial statements.

The new and amended standards and interpretations effective after the year 2016 and onwards are currently being evaluated in terms of their impact on the Group's profit for the period, financial position and presentation of the financial statements. The International Accounting Standards Board has issued three new standards, IFRS 15, Revenue from Contracts with Customers, IFRS 9, Financial Instruments and IFRS 16, Leases which are relevant to the Group. IFRS 15 and IFRS 9 are effective starting on January 1, 2018 and IFRS 16 on January 1, 2019.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue is recognized when, or as, the customer obtains control of the goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, IFRS 15 requires a set of quantitative and qualitative disclosures.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts.

2. Financial risk management

MAIN PRINCIPALS OF FINANCIAL RISK MANAGEMENT

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

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

Financial risks are later divided into currency risk, interest rate risk, liquidity and 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 RISKS

The objective of currency risk management is to hedge against exchange rate fluctuations affecting the future cash flow, result and balance sheet. Foreign currency exposures, which include binding sales, purchase and finance contracts 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. 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 euro would have strengthened or weakened against the currency in question on the balance sheet date. The sensitivity is calculated for a five percent exchange rate change.

The most significant currency exposures on 31 December 2015 were in the Swedish krona (SEK), and United States dollar (USD).

IFRS 7 Sensitivity analysis – sensitivity to exchange rate fluctuations 2015

EUR million	SEK	USD
Net exposure	0.7	1.4
Euro strengthens / weakens 5% – Effect on income before taxes	-0.0 / 0.0	-0.1 / 0.1
Euro strengthens / weakens 5% – Effect on equity	-0.0 / 0.0	0.7 / -0.8

IFRS 7 Sensitivity analysis – sensitivity to exchange rate fluctuations 2014

EUR million	SEK	USD
Net exposure	1.0	-0.2
Euro strengthens / weakens 5% – Effect on income before taxes	-0.0 / 0.1	0.0 / -0.0
Euro strengthens / weakens 5% – Effect on equity	-0.1 / 0.1	0.3 / -0.3

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 2015, the average interest fixing term of the liabilities was 3.8 years (3.6) and that of the receivables three months.

Interest fixing periods

EUR million	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Finance lease liablilities	4.6	0.3	3.5	-	14.5	22.9
Loans from financial institutions	-	-	0.5	-	1.7	2.1
Other interest-bearing liabilities	10.0	-	-	-	7.1	17.1
Interest-bearing receivables	-8.0	-	-	-	0.0	-8.0
Total 2015	**6.6**	**0.3**	**4.0**	**0.0**	**23.2**	**34.1**

EUR million	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Finance lease liablilities	5.2	0.3	-	3.6	12.8	21.9
Pension loans	1.9	1.9	-	-	-	3.8
Loans from financial institutions	-	-	-	-	2.7	2.7
Other interest-bearing liabilities	27.0	-	-	-	7.3	34.3
Interest-bearing receivables	-30.4	-	-	-	0.0	-30.4
Total 2014	**3.7**	**2.2**	**0.0**	**3.6**	**22.7**	**32.2**

On 31 December 2015, Group's interest-bearing liabilities totalled EUR 42.1 million (62.6) out of which EUR 32.2 million (49.5) was fixed rate and EUR 9.9 million (13.1) was floating rate. Interest-bearing receivables were EUR 8.0 million (30.4) out of which EUR 8.0 million (17.7) was floating rate and EUR 0.0 million (12.7) 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 2015, would lead to an decrease in annual net interest expenses of EUR 0.02 million (0.05). A corresponding decrease in interest rates would result in an equal effect of opposite sign. Open interest derivatives totalled EUR 0.5 million (0.5) on 31 December 2015.

LIQUIDITY AND REFINANCING RISKS

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

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

On 31 December 2015 the average maturity of the Group's interest-bearing liabilities was 3.4 years (3.5). The amounts in the Maturity Distribution table below are undiscounted.

Maturity distribution of financial instruments

EUR million	2016	2017	2018	2019	2020	2021–	Total
Finance lease liablilities	1.6	1.6	1.6	1.6	1.6	15.0	22.9
Loans from financial institutions	0.6	0.6	0.6	0.3	0.1	0.0	2.1
Other interest-bearing liabilities	10.2	0.2	0.2	0.3	0.3	6.0	17.1
Derivative financial liabilities	0.9	0.0	0.0	-	-	-	0.9
Derivative financial assets	-0.1	-0.1	-0.1	-	-	-	-0.3
Interest payments	0.4	0.4	0.4	0.3	0.3	1.5	3.4
Total 2015	**13.5**	**2.6**	**2.6**	**2.5**	**2.3**	**22.5**	**46.1**

EUR million	2015	2016	2017	2018	2019	2020–	Total
Finance lease liablilities	1.5	1.5	1.5	1.5	1.5	14.5	21.9
Pension loans	3.8	-	-	-	-	-	3.8
Loans from financial institutions	0.6	0.6	0.6	0.6	0.3	0.1	2.7
Other interest-bearing liabilities	27.2	0.2	0.1	0.5	0.5	5.7	34.3
Derivative financial liabilities	0.8	-	-	-	-	-	0.8
Derivative financial assets	-0.3	-0,0	-0,0	-0,0	-	-	-0.3
Interest payments	0.5	0.4	0.4	0.4	0.3	1.9	3.9
Total 2014	**34.0**	**2.7**	**2.6**	**2.9**	**2.6**	**22.2**	**67.0**

As a part of its liquidity reserves on 31 December 2015, Patria Oyj had the following unused financial reserves: commercial paper program totalling EUR 90.0 million (73.0), credit facilities totalling EUR 25.0 million (25.0), as well as overdraft facilities totalling EUR 15.5 million (15.5).

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	2015	2014
Undue accounts receivables	59.9	85.2
Accounts receivables 1–30 days overdue	34.9	14.4
Accounts receivables 31–60 days overdue	3.1	1.3
Accounts receivables more than 60 days overdue	4.2	11.1
Total	**102.1**	**112.1**

OPERATIONAL RISKS OF THE TREASURY FUNCTIONS

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

OTHER MARKET RISKS

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

CAPITAL MANAGEMENT

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

INSURANCES

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

3. Acquisitions and divestments

In 2015 there were no significant business arrangements.

4. Items related to percentage of completion method

EUR million	2015	2014
Products	155.0	274.4
Services	272.6	187.6
Total	**427.7**	**462.0**

EUR million	2015	2014
Delivery based net sales	329.2	234.2
Percentage of completion method invoicing	98.5	227.8
Total	**427.7**	**462.0**

EUR million	2015	2014
Aggregate amount of costs incurred and recognised profits (less losses) to date	1,283.2	1,184.7
Less progress billings and advances	-1,315.1	-1,183.2
Construction contracts in progress, net position	**-31.9**	**1.5**
Amounts due from customers for contract work	13.4	33.9
Amounts due to customers for contract work	-45.3	-32.4
Construction contracts in progress, net position	**-31.9**	**1.5**
Advances received	29.2	56.1
Construction contracts remaining order stock	303.8	301.2

5. Other operating income and expenses

Other operating income

EUR million	2015	2014
Rental income	2.4	2.7
Capital gain on sale of fixed assets	0.5	0.0
Service revenues	0.4	0.5
Other operating income	4.0	8.1
Grants received	0.3	0.2
Total	**7.6**	**11.5**

Other operating expenses

EUR million	2015	2014
Research and development	-0.3	-0.6
Rents	-10.4	-7.2
Losses on sale of fixed assets	0.0	-0.0
Travel expenses	-7.6	-6.7
Real estate expenses	-18.9	-17.1
Other operating expenses*	-28.4	-20.1
Total	**-65.6**	**-51.7**

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

Principal independent auditor's fees and services

EUR million	2015	2014
Audit fees	-0.2	-0.2
Other audit related fees	-0,0	-0.1
Other services	-0.1	-0,0
Total	**-0.4**	**-0.3**

6. Research and development expenses

EUR million	2015	2014
Research and development expenses, total	-7.3	-7.3
Research and development costs expensed during financial period	-5.2	-5.2

7. Employee benefit expenses

EUR million	2015	2014
Salaries and fees paid to Members of Board, Consultative Committee and President and CEO	-0.7	-0.9
Other wages and salaries	-137.5	-124.1
Pension and pension insurance expenses	-22.8	-21.3
Other employer costs	-9.0	-8.5
Total	**-170.0**	**-154.7**

Compensation to Board of Directors and attendance at meetings

		Attendance at meetings		
1,000 EUR	2015	Board	Audit Committee	Nomination and Compensation Committee
Board members 31 December 2015				
Christer Granskog, Chairman	42	12/12		4/4
Kirsi Komi, Vice Chairman	32	12/12	4/4	
Sari Helander [1)]	20	10/10	3/3	
Marko Hyvärinen [1)]	22	10/10	3/3	3/3
Kari Rimpi	26	12/12		3/3
Former Board members				
Arto Honkaniemi [2)]	9	2/2	1/1	1/1
Total	**151**			

[1)] Starting 24 March 2015
[2)] Until 24 March 2015

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

[1)] Until 11 December 2014

Compensation to the Board of Directors includes a monthly remuneration to Chairman EUR 2,750, Vice Chairman EUR 1,850 and members EUR 1,500 each, as well as meeting fees of EUR 600 paid to each member of the board for each meeting attended as well as for meetings of the Board committees attended. Starting April 24, 2013 meeting fee of EUR 1,200 has been paid to the Board and Committee members living abroad.

Compensation to Consultative Committee and attendance at meetings

1,000 EUR	2015	Attendance at meetings 2015
Consultative Committee members 1 January-31 December 2015		
Sinuhe Wallinheimo, Chairman [1)]	0	1/1
Kalle Hyötynen, Vice Chairman [1)]	1	1/1
Mika Kari [1)]	1	1/1
Petri Peltonen	3	3/3
Mikko Savola [1)]	1	1/1
Kari Takanen [1)]	1	1/1
Raimo Vistbacka (Chairman until 4 November 2015)	5	3/3
Thomas Blomqvist, Vice Chairman [2)]	2	1/2
Seppo Kääriäinen [2)]	2	2/2
Tuula Peltonen [2)]	3	2/2
Juha Rannikko [2)]	1	1/2
Kari Tolvanen [2)]	2	1/2
Total	**22**	

[1)] Starting 4 November 2015
[2)] Until 4 November 2015

Personnel representatives attendance at meetings: Eero Järvinen (2/2), Ilkka Kokko (1/1), Jussi Karimäki (3/3), Juha Kuusi (3/3) and Petri Pitkänen (3/3). Separate meeting fees were not paid for their participation.

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

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

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

COMPENSATION TO CEO AND MANAGEMENT

Salaries, fees and benefits paid to the President and CEO during 2015 totalled EUR 511,131.48 (EUR 695,927) consisting of

- base salary of EUR 360,179.07 (EUR 360,179.07) (including salary of EUR 343,071.07 and benefits of EUR 17,108.00),
- yearly bonus (earning period 2014) EUR 99,843.00 (earning period 2013 of EUR 149,114.13), and
- EUR 51,109.41 based on years 2012-2014 long term incentive plan.

The yearly bonus represents 27.7% (41.4% of the CEO's base salary and reflects a payout ratio of 46.2% (69.0%) of the maximum bonus of 60% available for the CEO for 2015.

The yearly bonus to be paid to the CEO in 2016 for the earning period 2015 is EUR 131,825.54 (36.6% of base salary of year 2015 and 61.0% of the maximum bonus payout).

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

The President and CEO is assisted in Group management by the Board of Management, which included 7 members. The salaries, fees and benefits paid to the members of the Board of Management totalled EUR 1,845,450.30 (EUR 1,647,482.75).

The remuneration of the President and CEO and the other members of the Board of Management for 2015 was based on a fixed monthly salary (including fringe benefits) and a performance-based compensation. Annual performance-based compensation plan can provide a bonus corresponding to a maximum of 50% annual salary, except for the CEO where the maximum is 60% of annual salary. The remunerations are agreed using the 'one above' principle, and the remuneration of the CEO is agreed by the Board of Directors.

During the financial period the members of the Board of Management of Patria along with eight other persons have been participants in three separate three-year performance-based Long Term Incentive Plans i.e. for the years 2013–2015, 2014–2016 and 2015–2017 (2014: 2012–2014, 2013–2015 and 2014–2016). In addition bonuses were paid based on the 2012–2014 incentive plan during the financial period (2014: 2010–2012). Incentive plans have been set up by the Board of Directors in accordance with the respective Finnish State ownership policy.

The 2013–2015, 2014–2016 and 2015–2017 plans consist of a number of strategic targets set and the financial performance of the Company over the programme period. The highest potential remuneration in each program depending on the participant's organisational standing is 40%, 50% or 60% of a participant's annual base salary per year during the whole three-year period of each program. The outcome of the plan is subject to the Board of Directors' approval.

The remunerations will be paid to the participants during three financial periods after each program has ended. The outcome of the 2012–2014 plan was 45.9% (2014: 2010–2012, 37%) of the highest potential remuneration and will be paid to the participants in three instalments during the years 2015, 2016 and 2017 subject to the terms of the plan. The company has made a relating cost provision in the balance sheet totalling EUR 868,652 (EUR 280,000).

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

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

Defined benefit contribution plans expose the Group to various risks which may have influence to the amount of defined benefit obligations. Such risks are changes in corporate bond yields, inflation and life expectancy. If corporate bond yields used as a reference to the discount rate change, the Group may have to change the discount rates used. This will have an effect both on the defined benefit obligation and the recognized remeasurement in other comprehensive income. Some of the Group's defined benefit obligations are linked to general inflation and higher general inflation will increase the present value of the defined benefit obligation. The defined benefit obligations of the Group are related to producing benefits to both employed and retired personnel. Increase in life expectancy may increase the defined benefit obligation of the Group.

Expenses of employment benefits

EUR million	2015	2014
Pension expenses – Defined contribution plans	-22.7	-21.2
Pension expenses – Defined benefit plans	-0.1	-0.1
Total	**-22.8**	**-21.3**

Expense recognised in profit or loss

EUR million	2015	2014
Service cost	-0.0	-0.0
Net interest	-0.0	-0.1
Expense recognised in profit or loss	**-0.1**	**-0.1**

Statement of financial position

EUR million	2015	2014
Defined benefit obligation	12.7	9.6
Fair value of plan assets	-8.7	-5.0
Funded status	4.0	4.6
Liability in the balance sheet	4.0	4.6

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

Defined benefit obligation (DBO)

EUR million	2015	2014
Opening defined benefit obligation	9.6	2.0
Addition of defined benefit obligation	0.0	2.2
Current service cost	0.0	0.0
Interest cost	0.1	0.2
Benefits paid	-0.1	-0.1
Actuarial gain (-) / loss (+)	3.0	5.2
Past service cost	0.0	0.0
Settlements	0.0	0.0
Closing defined benefit obligation	**12.7**	**9.6**

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

Fair value of plan assets

EUR million	2015	2014
Opening fair value of plan assets	5.0	0.0
Interest income	0.1	0.1
Contribution paid	0.1	0.1
Benefits paid	-0.1	-0.1
Actuarial gain (+) / loss (-)	3.6	4.9
Settlements	0.0	0.0
Closing fair value of plan assets	**8.7**	**5.0**

Expected contribution paid in the next fiscal period:

Expected contribution

EUR million	Estimate 2016	2015	2014
Expected contribution	0.0	0.1	0.0

Changes in other comprehensive income

EUR million	2015	2014
Recognised remeasurements in other comprehensive income in the beginning of the period	-0.3	0.0
Actuarial gain (+) or loss (-) on obligation	-3.0	-5.2
Actuarial gain (+) or loss (-) on plan assets	3.6	4.9
Recognised remeasurements in other comprehensive income in the end of the period	0.3	-0.3

Plan assets

	2015	2014
Qualifying insurance policies	100%	100%

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

SENSITIVITY ANALYSIS

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

Sensitivity analysis of actuarial assumptions as of 31.12.2015

EUR million	Change in defined benefit obligation	Change in plan assets	Change in defined benefit obligation, %	Change in plan assets, %
Change in discount rate, +0.5 percent point	-1.1	-0.6	-9%	-8%
Change in salary increase, +0.5 percent point	0.0	0.0	0%	0%
Change in mortality, + 1 year in life expectancy	0.4	0.2	3%	2%
Change in benefit increase, +0.5 percent point	1.3	0.0	10%	0%
Change in Insurance Company's bonus index, +0.5 percent point	0.0	0.8	0%	9%

Census data used in this valuation is as follows:

Census data

	2015	2014
Number of actives	32	32
Number of pensioners	25	25
Number of deferred	291	291
Average age actives (years)	53	53
Average remaining service time	8	8
Average serving time	6	6

8. Depreciation and impairments

Depreciation according to plan and impairments

EUR million	2015	2014
Development expenses	-0.1	-1.2
Intangible rights	-1.1	-2.1
Other long-term expenditures	-0.9	-0.7
Buildings and constructions	-4.1	-3.2
Machinery and equipment	-7.8	-7.5
Other tangible assets	-0,0	0.0
Total	**-14.0**	**-14.7**

IMPAIRMENT TESTS

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

Discount rate is the weighted average pre-tax cost of capital (WACC) as defined for Patria. The components of WACC are risk-free yield rate, market risk premium, industry specific beta, cost of debt, average capital structure of the industry and a premium for asset specific risk. The WACC used in the calculations was 10% p.a. in 2015 (10%).

In connection with the impairment testing a sensitivity analysis was performed in which the cash flows of the cash generating units were decreased and the discount rates were increased. Based on the performed sensitivity analysis it seems unlikely that a reasonably possible change in cash flows (10%-20%) or in the discount rate (1-3 percent point) while other assumptions remain constant would lead to impairment. According to the impairment test, there was no need for goodwill impairment.

Goodwill by Business Unit

EUR million	2015	2014
Land	8.9	8.9
Aviation	7.8	7.8
Systems	1.7	1.7
Millog	6.6	6.6
Total	**25.0**	**25.0**

EUR million	2015	2014
1 Jan	25.0	24.7
Translation differences	-0,0	0.3
31 Dec	**25.0**	**25.0**

9. Financial income and expenses

EUR million	2015	2014
Interest income		
Deposits and investments	0.1	0.2
Other	0.0	0.7
Other financial income	0.0	0.0
Interest expenses		
Interest bearing liabilities	-0.6	-0.7
Financial lease	-1.4	-1.3
Other financial expense	-0.3	-0.5
Exchange rate difference		
Foreign exchange derivatives, non-hedge accounted	-1.9	-2.1
Other	1.8	2.4
Total	**-2.4**	**-1.3**

Aggregate foreign exchange gains and losses included in consolidated income statement

EUR million	2015	2014
Net sales	-0.4	0.6
Expenses	-0.2	-0.1
Financial income and expenses	-0.1	0.4
Total	**-0.7**	**0.8**

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

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

EUR million	2015	2014
Foreign exchange rate derivative contracts under hedge accounting	-0.1	-0.1
Total	**-0.1**	**-0.1**

10. Income taxes

EUR million	2015	2014
Income taxes	-4.3	-4.3
Income taxes previous period	-0,0	0.0
Change in deferred tax receivable	-1.4	-2.4
Change in deferred tax liability	-0.3	0.1
Total	**-6.0**	**-6.6**

Differences between income tax expense calculated at statutory rates compared to the income statement (tax rate in Finland 2015: 20%, 2014: 20%)

EUR million	2015	2014
Income tax expense at statutory rate	-8.9	-10.9
Effect of statutory tax rates of foreign companies	0.0	0.1
Untaxed income	1.3	0.0
Non-deductible expenses	-0.3	-0.1
Utilization of confirmed losses	0.5	1.2
Fiscal losses of the period	-0.5	-0.3
Effect of associated company result	2.6	3.4
Other items	-0.6	0.1
Income taxes	**-6.0**	**-6.6**

Reconciliation of deferred tax receivables

EUR million	2015	2014
Fixed assets depreciation differences	1.0	0.6
Untaxed reserves	3.9	4.9
Fair value of derivative financial instruments	0.3	0.1
Other temporary differences	1.0	1.6
	6.2	**7.3**
1 Jan	7.3	9.5
Income statement	-1.4	-2.4
Fair value of derivative financial instruments	0.2	0.1
Equity	0.0	0.1
31 Dec	**6.2**	**7.3**

Reconciliation of deferred tax liabilities

EUR million	2015	2014
Fixed assets depreciation differences	1.6	1.3
Accruals	0.0	-0.0
Fair value of derivative financial instruments	0.0	0.0
	1.6	**1.3**
1 Jan	1.3	1.6
Income statement	0.3	-0.1
Equity	0.0	-0.1
Fair value of derivative financial instruments	0.0	-0.1
31 Dec	**1.6**	**1.3**

The tax losses, for which no deferred tax assets are recognized due to the uncertainty of the utilization of the losses, amounted to EUR 22.6 million in the year of 2015 (EUR 18.2 million).

11. Intangible and tangible assets

Intangible assets

EUR million	Goodwill	Development expenses	Intangible rights	Other long-term expenditures	Advance payments	Total
Acquisition cost 1 Jan 2015	28.9	44.8	22.1	10.3	0.3	106.5
Translation differences	0.1	0.0	0.0	0.0	0.0	0.1
Reclassifications	0.0	0.0	0.2	0.5	-0.3	0.4
Scrapping	0.0	0.0	-1.9	-0.2	0.0	-2.1
Additions	0.0	0.0	0.4	0.3	0.0	0.7
Disposals	-0.0	0.0	-3.1	-0.2	0.0	-3.2
Acquisition cost 31 Dec 2015	29.0	44.8	17.9	10.7	0.0	102.4
Accumulated amortization and impairment losses 1 Jan 2015	-3.9	-44.8	-19.8	-6.8	0.0	-75.3
Translation differences	-0.1	0.0	0.0	0.0	0.0	-0.1
Scrapping	0.0	0.0	1.9	0.2	0.0	2.1
Disposals	0.0	0.0	3.1	0.2	0.0	3.2
Amortization for the period incl. exchange rate diff. in P&L	0.0	-0.1	-1.1	-0.9	0.0	-2.0
Accumulated amortization and impairment losses 31 Dec 2015	-4.0	-44.8	-15.9	-7.3	0.0	-72.0
Net book value at 31 Dec 2015	**25.0**	**0.0**	**2.0**	**3.4**	**0.0**	**30.4**

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

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 2015	2.2	100.1	100.7	1.6	2.2	206.8
Translation differences	0.0	0.2	0.1	0.0	0.0	0.3
Reclassifications	0.0	1.4	0.5	-0.0	-2.4	-0.5
Scrapping	0.0	-1.7	-11.5	-0.1	0.0	-13.3
Additions	0.1	8.2	8.2	0.1	8.4	25.0
Disposals	-0.0	-0.3	-12.2	0.0	-0.6	-13.1
Acquisition cost 31 Dec 2015	2.3	108.0	85.8	1.7	7.5	205.2
Accumulated depreciation and impairment losses 1 Jan 2015	0.0	-57.8	-81.9	-1.5	0.0	-141.2
Translation differences	0.0	-0.1	-0.1	0.0	0.0	-0.2
Scrapping	0.0	1.7	11.5	0.1	0.0	13.3
Disposals	0.0	0.2	11.1	0.0	0.0	11.3
Depreciation for the period incl. exchange rate diff. in P&L	0.0	-4.1	-7.8	-0.0	0.0	-12.0
Accumulated depreciation and impairment losses 31 Dec 2015	0.0	-60.2	-67.2	-1.4	0.0	-128.8
Net book value at 31 Dec 2015	**2.3**	**47.7**	**18.6**	**0.2**	**7.5**	**76.4**

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

Tangible assets include capitalized finance leases as follows:

EUR million	Buildings and constructions	Machinery and equipment	Total
Acquisition cost 1 Jan 2015	36.3	6.8	43.2
Additions	2.6	0.0	2.6
Accumulated depreciation	-16.6	-6.8	-23.5
Net book value at 31 Dec 2015	**22.3**	**0.0**	**22.3**
Acquisition cost 1 Jan 2014	36.3	6.8	43.2
Accumulated depreciation	-15.0	-6.8	-21.9
Net book value at 31 Dec 2014	**21.3**	**0.0**	**21.3**

12. Investments in joint ventures

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

2014

EUR million	Domicile	Ownership %	Assets	Liabilities	Net sales	Profit/Loss
Nammo AS	Raufoss, Norway	50.0	443.6	210.7	445.0	22.7

Shares in joint ventures

EUR million	2015	2014
1 Jan	139.6	140.0
Share of results in joint ventures	12.8	17.0
Share of comprehensive income in joint ventures	0.7	-4.0
Dividend income	-5.4	-9.8
Exchange rate differences and other changes	1.6	-3.6
31 Dec	**149.2**	**139.6**

Business operations with joint ventures

EUR million	2015	2014
Sales to joint ventures	1.7	22.2
Purchases from joint ventures	0.0	1.0

Receivables and liabilities, joint ventures

EUR million	2015	2014
Subordinated loan receivable	0.1	0.1
Accounts receivable	1.5	2.2
Advance payments	0.9	0.0

13. Other shares

EUR million	2015	2014
Book value	0.2	0.2

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

14. Receivables

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

Prepaid expenses and accrued income

EUR million	2015	2014
Receivables related to POC method	13.4	33.9
Other items	4.5	3.2
Total	**18.0**	**37.1**

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	2015	2014
Accrued wages, salaries and social security costs	22.2	17.8
Liabilities related to POC method	45.3	32.4
Other items	23.4	25.1
Total	**91.0**	**75.3**

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

16. Financial assets available for sale

EUR million	Shares	Commercial papers	Total
1 Jan 2015	0.2	12.7	12.9
Deductions	0.0	-12.7	-12.7
31 Dec 2015	**0.2**	**0.0**	**0.2**

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

17. Financial instruments

REVALUATION FUND

Revaluation fund including forward contracts

EUR million	
Fair value	-1.5
Deferred taxes	0.3
Revaluation fund 31 Dec 2015	**-1.2**
Fair value changes recognized in equity	-0.9
Fair value changes recognized in income statement	-0.0
Deferred taxes	0.2
Change 2015	-0.8
Fair value	-0.6
Deferred taxes	0.1
Revaluation fund 31 Dec 2014	**-0.4**
Fair value changes recognized in equity	-0.9
Fair value changes recognized in income statement	-0.1
Deferred taxes	0.2
Change 2014	-0.8
Fair value	0.4
Deferred taxes	-0.1
Revaluation fund 31 Dec 2013	**0.3**

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

2015 EUR million	Financial assets/ liabilities at fair value through income statement Level 2	Loans and other receivables	Available for sale financial assets Level 2	Other financial liabilities	Book value	Note
Non-current financial assets						
Long-term receivables from joint ventures		0.1			**0.1**	12
Other shares		0.0	0.2		**0.2**	13
Other receivables		0.7			**0.7**	
Current financial assets						
Accounts receivable		102.1			**102.1**	2
Receivables from joint ventures		1.5			**1.5**	12
Derivative financial instruments	0.3				**0.3**	22
Cash and bank balances		8.0			**8.0**	16
Carrying amount by category	**0.3**	**112.5**	**0.2**	**0**	**113.0**	
Non-current financial liabilities						
Interest-bearing liabilities				29.8	**29.8**	19
Current financial liabilities						
Interest-bearing liabilities				12.3	**12.3**	19
Accounts payable				20.1	**20.1**	
Liabilities to joint ventures				0.9	**0.9**	12
Derivative financial instruments	0.9				**0.9**	22
Carrying amount by category	**0.9**	**0.0**	**0.0**	**63.1**	**64.1**	

2014 EUR million	Financial assets/ liabilities at fair value through income statement Level 2	Loans and other receivables	Available for sale financial assets Level 2	Other financial liabilities	Book value	Note
Non-current financial assets						
Long-term receivables from joint ventures		0.1			**0.1**	12
Other shares		0.0	0.2		**0.2**	13
Other receivables		0.5			**0.5**	
Current financial assets						
Accounts receivable		112.1			**112.1**	2
Receivables from joint ventures		2.2			**2.2**	12
Derivative financial instruments	0.3				**0.3**	22
Financial assets at fair value through income statement*			12.7		**12.7**	16
Cash and bank balances		17.7			**17.7**	16
Carrying amount by category	**0.3**	**132.6**	**12.9**	**0.0**	**145.9**	
Non-current financial liabilities						
Interest-bearing liabilities				29.6	**29.6**	19
Current financial liabilities						
Interest-bearing liabilities				33.0	**33.0**	19
Accounts payable				24.2	**24.2**	
Derivative financial instruments	0.8				**0.8**	22
Carrying amount by category	**0.8**	**0.0**	**0.0**	**86.8**	**87.6**	

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

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

18. Shareholders' equity

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

DISTRIBUTABLE FUNDS

The parent company's non-restricted equity on December 31, 2015 is EUR 242,123,803.98 of which the net profit for the financial period is EUR 14,543,519.73.

DIVIDEND PER SHARE

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.50 per share be paid on the shares owned by the State of Finland and Governia Oy. Under the proposal, the total amount of dividends will be EUR 13,920,944.50. The Board of Directors further proposes that the remaining non-restricted equity, EUR 228,202,859.48 be retained and carried forward.

The dividends paid for 2015 will be decided at the Annual General Meeting on 6 April 2016. This dividend payable is not reflected in these financial statements.

19. Liabilities

FINANCE LEASE LIABILITIES

Patria has finance leasing agreements relating mainly to buildings. Agreements mature between 2017 and 2033 and capital costs of EUR 22.3 million (21.3) are included in Buildings and constructions; the depreciation thereon was EUR 1.5 million (1.4). The aggregate leasing payments amounted to EUR 3.0 million (2.8), the interest element being EUR 1.5 million (1.4).

Finance lease liabilities minimum lease payments

EUR million	2015	2014
Not later than 1 year	3.0	2.8
1-5 years	11.9	11.2
Later than 5 years	12.6	13.8
Total	27.5	27.8
Future finance charges	-4.6	-5.9
Present value of minimum lease payments	**22.9**	**21.9**

Present value of minimum lease payments

EUR million	2015	2014
Not later than 1 year	1.6	1.5
1-5 years	6.4	5.9
Later than 5 years	15.0	14.5
Present value of minimum lease payments	**22.9**	**21.9**

20. Provisions

EUR million	2015	2014
Warranty provision	23.5	25.3
Other provision	18.9	24.2
Total	**42.4**	**49.4**

During the warranty period the claimed faults will be corrected at Patria's expense. The warranty provisions amounted to EUR 23.5 million (25.3) at the end of 2015. Provisions are based on best estimates on the balance sheet date. The provision for warranties covers the expenses due to the repair or replacement of products during their warranty period. The warranty liability is based on historical realised warranty costs and best estimates on the balance sheet date. The usual warranty period is two to four years. Other provisions include various items, such as those related to defects in quality, litigations and offset obligations. The Group has made employees redundant based on economic reasons. Some of the employees have been made redundant to unemployment pension. The related liability has been treated as pension arrangement (IAS 19:159).

21. Commitments and contingent liabilities

Contingent liabilities

EUR million	2015	2014
Guarantees given on behalf of associated companies	2.7	2.7
Guarantees given on behalf of others	2.0	2.4
Other own contingent liabilities	4.6	3.2
Total	**9.3**	**8.3**

Operating lease commitments

EUR million	2015	2014
Payments due next year	10.2	12.8
1-5 years	18.6	25.2
Payments due in thereafter	22.5	13.7
Total	**51.3**	**51.7**

Operating lease commitments of joint ventures are not included.

22. Derivative contracts

Derivative instruments

2015 EUR million	Nominal value	Positive fair values	Negative fair values	Net fair value
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts	35.1	0.3	-0.8	-0.5
Buy	11.3	0.2	-0.1	0.2
Sell	23.7	0.0	-0.7	-0.7
Currency options	0.0	0.0	0.0	0.0
Call	0.0	0.0	0.0	0.0
Put	0.0	0.0	0.0	0.0
Interest rate swap	0.5	0.0	-0.0	-0.0
Cash flow hedge	35.5	0.3	-0.8	-0.6
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	26.5	0.1	-0.1	-0.0
Buy	2.4	0.1	-0.0	0.0
Sell	24.1	0.0	-0.1	-0.1
Currency options	0.0	0.0	0.0	0.0
Call	0.0	0.0	0.0	0.0
Put	0.0	0.0	0.0	0.0
Interest rate swap	0.0	0.0	0.0	0.0
Non-hedging	26.5	0.1	-0.1	-0.0
Total	**62.0**	**0.3**	**-0.9**	**-0.6**

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

Offsetting of financial instruments

2015 EUR million	Gross amounts in balance sheet	Financial instruments – Related amounts not set off in the balance sheet	Net amount
Derivative financial assets	0.3	0.1	0.3
Derivative financial liabilities	0.9	0.1	0.9

2014 EUR million	Gross amounts in balance sheet	Financial instruments – Related amounts not set off in the balance sheet	Net amount
Derivative financial assets	0.3	0.2	0.2
Derivative financial liabilities	0.8	0.2	0.6

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

23. Related party transactions

Patria Oyj's subsidiaries are as follows:

Subsidiaries	Domicile	Ownership %
Patria Aviation Oy	Jämsä, Finland	100.0
Patria Aerostructures Oy	Jämsä, Finland	100.0
Patria Pilot Training Oy	Helsinki, Finland	100.0
Patria Svenska AB	Sigtuna, Sweden	100.0
Patria Helicopters AB	Sigtuna, Sweden	100.0
Patria Helicopters AS	Bardufoss, Norway	100.0
Patria Finance Oyj	Helsinki, Finland	100.0
Patria Land Services Oy	Hämeenlinna, Finland	100.0
Patria Vammas AB	Uddevalla, Sweden	100.0
Patria Polska Sp. z o.o.	Warsaw, Poland	100.0
Patria Land Systems Oy	Helsinki, Finland	100.0
Patria Land Systems SA (Pty) Ltd	Pretoria, South Africa	100.0
Millog Oy	Tampere, Finland	61.8
Oricopa Oy (Starting from 11 January 2016 Senop Oy)	Orivesi, Finland	100.0
Oricopa Kiinteistöt Oy	Orivesi, Finland	100.0

Net sales and purchases between the Group companies

EUR million	2015	2014
Total	50.5	51.9

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 2015. Members of the Group management and their immediate circle have not had any essential business relations with the Group companies.

24. Disputes and litigations

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

In February 2016, the Turku Court of Appeal in its decision overturned the earlier judgment by the District Court and dismissed all bribery charges and corporate fine related to the Croatian export project. The state was ordered to compensate Patria for legal costs and the prolonged trial. The deadline for requesting right of appeal is 18 April 2016.

25. Events after the balance sheet date

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

Financial Statements of the Parent company (FAS)

BALANCE SHEET

ASSETS

EUR million	Note	31.12.2015	31.12.2014
Non-current assets			
Investments			
Shares in group companies	8	222.0	222.0
Shares in joint ventures		188.5	188.5
Other shares		0.0	0.0
Total Non-current assets		**410.5**	**410.5**
Current assets			
Receivables			
Accounts receivable		0.0	0.0
Receivables from group companies	9	17.3	22.7
Other receivables		0.0	0.0
Prepaid expenses and accrued income	9	0.5	0.2
Total Current Assets		**17.8**	**23.0**
Total Assets		**428.3**	**433.5**

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	Note	31.12.2015	31.12.2014
Shareholders' equity	10		
Share capital		38.0	38.0
Other funds			
Reserve for invested unrestricted equity		164.1	164.1
Retained earnings		63.5	106.2
Net income for the period		14.5	-28.8
Total Shareholders' equity		**280.1**	**279.5**
Current liabilities			
Accounts payable		0.2	0.1
Liabilities to group companies	9	146.2	150.2
Other current liabilities		0.1	0.0
Accruals and deferred income	9	1.7	3.6
Total Current liabilities		**148.2**	**154.0**
Total Shareholders' equity and liabilities		**428.3**	**433.5**

INCOME STATEMENT

EUR million	Note	1-12/2015	1-12/2014
Net sales	2	3.9	3.3
Other operating income	3	0.0	0.0
Personnel expenses	4	-3.1	-2.2
Depreciation and value adjustments	8	0.0	-52.9
Other operating expenses	3	-6.3	-5.6
Operating profit		**-5.5**	**-57.4**
Financial income and expenses	5		
Dividend income from group companies		7.9	12.6
Interest and other financial income		0.0	0.0
Interest and other financial expenses		-2.4	-1.2
Exchange gains and losses		-0.0	0.0
Income before extraordinary items		**-0.0**	**-45.9**
Extraordinary items	6	16.3	20.1
Income before taxes		**16.2**	**-25.8**
Income taxes	7	-1.7	-2.9
Net income		**14.5**	**-28.8**

CASH FLOW STATEMENT

EUR million	1-12/2015	1-12/2014
Income before extraordinary items	-0.0	-45.9
Depreciation and value adjustments	0.0	52.9
Financing items	-5.5	-11.4
Other changes	0.0	-0.2
Change in receivables	1.4	-0.6
Change in liabilities	-3.2	-3.3
Cash flow from operations	**-7.4**	**-8.6**
Interests paid	-2.4	-1.2
Other financial items paid	-0.0	-0.0
Dividends received	7.9	12.6
Interests received	0.0	0.0
Taxes paid	-1.8	-12.4
Cash flow from operating activities	**-3.7**	**-9.6**
Other investments	0.0	-0.0
Cash flow from investing activities	**0.0**	**-0.0**
Change in short-term loans	-2.5	115.7
Dividends paid	-13.9	-38.0
Paid and received group contributions	20.1	68.0
Purchase of own shares	0.0	-136.1
Cash flow from financing activities	**3.7**	**9.6**
Change in liquid funds	**0.0**	**0.0**
Liquid funds 1 Jan	0.0	0.0
Liquid funds 31 Dec	0.0	0.0
Change in liquid funds	**0.0**	**0.0**

Notes to the Financial Statements, Parent company

1. Accounting principles, Parent company

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

REVENUE RECOGNITION

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

USE OF ESTIMATES

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

FIXED ASSETS AND DEPRECIATION

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

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

Other tangible assets are not subject to depreciation.

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

FINANCIAL ASSETS

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

FOREIGN CURRENCY TRANSACTIONS

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

DERIVATIVE INSTRUMENTS

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

GRANTS RECEIVED

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

INCOME TAXES

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

PROVISIONS

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

EMPLOYEE BENEFITS

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

RESEARCH AND DEVELOPMENT COSTS

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

LEASING

All leasing payments have been expensed in the income statement.

2. Net sales

Net sales by product segment

EUR million	2015	2014
Civilian products	3.9	3.3
Total	**3.9**	**3.3**

Revenues recognition

EUR million	2015	2014
Delivery based net sales	3.9	3.3
Total	**3.9**	**3.3**

3. Other operating income and expenses

Other operating income

EUR million	2015	2014
Other operating income	0.0	0.0
Total	**0.0**	**0.0**

Other operating expenses

EUR million	2015	2014
Rental expenses	-0.1	-0.1
Sales and marketing expenses	-1.1	-0.8
Other operating expenses	-5.1	-4.8
Total	**-6.3**	**-5.6**

4. Personnel expenses

EUR million	2015	2014
Salaries and fees paid to members of the Board of Directors, Consultative Committee and President and CEO	-0.7	-0.9
Other wages and salaries	-1.9	-0.8
Pension and pension insurance costs	-0.5	-0.5
Other indirect personnel expenses	-0.1	-0.0
Total	**-3.1**	**-2.2**

Number of personnel, average	2015	2014
Salaried staff	15	14
Total	**15**	**14**

5. Financial income and expenses

EUR million	2015	2014
Dividend income, group	7.9	12.6
Interest income, group	0.0	0.0
Interest income, other	0.0	0.0
Total	**7.9**	**12.6**

EUR million	2015	2014
Interest expenses, group	-2.4	-1.2
Interest expenses, other	-0.0	0.0
Other financial expenses, other	0.0	-0.0
Total	**-2.4**	**-1.2**

6. Extraordinary items

EUR million	2015	2014
Group contributions	16.3	20.1
Total	**16.3**	**20.1**

7. Direct taxes

EUR million	2015	2014
Income tax from continuing operations	1.6	1.1
Income tax from extraordinary items	-3.3	-4.0
Total	**-1.7**	**-2.9**

EUR million	2015	2014
Income taxes	-1.7	-2.9
Total	**-1.7**	**-2.9**

8. Investments

Shares in subsidiaries

EUR million	2015	2014
1.1.	222.0	274.9
Write-down	0.0	-52.9
Total 31.12.	**222.0**	**222.0**

Shares in joint ventures

EUR million	2015	2014
1.1.	188.5	188.5
Total 31.12.	**188.5**	**188.5**

9. Receivables and liabilities

Current receivables from group companies

EUR million	2015	2014
Accounts receivable	0.0	2.3
Prepaid expenses and accrued income	17.3	20.4
Total	**17.3**	**22.7**

Prepaid expenses and accrued income

EUR million	2015	2014
Taxes	0.3	0.2
Other receivables	0.1	0.1
Total	**0.5**	**0.2**

Current liabilities to group companies

EUR million	2015	2014
Accounts payable	0.0	2.1
Other liabilities	144.1	146.6
Accruals and deferred income	2.1	1.5
Total	**146.2**	**150.2**

Accruals and deferred income

EUR million	2015	2014
Accruals related to wages and salaries	1.7	0.9
Tax liabilities	0.0	2.1
Other liabilities	0.0	0.6
Total	**1.7**	**3.6**

10. Shareholders' equity

Changes in Shareholders' Equity

EUR million	2015	2014
Share capital 1 Jan	38.0	38.0
Share capital 31 Dec	38.0	38.0
Invested non-restricted equity fund 1 Jan	164.1	164.1
Invested non-restricted equity fund 31 Dec	164.1	164.1
Retained earnings 1 Jan	77.4	280.3
Purchase of own shares	0.0	-136.1
Dividends paid	-13.9	-38.0
Retained earnings 31 Dec	63.5	106.2
Net income	14.5	-28.8
Total shareholders' equity 31 Dec	**280.1**	**279.5**

Distributable funds

EUR million	2015	2014
Invested non-restricted equity fund 31 Dec	164.1	164.1
Retained earnings 31 Dec	63.5	106.2
Net income	14.5	-28.8
Distributable funds	**242.1**	**241.5**

11. Commitments and contingent liabilities

EUR million	2015	2014
Guarantees given on behalf of Group companies	107.5	82.0
Guarantees given on own behalf	1.0	0.9
Total	**108.5**	**83.0**

Leasing commitments

EUR million	2015	2014
Payments due next year	0.0	0.0
1–5 years	2.1	0.0
Payments due in thereafter	9.2	0.0
Total	**11.4**	**0.1**

Board of Directors' proposal for profit distribution

The parent company's non-restricted equity on December 31, 2015 is EUR 242,123,803.98 of which the net profit for the financial period is EUR 14,543,519.73.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.50 per share be paid on the shares owned by the State of Finland and Governia Oy. Under the proposal, the total amount of dividends will be EUR 13,920,944.50. The Board of Directors further proposes that the remaining non-restricted equity, EUR 228,202,859.48 be retained and carried forward.

Helsinki, 7 March 2016

Christer Granskog
Chairman

Kirsi Komi
Vice Chairman

Sari Helander

Marko Hyvärinen

Kari Rimpi

Heikki Allonen
President and CEO

Auditor's Statement

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

Helsinki, 7 March 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant

Risk management and internal control

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

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

The primary responsibility for risk management and internal control lies with the business units and Group services in their area of responsibility. Patria's Group services provide guidelines for risk management and internal control, and perform monitoring on different levels. The Internal Audit Function and the Auditors, safety 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.

Risk management

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

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

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

The risks related to Patria's major projects are assessed with regularity by the Risk and Revenue Recognition Board and the Board of Management, and thereafter reported to the Board of Directors.

Identifying business risks

The planning and implementation of strategy and meeting of business targets require systematic identification and assessment of risks and opportunities caused by the operating environment and linked to the Company's own operation, and taking them into consideration in both planning and operations. The global operating environment of the defence industry is going through a change. Defence budgets are being cut, competition is being opened up, acquisitions and mergers are taking place, new operators are emerging, the complexity of customer requirements and utilisation of new technologies are increasing and competition is getting harder. Identifying changes and their effects and taking them into consideration in planning is of paramount importance.

Vital factors for meeting Patria's strategic and operative objectives and identifying risks and opportunities are:

- the ability to anticipate and understand customer requirements and changes in these;
- developing and commercialising competitive new products, services and solutions;
- an efficient marketing and sales process;
- the ability to network and create, maintain and develop strategic partnerships with customers as well as project-specific partnerships with suppliers and subcontractors;
- efficient management of marketing, sales, supply and product development projects;
- development and maintenance of operating processes, efficiency and cost competitiveness;
- acquiring, developing and maintaining competence;
- effective allocation of resources.

Export licences related to defence industry often involve the risk of their permanent or temporary cancellation. Patria's operation is compliant with the Finnish export licence practice, which is enforced according to the statutes and their interpretations effective at a given time. The export control system is open, and each export licence is separately determined in accordance with the criteria of the EU Common Position.

Furthermore, the defence equipment industry is governed by various standards such as ISO quality standards and defence equipment industry standards AQAP and STANAG. In addition, civil aviation peration is pursuant to the provisions of EASA as well as to the corresponding US FAR rules, which are binding .

ENVIRONMENTAL RISKS

The Company's most significant environmental risks are linked to the use of hazardous materials and waste treatment. Patria identifies the environmental impacts of its operations, products and services, taking active measures to reduce such effects. The Company holds all environmental licences required by the authorities. Patria's main production facilities feature certified environmental management systems. The objective is for the environmental management systems to meet the requirements set in the new ISO 14001:2015 standard by the year 2018.

COMPLIANCE RISKS

Patria is committed to adhering to ethical conduct and the laws and regulations applied in the countries in which the Company operates as well as to the agreements and commitments signed by the Company. Patria's ethical principles have been detailed in the "Patria's Code of Conduct" policy. The guide includes instructions pertaining to common operation, which help to ensure that the entire personnel adheres to the Company's ethical principles.

The risks involved include unethical action within the Company or by its partners. This may cause a risk to reputation, an expense risk or other risks linked to operations. Patria has invested in the competence of personnel and management as well as in pre-emptive training. In addition to this, a biennial internal survey is carried out regarding the possibility of severe malpractice or fraud in the operations of Patria. The next survey will be carried out in the spring of 2016. The results of the survey will be handled in the risk-management steering group. Unethical conduct can be reported anonymously through either an internal or external channel.

Patria carries out a thorough advance due diligence process of partners and critical suppliers and specifies contractual ethics and compliance related obligations in agreements with these stakeholders.

Legal action is a common industry risk. Court cases can be initiated, for instance, by business partners and set in motion in connection with the Company's future business. There is further information of current cases on page 27 of the annual report. Patria manages and reduces its judicial risks by adhering to an internal compliance programme as well as the operating principles of administration and steering.

Patria operates in many countries and under different jurisdictions within the framework of complex regulation. Violations may occur despite the processes of Patria's ethical conduct and compliance programme and the Company's zero tolerance toward unethical conduct.

Corporate governance

Applicable statutes, guidelines and recommendations

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

Group organisation and administrative system

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

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

Consultative Committee

According to the Articles of Association, Patria Oyj must have a Consultative Committee appointed by the General Meeting of Shareholders. The Articles of Association further state that the Board of Directors shall consult the Consultative Committee on matters that concern major decrease or increase of operational activities, material changes in the company's organization, and on issues which are otherwise of material importance to the industry that the company is engaged in, either in Finland or internationally.

The Consultative Committee consists of a chairman, a vice-chairman, and a maximum of ten other members. During 2015 the committee had 11 members. As a general rule, the Consultative Committee convened three to four times a year. In 2015, the Consultative Committee convened three times. The average attendance of the members of the Consultative Committee was 91%.

Composition of the Board of Directors and the election procedure

The Board of Directors of Patria Oyj consists of a minimum of three and a maximum of eight members. Until the General Meeting of Shareholders, in 2015 the Board had four members as no new members had been nominated after resignation of some of the previous board members in December 2014 as a result of Airbus sale of its shares in Patria Oyj. As of April 2015 and the General Meeting of the Shareholders the Board had five members.

The General Meeting of Shareholders elects the chairman, the vice-chairman, and other Board members, and decides on their remuneration. The Board members are elected for one year at a time, their terms of office ending at the close of the first Annual General Meeting held subsequent to their election. The Board of Directors meets at least eight times a year. The Board convened nine times in 2015.The average attendance of Board members was 100%.

Principal duties of the Board of Directors and distribution of duties

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

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

As of 11.12.2014 the Nomination and Compensation Committee consisted of two members after some of the board members resigned as a result of Airbus sale of its shares in Patria Oyj, and as no new board members were appointed until the General Meeting of the Shareholders in 2015. As of the General Meeting of the Shareholders in April 2015 the Nomination and Compensation Committee consisted of three members.

The President and CEO and the Group management

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

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

In Patria corporate responsibility related activities and reporting are steered by Patria's Corporate Responsibility Steering Group. The activities of the Steering Group are coordinated by Patria's Communications officer Patria's General Counsel & Chief Compliance Officer and Patria´s Ethics Officer are responsible for the ethics- and compliance issues and activities in the Steering Group. The corporate responsibility related issues are reviewed in Patria´s Board of Management and are reported to the Board of Directors. Responsibility for ethics and compliance related issues rests with the Audit Committee.

Compensation and benefits

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

Monitoring and controls

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

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

Patria has an independent, external Internal Audit function, which evaluates and contributes to ensuring the efficiency and feasibility of risk management and internal controls, the reliability of financial reporting and the compliance of the operations, and which reports to the Audit Committee. The Internal Auditors comply with the International Standards for the Professional Practice of Internal Auditing. Internal Audit reports on its activities and findings to the Audit Committee and Patria's management. The Audit Committee confirms the audit plans annually. The company's auditors report their observations at least once a year to the relevant business units and to the Group's financial management, as well as to the Board of Directors and the Audit Committee. The auditors also submit a statutory auditors' report to the company's shareholders.

Patria

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