2023
FINANCIAL & GOVERNANCE

Patria

Patria

Financial & governance

Patria

Board of Directors' Report

New orders and order stock

The value of new orders received during the financial period was EUR 948.4 million (EUR 794.8 million in 2022). Commercial agreement with Slovakia on the delivery project for Patria AMV XP 8x8 vehicles had a significant impact on the value of new orders. Defence materiel and life cycle support accounted for 91% (92%) and civilian products for 9% (8%) of the new orders. At the end of December, the Group's order stock was EUR 1,942.9 million (EUR 1,751.2 million).

Net sales and profitability

The Group's net sales for the financial period totalled EUR 733.8 million (EUR 627.1 million in 2022 and EUR 547.7 million in 2021). Defence materiel and life cycle support accounted for 90% (90%) and civilian products for 10% (10%) of the net sales. Sales outside Finland for the financial period accounted for 34% (31%) of the net sales.

The Group's operating profit for the financial period was EUR 68.9 million, representing 9.4% of net sales (2022: EUR 53.8 million, 8.6%; 2021: EUR 61.2 million, 11.2%). The consolidated income before taxes for the financial period amounted to EUR 64.0 million (2022: EUR 49.7 million; 2021: EUR 56.6 million). The Group's return on equity for the financial period was 18.6% (2022: 15.8%; 2021: 20.1%).

During the financial period Patria Group's strong growth continued. Patria's net sales grew significantly, profitability improved and order stock developed strongly driven by vehicle programmes. A major part of operational focus has been on building production capacity for the new vehicle orders as well as developing and enhancing productivity of internal operating model.

The development of customer-centricity, operational efficiency and productivity and new ways of working continued in 2023 according to Patria's Horizon 2025 strategy. The focus of the development has been on Patria's Operations unit, responsible for company's production and supply chains, and Portfolio unit, responsible for Patria's product and service offering as well as its development and sales support.

Financing and ownership

The Group's equity ratio at the end of December was 40.0% (2022: 44.1%; 2021: 41.3%) and net gearing 67.5% (2022: 27.3%; 2021: 50.2%).

Consolidated liquid funds at the end of December amounted to EUR 44.1 million (EUR 88.6 million). The Group's interest-bearing liabilities totalled EUR 261.0 million (EUR 170.5 million) at the end of December. The interest-bearing liabilities included lease liabilities of EUR 82.8 million (EUR 89.9 million).

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

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

Capital expenditure and acquisitions

The Group's capital expenditure (excluding leases) for the financial period totalled EUR 17.1 million (EUR 6.7 million). Capital expenditure was mainly related to facilities and equipment, IT and production. In addition, a total of EUR 2.5 million (EUR 10.5 million) was spent on acquisitions.

At the end of August Millog Oy subsidiaries Oy Western Shipyard Ltd, Laivakone Oy and Hämeen Diesel Oy merged to create Millog Marine & Power Oy. The new company provides docking and project services, engine and transmission repairs, and field service to cater to the needs of the maritime cluster, industries, the energy sector, and heavy machinery. The merger enabled Millog Marine & Power Oy to serve its long-term customers in a wider geographical area. The company's offices are located in Teijo, Vantaa, and Hämeenlinna.

In April Patria acquired 100% of the shares of Kiinteistö Oy Jämsän Helikopterihalli from the City of Jämsä.

Research and development

The Group's expenditure on research and development for the financial period amounted to EUR 13.7 million (EUR 12.3 million), representing 1.9% (2.0%) of the net sales. The most significant research and development areas included new technologies, materials and systems related

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to mobility and aviation, as well as technologies related to sensor products and electronic warfare systems.

Personnel

During the financial period the Group employed an average of 3,357 (2022: 3,213; 2021: 3,075) persons. At the end of December, the personnel totalled 3,385 (2022: 3,311; 2021: 3,097) persons.

The salaries and wages of Patria Group's employees are determined on the basis of collective and individual agreements as well as employee performance and job evaluations. Basic salaries and wages are complemented by performance-based compensation systems. All Patria employees are part of a yearly bonus plan. In 2023, the total amount of salaries and wages paid was EUR 203.8 million (2022: EUR 182.5 million; 2021: EUR 169.0 million).

The objective of the personnel strategy is to help the business units to meet their business targets and to ensure future competitiveness by developing personnel and their competences. In Patria, special emphasis is given to employee well-being as well as safe and healthy working environment. Employee well-being is measured against e.g. sickness absence rates (2023: 3.4%; 2022: 3.2%) and frequency of work-related accidents (accidents per million hours worked 2023: 3.5; 2022: 3.5).

Patria continued to develop its operating model, which started in 2022 with the Horizon 2025 growth strategy. The reforms were carried out in accordance with the previously defined cultural attributes: Impactful, Dynamic, Ambitious and Together.

The purpose of the reforms is to make Patria's entire operating model as efficient and clear as possible to meet the growing demand and secure the deliveries of current and new orders. The changes that enable growth and internationalisation affect the work of practically every Patria employee.

In 2023, the focus was especially on the development and organisation of the Operations unit, which is responsible for Patria's production and Patria's largest unit in terms of personnel. The operating model reform also extended to the Portfolio unit responsible for Patria's product and service offering as well as its development and sales support, as well as to the Group's support functions. The new organisation and operating model entered into force on 1 January 2024.

Patria commenced change negotiations in August 2023 in order to continue the development of its operating model, to meet the increased demand as well as to improve its efficiency. 1,190 employees were within the scope of the change negotiations. The integral changes involved 284 job roles. At the close of the negotiations, the potential layoffs concerned a maximum of 56 employees.

The discussion about a desired common culture will continue in 2024, as a shared culture will play a major role in the implementation of Patria's strategy and the employee experience in the years ahead.

Key events during year 2023

Patria launched a new service concept Patria OPTIME in February 2023. This modular and scalable service model combines robust engineering and maintenance expertise with data analysis for the sustainment of various kinds of fleets on land, at sea and in the air.

Patria 6x6 vehicle is the selected vehicle platform within the multinational Common Armoured Vehicle System (CAVS) programme, originally established by Finland and Latvia. Germany and Sweden took next steps in the joint programme in April 2023. Germany officially joined the CAVS programme by signing the Technical Arrangement and Sweden proceeded by joining the Framework Agreement as the next stage of preparation for the serial procurement phase. In April Patria signed a contract with the Swedish Defence Procurement Agency (FMV) for FMV to purchase the first 20 Patria 6x6 armoured vehicles. The vehicles were delivered in 2023. In June Patria signed the agreement with the Finnish Defence Forces Logistics Command for 91 Patria 6x6 armoured vehicles. In addition to the vehicles, the purchase includes spare parts, tools and operation and maintenance training as well as a purchase option for additional 70 vehicles. Deliveries of the vehicles started in 2023.

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In May Patria announced that it will deliver NEMO mortar system to the Swedish armed forces as a subcontractor to Swede Ship Marine AB. Sweden is strengthening its defence capabilities at sea with eight new mortar vessels. The vessels have been ordered by FMV (Försvarets materielverk) from Swede Ship Marine AB and will be equipped with the Patria NEMO Navy turreted 120 mm system. In addition, Patria will also deliver NEMO mortar systems for training purposes.

In May Senop received orders from the Finnish Defence Forces (FDF) for night vision and target acquisition devices and lifecycle upgrades. The total value of the procurements is about EUR 30 million, and the employment impact in Finland is approximately 90 person-years of work. Senop will deliver the equipment and lifecycle upgrades to the Finnish Defence Forces between 2023 and 2025. Senop Oy also signed contracts with Kongsberg Defence & Aerospace AS to supply integrated Fire Control Centers (FCC) to an international Naval Strike Missile Coastal Defence System (NSM™ CDS) program and to supply integrated Fire Distribution Centers (FDC) to an international NASAMS (National Advanced Surface-to-Air Missile System) program.

In June Patria and Lockheed Martin signed the first Memorandum of Agreement (MoA) for direct work within Finland's F-35 industrial participation programme. This MoA covers the contractual framework for F-35 forward fuselage assemblies in Finland. The F-35 programme will also open Patria an access to the global F-35 supply chain. The main industrial cooperation projects for Patria include this large-scale assembly of F-35 front fuselages in Finland also for international users and further production of structural components. In addition, Patria will establish production projects with Pratt & Whitney for the F135 engines powering the Finnish F-35s.

In August Patria and Japan Steel Works Ltd. signed a license agreement on manufacturing for Patria AMV XP 8x8 vehicles in Japan. The agreement enables local production in accordance with Japan Ground Self-Defense Force's Wheeled Armored Personnel Carrier (WAPC) programme. In December 2022, Patria AMV XP 8x8 vehicle was selected by the programme to replace Type-96 8x8 Armoured Personnel Carrier vehicles that are currently in use.

In September the Finnish Defence Forces and Patria signed a procurement contract for the implementation of Hawk Full Mission Simulator (FMS). The simulator will be delivered to the Finnish Air Force for pilot training use in 2026 and will be an integral part of the Hawk's type training phase as well as tactical training phase. Hawk FMS will be networked as a part of the Finnish Air Force's Hawk LVC (Live Virtual Constructive) training environment.

In December the Finnish Navy's Hamina-Class vessels' modernisation and Mid-Life Upgrade (MLU) project reached the customer's final approval. The Finnish Defence Forces and Patria signed a contract for the modernization and mid-life upgrade of four vessels in 2018. In the project Patria has been acting as the prime contractor, designer, and the lead system integrator. The modernisation and mid-life upgrade provided new capabilities for the Finnish Navy to counter maritime threats, repelling attacks at sea, protecting sea lines of communication, and monitoring and securing territorial integrity.

Patria and the Logistics Command of the Finnish Defence Forces signed an agreement on purchase of new Leopard 2L Tracked Bridge Laying Vehicles. The Finnish Defence Forces procures six new bridge layers that can transport, launch, and retrieve LEGUAN bridges of different lengths. The bridge layers will be built by Patria on the Finnish Defence Forces' Leopard 2A4 main battle tank chassis. The complete value of the procurement without value added tax is approximately EUR 23.6 million and its employment impact in Finland is approximately 70 person-years of work.

Patria and the Finnish Defence Forces signed a service agreement on building the capabilities of Finland's F-35 programme. The industrial participation capabilities of the F-35 solution will ensure the management of the F-35 solution's maintenance reliability-critical know-how and technology in Finland in both normal and state of emergency situations. The direct employment impact of the service agreement for Patria during 2023–2031

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is estimated to be approximately 600 person-years. The employment effects in Finland are long-lasting, continuing into the 2040s.

Administration

In the beginning of the financial period, Panu Routila continued as the Chairman of the Board of Directors of Patria Oyj, and Mette Toft Bjørgen, Jukka Juusti, Eirik Lie, Päivi Marttila, Jarle Næss, Iver Christian Olerud and Petri Vihervuori as members of the Board of Directors.

Patria Oyj's Annual General Meeting held in Helsinki on 27 March 2023 adopted the Consolidated Financial Statements for the financial period that ended on 31 December 2022. It was also decided to discharge the members of the Board of Directors and the President and CEO from liability for the financial period of 2022. Furthermore, the Annual General Meeting decided, according to the Board of Directors' proposal, to distribute a dividend of EUR 0.95 per share, totally EUR 26,449,794.55.

Panu Routila, DBA continued as the Chairman of the Board of Directors of Patria Oyj. Mette Toft Bjørgen, Group Executive Vice President and CFO, Kongsberg Group; Jukka Juusti, MSc. (Eng.); Eirik Lie, Executive Vice President, Kongsberg Group and President, Kongsberg Defence & Aerospace AS; Jarle Næss, Senior Vice President, Business Development, Kongsberg Defence & Aerospace AS; Iver Christian Olerud, Group Executive Vice President Corporate Development, Kongsberg Group; and Petri Vihervuori, Senior Financial Adviser, the Ownership Steering Department in the Prime Minister's Office, continued as members of the Board of Directors. Outi Henriksson, Executive Vice President & CFO, Aktia Bank Plc was elected as the new member of the Board of Directors.

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

The Nomination and Compensation Committee consisted, during the financial period, of Panu Routila, Chairman, Jukka Juusti, Jarle Næss and Iver Christian Olerud. The Nomination and Compensation Committee prepares the compensation structures of the company management and compensation and benefits programs as well as decides on the most important management nominations.

The Audit Committee consisted, during the financial period, of Päivi Marttila, Chairman (until 27. 3. 2023), Outi Henriksson, Chairman (as of 25. 4. 2023), Mette Toft Bjørgen, Eirik Lie and Petri Vihervuori. The Audit Committee supervises and monitors execution and organisation of internal controls within the Patria Group, risk management and financial reporting as well as preparation of the financial statements. In addition to this the Audit Committee is responsible for supervising and monitoring of Compliance and Ethics issues and related activities within Patria. Regarding other duties of the Board, no specific sharing of such duties has been agreed upon by the Board.

Jari Myllykoski, Member of Parliament (Left Alliance), continued as the Chairman of Patria Oyj's Consultative Committee (until 7. 8. 2023) and Janne Sankelo, Member of Parliament (National Coalition Party) as the Vice Chairman (until 7. 8. 2023). Hannu Hoskonen, Member of Parliament (Center Party); Petri Huru, Member of Parliament (Finns Party); Riitta Mäkinen, Member of Parliament (Social Democratic Party); Ilona Lundström, Director General, Ministry of Economic Affairs and Employment; Deputy Chief of Staff, Lieutenant General Vesa Virtanen, Chief of Defence Command; Ilkka Kokko, Specialist, Defence & Security, Patria; Juha Kuusi, System Specialist, Patria; and Gösta Sundström, Mechanic, Patria were elected as members of the Consultative Committee. New member is Equipment Assembler Juha Heikkilä, Patria.

The Extraordinary General Meeting of Shareholders held on 7 August 2023 resolved to elect the following members to the Consultative Committee: Member of Parliament Antti Kaikkonen as the new Chairman of the Consultative Committee, Member of Parliament Atte Kaleva as the new Vice Chairman and Member of the Parliament Mari Kaunistola as the new Member of the Consultative Committee.

Ernst & Young Oy, Authorised Public Accountants was elected as the auditor with Juha Hilmola, APA, as the responsible partner.

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

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

Risks and uncertainties

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

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

Russia's aggressive invasion of Ukraine has had profound and long-lasting effects on the security situation in Europe and worldwide. The war has served as an important reminder of the importance of national defence, military deterrence and alliances. Several European countries have increased their defence budgets. The aim is to procure ammunition and equipment on an expedited schedule to help Ukraine and replenish own stockpiles. Russia's war of aggression in Ukraine has prompted European countries to take a critical look at their own defence industries, the strengthening and increase in the production capacity of which is necessary to ensure security of supply. Due to the war demand of defence materiel has been increased significantly in Europe and in the world. Due to the situation, sanctions and due diligence checks have been a significant part of risk management.

The war in Ukraine will affect business growth, especially in the mid- and long term, as defence expenditures increase in the vast majority of European countries as well as globally. Procurement projects in the defence sector are typically years long, so there will likely be no rapid growth spurts. Patria is a key part of Finland's security of supply and preparing for various crisis situations and ensuring overall safety are Patria's core activities. Security of supply requires reliable technology and expertise in the areas of maintenance and repair, manufacturing and crisis preparedness in all Patria's operating countries. Patria's supply capability has been good, and the production capacity has been prepared and developed specifically to meet a growing demand, at the same time taking care of the company's role in ensuring Finland's overall safety.

The international defence industry is subject to continuous change. Acquisitions and mergers are taking place, new operators are emerging, the complexity of customer requirements and utilization of new technologies is increasing, and competition is intensifying. Patria responds to the competition by improving the anticipation and understanding of customer needs and their changes, along with developing and commercializing new competitive products, services and solutions.

The export of defence materiel is subject to an export or transfer license, which in Finland is granted by the Ministry of Defence or, when certain conditions are met, the government. The conditions in the potential destination country may prevent the granting of an export license, or the conditions in a country to which an export license has been granted may change in such a way that the license will be cancelled temporarily or permanently.

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

Corporate social responsibility

As of 2022, corporate responsibility is directed by an ESG Steering Group, which is coordinated by the Chief Legal Officer and functions based on a revised corporate responsibility management model. Corporate Social Responsibility is the foundation of Patria's profitable and sustainable business and continuance thereof. Patria's operations are based on and governed by laws, regulations, international agreements and Patria's own policies. The corporate social responsibility (CSR) report is an integral part of Patria's Annual Report 2023.

In Patria, Group Management Team is responsible for steering of the activities concerning Company Social Responsibility, and this increases transparency and dialogue within the group. Steering and monitoring of ethics and compliance related matters is clearly specified in the Board of Director's Audit Committee's charter. In 2023 the Board of Directors, the Audit Committee and the Group Management Team received regular reports on activities and issues relating to Corporate Social Responsibility.

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

In addition to the CLO, the members of the ESG Steering Group are the heads of HR, finance and QEHS and communications. Patria also has ESG working groups specialising in the environment, compliance, finance, procurement and well-being at work. In Patria, there is also a separate Head of Compliance, who reports to the CLO and is responsible for matters related to compliance and ethics (incl. anti-corruption work).

Two-tier ethical and compliance training is carried out at to two levels, tailored to employees' exposure and on the basis of risk: a basic training section plus a more demanding section for selected groups. Trainings on topics such as NDA and background check system are carried out in classroom and Teams sessions.

Patria measured its personnel's views in 2023 on serious misconduct and other unethical conduct with the aid of an anonymous survey. This survey was previously conducted every two years, but it is going to be an annual exercise going forward.

Trade Compliance Project in co-operation with Kongsberg continued.

Patria offers internal and external whistle-blowing channels enabling also anonymous reporting. A SpeakUp channel enabling anonymous reporting and dialogue was introduced in 2020. All the reports from different channels have been investigated according to the processes. Statistics and nature of issues concerning the reports received via these reporting channels were regularly reported to the Audit Committee. During 2023, Patria integrated in the processes for reporting and investigation of alleged wrongdoing the requirements as according to EU Whistleblower directive to ensure timely investigation of cases and adequate whistleblower protection in compliance with national legislation of Patria countries of operation.

The CSR essential themes were evaluated in 2023 based on a stakeholder survey. In 2023 no changes were made to the themes. Patria has launched an ESG project to meet the regulation and framework that the EU's Corporate Sustainability Reporting Directive (CSRD) is demanding.

In Patria environmental aspects, impacts and risks are considered in all business planning, operations and management. All Patria's major operational locations are ISO14001 certified. As an environmentally responsible company, Patria is committed to Finland's carbon neutrality goal by 2035. To achieve the set target, various measures have been engaged, including more efficient use of energy, materials and water. Patria joined the international Science Based Targets (SBTi) initiative in 2022, where the company emission reduction targets based on climate science are set. Patria has initially focused on mapping its current emissions and is aiming that during 2024 the emission reduction targets will approved by SBT.

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

The national legislation of Finland and other operating countries regarding the transparency of communication and lobbying directed at political and governmental influencers is strictly followed at Patria. Transparency in communication to promote Patria's goals and interests is in line with the high ethical level that determines all of Patria's activities.

Patria continuously strives to improve its internal processes and practices by ensuring the necessary expertise in the subject area and by actively working with other industry players in identifying and applying best practices in the field. Patria also actively participates in expert industry groups engaged in a dialogue with the European Council's COARM (Working Party on Conventional Arms Exports) and the European Commission. Patria took a leading role in the creation of the Finnish Sanctions and Export Control Society ("SPVY"), of which it is a member of the Board. Patria is a member of the non-profit organization TRACE, Global Compact and its local network Global Compact Finland as well as the Finnish responsibility network FIBS.

Patria continued to provide Tampere University of Technology with financial support for the aviation technology education. Since 2022, Patria has cooperated with Tampere University of Applied Sciences (TAMK) on the possibility of students completing part of their studies and internships in Patria.

In 2023 Patria donated to the welfare of Ukrainian children and also continued to promote welfare of children and youth with locally selected donations. Patria is one of the main sponsors of the Finnish Biathlon Association for the seasons 2023/24 and 2024/25; Patria has been sponsoring the association since 2011.

Events after the financial period

In January 2024 it was announced that The Finnish Defence Forces purchased 40 Patria 6x6 armoured vehicles more by redeeming the additional purchase option related to the agreement signed in June 2023.

In the beginning of the year, it was also announced that Patria will deliver flight inspection system installation and modification packages to Fintraffic and STC for Finnish Aviation Academy Embraer Phenom aircrafts.

Signed in January 2024, the strategic partnership agreement between Patria and the Finnish Defence Forces was updated. With the agreement, the ongoing cooperation will deepen, the quality assurance and material management procedures were specified, and the partnership management structures were updated.

Patria published two agreements in February 2024 to supply the Patria ARIS electronic intelligence systems (ELINT) to European NATO member countries. With the agreements, customers will have access to the latest version of a high-performance signal intelligence system, tailored to the needs of these countries.

Outlook

Patria continues to strengthen its operational efficiency and productivity and seeks profitable growth in line with its Horizon 2025 strategy in the third year of the strategy period. Patria's reliable and cost-effective lifecycle support services and high-end products have a key role also in the future in maintaining required performance of customer fleets in all conditions.

Following Finland's decision in December 2021 to acquire F-35 fighter jets, negotiations concerning industrial participation of the selected aircraft will continue also in 2024. Preparations to kick off the production are under way, and the resourcing needs are being analysed and the relevant recruiting will commence.

The multinational joint CAVS programme of the Patria 6x6 vehicle is proceeding as planned. The serial production of the Finnish and Latvian vehicles is ongoing and the first batch of vehicles to Sweden has been delivered. Germany has officially joined the programme by signing the Technical Arrangement. The joint programme has raised interest and is open also for other countries to join by mutual consent of the participating countries.

In 2023, Patria and Japan Steel Works Ltd. signed a relating license agreement on manufacturing Patria AMV XP 8x8 vehicles in Japan and the preparations for kicking off manufacturing are ongoing.

The impact of long-term development of the current geopolitical situation, general economic uncertainty, inflation and increasing costs for the rest of the year are difficult to evaluate reliably. At the same time Patria's delivery capability is expected to stay at a good level. In the mid and long term, Patria and the defence industry in general are likely to see an increase in demand as defence spends are increasing in the majority of European countries.

Board of Directors' proposal for profit distribution

The parent company's non-restricted equity on 31 December 2023 is EUR 164,407,767.79 of which the net profit for the financial period is EUR 4,663,604.99.

The Board of Directors proposes to the Annual General Meeting that a capital repayment EUR 1.00 per share be paid on the shares owned by the State of Finland and Kongsberg Defence & Aerospace AS. Under the proposal, the total amount of capital repayment will be EUR 27,841,889.00. The capital repayment is distributed from the reserve for invested non-restricted equity. The Board of Directors further proposes that the remaining non-restricted equity, EUR 136,565,878.79 be retained and carried forward.

Annual General Meeting 2024

The Annual General Meeting of Patria Oyj will be held on 15 April 2024 in Helsinki, Finland.

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Consolidated Financial Statements (IFRS)

Consolidated Statement of Financial position

MEUR	Note	31 Dec 2023	31 Dec 2022
Assets			
Non-current assets			
Intangible assets	11		
Intangible rights		2.1	2.4
Goodwill	8, 11	36.7	36.7
Advance payments		0.0	0.0
Tangible assets	11		
Land and water		3.9	3.9
Buildings and constructions		97.6	105.8
Machinery and equipment		23.6	21.5
Other tangible assets		1.2	1.0
Advance payments and construction in progress		7.5	0.6
Investments in associated companies and joint ventures	12	258.0	234.8
Other shares	13, 16	0.2	0.2
Deferred tax assets	10	17.1	17.3
Other receivables		10.3	10.8
Total Non-current assets		**458.3**	**435.0**
Current assets			
Inventories	14		
Raw materials and supplies		127.1	86.3
Work in progress		37.2	49.5
Finished goods		4.5	4.3
Advance payments		2.4	1.9
Receivables			
Accounts receivable	2	156.5	101.5
Receivables from associated companies and joint ventures	12	0.1	0.1
Other receivables		2.5	3.0
Prepaid expenses and accrued income	14	80.5	34.8
Derivative financial instruments	2	4.1	6.3
Current tax asset		1.1	0.2
Current investments		0.0	14.9
Cash and cash equivalents		44.1	73.7
Total Current assets		**460.0**	**376.5**
Total Assets		**918.3**	**811.6**

MEUR	Note	31 Dec 2023	31 Dec 2022
Shareholders' equity and liabilities			
Shareholders' equity	18		
Share capital		38.0	38.0
Fair value reserve	17	2.7	4.0
Invested non-restricted equity fund		164.1	164.1
Translation differences		-4.0	-4.3
Retained earnings		25.4	16.9
Net income for the period		57.8	46.2
Equity attributable to shareholders of parent company		**284.0**	**265.0**
Non-controlling interests		**37.2**	**34.5**
Total Shareholders' equity		**321.2**	**299.4**
Non-current liabilities			
Deferred tax liability	10	2.4	2.6
Pension provisions	7	3.4	4.1
Provisions	19	11.3	8.1
Interest bearing liabilities	2	115.9	154.9
Other liabilities		1.5	1.5
Total Non-current liabilities		**134.5**	**171.3**
Current liabilities			
Interest bearing liabilities	2	145.1	15.6
Advance payments		122.9	146.1
Accounts payable		76.5	70.8
Other current liabilities		40.1	41.4
Accruals and deferred income	15	76.9	66.3
Derivative financial instruments	2	1.2	0.5
Current tax liability		0.0	0.1
Total Current liabilities		**462.6**	**340.8**
Total Shareholders' equity and liabilities		**918.3**	**811.6**

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

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Consolidated Income Statement

MEUR	Note	2023	%	2022	%
Net sales	4	**733.8**		**627.1**	
Other operating income	5	14.0		4.3	
Share of associated companies and joint ventures result		36.3		32.0	
Change in inventories of finished goods and work in progress		-10.8		-8.3	
Production for own use		0.4		0.1	
Raw materials and supplies		-263.9		-202.4	
Change in inventories of raw materials		29.8		23.5	
Services purchased		-97.2		-92.0	
Employee benefit expenses	7	-247.3		-222.4	
Depreciation, amortization and impairments	8	-27.7		-27.1	
Other operating expenses	5	-98.5		-81.1	
Operating profit		**68.9**	9.4%	**53.8**	8.6%
Financial income and expenses	9				
Interest and other financial income		2.9		0.8	
Interest and other financial expenses		-8.2		-4.5	
Exchange gains and losses		0.4		-0.5	
Income before taxes		**64.0**	8.7%	**49.7**	7.9%
Income taxes	10	-6.2		-3.5	
Profit for the period		**57.8**	7.9%	**46.2**	7.4%
Net income attributable to non-controlling interests		7.4		7.9	
Net income attributable to equity shareholders		50.4		38.3	
Profit for the period		**57.8**	7.9%	**46.2**	7.4%

Consolidated statement of comprehensive income

MEUR	2023	%	2022	%
Profit for the period	57.8		46.2	
Other comprehensive income				
Items that may be reclassied to profit or loss in subsequent periods				
Cash flow hedges	-1.3		3.6	
Change of translation difference	0.2		-2.6	
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gains/losses on defined benefit plans	0.5		2.7	
Share of comprehensive income in associated companies and joint ventures	-0.7		0.1	
Total comprehensive income	**56.6**	7.7%	**50.0**	8.0%
Total comprehensive income attributable to non-controlling interests	7.7		8.5	
Total comprehensive income attributable to equity shareholders	49.0		41.5	
Total comprehensive income	**56.6**	7.7%	**50.0**	8.0%

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

Patria

Consolidated Cash flow Statement

MEUR	Note	2023	2022
Net income for the period		57.8	46.2
Depreciation, amortization and impairments	8	27.7	27.1
Capital gains/losses		-0.0	-0.0
Other adjustments			
Share of associated companies and joint ventures result		-36.3	-32.0
Dividends received from associated companies and joint ventures		10.8	11.0
Other adjustments		0.1	2.9
Financing items		5.4	3.8
Taxes	10	6.2	3.5
Change in receivables		-97.9	16.6
Change in payables		-9.0	71.5
Change in inventories		-29.1	-27.1
Cash flow from operations		**-64.4**	**123.5**
Interest received		2.7	0.7
Interest paid		-6.8	-3.8
Dividends received		0.0	0.0
Other financial items		-0.4	-0.4
Income taxes paid		-7.4	-7.1
Cash flow from operating activities		**-76.3**	**112.9**
Aqcuisitions, net of cash		-2.5	-10.5
Other capital expenditures		-17.1	-6.7
Divested business operations		0.0	-0.0
Sale of other fixed assets and other changes		0.0	0.1
Cash flow from investing activities		**-19.5**	**-17.0**

MEUR	Note	2023	2022
Change in short-term financing		97.8	-30.0
Change in other loans		-15.7	-14.7
Dividends paid to equity shareholders		-26.4	-25.1
Dividends paid to non-controlling interests		-4.8	-4.6
Change in other loan receivable		0.4	0.7
Other changes		0.1	-1.9
Cash flow from financing activities		**51.3**	**-75.6**
Change in liquid funds	2	**-44.5**	**20.3**
Change		-44.5	20.3
Liquid funds at the beginning of the period		-88.6	-68.3
Liquid funds at the end of the period		**44.1**	**88.6**
Exchange rate difference		-0.0	0.0

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

Patria

Consolidated Statement of Changes in Equity

MEUR	Note	Share capital	Invested non-restricted equity fund	Fair value reserve	Translation differences	Retained earnings	Equity attributable to shareholders of parent company	Non-controlling interests	Total Shareholders' equity
Opening balance		38.0	164.1	4.0	-4.3	63.1	265.0	34.5	299.4
Dividends paid						-26.4	-26.4		-26.4
Other comprehensive income	10								
Cash flow hedges				-1.3			-1.3		-1.3
Change of translation difference					0.2		0.2		0.2
Actuarial gains/losses on defined benefit plans						0.5	0.5		0.5
Share of comprehensive income in associated companies and joint ventures						-0.7	-0.7		-0.7
Non-controlling interests						-7.4	-7.4	2.7	-4.7
Exchange rate difference						-1.0	-1.0		-1.0
Corrections to previous year's bookings*						-2.8	-2.8		-2.8
Net income for the period						57.8	57.8		57.8
31 Dec 2023		**38.0**	**164.1**	**2.7**	**-4.0**	**83.2**	**284.0**	**37.2**	**321.2**

MEUR	Note	Share capital	Invested non-restricted equity fund	Fair value reserve	Translation differences	Retained earnings	Equity attributable to shareholders of parent company	Non-controlling interests	Total Shareholders' equity
Opening balance		38.0	164.1	0.4	-1.7	52.3	253.1	31.1	284.2
Change in share of comprehensive income in associated companies and joint ventures						-4.9	-4.9		-4.9
1 Jan 2022 restated opening balance		38.0	164.1	0.4	-1.7	47.3	248.1	31.1	279.3
Dividends paid						-25.1	-25.1		-25.1
Other comprehensive income	10								
Cash flow hedges				3.6			3.6		3.6
Change of translation difference					-2.6		-2.6		-2.6
Actuarial gains/losses on defined benefit plans						2.7	2.7		2.7
Share of comprehensive income in associated companies and joint ventures						0.1	0.1		0.1
Non-controlling interests						-7.9	-7.9	3.3	-4.6
Exchange rate difference						-0.1	-0.1		-0.1
Corrections to previous year's bookings*						0.0	0.0		0.0
Net income for the period						46.2	46.2		46.2
31 Dec 2022		**38.0**	**164.1**	**4.0**	**-4.3**	**63.1**	**265.0**	**34.5**	**299.4**

* IAS8 corrections for previous periods.

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 50.1% and Kongsberg Defence & Aerospace AS 49.9%.

The operations of Patria Oyj and its subsidiaries (together "Patria" or the "Group") are organised into business segments Finland, Global and Millog.

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

Basis of preparation

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

Use of estimates and judgements

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

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

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

Principles of consolidation

Subsidiaries

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

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

The difference between the purchase price, possible equity belonging to the non-controlling interests and the acquired company's net identifiable assets, liabilities and contingent liabilities measured at fair value is goodwill. Goodwill is tested for impairment at least annually. The purchase price includes the consideration paid, measured at fair value. The consideration does not include transaction costs, which are recognised in the

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statement of income. The transaction costs are expensed in the same financial period in which they occur, except the costs resulting from issued debt or equity instruments.

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

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

Associated companies and joint ventures

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

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

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

Foreign currency transactions

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

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.

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Financial instruments

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

Net sales and revenue recognition

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

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

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

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

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

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

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

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

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

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

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

Research and development costs

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

Income taxes

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

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

Tangible assets

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

The assessed economic lives are as follows:

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

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

Goodwill and other intangible assets

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

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

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

Grants received

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

Impairments

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

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

Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. These right-of-use assets are depreciated over the contract period or over the useful life of the asset, which is the shorter. Interest cost of leases is presented in financing expenses.

There are optional exemptions for short-term leases and leases of low value items which Patria has selected to utilize and the lease expense on these is recognized as an expense in the income statement. In lessor accounting leases are classified as finance leases or operating leases.

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

Employee benefits

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

Inventories

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

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

Accounts receivable

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

Liquid Funds

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

Provisions

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

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

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

Corrections relating to previous financial years

In 2023, relating to Millog Oy's previous financial years operating profit correction and to the associated company's previous financial years correction an adjustment have been recorded in the retained earnings. (2022: Relating to defined benefit pension plans of associated companies the opening balance sheet as 1 January 2022 has been restated by EUR 4 946 thousand, thus information for the comparative period has not been restated.)

2. Financial risk management

Main principals of financial risk management

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

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

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

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

Currency risks

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

Patria applies hedge accounting according to IFRS 9 while hedging estimated future cash flows with foreign currency derivatives (cash flow hedging). Fair value changes of derivatives, which are assigned to hedge forecast transactions, are recognised in other comprehensive income (fair value reserve) to the extent that the hedge is effective. The ineffective portion of the hedging instrument is recognised immediately into financial items in the income statement. Such accumulated fair value changes are released into income statement in the period when the hedged cash flow affects income. The main source of ineffectiveness is the difference in the maturities of the hedged item and the

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hedging instrument. Hedge accounting is not applied to derivatives hedging balance sheet items.

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

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

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

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

The most significant currency exposures (net sales, purchases and loans) on 31 December 2023 were in the Swedish krona (SEK), and United States dollar (USD).

IFRS 7 Sensitivity analysis – sensitivity to exchange rate fluctuations 2023

1000 EUR	SEK	USD
Net exposure – Balance sheet items	-425	5,018
Euro strengthens / weakens 5% – Effect on income before taxes	20 / -22	-239 / 264
Net exposure – Derivatives under hedge accounting	298	-1,449
Euro strengthens / weakens 5% – Effect on equity	-12 / 23	100 / -111

IFRS 7 Sensitivity analysis – sensitivity to exchange rate fluctuations 2022

1000 EUR	SEK	USD
Net exposure – Balance sheet items	3,151	-3,925
Euro strengthens / weakens 5% – Effect on income before taxes	-150 / 166	187 / -207
Net exposure – Derivatives under hedge accounting	2,464	-3,524
Euro strengthens / weakens 5% – Effect on equity	-116 / 131	168 / -185

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

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

Effects of hedge accounting on the financial position 2023

Forward foreign exchange contracts – EURUSD, MEUR	31 Dec 2023
Fair Value	0.0
Nominal Value	23.9
Expected time for the impact on P&L	January 2024 – December 2026
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	0.1
Change in value of hedged item used to determine hedge effectiveness	-0.1
Weighted average hedged rate (including forward points)	1.1014

Forward foreign exchange contracts – EURSEK, MEUR	31 Dec 2023
Fair Value	0.0
Nominal Value	0.6
Expected time for the impact on P&L	January 2024 – May 2024
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	0.2
Change in value of hedged item used to determine hedge effectiveness	-0.2
Weighted average hedged rate (including forward points)	11.5440

Forward foreign exchange contracts designated as cash flow hedges, MEUR	31 Dec 2023
Derivative financial assets	0.4
Derivative financial liabilities	-0.2

Effects of hedge accounting on the financial position 2022

Forward foreign exchange contracts - EURUSD, MEUR	31 Dec 2022
Fair Value	-0.2
Nominal Value	20.3
Expected time for the impact on P&L	January 2023 - March 2024
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	-0.2
Change in value of hedged item used to determine hedge effectiveness	0.2
Weighted average hedged rate (including forward points)	1.0620

Forward foreign exchange contracts - EURSEK, MEUR	31 Dec 2022
Fair Value	-0.0
Nominal Value	2.5
Expected time for the impact on P&L	March 2023 - June 2023
Hedge Ratio	1:1
Change in spot value of outstanding hedging instruments	-0.0
Change in value of hedged item used to determine hedge effectiveness	0.0
Weighted average hedged rate (including forward points)	11.0684

Forward foreign exchange contracts designated as cash flow hedges, MEUR	31 Dec 2022
Derivative financial assets	0.2
Derivative financial liabilities	-0.5

Derivative instruments

2023 MEUR	Nominal value	Positive fair values	Negative fair values	Net fair value
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts	33.5	0.4	-0.2	0.2
Buy	19.2	0.1	-0.2	-0.0
Sell	14.3	0.2	-0.0	0.2
Interest rate swap	50.0	3.7		3.7
Cash flow hedge	83.5	4.1	-0.2	3.9
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	36.3	0.1	-1.0	-1.0
Buy	7.4	0.0	-0.1	-0.1
Sell	28.9	0.0	-1.0	-0.9
Non-hedging	36.3	0.1	-1.0	-1.0
Total	**119.8**	**4.1**	**-1.2**	**2.9**

MEUR	2024	2025	2026	2027-
Derivative financial assets	0.4	0.0	3.7	0.0
Derivative financial liabilities	-1.2	-0.0	-0.0	0.0

2022 MEUR	Nominal value	Positive fair values	Negative fair values	Net fair value
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts	28.0	0.2	-0.5	-0.3
Buy	13.7	0.1	-0.5	-0.4
Sell	14.4	0.2	-0.1	0.1
Interest rate swap	50.0	5.5		5.5
Cash flow hedge	78.0	5.8	-0.5	5.2
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	33.1	0.6	-0.0	0.6
Buy	4.2	0.0	-0.0	-0.0
Sell	28.9	0.6	-0.0	0.6
Non-hedging	33.1	0.6	-0.0	0.6
Total	**111.1**	**6.3**	**-0.5**	**5.8**

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MEUR	2023	2024	2025	2026-
Derivative financial assets	0.7	0.1	0.0	5.5
Derivative financial liabilities	-0.5	0.0	0.0	0.0

Offsetting of financial instruments

2023, MEUR	Gross amounts in balance sheet	Financial instruments - Related amounts not set off in the balance sheet	Net amount
Derivative financial assets	4.1	-1.2	2.9
Derivative financial liabilities	1.2	-1.2	0.0

2022, MEUR	Gross amounts in balance sheet	Financial instruments - Related amounts not set off in the balance sheet	Net amount
Derivative financial assets	6.3	-0.5	5.8
Derivative financial liabilities	0.5	-0.5	0.0

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

Interest rate risk

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

Interest fixing periods

MEUR	0-6 mths	6-12 mths	12-24 mths	24-36 mths	Later	Total
Lease liablilities	0.1	0.8	2.5	8.8	70.6	82.8
Loans from financial institutions	34.8		50.0			84.8
Other interest-bearing liabilities	93.1			0.4		93.5
Interest-bearing receivables	-44.1					-44.1
Total 2023	83.9	0.8	52.5	9.2	70.6	216.9

MEUR	0-6 mths	6-12 mths	12-24 mths	24-36 mths	Later	Total
Lease liablilities	0.1	0.6	1.2	2.9	85.1	89.9
Loans from financial institutions	30.0			50.0		80.0
Other interest-bearing liabilities		0.1			0.5	0.5
Interest-bearing receivables	-88.6					-88.6
Total 2022	-58.5	0.7	1.2	52.9	85.6	81.9

On 31 December 2023, the average interest fixing term of the liabilities was 1.4 years (3.3) and that of the receivables 2.01 days (9.18 days).

On 31 December 2023, Group's interest-bearing liabilities totaled EUR 261.0 million (170.5) out of which EUR 226.2 million (140.5) was fixed rate and EUR 34.8 million (30.0) was floating rate. Interest-bearing receivables were EUR 44.1 million which were floating rate (2022: Interest-bearing receivables were EUR 88.6 million out of which EUR 73.7 million was floating rate and EUR 14.9 million was fixed rate.) The Group has open interest derivatives EUR 50.0 million (50.0) on 31 December 2023.

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 2023, would lead to a decrease in annual net interest expenses of EUR 93 thousand. In the previous year the annual net interest expenses would have decreased by EUR 437 thousand. A corresponding decrease in interest rates would result in an equal effect of opposite sign.

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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 2023 the average maturity of the Group's interest-bearing liabilities was 2.1 years (3.6). The values on the following maturity distribution table are undiscounted.

Maturity distribution of financial instruments

MEUR	2024	2025	2026	2027	2028	2029-	Total
Lease liablilities	17.1	16.2	13.6	11.7	11.5	12.7	82.8
Loans from financial institutions	34.8	50.0	0.0	0.0	0.0	0.0	84.8
Other interest-bearing liabilities	93.2	0.1	0.1	0.1	0.0	0.0	93.5
Derivative financial liabilities	1.2	0.0	0.0	0.0	0.0	0.0	1.2
Derivative financial assets	-0.4	-0.0	-3.7	0.0	0.0	0.0	-4.1
Interest payments	1.2	0.0	0.0	0.0	0.0	0.0	1.2
Total 2023	147.1	66.2	10.0	11.8	11.5	12.7	259.3

MEUR	2023	2024	2025	2026	2027	2028-	Total
Lease liablilities	15.4	14.9	14.3	12.2	10.8	22.2	89.9
Loans from financial institutions	0.0	80.0	0.0	0.0	0.0	0.0	80.0
Other interest-bearing liabilities	0.2	0.0	0.0	0.0	0.4	0.0	0.5
Derivative financial liabilities	0.5	0.0	0.0	0.0	0.0	0.0	0.5
Derivative financial assets	-0.7	-0.1	0.0	-5.5	0.0	0.0	-6.3
Interest payments	0.4	0.0	0.0	0.0	0.0	0.0	0.4
Total 2022	15.8	94.9	14.3	6.7	11.2	22.2	165.1

As a part of its liquidity reserves on 31 December 2023, Patria had the following unused financial reserves: committed credit and overdraft facilities totaling EUR 60.6 million (65.5) and commercial paper program totaling EUR 6.0 million (100.0).

Net debt

MEUR	2023	2022
Loans from financial institutions	50.0	80.0
Other interest bearing loans	0.3	0.4
Lease liabilities	65.7	74.5
Non-current interest-bearing liabilities	115.9	154.9
Loans from financial institutions	34.8	0.0
Issued commercial papers	93.1	0.0
Other interest bearing loans	0.1	0.2
Lease liabilities	17.1	15.4
Current interest-bearing liabilities	145.1	15.6
Interest-bearing liabilities total	261.0	170.5
Liquid funds	44.1	88.6
Net debt	216.9	81.9

Change in net debt

MEUR	Loans from financial institutions	Commercial papers	Other interest bearing loans	Lease liabilities	Liquid funds	Total
Carrying value, at 1 January 2023	-80.0	0.0	-0.5	-89.9	88.6	-81.9
Change in net debt, cash:						
Change in current liabilities	-4.8	-93.1	0.1			-97.8
Change in current investments					-14.9	-14.9
Change in cash and cash equivalents					-29.6	-29.6
Cash flows total	-4.8	-93.1	0.1	0.0	-44.5	-142.3
Change in net debt, non-cash:						
Termination of other interest bearing loans			0.1			0.1
Increases of lease liabilities				-10.6		-10.6
Repayments of lease liabilities				17.8		17.8
Foreign exchange adjustments				-0.0	0.0	0.0
Non-cash movements, total	0.0	0.0	0.1	7.2	0.0	7.3
Carrying value, at 31 December 2023	-84.8	-93.1	-0.4	-82.8	44.1	-216.9

MEUR	Loans from financial institu-tions	Commer-cial papers	Other interest bearing loans	Lease liabilities	Liquid funds	Total
Carrying value, at 1 January 2022	-110.0	0.0	-0.0	-100.9	68.3	-142.6
Change in net debt, cash:						
Change in current liabilities	30.0		-0.0			30.0
Change in liquid funds					20.3	20.3
Cash flows total	30.0	0.0	-0.0	0.0	20.3	50.3
Change in net debt, non-cash:						
Increases of lease liabilities				-6.5		-6.5
Repayments of lease liabilities				17.5		17.5
Business combinations			-0.5	-0.1		-0.6
Foreign exchange adjustments				-0.0	-0.0	-0.0
Non-cash movements, total	0.0	0.0	-0.5	11.0	-0.0	10.5
Carrying value, at 31 December 2022	-80.0	0.0	-0.5	-89.9	88.6	-81.9

Related to Lease liabilities Patria has recharge contracts regarding the next 5 (6) years and EUR 5.4 million (5.6) is booked in Other receivables.

Credit and counterparty risks

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

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

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

Accounts receivable by age

MEUR	2023	2022
Undue accounts receivables	114.5	75.9
Accounts receivables 1–30 days overdue	31.7	8.6
Accounts receivables 31–60 days overdue	1.8	1.2
Accounts receivables more than 60 days overdue	8.5	15.7
Total	156.5	101.5

Operational risks of the treasury functions

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

Other market risks

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

Capital management

The Group's capital management objectives are to secure the ability to continue as going concern, maintain a healthy balance sheet structure, maintain adequate financial reserves at all times, manage the maturity structure and other terms of interest-bearing debt and credit lines and, at the same time, to optimize the cost of capital in order to enhance value to shareholders. The exact target for the capital structure of Patria has

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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 April 2023 Patria acquired 100% of the shares of Kiinteistö Oy Jämsän Helikopterihalli from the City of Jämsä.

In January 2022, Millog Oy signed an agreement to acquire the entire share capital of Hämeen Diesel Oy. The ownership was transferred to Millog Oy on 3 January 2022. In March Patria agreed to acquire 100% of the shares of Nedaero. The company name was changed to Patria Netherlands Group. The transaction was completed on 1 April 2022. Patria acquired the whole share capital of Svensk Försvarslogistik AB from the co-owner Volvo Defense AB in May 2022. In September Patria acquired 100% of the shares of Kiinteistö Oy Jämsän Komposiitti-halli from the City of Jämsä.

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

Assets and liabilities

MEUR	2023	2022
Acquisition cost transferred	2.5	16.6
Acquisition cost	2.5	18.1
Cash flow from the acquisitions		
Acquisition cost paid in cash	2.5	16.6
Liquid funds of the acquired companies	-0.0	-6.1
Cash flow from the acquisitions	2.5	10.5

MEUR	2023	2022
Assets and liabilities of the acquired businesses		
Intangible assets	0.0	0.0
Tangible assets	2.5	3.4
Other non-current assets	0.0	0.0
Inventories	0.0	2.8
Accounts receivables and other assets	0.0	2.6
Liquid funds	0.0	6.1
Total assets	2.5	14.9

MEUR	2023	2022
Interest-bearing loans	0.0	0.1
Other liabilities	0.0	5.2
Total liabilities	0.0	5.3
Net assets	2.5	9.6
Patria's share of net assets	2.5	9.6
Goodwill	0.0	8.4

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4. Disaggregation of revenue

MEUR	2023	2022
Products	247.0	172.8
Services	486.8	454.3
Total	733.8	627.1

MEUR		
Performance obligation satisfied at a point in time	512.5	478.4
Performance obligation satisfied over time	221.3	148.7
Total	733.8	627.1

5. Other operating income and expenses

Other operating income

MEUR	2023	2022
Rental income	2.0	1.8
Capital gain on sale of fixed assets	0.0	0.1
Other operating income	4.8	1.6
Grants received	7.2	1.0
Total	14.0	4.3

Other operating expenses

MEUR	2023	2022
Research and development	-0.3	-0.4
Rents	-2.2	-1.4
Losses on sale of fixed assets	-0.0	-0.0
Travel expenses	-10.6	-8.7
Real estate expenses	-23.4	-22.3
Other operating expenses	-62.0	-48.3
Total	-98.5	-81.1

Principal independent auditor's fees and services

MEUR	2023	2022
Audit fees	-0.4	-0.5
Other audit related fees	-0.0	-0.0
Other services	-0.4	-0.5
Total	-0.8	-1.0

6. Research and development expenses

MEUR	2023	2022
Research and development expenses, total	-13.7	-12.3
Research and development costs expensed during financial period	-4.5	-6.9

7. Personnel expenses

MEUR	2023	2022
Salaries and fees paid to Members of Board, Consultative Committee and President and CEO	-1.1	-1.1
Other wages and salaries	-202.6	-181.4
Pension and pension insurance expenses	-32.6	-29.0
Other employer costs	-10.9	-10.9
Total	-247.3	-222.4

Compensation to Board of Directors and attendance at meetings

		Attendance at meetings		
1,000 EUR	2023	Board	Audit Committee	Nomination and Compensation Committee
Board members 31 December 2023				
Panu Routila, Chairman	43	14/14		4/4
Mette Toft Bjørgen	0	13/14	4/4	
Outi Henriksson [1)]	20	9/10	3/3	
Jukka Juusti	28	13/14		4/4
Eirik Lie	0	13/14	4/4	
Päivi Marttila [2)]	8	3/4	1/1	
Jarle Næss	26	12/14		3/4
Iver Christian Olerud	0	13/14		3/4
Petri Vihervuori	29	14/14	4/4	
Total	154			

[1)] Starting 27 March 2023, [2)] Until 27 March 2023

Patria

1,000 EUR	2022	Attendance at meetings: Board	Audit Committee	Nomination and Compensation Committee
Board members 31 December 2022				
Panu Routila, Chairman	43	12/12		4/4
Mette Toft Bjørgen [1)]	0	9/9	3/3	
Aarø Harald [2)]	0	3/3		1/1
Gyrid Skalleberg Ingerø [3)]	0	3/3	1/1	
Jukka Juusti [4)]	14	6/6		3/3
Eirik Lie	0	11/12	4/4	
Päivi Marttila	28	12/12	4/4	
Jarle Næss	27	11/12		4/4
Iver Christian Olerud [5)]	0	9/9		3/3
Ari Puheloinen [6)]	13	6/6		1/1
Petri Vihervuori	28	12/12	4/4	
Total	152			

[1)] Starting 25 March 2022, [2)] Until 25 March 2022, [3)] Until 25 March 2022, [4)] Starting 1 July 2022, [5)] Starting 25 March 2022, [6)] Until 1 July 2022

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

Compensation to Consultative Committee and attendance at meetings

1,000 EUR	2023	Attendance at meetings
Consultative Committee members 1 January – 31 December 2023		
Antti Kaikkonen, Chairman [1)]	2	2/2
Atte Kaleva, Vice Chairman [2)]	1	2/2
Hannu Hoskonen [3)]	0	0/1
Petri Huru	2	3/3
Mari Kaunistola [4)]	1	2/2
Ilona Lundström	2	3/3
Jari Myllykoski [5)]	1	1/1
Riitta Mäkinen	1	2/3
Janne Sankelo [6)]	0	0/1
Vesa Virtanen	2	3/3
Total	10	

[1)] Starting 7 August 2023 (Chairman), [2)] Starting 7 August 2023 (Vice Chairman), [3)] Until 7 August 2023, [4)] Starting 7 August 2023, [5)] Until 7 August 2023 (Chairman), [6)] Until 7 August 2023 (Vice Chairman)

Personnel representatives attendance at meetings: Juha Heikkilä (2/2) *), Jussi Karimäki (1/1) *), Ilkka Kokko (3/3), Juha Kuusi (3/3) and Gösta Sundström (3/3). Separate meeting fees were not paid for their participation.

*) Starting 27 March 2023 Juha Heikkilä replaced Jussi Karimäki as a member of the Consultative Committee.

1,000 EUR	2022	Attendance at meetings
Consultative Committee members 1 January – 31 December 2022		
Jari Myllykoski, Chairman	3	4/4
Janne Sankelo, Vice Chairman	2	4/4
Hannu Hoskonen	2	4/4
Petri Huru	2	4/4
Ilona Lundström [1)]	0	0/0
Riitta Mäkinen	2	4/4
Petri Peltonen [2)]	2	4/4
Eero Pyötsiä [3)]	1	2/2
Vesa Virtanen [4)]	1	2/2
Total	16	

[1)] Starting 9 December 2022, [2)] Until 8 December 2022 [3)] Until 1 July 2022 [4)] Starting 1 July 2022

Personnel representatives attendance at meetings: Jussi Karimäki (4/4), Juha Kuusi (4/4), Ilkka Kokko (4/4), Jari Metsälä (1/1) and Gösta Sundström (3/3) *). Separate meeting fees were not paid for their participation.

*) Starting 25 March 2022 Gösta Sundström replaced Jari Metsälä as a member of the Consultative Committee.

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

Compensation to President and CEO and Management

Salaries, fees and benefits to the President and CEO Esa Rautalinko during 2023 totalled EUR 961,609.32 (EUR 942,267.90) consisting of

- base salary of EUR 491,400.00 (EUR 466,200.00) (including salary of EUR 491,160.00 (465,960.00) and benefits of EUR 240.00 (240.00)),
- yearly bonus for the earning period 2022 was EUR 222,517.26 (47.7% of base salary of year 2022 and 79.6% of the maximum bonus payout, which is 60.0% of base salary of year 2022) and
- EUR 247,692.06 (EUR 196,347.90) based on years 2020–2022 (2022: 2019–2021) long term incentive plans.

The yearly bonus to be paid to the CEO Esa Rautalinko in 2024 for the earning period 2023 is EUR 294,840.00 (60.0% of base salary of year 2023 and 100.0% of the maximum bonus payout, which is 60.0% of base salary of year 2023).

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

The President and CEO is assisted by the Group management team, which included in addition to the President and CEO 9 members (8 members excluding January 7 members in 2022). The salaries, fees and benefits paid to the members of the Group management team (excluding the President and CEO) totalled EUR 2,543,003.18 (EUR 2,564,648.60).

The remuneration of the President and CEO and the other members of the Board of Management for 2023 were based on a fixed monthly salary (including fringe benefits) and a performance-based compensation. Annual performance-based compensation plan can provide a bonus corresponding to a maximum of 50% annual salary, except for the CEO where the maximum is 60% of annual salary in case of exceptionally good performance. The remunerations are agreed using the 'one above' principle, and the remuneration of the CEO is agreed by the Board of Directors.

During the financial period the members of the Group Management team of Patria as well as 26 other key personnel have been participants in three-year performance-based Long-Term Incentive Plans for the years 2023–2025. Incentive plans have been set up by the Board of Directors in accordance with the respective Finnish State ownership policy.

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

The outcome of the 2020–2022 plan was 96.6% of the highest potential remuneration. The remunerations of the program will be paid to the participants after the earning period in three instalments in May 2023 (50%), in January 2024 (30%) and in January 2025 (20%) subject to the terms of the plan.

The outcome of the 2019–2021 plan was 72.2% of the highest potential remuneration and was paid to the participants in one instalment in 2022 subject to the terms of the plan.

The Group has made a relating cost provision in the balance sheet totalling EUR 2,286,789 (EUR 2,022,216).

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

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Pension obligations

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

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

Expenses of employment benefits

MEUR	2023	2022
Pension expenses – Defined contribution plans	-32.2	-28.5
Pension expenses – Defined benefit plans	-0.4	-0.5
Total	-32.6	-29.0

Expense recognised in profit or loss

MEUR	2023	2022
Service cost	-0.4	-0.5
Net interest	-0.1	-0.1
Expense recognised in profit or loss	-0.5	-0.6

Statement of financial position

MEUR	2023	2022
Defined benefit obligation	13.9	14.3
Fair value of plan assets	-10.5	-10.1
Funded status	3.4	4.1
Liability in the balance sheet	3.4	4.1

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

Defined benefit obligation (DBO)

MEUR	2023	2022
Opening defined benefit obligation	14.3	20.3
Current service cost	0.4	0.5
Interest cost	0.4	0.2
Benefits paid	-0.7	-1.0
Actuarial gain(-) / loss (+)	-0.4	-5.7
Closing defined benefit obligation	13.9	14.3

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

Fair value of plan assets

MEUR	2023	2022
Opening fair value of plan assets	10.1	13.2
Interest income	0.3	0.1
Contribution paid	0.9	0.5
Benefits paid	-0.8	-1.0
Actuarial gain(+) / loss (-)	0.0	-2.7
Closing fair value of plan assets	10.5	10.1

Expected contribution paid in the next fiscal period:

MEUR	Estimate 2024	2023	2022
Expected contribution	0.2	0.5	0.5

Changes in other comprehensive income

MEUR	2023	2022
Recognised remeasurements in other comprehensive income 1 Jan	5.2	2.2
Actuarial gain(+) or loss(-) on obligation	0.4	5.7
Actuarial gain(+) or loss(-) on plan assets	0.0	-2.7
Recognised remeasurements in other comprehensive income 31 Dec	5.7	5.2

Plan assets

	2023	2022
Qualifying insurance policies	100%	100%

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

Sensitivity analysis

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

Sensitivity analysis of actuarial assumptions as of 31 Dec 2023:

Millog Oy

MEUR	Change in defined benefit obligation	Change in plan assets	Change in defined benefit obligation, %	Change in plan assets, %
Change in discount rate, +0.5 percent point	-0.6	-0.4	-6%	-5%
Change in salary increase, +0.5 percent point	0.0	0.0	0%	0%
Change in mortality, +1 year in life expectancy	0.3	0.1	3%	2%
Change in benefit increase, +0.5 percent point	0.7	0.0	7%	0%
Change in Insurance Company's bonus index, +0.5 percent point	0.0	0.4	0%	6%

Census data used in this valuation is as follows:	2023	2022
Number of actives	60	64
Number of pensioners	395	362
Number of deferred	470	521
Average age actives (years)	53	53
Average remaining service time	7	8
Average serving time	12	11

Patria Belgium Engine Center SRL

MEUR	Change in defined benefit obligation	Variation
Discount Rate +0,5 percent point	-0.1	-5%
Salary Increase +0,5 percent point	0.3	16%
Inflation +0,5 percent point	0.1	6%

Census data used in this valuation is as follows:	2023	2022
Number of actives	108	109
Number of pensioners	1	3
Number of deferred	58	43
Average age actives (years)	42	42
Average remaining service time	16	16
Average serving time	9	10

8. Depreciation, amortization and impairments

MEUR	2023	2022
Intangible rights	-0.7	-0.7
Buildings and constructions	-5.1	-5.1
Buildings and constructions, IFRS 16	-13.7	-12.5
Land and water, IFRS 16	-0.1	-0.1
Machinery and equipment	-6.6	-7.6
Machinery and equipment, IFRS 16	-1.2	-1.0
Other tangible assets	-0.2	-0.1
Total	-27.7	-27.1

Impairment tests

The recoverable amount of a cash generating unit is determined based on value-in-use calculations. The tested cash generating units were Finland, Global and Millog. The goodwill is allocated to Finland's and Global's cash-generating units (CGU) based on their fair values.

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 10.46% p.a. in 2023 (9.73%).

In 2023, the impairment testing result showed that the "value in use" in all the cash generating units were equal or more than the book value of the tested assets. Thus, no impairment of goodwill was recognized in 2023. 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.

Goodwill

MEUR	2023	2022
Finland	8.6	8.6
Global	13.4	13.4
Millog	14.7	14.7
Total	36.7	36.7

MEUR	2023	2022
1 Jan	36.7	28.3
Additions	0.0	8.4
31 Dec	36.7	36.7

9. Financial income and expenses

MEUR	2023	2022
Interest income		
Deposits and investments	0.1	0.0
Other	2.7	0.8
Other financial income	0.0	0.0
Interest expenses		
Interest bearing liabilities	-5.8	-1.4
Leases	-1.9	-2.6
Other financial expense	-0.4	-0.4
Exchange rate difference		
Foreign exchange derivatives, non-hedge accounted	-0.0	0.8
Other	0.4	-1.3
Total	-4.9	-4.2

Aggregate foreign exchange gains and losses included in consolidated income statement

MEUR	2023	2022
Net sales	-0.2	-0.3
Expenses	-0.5	0.3
Financial income and expenses	0.4	-0.5
Total	-0.3	-0.5

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

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

MEUR	2023	2022
Foreign exchange rate derivative contracts under hedge accounting	-0.4	-0.2
Non-hedge accounted foreign exchange rate derivative contracts	-0.0	0.0
Total	-0.4	-0.1

10. Income taxes

MEUR	2023	2022
Income taxes	-5.8	-7.0
Income taxes previous period	-0.0	-0.0
Change in deferred tax receivable	-0.2	3.6
Change in deferred tax liability	-0.2	-0.0
Total	-6.2	-3.5

Taxes Related to Other Comprehensive Income

2023 MEUR	Before-tax amount	Tax	Net-of-tax amount
Cash flow hedges	-1.6	0.3	-1.3
Change of translation difference	0.2	–	0.2
Actuarial gains/losses on defined benefit plans	0.5	0.1	0.5
Share of comprehensive income in associated companies and joint ventures	-0.8	0.2	-0.7
Total	-1.7	0.6	-1.2

2022 MEUR	Before-tax amount	Tax	Net-of-tax amount
Cash flow hedges	4.6	-0.9	3.6
Change of translation difference	-2.6	–	-2.6
Actuarial gains/losses on defined benefit plans	3.0	-0.4	2.7
Share of comprehensive income in associated companies and joint ventures	0.1	0.0	0.1
Total	5.0	-1.3	3.8

Differences between income tax expense calculated at statutory rates compared to the income statement (tax rate in Finland 2023: 20%, 2022: 20%)

MEUR	2023	2022
Income tax expense at statutory rate	-12.6	-10.0
Effect of statutory tax rates of foreign companies	-0.2	-0.2
Untaxed income	0.0	0.0
Non-deductible expenses	-0.2	-0.2
Confirmed losses	-0.3	0.2
Effect of associated companies and joint ventures result	7.3	6.4
Returns from previous tax years	-0.0	-0.0
Other items	-0.2	0.4
Income taxes	-6.2	-3.5

Reconciliation of deferred tax receivables

MEUR	2023	2022
Fixed assets depreciation differences	0.3	0.4
Untaxed reserves	1.0	0.5
Tax losses carried forward	15.1	15.6
Other temporary differences	0.8	0.8
Total	17.1	17.3

MEUR	2023	2022
1 Jan	17.3	14.1
Income statement	-0.2	3.6
Acquired companies & exchange rate difference	0.0	0.0
Equity	0.1	-0.4
31 Dec	17.1	17.3

Patria

Reconciliation of deferred tax liabilities

MEUR	2023	2022
Fixed assets depreciation differences	1.7	1.6
Fair value of derivative financial instruments	0.7	1.0
Total	2.4	2.6

MEUR	2023	2022
1 Jan	2.6	1.6
Income statement	0.2	0.0
Fair value of derivative financial instruments	-0.3	0.9
Acquired companies & other changes	-0.1	0.1
31 Dec	2.4	2.6

The tax losses, for which no deferred tax assets are recognized due to the uncertainty of the utilization of the losses, amounted to EUR 27.9 million in the year of 2023 (EUR 28.7 million). These losses do not expire.

11. Intangible and tangible assets

Intangible assets

MEUR	Goodwill	Development expenses	Intangible rights	Advance payments	Total
Acquisition cost 1 Jan 2023	48.6	12.3	22.9	0.0	83.8
Translation differences	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.2	-0.1	0.1
Scrapping	0.0	0.0	-0.1	0.0	-0.1
Additions	0.0	0.0	0.2	0.1	0.3
Acquisition cost 31 Dec 2023	48.6	12.3	23.2	0.0	84.1
Accumulated amortization and impairment losses 1 Jan 2023	-11.9	-12.3	-20.5	0.0	-44.6
Translation differences	-0.0	0.0	0.0	0.0	-0.0
Scrapping	0.0	0.0	0.0	0.0	0.0
Amortization for the period incl. exchange rate diff.	0.0	0.0	-0.7	0.0	-0.7
Accumulated amortization and impairment losses 31 Dec 2023	-11.9	-12.3	-21.1	0.0	-45.3
Net book value at 31 Dec 2023	**36.7**	**0.0**	**2.1**	**0.0**	**38.9**

MEUR	Goodwill	Development expenses	Intangible rights	Advance payments	Total
Acquisition cost 1 Jan 2022	40.4	12.3	22.4	0.1	75.1
Translation differences	-0.2	0.0	0.0	0.0	-0.2
Reclassifications	0.0	0.0	0.2	-0.1	0.1
Companies acquired	8.4	0.0	0.1	0.0	8.5
Additions	0.0	0.0	0.3	0.0	0.3
Acquisition cost 31 Dec 2022	48.6	12.3	22.9	0.0	83.8
Accumulated amortization and impairment losses 1 Jan 2022	-12.1	-12.3	-19.7	0.0	-44.1
Translation differences	0.2	0.0	0.0	0.0	0.2
Companies acquired	0.0	0.0	-0.0	0.0	-0.0
Amortization for the period incl. exchange rate diff.	0.0	0.0	-0.7	0.0	-0.7
Accumulated amortization and impairment losses 31 Dec 2022	-11.9	-12.3	-20.5	0.0	-44.6
Net book value at 31 Dec 2022	**36.7**	**0.0**	**2.4**	**0.0**	**39.1**

Patria

Tangible assets

MEUR	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2023	4.3	246.6	142.3	4.7	0.6	398.4
Translation differences	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.5	2.7	0.1	-3.5	-0.1
Scrapping	0.0	-0.0	-0.2	-0.0	0.0	-0.3
Additions	0.1	9.0	7.2	0.3	10.3	27.0
Disposals	0.0	0.9	-2.6	0.0	0.0	-1.7
Acquisition cost 31 Dec 2023	4.4	257.1	149.4	5.0	7.5	423.4
Accumulated depreciation and impairment losses 1 Jan 2023	-0.4	-140.8	-120.7	-3.7	0.0	-265.6
Translation differences	0.0	-0.0	-0.0	0.0	0.0	-0.0
Scrapping	0.0	0.0	0.2	0.0	0.0	0.3
Disposals	0.0	0.2	2.5	0.0	0.0	2.7
Depreciation for the period incl. exchange rate diff.	-0.1	-18.9	-7.8	-0.2	0.0	-27.0
Accumulated depreciation and impairment losses 31 Dec 2023	-0.6	-159.4	-125.8	-3.8	0.0	-289.6
Net book value at 31 Dec 2023	**3.9**	**97.6**	**23.6**	**1.2**	**7.5**	**133.8**

MEUR	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2022	4.2	245.2	134.0	2.4	0.6	386.4
Translation differences	-0.0	-0.8	-0.3	0.0	0.0	-1.1
Reclassifications	0.0	-1.8	1.9	2.2	-2.8	-0.5
Companies acquired	0.1	0.7	3.2	0.1	0.0	4.1
Scrapping	0.0	-0.1	-0.7	-0.1	0.0	-0.9
Additions	0.0	5.6	4.4	0.1	2.7	12.9
Disposals	0.0	-2.3	-0.1	0.0	0.0	-2.4
Acquisition cost 31 Dec 2022	4.3	246.6	142.3	4.7	0.6	398.4
Accumulated depreciation and impairment losses 1 Jan 2022	-0.3	-128.2	-110.5	-1.6	0.0	-240.6
Translation differences	0.0	0.9	0.3	0.0	0.0	1.2
Reclassifications	0.0	2.6	-0.2	-2.0	0.0	0.5
Companies acquired	0.0	-0.3	-2.6	-0.0	0.0	-3.0
Scrapping	0.0	0.1	0.7	0.1	0.0	0.9
Disposals	0.0	1.7	0.1	0.0	0.0	1.9
Depreciation for the period incl. exchange rate diff.	-0.1	-17.5	-8.6	-0.1	0.0	-26.4
Accumulated depreciation and impairment losses 31 Dec 2022	-0.4	-140.8	-120.7	-3.7	0.0	-265.6
Net book value at 31 Dec 2022	**3.9**	**105.8**	**21.5**	**1.0**	**0.6**	**132.8**

Patria

Tangible assets include capitalized leases as follows

MEUR	Buildings and constructions	Machinery and equipment	Land and water	Total
Acquisition cost 1 Jan 2023	130.3	6.0	1.7	138.0
Translation differences	0.0	0.0	0.0	0.0
Disposals and other changes	-8.1	-2.5	0.0	-10.6
Additions	8.4	1.6	0.1	10.2
Acquisition cost 31 Dec 2023	130.6	5.1	1.8	137.6
Accumulated depreciation and impairment losses 1 Jan 2023	-53.3	-3.8	-0.4	-57.5
Disposals and other changes	6.8	2.5	0.0	9.2
Depreciation for the period	-14.4	-1.2	-0.1	-15.7
Accumulated depreciation and impairment losses 31 Dec 2023	-60.9	-2.5	-0.6	-63.9
Net book value at 31 Dec 2023	**69.8**	**2.6**	**1.2**	**73.6**

MEUR	Buildings and constructions	Machinery and equipment	Land and water	Total
Acquisition cost 1 Jan 2022	138.8	5.0	1.7	145.5
Translation differences	-0.0	-0.0	-0.0	-0.1
Disposals and other changes	-13.9	-0.0	0.0	-14.0
Additions	5.4	1.1	0.0	6.5
Acquisition cost 31 Dec 2022	130.3	6.0	1.7	138.0
Accumulated depreciation and impairment losses 1 Jan 2022	-50.9	-2.8	-0.3	-54.0
Disposals and other changes	11.3	0.0	0.0	11.3
Depreciation for the period	-13.6	-1.0	-0.1	-14.8
Accumulated depreciation and impairment losses 31 Dec 2022	-53.3	-3.8	-0.4	-57.5
Net book value at 31 Dec 2022	**77.0**	**2.2**	**1.3**	**80.5**

12. Investments in associated companies and joint ventures

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

2022

MEUR	Domicile	Ownership, %	Assets	Liabilities	Net sales	Profit/Loss
Nammo AS	Raufoss, Norja	50.0	783.0	444.0	737.7	50.3

Shares in associated companies and joint ventures

MEUR	2023	2022
1 Jan	234.8	222.2
Share of results in associated companies and joint ventures	36.3	32.0
Share of comprehensive income in associated companies and joint ventures	-0.7	0.1
Share of previous years comprehensive income in associated companies and joint ventures	0.0	-4.9
Dividend income	-10.8	-11.0
Exchange rate differences and other changes	-1.6	-3.5
31 Dec	258.0	234.8

Business operations with associated companies and joint ventures

No sales to associated companies and joint ventures during the financial year (2023 and 2022).

Receivables and liabilities, associated companies and joint ventures

MEUR	2023	2022
Accounts receivables	0.1	0.1

13. Other shares

MEUR	2023	2022
Book value	0.2	0.2

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

Patria

14. Current assets

Inventories

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

Receivables

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

Prepaid expenses and accrued income

MEUR	2023	2022
Contract assets	74.1	29.8
Other items	6.4	5.0
Total	80.5	34.8

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

Contract balances

MEUR	2023	2022
Trade receivables	156.6	101.6
Contract assets	74.1	29.8
Contract liabilities		
Advances received, other	23.3	28.7
Advances received, over time	99.5	117.4
Revenue recognised in the financial period that was included in the contract liability on 1 January	12.1	19.5
Remaining performance obligations from projects and contracts under execution	827.4	643.3

15. Accruals and deferred income

MEUR	2023	2022
Accrued wages, salaries and social security costs	59.3	51.4
Other items	17.6	14.9
Total	76.9	66.3

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

16. Financial assets valued as fair value

MEUR	Shares	Total
1 Jan 2023	0.2	0.2
Deductions	-0.0	-0.0
31 Dec 2023	0.2	0.2

MEUR	Shares	Total
1 Jan 2022	0.2	0.2
Additions	0.0	0.0
31 Dec 2022	0.2	0.2

17. Financial instruments

Fair value reserve including forward contracts

MEUR	2023	2022
Fair value	3.4	5.0
Deferred taxes	-0.7	-1.0
Fair value reserve 31 Dec	2.7	4.0
Fair value changes recognized in equity	-1.9	4.4
Fair value changes recognized in income statement	0.3	0.2
Deferred taxes	0.3	-0.9
Change	-1.3	3.6
Fair value	5.0	0.5
Deferred taxes	-1.0	-0.1
Fair value reserve 1 Jan	4.0	0.4

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

2023 MEUR	At fair value through income statement Level 2	Measured at amortised cost	Book value	Note
Non-current financial assets				
Other shares	0.2		0.2	13
Current financial assets				
Accounts receivable		156.5	156.5	2
Receivables from associated companies and joint ventures		0.1	0.1	12
Derivative financial instruments	4.1		4.1	2
Liquid funds		44.1	44.1	
Carrying amount by category	4.3	200.7	205.0	
Non-current financial liabilities				
Interest-bearing liabilities		115.9	115.9	2
Current financial liabilities				
Interest-bearing liabilities		145.1	145.1	2
Accounts payable		76.5	76.5	
Derivative financial instruments	1.2		1.2	2
Carrying amount by category	1.2	337.5	338.7	

2022 MEUR	At fair value through income statement Level 2	Measured at amortised cost	Book value	Note
Non-current financial assets				
Other shares	0.2		0.2	13
Current financial assets				
Accounts receivable		101.5	101.5	2
Receivables from associated companies and joint ventures		0.1	0.1	12
Derivative financial instruments	6.3		6.3	2
Liquid funds		88.6	88.6	
Carrying amount by category	6.5	190.2	196.7	
Non-current financial liabilities				
Interest-bearing liabilities		154.9	154.9	2
Current financial liabilities				
Interest-bearing liabilities		15.6	15.6	2
Accounts payable		70.8	70.8	
Derivative financial instruments	0.5		0.5	2
Carrying amount by category	0.5	241.3	241.8	

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

Share Capital

Patria Oyj share capital on 31 December 2023 stood at EUR 38,024,848.00. All issued shares have been paid up in full.

Patria

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

Other funds
Invested unrestricted equity reserve
Patria Oyj was established in 2010 and the assets were credited to the reserve of invested unrestricted equity. There were no changes in invested unrestricted equity reserve in 2023, and the fund stood at EUR 164,1 million on 31 December 2023.

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

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

Distributable funds
The parent company's non-restricted equity on 31 December 2023 is EUR 164,407,767.79 of which the net profit for the financial period is EUR 4,663,604.99.

Dividend per share
The Board of Directors proposes to the Annual General Meeting that a capital repayment EUR 1.00 per share be paid on the shares owned by the State of Finland and Kongsberg Defence & Aerospace AS. Under the proposal, the total amount of capital repayment will be EUR 27,841,889.00. The capital repayment is distributed from the reserve for invested non-restricted equity. The Board of Directors further proposes that the remaining non-restricted equity, EUR 136,565,878.79 be retained and carried forward.

The dividends paid for 2023 will be decided at the Annual General Meeting on 15 April 2024. This dividend payable is not reflected in these financial statements.

19. Provisions

MEUR	2023	2022
Warranty provisions	7.8	6.6
Other provision	3.5	1.5
Total	11.3	8.1

During the warranty period the claimed faults will be corrected at Patria's expense. The warranty provisions amounted to EUR 7.8 million (EUR 6.6 million) at the end of 2023. Provisions are based on best estimates on the balance sheet date. The provision for warranties covers the expenses due to the repair or replacement of products during their warranty period. The warranty liability is based on historical realised warranty costs and best estimates on the balance sheet date. The usual warranty period is two to four years. Other provisions include various items, such as those related to defects in quality, litigations and offset obligations.

20. Commitments and contingent liabilities

MEUR	2023	2022
Guarantees given on behalf of others	6.8	5.6
Other own contingent liabilities	3.6	3.6
Total	10.3	9.2

21. Related party transactions

Patria Oyj's subsidiaries are as follows

Subsidiaries	Domicile	Ownership, %
Patria Aviation Oy	Jämsä, Finland	100.0
Kiinteistö Oy Jämsän Hekohalli	Jämsä, Finland	100.0
Patria Aerostructures Oy	Jämsä, Finland	100.0
Patricomp Oy	Jämsä, Finland	100.0
Kiinteistö Oy Jämsän Komposiittihalli	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 Holding Slovakia s.r.o.	Trencin, The Slovak Republic	100.0
Patria ISP Oy	Helsinki, Finland	100.0
Patria Belgium Engine Center SRL	Herstal, Belgium	100.0
Patria Latvia SIA	Riga, Latvia	100.0
SIA Defence Partnership Latvia	Cesis, Latvia	70.0
Patria Lithuania UAB	Vilnius, Lithuania	100.0
Patria Netherlands B.V.	Zevenaar, Netherlands	100.0
Patria Components B.V.	Zevenaar, Netherlands	100.0
Patria Services B.V.	Zevenaar, Netherlands	100.0
Patria Land Oy	Helsinki, Finland	100.0
Patria Japan Ltd.	Tokyo, Japan	100.0
Patria Land Middle East Limited	Abu Dhabi, United Arab Emirates	100.0
Patria Land Sverige AB	Stockholm, Sweden	100.0
Patria Land Systems SA (Pty) Ltd	Pretoria, South Africa	100.0
Patria Polska Sp. z o.o.	Warsaw, Poland	100.0
Millog Oy	Tampere, Finland	61.8
Oricopa Kiinteistöt Oy	Orivesi, Finland	100.0
Senop Oy	Kangasala, Finland	100.0
Millog Marine & Power Oy	Salo, Finland	100.0
Milworks OÜ	Tallinn, Estonia	60.0
Svensk Försvarslogistik AB	Stockholm, Sweden	100.0

Net sales and purchases between the Group companies

MEUR	2023	2022
Total	88.0	86.8

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

Information concerning business operations between the Group and its associated companies and joint ventures are included in Note 12. Management's employment benefits are included in Note 7.

Key management consists of the members of the Board of Directors, CEO and other members of the Group management team. There was no outstanding loans receivable from key management on 31 December 2023. Members of the Group management and their immediate circle have not had any essential business relations with the Group companies.

22. Disputes and litigations

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

23. Events after the balance sheet date

In January 2024 it was announced that The Finnish Defence Forces purchased 40 Patria 6x6 armoured vehicles more by redeeming the additional purchase option related to the agreement signed in June 2023. In addition, the strategic partnership agreement between Patria and the Finnish Defence Forces was updated. In the beginning of the year, it was also announced that Patria will deliver flight inspection system installation and modification packages to Fintraffic and STC for Finnish Aviation Academy Embraer Phenom aircrafts.

Patria published two agreements in February 2024 to supply the Patria ARIS electronic intelligence systems (ELINT) to European NATO member countries. With the agreements, customers will have access to the latest version of a high-performance signal intelligence system, tailored to the needs of these countries.

Patria

Financial Statements of the Parent company (FAS)

Balance Sheet, Parent company

ASSETS

MEUR	Note	31 Dec 2023	31 Dec 2022
Non-current assets			
Intangible assets	9		
Intangible rights		0.3	0.3
Goodwill		0.4	0.6
Tangible assets	9		
Machinery and equipment		0.6	0.7
Other tangible assets		0.0	0.0
Investments			
Shares in group companies	10	129.4	133.4
Receivables from group companies	11	9.0	8.3
Shares in associated companies and joint ventures	10	191.6	191.6
Total Non-current assets		**331.4**	**335.0**
Current assets			
Inventories			
Raw materials and supplies		0.1	0.3
Receivables			
Accounts receivable		0.0	0.0
Receivables from group companies	11	135.9	103.3
Other receivables		0.0	0.0
Prepaid expenses and accrued income	11	6.2	8.2
Current investments		0.0	14.9
Cash and cash equivalents		35.4	64.5
Total Current Assets		**177.7**	**191.2**
Total Assets		**509.1**	**526.2**

SHAREHOLDERS' EQUITY AND LIABILITIES

MEUR	Note	31 Dec 2023	31 Dec 2022
Shareholders' equity	12		
Share capital		38.0	38.0
Other funds			
Reserve for invested unrestricted equity		164.1	164.1
Fair value reserve		2.6	4.3
Retained earnings		-4.3	17.3
Net income for the period		4.7	4.8
Total Shareholders' equity		**205.0**	**228.5**
Non-current liabilities			
Loans from financial institutions	13	50.0	80.0
Total Non-current liabilities		**50.0**	**80.0**
Current liabilities			
Other interest-bearing liabilities	13	93.1	0.0
Loans from financial institutions	13	34.8	0.0
Accounts payable		3.1	2.3
Liabilities to group companies	13	106.7	202.1
Deferred tax liabilities		0.6	1.1
Other current liabilities		6.7	5.4
Accruals and deferred income	13	9.0	6.9
Total Current liabilities		**254.1**	**217.7**
Total Shareholders' equity and liabilities		**509.1**	**526.2**

Patria

Income Statement, Parent company

Net income	Note	1-12 2023	%	1-12 2022	%
Net sales	2	**32.1**		**25.6**	
Other operating income	3	3.1		2.8	
Materials and services					
Raw materials and supplies					
Purchases during the financial period		-1.1		-1.3	
Change in inventories		-0.2		0.2	
Personnel expenses	4	-15.9		-13.3	
Depreciation and value adjustments	5	-0.6		-0.6	
Other operating expenses	3	-28.4		-23.7	
Operating profit		**-11.0**	**-34.2%**	**-10.5**	**-41.1%**
Financial income and expenses	6				
Dividend income from group companies		7.7		7.4	
Dividend income from associated companies and joint ventures		10.8		11.0	
Interest and other financial income		7.6		2.2	
Impairment on investments from non-curr assets		-4.0		0.0	
Interest and other financial expenses		-10.0		-5.5	
Exchange gains and losses		0.3		0.2	
Income before appropriations and taxes		**1.5**	**4.7%**	**4.8**	**18.8%**
Appropriations	7	3.2		0.0	
Income taxes	8	0.0		0.0	
Net income		**4.7**	**14.5%**	**4.8**	**18.8%**

Cash Flow Statement, Parent company

MEUR	1-12 2023	1-12 2022
Income before appropriations and taxes	1.5	4.8
Depreciation	0.6	0.6
Financing items	-12.5	-15.3
Other changes	-1.8	5.1
Change in receivables	-10.6	-30.3
Change in inventories	0.2	-0.2
Change in liabilities	3.6	5.8
Cash flow from operations before financial items and taxes	**-18.9**	**-29.4**
Interests paid	-9.0	-2.1
Other financial items	-0.1	-0.2
Dividends received	18.5	18.5
Interests received	7.6	2.2
Paid taxes	0.0	0.0
Cash flow from operating activities	**-2.0**	**-11.0**
Acquired group companies	0.0	-10.6
Purchase of tangible and intangible assets	-0.3	-1.1
Granted loans	-0.7	-3.2
Cash flow from investing activities	**-1.0**	**-14.8**
Change in short-term loans	97.9	-30.0
Change in short-term group receivables and liabilities	-112.4	97.2
Dividends paid	-26.4	-25.1
Cash flow from financing activities	**-41.0**	**42.2**
Change in liquid funds	**-44.0**	**16.4**
Liquid funds 1 Jan	79.4	63.0
Liquid funds 31 Dec	35.4	79.4
Change in liquid funds	**-44.0**	**16.4**

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. The Company's financial year is a calendar year.

Revenue recognition

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

Use of estimates

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

Fixed assets and depreciation

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

The assessed economic lives are as follows:

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

Other tangible assets are not subject to depreciation.

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

Financial assets

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

Foreign currency transactions

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

Derivative instruments

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

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

Grants received

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

Income taxes

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

Inventories

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

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

Provisions

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

Employee benefits

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

Research and development costs

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

Leasing

All leasing payments have been expensed in the income statement.

Appropriations

Appropriations include group contributions.

2. Net sales

Net sales by market area

MEUR	2023	2022
Finland	28.6	23.2
Other Europe	3.4	2.4
Rest of the World	0.0	0.0
Total	32.1	25.6

Net sales by product segment

MEUR	2023	2022
Civilian products	32.1	25.6
Total	32.1	25.6

Revenue recognition

MEUR	2023	2022
Delivery based net sales	32.1	25.6
Total net sales	32.1	25.6

3. Other operating income and expenses

Other operating income

MEUR	2023	2022
Rental income	2.1	2.0
Other operating income	1.1	0.8
Total	3.1	2.8

Other operating expenses

MEUR	2023	2022
Rents	-3.2	-2.9
Real estate expenses	-2.7	-2.5
Travel expenses	-0.7	-0.5
Sales and marketing expenses	-0.6	-0.5
Other operating expenses	-21.2	-17.3
Total	-28.4	-23.7

Principal independent auditor's fees and services

MEUR	2023	2022
Audit fees	-0.1	-0.1
Other services	-0.3	-0.5
Total	-0.4	-0.6

4. Employee benefits and average number of personnel

MEUR	2023	2022
Salaries and fees paid to members of Board of Directors, Consultative Committee and President and CEO	-1.1	-1.1
Other wages and salaries	-12.2	-10.1
Pension and pension insurance costs	-2.2	-1.8
Other indirect personnel expenses	-0.4	-0.3
Total	-15.9	-13.3

Number of personnel, average	2023	2022
Salaried staff	139	125
Total	139	125

Patria

5. Depreciation

MEUR	2023	2022
Depreciation on intangible rights	-0.2	-0.2
Depreciation on other long-term expenditures	-0.1	-0.1
Depreciation on machinery and equipment	-0.3	-0.3
Total	-0.6	-0.6

6. Financial income and expenses

MEUR	2023	2022
Dividend income, group	7.7	7.4
Dividend income, associated companies and joint ventures	10.8	11.0
Interest income, group	4.9	1.5
Interest income, other	2.7	0.6
Total	26.1	20.6

MEUR	2023	2022
Interest expenses, group	-4.0	-0.7
Interest expenses, other	-5.8	-1.6
Impairment on investments from non-current assets	-4.0	-3.0
Other financial expenses, other	-0.1	-0.2
Total	-14.0	-5.5

In 2023, due to the weakened financial performance and future outlook a write-down on Millworks Oü shares was recognised (an impairment on capital loan receivable from Patria Pilot Training Oy in 2022).

MEUR	2023	2022
Exchange rate difference		
Foreign exchange derivatives, non-hedge accounted	-0.1	1.3
Other	0.5	-1.2
Total	0.3	0.2

7. Appropriations

MEUR	2023	2022
Group contributions	3.2	0.0
Total	3.2	0.0

8. Income taxes

MEUR	2023	2022
Income tax from continuing operations	0.5	0.0
Income tax from appropriations	-0.5	0.0
Total	0.0	0.0

MEUR	2023	2022
Income taxes	0.0	0.0
Income taxes previous period	0.0	0.0
Total	0.0	0.0

Patria

9. Intangible and tangible assets

Intangible assets

MEUR	Intangible rights	Goodwill	Other long-term expenditures	Total
Acquisition cost 1 Jan 2023	7.3	0.7	0.2	8.2
Additions	0.1	0.0	0.0	0.1
Acquisition cost 31 Dec 2023	7.4	0.7	0.2	8.3
Accumulated amortization and impairment losses 1 Jan 2023	-7.0	-0.1	-0.2	-7.3
Amortization for the period incl. exchange rate diff. in P&L	-0.2	-0.1	0.0	-0.3
Accumulated amortization and impairment losses 31 Dec 2023	-7.2	-0.3	-0.2	-7.6
Net book value at 31 Dec 2023	**0.3**	**0.4**	**0.0**	**0.7**

MEUR	Intangible rights	Goodwill	Other long-term expenditures	Total
Acquisition cost 1 Jan 2022	7.2	0.0	0.2	7.4
Additions	0.1	0.7	0.0	0.8
Acquisition cost 31 Dec 2022	7.3	0.7	0.2	8.2
Accumulated amortization and impairment losses 1 Jan 2022	-6.8	0.0	-0.2	-7.0
Amortization for the period incl. exchange rate diff. in P&L	-0.2	-0.1	0.0	-0.3
Accumulated amortization and impairment losses 31 Dec 2022	-7.0	-0.1	-0.2	-7.3
Net book value at 31 Dec 2022	**0.3**	**0.6**	**0.0**	**0.9**

Tangible assets

MEUR	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2023	5.5	0.0	0.0	5.5
Additions	0.2	0.0	0.0	0.2
Acquisition cost 31 Dec 2023	5.8	0.0	0.0	5.8
Accumulated depreciation and impairment losses 1 Jan 2023	-4.8	0.0	0.0	-4.8
Depreciation for the period incl. exchange rate diff. in P&L	-0.3	0.0	0.0	-0.3
Accumulated depreciation and impairment losses 31 Dec 2023	-5.1	0.0	0.0	-5.1
Net book value at 31 Dec 2023	**0.6**	**0.0**	**0.0**	**0.7**

MEUR	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2022	5.0	0.0	0.3	5.3
Reclassifications	0.3	0.0	-0.3	0.0
Additions	0.2	0.0	0.0	0.2
Acquisition cost 31 Dec 2022	5.5	0.0	0.0	5.5
Accumulated depreciation and impairment losses 1 Jan 2022	-4.5	0.0	0.0	-4.5
Depreciation for the period incl. exchange rate diff. in P&L	-0.3	0.0	0.0	-0.3
Accumulated depreciation and impairment losses 31 Dec 2022	-4.8	0.0	0.0	-4.8
Net book value at 31 Dec 2022	**0.7**	**0.0**	**0.0**	**0.7**

Patria

10. Investments

Shares in subsidiaries

MEUR	2023	2022
1 Jan	133.4	122.8
Additions	0.0	10.6
Write-downs	-4.0	0.0
Total 31 Dec	129.4	133.4

Shares in associated companies and joint ventures

MEUR	2023	2022
1 Jan	191.6	191.7
Disposals	0.0	-0.0
Total 31 Dec	191.6	191.6

11. Non-current and current receivables

Non-current receivables from group companies

MEUR	2023	2022
Loan receivable	9.0	8.3
Total	9.0	8.3

Current receivables from group companies

MEUR	2023	2022
Accounts receivable	37.9	25.0
Other receivables	97.7	77.6
Derivative financial receivables	0.3	0.5
Accruals and deferred income	0.0	0.2
Total	135.9	103.3

Current receivables from associated companies and joint ventures

No receivables from associated companies and joint ventures during the financial year (2023 and 2022).

Prepaid expenses and accrued income

MEUR	2023	2022
Derivative financial receivables	4.1	6.3
Other receivables	2.1	1.9
Total	6.2	8.2

12. Shareholders' equity

Changes in Shareholders' Equity

MEUR	2023	2022
Share capital 1 Jan	38.0	38.0
Share capital 31 Dec	38.0	38.0
Invested non-restricted equity fund 1 Jan	164.1	164.1
Invested non-restricted equity fund 31 Dec	164.1	164.1
Fair value reserve 1 Jan	4.3	0.3
Change	-1.7	4.0
Fair value reserve 31 Dec	2.6	4.3
Retained earnings 1 Jan	22.1	42.4
Distribution of dividends	-26.4	-25.1
Retained earnings 31 Dec	-4.3	17.3
Net income	4.7	4.8
Total shareholders' equity 31 Dec	**205.0**	**228.5**

Distributable funds

MEUR	2023	2022
Invested non-restricted equity fund 31 Dec	164.1	164.1
Retained earnings 31 Dec	-4.3	17.3
Net income	4.7	4.8
Distributable funds	164.4	186.2

Patria

13. Current liabilities

Maturity of interest bearing liabilities

MEUR	2024	2025	2026	2027	2028-	Total
Loans from financial institutions	34.8	50.0	0.0	0.0	0.0	84.8
Liabilities, group account	105.0	0.0	0.0	0.0	0.0	105.0
Other interest-bearing liabilities	93.1	0.0	0.0	0.0	0.0	93.1
Total 2023	232.9	50.0	0.0	0.0	0.0	282.9

MEUR	2023	2024	2025	2026	2027-	Total
Loans from financial institutions	0.0	80.0	0.0	0.0	0.0	80.0
Liabilities, group account	200.5	0.0	0.0	0.0	0.0	200.5
Total 2022	200.5	80.0	0.0	0.0	0.0	280.5

Interest bearing liabilities

MEUR	2023	2022
Loans from financial institutions	84.8	80.0
Other loans	93.1	0.0
Total	177.9	80.0

Current liabilities to group companies

MEUR	2023	2022
Accounts payable	1.2	1.2
Other liabilities	105.0	200.5
Derivative financial liabilties	0.4	0.3
Total	106.7	202.1

Accruals and deferred income

MEUR	2023	2022
Accruals related to wages and salaries	5.9	5.0
Derivative financial liabilties	1.2	0.5
Other liabilities	1.9	1.4
Total	9.0	6.9

14. Financial instruments and derivative contracts

Derivative instruments

2023 MEUR	Nominal value	Positive fair values	Negative fair values	Net fair value
Derivative financial instruments designated as cash flow hedges				
Interest rate swap	50.0	3.7	0.0	3.7
Cash flow hedge	50.0	3.7	0.0	3.7
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	122.1	0.7	-1.6	-0.9
Buy	55.4	0.2	-0.5	-0.3
Sell	66.7	0.5	-1.1	-0.6
Non-hedging	122.1	0.7	-1.6	-0.9
Total	**172.1**	**4.4**	**-1.6**	**2.8**

MEUR	2024	2025	2026	2027
Derivative financial assets	0.7	0.0	0.0	3.7
Derivative financial liabilities	-1.6	-0.0	-0.0	0.0

2022 MEUR	Nominal value	Positive fair values	Negative fair values	Net fair value
Derivative financial instruments designated as cash flow hedges				
Interest rate swap	50.0	5.5	0.0	5.5
Cash flow hedge	50.0	5.5	0.0	5.5
Non-hedge accounting derivative financial instruments				
Forward foreign exchange contracts	106.9	1.3	-0.8	0.5
Buy	44.5	0.1	-0.7	-0.6
Sell	62.4	1.2	-0.1	1.1
Non-hedging	106.9	1.3	-0.8	0.5
Total	**156.9**	**6.9**	**-0.8**	**6.1**

MEUR	2023	2024	2025	2026
Derivative financial assets	1.3	0.1	0.0	5.5
Derivative financial liabilities	-0.8	-0.1	0.0	0.0

Offsetting of financial instruments

The company has not netted financial instruments in its balance sheet.

Patria

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

2023 MEUR	At fair value through income statement Level 2	Measured at amortized cost	Book value
Non-current financial assets			
Long-term receivables from group companies		9.0	9.0
Current financial assets			
Accounts receivables from group companies		37.9	37.9
Other receivables		0.0	0.0
Other receivables from group companies	0.3	97.7	98.0
Derivative financial instruments	4.1		4.1
Cash and cash equivalents		35.4	35.4
Carrying amount by category	**4.4**	**180.0**	**184.4**
Non-current financial liabilities			
Interest-bearing liabilities		50.0	50.0
Current financial liabilities			
Interest-bearing liabilities		127.9	127.9
Accounts payable		3.1	3.1
Accounts payable to group companies		1.2	1.2
Other current liabilities to group companies	0.4	105.0	105.4
Other current liabilities		6.7	6.7
Derivative financial instruments	1.2		1.2
Carrying amount by category	**1.6**	**294.0**	**295.6**

2022 MEUR	At fair value through income statement Level 2	Measured at amortized cost	Book value
Non-current financial assets			
Long-term receivables from group companies		8.3	8.3
Current financial assets			
Accounts receivable		0.0	0.0
Accounts receivables from group companies		25.0	25.0
Other receivables from group companies	0.5	77.6	78.1
Derivative financial instruments	6.3		6.3
Current investments		14.9	14.9
Cash and cash equivalents		64.5	64.5
Carrying amount by category	**6.9**	**190.3**	**197.1**
Non-current financial liabilities			
Interest-bearing liabilities		80.0	80.0
Current financial liabilities			
Accounts payable		2.3	2.3
Accounts payable to group companies		1.2	1.2
Other current liabilities to group companies	0.3	200.5	200.8
Other current liabilities		5.4	5.4
Derivative financial instruments	0.5		0.5
Carrying amount by category	**0.8**	**289.4**	**290.3**

According to the Patria's Group Policy Patria Oyj does derivative contracts with the banks according to requests made by group companies. The derivative financial instruments presented on the table are external derivative assets and liabilities. Internal derivative instruments are presented with the receivables from group companies and liabilities to group companies on the column "at fair value through income statement".

Currency risks

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

Hedge accounting is not applied to derivatives hedging balance sheet items. Patria Oyj's own derivative instruments are only hedging balance sheet items.

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

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

The most significant currency exposures on 31 December 2023 were in the Swedish krona (SEK).

IFRS 7 Sensitivity analysis – sensitivity to exchange rate fluctuations 2023

1,000 EUR	SEK
Net exposure – Balance sheet items	110
Euro strengthens / weakens 5% – Effect on income before taxes	-5 / 6
Net exposure – Derivatives under hedge accounting	0
Euro strengthens / weakens 5% – Effect on equity	0 / 0

IFRS 7 Sensitivity analysis – sensitivity to exchange rate fluctuations 2022

1,000 EUR	SEK
Net exposure – Balance sheet items	68
Euro strengthens / weakens 5% – Effect on income before taxes	-3 / 4
Net exposure – Derivatives under hedge accounting	0
Euro strengthens / weakens 5% – Effect on equity	0 / 0

Interest rate risk

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

On 31 December 2023, the average interest fixing term of the liabilities was 0.35 (2.4) years and that of the receivables 2.52 days (10.12 days).

On 31 December 2023, company's interest-bearing liabilities totalled EUR 282.9 million (280.5) out of which EUR 139.8 million (230.5) was floating rate and EUR 143.1 million (50.0) was fixed rate. EUR 105.0 million (200.5) of the floating rate liabilities were from group account. Interest-bearing receivables were EUR 126.0 million which were floating rate. (2022: Interest-bearing receivables were EUR 157.0 million out of which EUR 142.1 million were floating rate and EUR 14.9 million was fixed rate.) EUR 94.5 million (77.6) of the interest-bearing receivables were receivables from group account. Patria Oyj has open interest derivatives EUR 50.0 million (50.0) on 31 December 2023.

15. Commitments and contingent liabilities

Commitments and contingent liabilities

MEUR	2023	2022
Guarantees given on behalf of group companies	60.0	43.7
Guarantees given on behalf of others	2.3	0.9
Other own contingent liabilities	0.3	0.5
Total	62.7	45.0

Leasing commitments

MEUR	2023	2022
Payments due next year	3.7	3.5
1–5 years	6.1	8.8
Payments due in thereafter	4.1	4.6
Total	13.9	16.9

Patria

Board of Directors' proposal for profit distribution

The parent company's non-restricted equity on 31 December 2023 is EUR 164,407,767.79 of which the net profit for the financial period is EUR 4,663,604.99.

The Board of Directors proposes to the Annual General Meeting that a capital repayment EUR 1.00 per share be paid on the shares owned by the State of Finland and Kongsberg Defence & Aerospace AS. Under the proposal, the total amount of capital repayment will be EUR 27,841,889.00. The capital repayment is distributed from the reserve for invested non-restricted equity. The Board of Directors further proposes that the remaining non-restricted equity, EUR 136,565,878.79 be retained and carried forward.

Helsinki, 7 March 2024

Panu Routila Chairman	Mette Toft Bjørgen
Outi Henriksson	Jukka Juusti
Eirik Lie	Jarle Næss
Iver Christian Olerud	Petri Vihervuori
Esa Rautalinko President and CEO	

Auditor's Statement

A report has been given today on the audit performed.

Helsinki, 7 March 2024

Ernst & Young Oy
Authorised Public Accountants

Juha Hilmola
Authorised Public Accountant

Patria

Corporate governance

Applicable regulations, guidelines and recommendations

Oyj's ("Patria") corporate governance complies with the Limited Liability Companies Act, Auditing Act, Accounting Act and any other binding legislation.

For example, the Limited Liability Companies Act specifies the company's governing bodies, their roles and responsibilities, and the relationships between governing bodies. The Limited Liability Companies Act is also important for shareholders' rights, as it contains regulations on the rights granted by shares and the exercising of those rights. It also contains the company's main corporate governance principles. Patria also complies with other principles and recommendations for good governance that are applicable to companies that are majority-owned by the State. Although Patria is not a listed company, it complies with the applicable sections of the Securities Market Association's Finnish Corporate Governance Code 2020, to the extent that compliance with the Code's recommendations is appropriate for ensuring good governance and taking into account the company's ownership structure and/ or special characteristics or line of business. The most significant deviations from the Code concern Patria's process for appointing members of the Board of Directors and members' independence. This stems from the company's ownership base and other special characteristics.

Patria's auditor is Ernst & Young Oy, Authorised Public Accountants.

In its statement (KILA 2008/1829), the Finnish Accountancy Board urges companies with a legal obligation to keep books to establish a register of the individuals who are their related parties, in order to enable the monitoring of actions taken by related parties. With the authorisation of the Board of Directors, Patria's General Counsel has arranged the monitoring of the company's related parties, by specifying such parties in a Group and organisation diagram, by sending individuals who are related parties enquiries for the preparation of a register of related parties (a form of declaration of related parties), and by regularly updating the information in the register.

Group organisation and administrative system

In 2021 Patria was operationally divided into business units. A new operating model was taken into use in the beginning of 2022 consisting of two profit and loss bearing divisions Global and Finland supported by Portfolio, responsible for products and services, and Operations, responsible for the production chain. The Patria Group consists of the parent company, Patria, and its subsidiaries. In addition to its wholly owned subsidiaries, the Patria Group owns 61.8% of Millog Oy, 50% of Nammo AS and 60% of Milworks OÜ.

Governing bodies

Patria's highest decision-making body is the General Meeting, at which shareholders exercise their decision-making authority. The tasks of the General Meeting include matters specified in legislation and Patria's Article of Association, such as deciding on the fees paid to members of the Board of Directors and its Committees, the Consultative Committee, and the company's auditor. An Extraordinary General Meeting is held when the Board of Directors deems it necessary, or if the auditor or shareholders holding at least ten per cent of all shares demand one in writing to handle a specific matter.

Patria's Board of Directors consists of the Board members elected by the General Meeting. The Board of Directors handles Patria's corporate governance and the appropriate organisation of its operations.

Patria's operative business is managed by the CEO, who is appointed by the Board of Directors. The CEO handles the daily management of the company and Patria Group in accordance with the guidelines and instructions issued by the Board of Directors. The CEO is supported by the Group Management Team. Each business function also has its own management team. The Boards of wholly owned Group companies are only responsible for the statutory minimum duties specified in the relevant legislation.

Consultative committee

According to its Articles of Association, Patria Oyj must have a Consultative Committee appointed by the General Meeting. Patria's Articles of Association further state that the Board of Directors must consult the Consultative Committee on matters that concern any marked curtailment or expansion of operations or any vital changes to the company's organisation, or which are otherwise of great importance to the line of business that the company is engaged in, either in Finland or internationally.

The Consultative Committee consists of a chair, a vice-chair, and a maximum of ten other members. The Consultative Committee had 12 members during the financial year and convened three times in 2023.

Composition, selection procedure and operation of the Board of Directors

According to Patria's Articles of Association, the Board shall consist of eight (8) members, including the Chairman of the Board (the "Chairman"). The OSD (= VNK) and the Investor (= Kongsberg) shall each have the right, in their sole discretion, to nominate fifty per cent (50%) of the members of the Board (and to substitute such members at any given time). The OSD and the Investor shall in good faith consult with each other, within the Ownership Meeting, regarding the nominations. The OSD shall have the right to nominate the Chairman. The General Meeting elects the chair and other Board members and decides on their remuneration. The Board members are elected for one year at a time, their terms of office ending at the close of the first Annual General Meeting held subsequent to their election.

The Board convened 14 times in 2023.

Principal duties of the Board of Directors and distribution of duties

The Board of Directors is responsible for Patria's corporate governance and the appropriate organisation of its operations in accordance with applicable legislation, the company's Articles of Association, and any instructions issued by the General Meeting. The Board of Directors appoints the President & CEO and supervises his actions. In addition to its statutory tasks, the Board of Directors' main task is to decide on the Group's strategic policies. The Board of Directors steers and supervises the Group's various businesses, to ensure that the Group complies with applicable regulations and operates in a commercially appropriate manner that generates added value for shareholders. The Board therefore makes decisions on the Group's key operating principles, and annually approves the Group's financial targets, operational objectives, Financial Statements, and any interim reports. It also decides on any significant investments. The Board confirms the Group's ethical values and operational principles, and monitors compliance with these values and principles. The Board also approves the general setup of the Group's organisational and operational structure. Its task is to promote the interests of both the Group and its stakeholders. The Board has appointed an Audit Committee and a Nomination and Compensation Committee. The Board has no agreed division of workloads, except for its Committees.

Nomination and Compensation Committee

The Committee consists of the Chairman of the Committee and at least two (2) members, who are all elected annually after the General Meeting by the Board from among its members. These members have the experience and expertise required by the Committee's tasks. The Nomination and Compensation Committee prepares the Group's and management's payroll structures, along with any bonus and incentive systems. It also approves key appointments. The Nomination and Compensation Committee convened four times during 2023.

Audit Committee

The Audit Committee consists of the Chairman of the Committee and at least two (2) members, who are all elected annually after the Annual General Meeting by the Board from among its members. The members of the Committee shall have the qualifications necessary to perform the responsibilities of the audit committee. At least one (1) member shall have experience specifically in accounting, bookkeeping or auditing. The Audit Committee supervises and monitors matters such as the implementation of the Group's internal controls, risk management and financial reporting. It is also tasked with supervising the Group's financial reporting, the drawing up of its Financial Statements, and matters related to compliance and ethics. The Audit Committee convened four times during 2023.

The company's President & CEO and group management

Patria's President & CEO is responsible for managing the business activities and governance of both the company and the Group in accordance with the provisions of the Limited Liability Companies Act and any guidelines or rules issued by the Board of Directors. The President and CEO is assisted by the Group Management Team, which convenes monthly, and which consists of Presidents of each business function, Chief Financial Officer, Chief Legal Officer, Chief Program Officer, HX, and Chief Human Resources Officer. In addition, the Group management meets in other combinations as and when necessary for management purposes.

Corporate responsibility is directed by the ESG Steering Group, which is coordinated by the Chief Legal Officer. In addition to the CLO, the members of the group are the heads of HR, finance, communications and QEHS. Patria also has ESG working groups specialising in the environment, compliance, finance, procurement and well-being at work. Head of Compliance reports to the Chief Legal Officer and is responsible for matters related to compliance and ethics (incl. anti-corruption work).

Compensation

Information on the compensation and benefits paid to the Board of Directors, Board Committees and Patria's management is available in the Notes to the Financial Statements.

Monitoring and controls

In accordance with the Limited Liability Companies Act, the Board of Directors must ensure that the supervision of accounting and financial management has been appropriately organised. The President & CEO must ensure that the company's accounting complies with legislation and that financial administration has been reliably organised. Patria's management is responsible for ensuring that the Group's routine operations comply with all of the relevant legal provisions and Board resolutions, and that Group risk management has been organised in an appropriate manner.

The Executive Vice Presidents of Patria's business functions are members of the Group's Management Team, which enhances and clarifies leadership and leads to more effectively organised.

A reporting system has been set up to handle the Group's financial control, and it produces diverse information about the Group's financial position and its development on a monthly basis. The Group has a clearly defined decision-making hierarchy for investments.

Patria has an Internal Audit function outsourced to an independent operator. This audit evaluates and verifies the efficiency and appropriateness of the Group's risk management and internal controls, the reliability of financial reporting, and compliance with the legislation and guidelines. Patria's internal auditors comply with the International Standards for the Professional Practice of Internal Auditing. The Internal Audit reports on its activities and findings to the Audit Committee and the President & CEO. The Audit Committee approves the internal audit plans on an annual basis.

The company's auditors report their observations at least once a year to the relevant business units and to the Group's financial management, as well as to the Board of Directors and the Audit Committee. The auditors also submit a statutory auditors' report to the company's shareholders.

Industrial Participation

In defence procurement, Industrial Participation (IP) in the target country is a common condition and requirement for supply contracts.

In an industrial participation agreement, the seller (a company) must commit to compensating the value of the purchasing contract to the purchaser (a country), either in whole or in part. The aim is to ensure industrial participation via a purchasing contract that will create the agreed added value for the procuring country. The requirements and processes for industrial participation are defined in accordance with each target country's national regulations and any contract-specific requirements. The European Union also regulates the framework for industrial participation.

Patria operates in the defence sector, in which industrial participation is a general requirement and condition of defence contracts. Patria can export its products either directly through a project or, if the government purchasing defence materiel from Patria so requires, via other industrial participation arrangements or activities. When deciding on involvement in projects requiring industrial participation, Patria considers factors such as its business interests, the value of industrial participation and its relation to the value of the main agreement or transaction. Senior management must also steer and supervise any activities related to industrial participation in accordance with clearly stated responsibilities.

Industrial participation arrangements and activities comply with the regulations and practices of the countries in question. These arrangements may also include externally created industrial participation activities and collaboration with others who have industrial participation obligations (that is, with those considered to be third parties to the agreement), but only as long as this is permissible under the applicable regulations and practices.

Bilateral industrial participation relief or exchanges are also possible if they are conducted with a permit from the relevant authorities and in accordance with the applicable regulations and contractual terms and conditions. Patria's management, Board of Directors and the Board's Audit Committee are duly notified of the company's industrial participation obligations.

All industrial participation obligations and activities are governed by the following unconditional requirements:

- Industrial participation obligations and activities that are permissible under the applicable legislation, regulations and international agreements must comply with legislation and regulations.
- The arrangements must comply with the Patria Group's ethical and standardisation practices, the Patria Group's Ethical Code of Conduct, and the guidelines and other instructions governing industrial participation.
- Applicable due diligence reports must be made on any and all partners and vendors related to such arrangements and transactions, with a special focus on anti-bribery and anti-corruption.
- In order to mitigate legal risks and ensure the compliance of Patria's industrial participation activities, Patria must conduct a comprehensive legal analysis of the industrial participation regulations applicable in the country in question.
- All relevant financial and non-financial risks must be assessed and systematically controlled.

Carrying out Patria's industrial participation obligations:

Since the beginning of 2022, industrial participation has been part of the Global Division's operations and is being managed in accordance with the aforementioned principles. Patria's obligations are based on both the agreements transferred from the Land business unit at the end of 2021 and new agreements that were signed in 2022.

Patria

Risk management and internal control

Risk management and internal control are a vital part of Patria's corporate governance system. Risk management and internal control also help to ensure that operational and profitability targets are achieved. They can likewise help to ensure appropriate reporting, compliance with legislation and regulations, and the protection of Patria's reputation.

Risk management framework

Patria has a risk management and internal control policy approved by the Board of Directors, which specifies the related tasks, objectives, components, responsibilities and authorisations. The Board of Directors, and in practice the Audit Committee appointed by the Board, supervises risk management and internal control as the highest decision-making body.

Primary responsibility for risk management and internal control lies with business units and group functions within their respective fields of responsibility.

The CEO is responsible for the appropriateness and monitoring of Patria's risk management and internal controls. Patria's group functions steer the Group's risk management and internal controls, and supervise them at various levels. Patria's internal audit and external auditors assess the effectiveness of the company's risk management and internal control. Patria's customers also carry out their own audits and use various means to monitor Patria's compliance with their requirements.

A risk is either a negative or positive uncertainty factor that may affect Patria's operational targets, profitability or other aspects of the company's business. Risk management is the process of ensuring the appropriate and adequate identification, assessment and handling of both risks and opportunities. Risk management helps to ensure that targets are achieved and resources are not wasted. Patria's risk management is based on the COSO ERM framework, ISO 31000 standard, and the sector's own standards and requirements.

In 2021, the Group began updating its Enterprise Risk Management (ERM) operating model. Work on preparing and mobilising the updated model began in 2022 and continued in 2023 and will continue also in 2024.

Internal audit

Patria has an Internal Audit function outsourced to an independent operator. This audit evaluates and verifies the effectiveness and appropriateness of the Group's operations, risk management and internal controls; the reliability of internal and external reporting; and compliance with applicable legislation and guidelines.

The Audit Committee approves the internal audit plan on an annual basis. From time to time, the Audit Committee and Board of Directors may give instructions to carry out specific internal audits or other control measures. The results of internal audits are regularly reported to both the Audit Committee and Patria's management.

Risks and opportunities

The key areas and issues related to Patria's companies, business units and risk management are described below, that is, those that may pose risks, subject Patria to risks, or create opportunities. Financial risks are mentioned in the Notes to the Financial Statements.

Export licences and changes in the defence sector

The international defence sector is in a constant state of flux. Acquisitions and mergers are taking place, new operators are emerging, the complexity of customer requirements and use of new technologies is increasing, and competition is intensifying. The operating environment is also being affected by changes in international relations, such as the military operations initiated by Russia in Ukraine, which led to developments in NATO cooperation and Finland joining the organisation in April 2023, and large-scale sanctions to which Finland is also committed. Patria responds to competition by improving its understanding and anticipation of customer needs, and by developing and commercialising new competitive products, services and solutions. The export of defence materiel requires an export or transfer licence, which in Finland is issued by the Ministry of Defence or, in some cases, by the Government. Circumstances in the potential destination country may prevent the issue of an export licence; or circumstances in the country to which an export licence has been granted may change such that the licence is permanently withdrawn or temporarily suspended.

Strategic partnerships

Building strategic partnerships with key customers, contractors and suppliers is vital for Patria's success. Patria is constantly seeking to identify new business opportunities and create, maintain and develop strategic partnerships.

Process quality and cost-effectiveness

Patria's success also requires efficient and flexible processes and improved cost competitiveness. Patria continuously and systematically develops its processes and improves its competitiveness.

Sales and delivery projects

Due to the nature of certain segments of Patria's business, individual sales and delivery projects can be very large in relation to the Group's annual net sales. They may include product development, require extensive subcontracting and co-operation with third parties, and last for several years.

The content of these deliveries and forms of collaboration may be complex in nature. The risks involved in such projects are typically diverse and significant, requiring thorough assessment and management.

Project management and project-related risk management is constantly being developed and improved, and their connection to the Group-level ERM operating model is being taken into account during the model's preparation and implementation.

Safeguarding and developing competencies and expertise

Patria's business units require versatile competencies, often in highly specialised fields in which the availability of expertise may be scarce. The timely securing and development of required resources and competencies is vital, and is therefore the subject of systematic long-term efforts.

Compliance

Patria is committed to compliance with ethical conduct, any applicable laws and regulations in its operating countries, and the agreements and commitments signed by the company. Patria invests considerable effort in ensuring compliant and ethical business practices through regular training, communications, and guidelines and processes for ethical conduct. As Patria's operating environment is complex and Patria operates in many countries and under different jurisdictions and complex regulations, violations may occur despite Patria's good intentions and efforts to ensure ethical operations.

Violations may result in financial losses and damage to Patria's reputation. Patria's ethical principles are presented in the company's Ethical Code of Conduct, which defines the principles that apply to Patria and all of its personnel. Compliance with these ethical guidelines is monitored internally, and any non-conformities are investigated and dealt with. Patria's partners and critical suppliers are also subjected to a thorough advance review, and contractual obligations concerning ethical conduct are defined for such parties.

Information and cyber security

A lot of Patria's business involves the management of secret and confidential information belonging to both Patria and third parties. This makes Patria a target for cyberattacks and other threats. If secret or confidential information were accessed or used by unauthorised parties, it could be highly detrimental to both Patria and the owners of the information. Patria maintains a high level of information security and continuously works to make further improvements.

Other security and accident risks

Patria's business units and group functions regularly assess risks relating to persons, the environment or other damage. These assessments are used to define and implement annual development measures to ensure the security and continuity of operations.

Patria

Board of Directors 2023

Panu Routila
Chairman of the Board of Directors
Doctor of Business Administration
Board member as of 4 February 2020

Petri Vihervuori
Senior Financial Adviser, the Ownership Steering Department in the Prime Minister's Office, State representative
Board member as of 2018

Jarle Næss
Senior Vice President Business Development, Kongsberg Defence & Aerospace
Board member as of 2018

Eirik Lie
Executive Vice President, KONGSBERG and President, Kongsberg Defence & Aerospace
Board member as of 2019

Mette Toft Bjørgen
Executive Vice President Finance, Kongsberg Defence & Aerospace AS
Board member as of 25 March 2022

Iver Christian Olerud
Group EVP Strategy and Business Development, KONGSBERG Group
Board member as of 25 March 2022

Jukka Juusti
MSc. (Eng.)
Board member as of 1 July 2022

Outi Henriksson
Executive Vice President & CFO, Aktia Bank Plc
Board member as of 27 March 2023

Patria

Consultative Committee

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

Consultative Committee 2023

Jari Myllykoski
Chairman
Member of Parliament
Member since November 2020

Janne Sankelo
VIce Chairman
Member of Parliament
Member since October 2019

Riitta Mäkinen
Member
Member of Parliament
Member since October 2019

Vesa Virtanen
Member
Major General, Chief of Defence Command from 1 July 2022, Finland
Member since March 2022

Petri Huru
Member
Member of Parliament
Member since October 2019

Ilona Lundström
Member
Director General, Ministry of Economic Affairs and Employment
Member since December 2022

Hannu Hoskonen
Member
Member of Parliament
Member since August 2019

Gösta Sundström
Member
Mechanic, Patria
Member since March 2022

Jussi Karimäki
Member
Equipment Assembler, Patria
Member since 2009

Juha Kuusi
Member
System Specialist, Patria
Member since 2011

Ilkka Kokko
Member
Specialist, Defence & Security, Patria
Member since 2019

Juha Heikkilä
Member
Equipment Assembler, Patria
Member since March 2023

Patria

Group Management Team

Esa Rautalinko
President and CEO
Master of Economic Sciences
Employed by Patria since 2019

Jukka Holkeri
Executive Vice President, Global
Master of Science (Eng.)
Employed by Patria since 1988

Leena Orpo
Chief Human Resources Officer (CHRO)
Master of Science (Econ.)
Employed by Patria since 2017

Ara Haikarainen
Chief Legal Officer
LL.M./Master of Administrative Sciences
Employed by Patria since 2021

Jussi Järvinen
Executive Vice President, Finland
M.Sc. (Econ.)
Employed by Patria since 2013

Kari Renko
Executive Vice President, Strategic Programs
Master of Science (Eng.), Major General (Eng. Ret.)
Employed by Patria since 11 January 2023

Ville Jaakonsalo
Chief Financial Officer
LL.M./MBA
Employed by Patria since 2010

Manu Skyttä
Executive Vice President, Operations
Master of Science (Eng.)
Employed by Patria since 2022

Pekka Ruutu
Executive Vice President, Portfolio
Master of Science (Eng.)
Employed by Patria since 14 February 2022

Petri Hepola
Chief Program Officer, F-35
PhD (Eng.)
Employed by Patria since 2002

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